

Institutional connectivity: APEC and the Belt and Road

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Focus on connectivity

- **The potential gains from better connectivity are now far greater, than from any further marginal reductions in border barriers.**
 - **World Economic Forum and the World Bank (2013):**
 - *“supply chain barriers to international trade ... are far more significant impediments to trade than tariffs. In fact, reducing supply chain barriers could increase world GDP over six times more than removing all tariffs.”*
- **There are huge gaps in transport, communications and energy networks in the Asia Pacific:**
 - **we should begin to narrow these gaps,**
 - **but we need to do much more than build infrastructure.**

Institutional connectivity

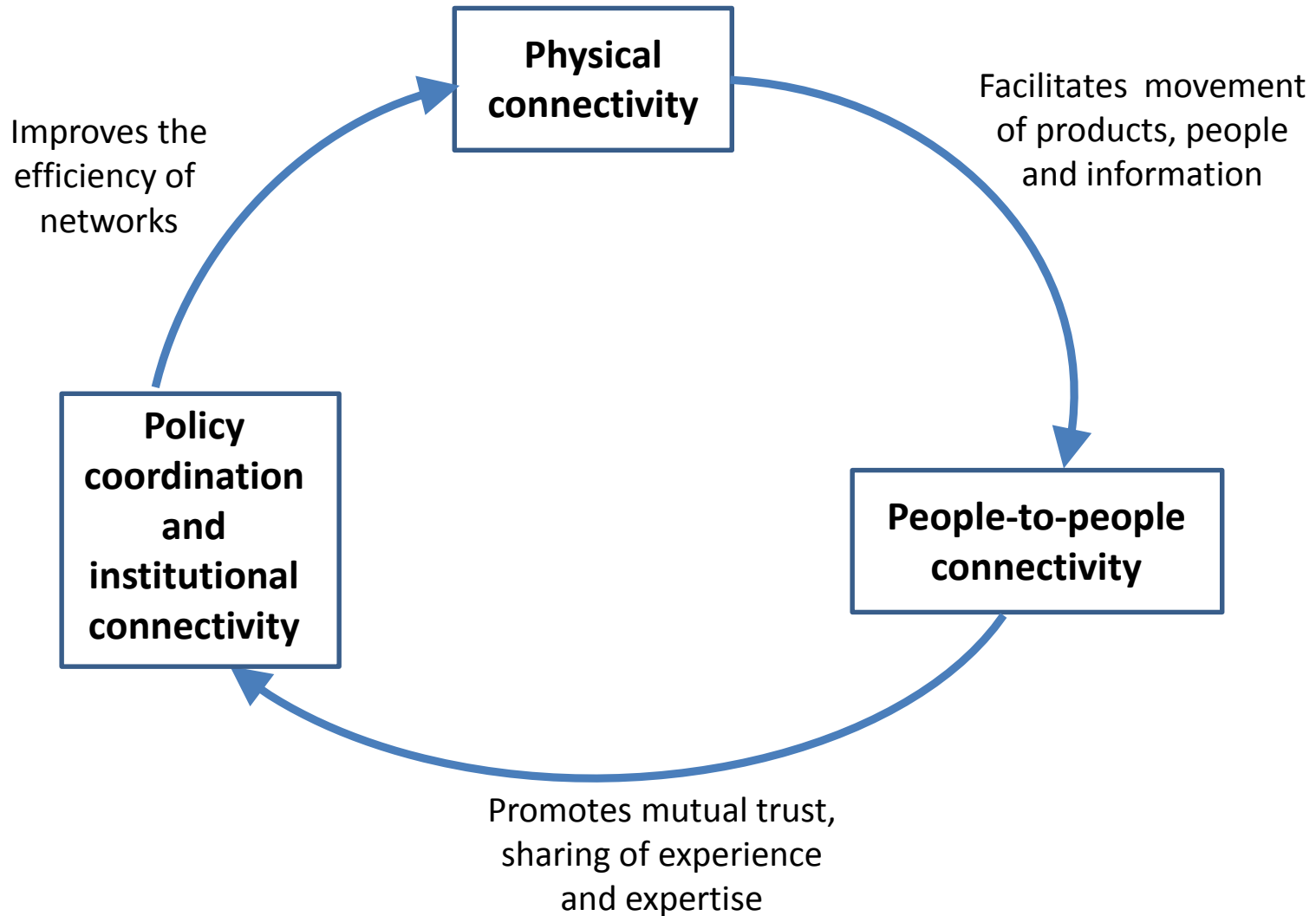
The efficiency of transport, communications and energy networks has to be backed by investing in other forms of connectivity:

- we will need good communications and mutual trust among institutions in the economies we are trying to connect.
- that can lead to the confidence needed for cooperative policy development and convergence.

In this digital age of rapid improvements in information and communications technology:

- institutions in all economies need to learn together and encourage each other to use up-to-date and interoperable software.

Dimensions of connectivity



Examples

- **Transport, communications and energy networks:**
 - need to set agreed standards and share data.
- **Efficient borders:**
 - share and encourage use of modern software;
 - mutual trust.
- **Mutual recognition:**
 - mutual respect for each others standards and their capacity to test products.
- **Financing infrastructure:**
 - innovative strategies to coordinate financing from governments, development banks and institutional investors to finance different stages of project cycles.

Essentials of institutional connectivity

- **Mutual trust and mutual respect:**
 - learning together to take advantage of new technology opportunities.
- **Setting good examples:**
 - sharing information, experience, expertise and technology.
- **Access to data and sharing information:**
 - encourage policies which ensure adequate competition among service providers;
 - avoid policies that restrict access to information so that data can flow smoothly along Belt and Road corridors.

Institutions for connecting economies

- **Preferential trade agreements are not effective means for investing in connectivity :**
 - learning together, mutual trust, mutual respect and cooperative policy formation cannot be achieved by mercantilist negotiations.
- **Smarter forms of international economic cooperation:**
 - APEC and the Belt and Road initiative can both encourage and deliver better connectivity:
 - both are based on shared guiding principles of voluntary cooperation based on mutual respect and trust;
 - there is scope for synergy between these two institutions.

APEC and the connectivity challenge

APEC, backed by PECC, has built up a lot of capacity for cooperative policy development.

APEC has set some useful, small practical examples:

- the APEC Business Travel Card ; and
- encouraging single windows for customs procedures.

But, so far, no serious attention to deliver significant improvements in connectivity;

- **APEC governments have not sought to mobilize the massive financial resources that would be need to be invested.**

Belt and Road and connectivity

- **The Belt and Road initiative is focused on improving connectivity.**
 - with strong leadership and access to significant financial resources.
- **A lot of investment in physical connectivity is already taking place.**
 - but, so far, perhaps not enough attention to what else is needed.
- **After a strong start, Belt and Road leaders need to give a lot more thought to sustaining the momentum of cooperation.**
- **Belt and Road leaders need to move decisively towards:**
 - shared leadership;
 - shared responsibility for financing and managing new investment;
 - backing physical connectivity by investing in all the vital dimensions of connectivity.

PECC, APEC and the Belt and Road creating synergy (1)

- **Decades of joint policy development by PECC has:**
 - led to the design and implementation of better policies and stronger institutions;
 - created confident channels of communications for APEC governments to learn from each other.
- **PECC can now widen its horizon:**
 - engage additional economies to share in the PECC experience;
 - start to bring together economies along some Belt and Road corridors for policy discussions on promoting all dimensions of connectivity.

PECC, APEC and the Belt and Road creating synergy (2)

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- **APEC can be a pathfinder on institutional connectivity:**
 - the APEC Business Travel Card and single windows examples can be taken up by Belt and Road economies.
- **APEC can share the intellectual property that has been created by its networks for cooperative policy development:**
 - can encourage the BNR community to create similar foundations for long-term success.

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- **The Belt and Road example can demonstrate how to mobilise financing for better connectivity.**
 - APEC economies which also participate in the Belt and Road can use the AIIB and other development banks to raise money to improve connectivity;
 - setting more examples to link them to the rest of the world.

Xie, xie for your kind attention

