

# **Connecting the Connectivities to Deepen Economic Cooperation in Asia Pacific**

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Distinguished Guests ,

Ladies and Gentlemen,

Good morning!

It gives me great pleasure to meet officials, scholars, and entrepreneurs of the Asia Pacific region in Yangzhou, a well-known city both historically and culturally, in this season with blooming osmanthus blossoms. We are here to discuss the issue of connecting the connectivities in the Asia Pacific region.

The world economy is still striving for a recovery with rather weak driving forces for growth and faltering steps to revival. Various countries in the world are looking for new drivers of economic growth. At the same time, the regional economic integration has come across unprecedented

challenges. On the one hand, the numerous exclusive and enclosed free trade agreements have constituted trading and investment blocks and created the “noodle bowl” effects. Secondly, despite some progress in recent years, connectivity remains the bottleneck for further economic integration of the region.

By means of connectivity, people pursue better market access, facilitation of business transaction, more convenient logistics, lower transaction costs, freer human mobility, and greater ease in doing business. Therefore, the connectivity agenda is in essence the agenda for structural adjustment, reform and opening-up. Greater efforts to secure connectivity are called for to drive economic growth and lay solid foundation for long-term and sustained economic growth. Connectivity calls for open regionalism so as to break the paradox of free trade areas and promote regional and global economic integration.

Today, we are blessed with some advantageous conditions to promote connectivity and cooperation thereof.

Firstly, connectivity has become the consensus of various economies. According to incomplete statistics of APEC, by 2020 there will be over 579 infrastructure projects, scattered in the economies along the Pacific rim. The APEC leaders have agreed to overcome the obstacles of 8 choke points in the supply chains, establish the single-window system across the board, share the good regulatory practice and cases for better coherence, upgrade ease of doing business greatly, and achieve 800 million APEC tourist arrivals by 2025, etc.

Secondly, various economies have accumulated successful

experience and smart solutions in promoting connectivity building , for instance , enhancing the infrastructure building like transportation, doing special promotion in focal areas, designing early harvest, aligning various connectivity initiatives with each other between economies, within sub-regions, and between regions and sub-regions, creating innovative financing mechanisms, and encouraging active participation of the private sector.

Thirdly, the connectivity projects have brought about tangible benefits to the relevant economies. According to a research by the Asia Development Bank, the quality and coverage of the infrastructure network will generate great significance on economic growth, poverty alleviation, and reducing income inequality. For instance, the poverty incidence dropped by 35% in Savannakhet of Laos in six years after the completion of the East West Economic Corridor there. China's experience has it that every 100 million yuan RMB investment in transportation infrastructure will kick off a total social output worth RMB 350 million yuan and directly create 2000 job opportunities. Since the launch of the Belt and Road Initiative, China has enjoyed even closer economic cooperation and trade with relevant economies. In 2015, Chinese enterprises invested US\$14.82 billion in economies along the BRI routes and these economies invested US\$8.46 billion in China, increasing by 18.2% and 23.8% respectively.

Fourthly and more importantly, global and regional organizations have formulated guidelines for the connectivity agenda. In 2014, the APEC Connectivity Blueprint established long-term objectives of building a seamless and comprehensively connected and integrated Asia

Pacific by 2025 in the physical, institutional and people-to-people connectivity. Last year, the UN 2030 Sustainable Development Agenda committed itself to “developing quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human wellbeing.” The recently concluded G20 Summit has further announced to establish a “Global Infrastructure Connectivity Alliance” to enhance the cooperation and synergy of infrastructure programs. All these point to the fact that connectivity has become the common objective globally and in Asia Pacific.

Nevertheless , we are still faced with a lot of difficulties and challenges in the process of advancing connectivity. We still need to exert enormous efforts to solve such problems in Asia Pacific as lack of connectivity measures, de facto unconnectedness between economies despite of connectivity measures, and the underperformance of existing connectivity measures between economies; we need to work together for synergy effect and establish a mechanism to promote connectivity cooperation; and we need to tackle actively various difficulties and potential risks, etc.

Ladies and Gentlemen, the Asia Pacific region shoulders the task of boosting the world economy. In the area of connectivity building and connecting connectivity initiatives, the Asia Pacific region should play a leading role. It is the right time to talk about and work for connecting the connectivities today. I would like to raise the following proposals from my personal perspective.

Firstly, we need to view the significance of connectivity building

and connecting connectivities from a global perspective. We need to establish a grand connectivity concept. By this concept, I mean a global seamless and comprehensively connected and integrated network. To bring such a network into reality, we need not only connectivity inside each economy, but also connectivity between economies; we need not only connectivity within a region, but also connectivity globally. In the Asia Pacific region, connectivity, especially the infrastructure connectivity, provides a key to sustainable development and common prosperity of the region. We therefore set it as our goal to realize connectivity between the developed and the emerging growth centers along the Pacific rim, across the Pacific, in the islands and on the continents. A study of the World Bank indicated that every 10% increase of investment in infrastructure will lead to an increase of one percentage point of economic growth. The World Economic Forum pointed out that if all economies in the world reduce the supply chain barriers by a half, the global GDP will increase by 4.7%, the world trade will increase by 14.5%. In comparison, the elimination of all tariffs will only lead to a 0.7% increase in the world economic growth and 10.1% in world trade.

Secondly, to connect the connectivity initiatives in the Asia Pacific, we need to establish a platform, mainly for the purpose of policy communication, exchange of experience, evaluation of progress, and capacity building. Under the framework of this platform, we can establish respective working mechanisms for physical, institutional and people-to-people connectivity, so as to connect the specific projects and promote connectivity in all the three aspects.

The Asia Pacific region is not short of connectivity projects.

However, in default of such a connecting mechanism, the potential of the individual connectivity projects are limited and the whole region can hardly promote connectivity building with concerted efforts. After the establishment of a platform and the various mechanisms, we will expect a transparent, predictable policy environment, and more importantly, a stable institutional framework.

Thirdly, we need to make joint efforts to create innovative financing mechanisms. According to the forecasts of various economic institutions, in the coming 15 to 20 years, the global demand for infrastructure investment amounts to US\$ 50 trillion. The World Economic Forum points out that the annual demand globally is US\$3.7 trillion while the actual investment is about US\$2.7 trillion. There is a shortage of investment amounting to US\$ 1 trillion. No single economy or any specific international organization can afford to cover such a huge margin. The Asia Infrastructure Investment Bank working jointly with the existing multilateral development banks can make us better off in channeling financial supports for the infrastructure construction in Asia, which has been yearning for investment for so long. I believe we especially need to mobilize the participation of private capitals in connectivity building and we should make full use of the public and private partnership.

Fourthly, APEC's leading role in promoting connectivity should be maintained and APEC needs to place connectivity as one of the pillars of the post-2020 economic cooperation agenda. It can be expected that interaction between connectivity, trade and investment liberalization and facilitation will create interaction for the promotion of regional economic

integration. It is important that APEC take a visionary and regional view and earnestly implement the APEC Connectivity Blueprint in the coming 10 years. I have learned that the upcoming APEC hosts, including Viet Nam and Papua New Guinea, will include connectivity in their designing of themes and issues. This is an important step to maintain the momentum of connectivity building and cooperation.

Ladies and Gentlemen, you have all been dedicated to economic cooperation in Asia Pacific and played a leading role in promoting connectivity. I look forward to your insightful views at the symposium and new intellectual input for the realization of a seamless and comprehensively connected and integrated Asia Pacific. I wish the symposium a great success!

Thank you!