

(Translation)

Connect the Asia-Pacific for Common Prosperity

Remarks by Vice Foreign Minister Li Baodong
At the 70th Session of the United Nations
Economic and Social Commission for Asia and the Pacific

Bangkok, 7 August 2014

Mr. Chair,
Madame Executive Secretary,
Ladies and Gentlemen,

First of all, I would like to extend, on behalf of the Chinese government, congratulations on the opening of the 70th session of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). I also wish to thank the Thai government and ESCAP Secretariat for the thoughtful arrangements made for the session. This session, themed "Regional Connectivity for Shared Prosperity", is a highly relevant one, as it meets the common aspirations of all countries and long-term needs of the region.

Amidst steady recovery of the world economy, the Asia-Pacific has maintained sound momentum of economic development. Its standing and role in the world economy have risen and regional integration has deepened. On the other hand, common development of this region still faces the challenges of an unstable basis of recovery, uneven development, unfair distribution of resources and inadequate infrastructure. With insufficient physical connectivity and outdated soft connectivity in infrastructure development, Asia-Pacific countries have yet to establish a smooth, convenient and efficient regional network, and the potential for integrated regional development has yet to be fully harnessed. Over the years, Asia-Pacific countries have had in-depth discussions and made explorations on how to advance regional connectivity, and have put forward many visionary ideas and recommendations.

— Regional connectivity is the sure path toward regional economic integration. Diversity of development is a defining feature of the Asia-Pacific. Countries are at different development stages, have different

development paths, and face multiple challenges. There is both broader space for cooperation in a diverse context, and inevitably some differences and gaps. Due to development imbalance and limited links, different sub-regions have yet to smoothly connect their infrastructure. An important aspect of regional economic integration is to effectively promote, through wider, deeper and greater regional connectivity, orderly and free flow and better allocation of factors of production within the region, and realize the connection, integration and sharing of regional resources and factors of production. Asia-Pacific countries cannot achieve development with their doors closed. To fulfill the common objective of regional economic integration, we need to remove the obstacles and barriers in various forms, build an all-dimensional and diverse connectivity network, and deepen economic integration across the board.

— Regional connectivity provides new impetus to sustainable growth of Asia-Pacific countries. Whether and how the Asia-Pacific can stay as an engine driving world economic growth is a new question for regional countries to answer. Many of them are at a crucial stage of economic transformation and upgrading. Realizing connectivity, especially advancing infrastructure development, creates a new growth area for sustainable development under the current circumstances, and effectively promotes economic structural adjustment. Infrastructure development is a kind of productive input and it generates a strong multiplier effect. Domestically, it drives demand, creates jobs and increases productivity. And internationally, it facilitates trade and investment, makes the flow of capital, goods and personnel more convenient and efficient, and creates a more smooth and effective environment of production, distribution and consumption for overall economic performance. Infrastructure development now holds the key to long-term and sustainable economic development. Asia-Pacific countries should keenly recognize the significance of infrastructure development to pursue greater and long-term interests with smaller input in the immediate term.

— Regional connectivity will provide firm safeguards for peaceful development and enhanced exchanges and mutual trust in the Asia-Pacific. Connectivity is more of an end than a means. To achieve connectivity, we need an effective economic policy coordination mechanism, an open and mutually beneficial regional and global market, and a transport connectivity architecture with roads cutting through mountains and bridges straddling rivers. More importantly, we need to iron out the suspicions and misgivings among countries, remove trust deficit, and have heart-to-heart communication. Confronted with a complicated regional and international situation, countries need to open

heart to each other, step up dialogue and increase exchanges. Only with trust and cooperation can we achieve regional connectivity and share in the dividend of regional economic growth.

Mr. Chair,

ESCAP, as the UN's most important intergovernmental organization for economic and social development in the Asia-Pacific, is highly representative, and has played a leading role in advancing regional cooperation in connectivity. As a key front-runner in building regional connectivity in the Asia-Pacific, ESCAP has introduced a host of important documents in this area, including the *Intergovernmental Agreement on the Asian Highway Network*, the *Intergovernmental Agreement on the Trans-Asian Railway Network*, the *Intergovernmental Agreement on Dry Ports* and the *Regional Strategic Framework on the Facilitation of International Road Transport*, laying the groundwork and blazing new trails for Asia-Pacific regional connectivity cooperation. These widely recognized achievements represent the historic contribution of ESCAP and are also its important and valuable assets and resources for pursuing connectivity under new conditions. The Chinese government highly commends Executive Secretary Shamshad Akhtar for her commitment to deepening connectivity cooperation in the Asia-Pacific, and will give full support to her and ESCAP to leverage its advantages, pool resources, and do more brainstorming in terms of both policy research and practical cooperation, both potential tapping and external cooperation. To this end, I would like to make the following proposals:

First, start with a good plan with clear priorities. Connectivity in the Asia-Pacific is a complex undertaking and cannot be achieved overnight. Over the years, ESCAP has gained considerable experience in related policy planning. It needs to, on the basis of summarizing past experience, strengthen top-level design for Asia-Pacific connectivity and, take a differentiated approach by starting with easier and smaller projects to gradually put in place a wide-ranging and multi-tiered framework of regional connectivity. Concrete planning should both address the common issues facing the region and, more importantly, enhance the connectivity and coordination of the development plans of all member states with targeted measures. In the initial stage, connectivity of infrastructure, especially that of transport infrastructure, should be the primary focus. A solid structure needs to be established for comprehensive connectivity through the physical connectivity of transport infrastructure.

Second, open up more channels and increase investment. The key to Asia-Pacific connectivity is infrastructure and the bottleneck constraining infrastructure development is lack of financial support. We now need to meet great demands, yet face a big funding gap with high borrowing cost. On the one hand, the current infrastructure in the Asia-Pacific is far from meeting the needs of sustainable economic development; on the other hand, most countries in this region face severe financing bottlenecks in infrastructure investment. According to the Asian Development Bank, Asia's infrastructure development in the coming decade needs US\$8 trillion of investment. Given such a difficult situation, various sides need to face up to the reality and address the problem with an innovative and comprehensive approach. First, we need to harness the important role of the government in infrastructure construction, increase budgetary investment, actively explore a sound mechanism on infrastructure investment and financing, and encourage multi-party participation. Second, we need to make good use of market forces, support the private sector in participating in infrastructure development by eliminating policy barriers and institutional obstacles and giving private capital more access, introduce the mechanism of market competition and actively support and extend public-private partnership for infrastructure. Third, we need to create new platforms. Despite the financing bottleneck, what we need more is workable financing platforms and business model. We have an urgent need to match the huge regional demands for infrastructure construction with the tremendous financing potential outside this region, and establish a specialized multilateral investment and financing platform. Hence, China proposed to set up the Asian Infrastructure Investment Bank and is now working actively to promote its building. We believe the bank will become another important platform for connectivity in the Asia-Pacific.

Third, carry out heart-to-heart communication based on equality and mutual benefit. To promote regional connectivity, we need to respect the realities and potential needs of all countries involved and pursue feasible projects that benefit all through a joint effort in planning and construction. Countries are all equal in this process irrespective of their size and strength. We need to continue to actively implement multi-year projects of strategic importance in developing countries, especially least developed countries, on a trial basis. We Chinese believe that mutual understanding is important in building interpersonal relations and heart-to-heart communication is essential to fostering mutual understanding. We should recognize that advancing regional connectivity meets the trend of our time featuring mutual benefit, openness, inclusiveness, peace and friendship. Countries need to step up

coordination in policy and regulation, and advance cooperation in education, culture, art, health and other social issues to promote cultural integration and heart-to-heart communication among the people.

Fourth, carry out mutual assistance and mutual learning and make joint progress. To expedite infrastructure construction and achieve connectivity has become the consensus among Asia-Pacific countries. Various sides have engaged in extensive, fruitful practical cooperation through bilateral channels and many organizations and mechanisms in the region. This year, APEC has made connectivity a priority issue on its agenda. The *APEC Blueprint on Connectivity* will become one of the important guidelines for connectivity cooperation in the Asia-Pacific. ESCAP needs to continue to bring into play its advantages and strengthen exchanges, cooperation and mutual learning with such mechanisms as APEC, Greater Mekong Subregion Economic Cooperation, Greater Tumen Initiative, ASEAN, ASEAN+3 and Shanghai Cooperation Organization, so as to jointly advance the building of an Asia-Pacific connectivity network in multiple directions and promote multi-dimensional connectivity cooperation in the Asia-Pacific.

Mr. Chair,

Connectivity cannot be achieved overnight. It calls for determination and perseverance, and all parties need to pitch in. China has witnessed, supported and participated in the cooperation to advance connectivity in the Asia-Pacific. As a 5,000 year-old ancient civilization, China, together with people across Asia, opened and preserved the ancient Silk Road with hard work and utmost care. The road helped spread the idea of peace and friendship, promote mutual learning among diverse cultures and facilitate trade in exotic commodities. Having suffered deeply from the bullying and colonial rule by foreign powers in modern times, China knows too well that a closed-door policy only leads to backwardness and humiliation, whereas opening up for win-win cooperation is the only way to make a country strong and prosperous. As a big country with 1.3 billion people that is pressing ahead with all-round reform and opening-up toward the realization of the two centenary goals, China will open wider to the outside world and deepen mutually beneficial cooperation with other countries for full connectivity in the Asia-Pacific region. To this end, China put forth the initiatives of building the Silk Road Economic Belt and the 21st Century Maritime Silk Road, and proposed to set up the Asian Infrastructure Investment Bank as a new regional multilateral institution. These ideas have received high attention of the international community and have been well received by relevant countries. I believe

this is mainly because of the following reasons:

First, openness. China upholds the principle of mutual trust and mutual benefit when pushing forward relevant cooperation. The Chinese leaders have stated clearly that in implementing the Silk Road Economic Belt and the 21st Century Maritime Silk Road initiatives, China will uphold the spirit of "amity, sincerity, mutual benefit and inclusiveness" which guides its neighborhood diplomacy. China will not interfere in other countries' internal affairs, or seek dominance over regional affairs or sphere of influence. These two initiatives are open ones with the focus on economic and cultural cooperation and people-to-people exchanges. They are not aimed at creating exclusive blocks and will not impede existing multilateral mechanisms. China will pursue open regionalism and wants to see that all mechanisms support and complement each other, develop hand in hand and benefit all sides.

Second, sharing. How much benefit China itself can get is not China's main consideration in promoting relevant cooperation. As the biggest developing country in the world and a responsible country in the Asia-Pacific, China is keenly aware that to help others is to help oneself, and that only when we integrate our own interests and growth with the overall interests and steady growth of this whole region, can the big ship of China sail smooth and far. In 2013, China became the biggest trading partner of 128 countries, imported nearly US\$2 trillion worth of goods and invested over US\$90 billion in the non-financial sectors overseas. Nearly 100 million Chinese travelled abroad. It is projected that in the coming five years, China will import US\$10 trillion worth of goods, its outbound investment will exceed US\$500 billion, and about 500 million Chinese will travel abroad. China hopes that implementation of the Silk Road Economic Belt and the 21st Century Maritime Silk Road initiatives will help promote the alignment of development strategies with countries along the route, advance all-round cooperation in industries, trade, finance, energy and resources, deepen cooperation between cities, ports and industrial parks, shift the economic growth model, cultivate new growth areas, increase jobs, improve people's lives, and realize common development with countries along the route so that we all get to share the development benefits generated by sustained growth.

Third, pragmatism. China calls on all countries in the Asia-Pacific to embrace the vision of an Asia-Pacific community. Countries need to abandon the outdated mindset or narrow mentality, and view the relevant initiatives from the perspective of whether they can effectively address the real problems facing the region and whether they meet the common

needs of all. Given the surging demand for infrastructure development, limited financial resources of each country, and anemic private investment, the Asian Infrastructure Investment Bank will provide Asia a new channel for financing. In particular, it will help the low income developing countries benefit from the development of other countries in this region. The Asian Infrastructure Investment Bank will extend a welcoming hand to all countries in an open, inclusive and cooperative manner, and it seeks to work with the World Bank and the Asian Development Bank to promote common development of Asian countries. China sincerely welcomes all countries to contribute ideas to the establishment and operation of the Asian Infrastructure Investment Bank with a view to creating a lean and efficient multilateral development bank.

Ladies and Gentlemen,
Dear Friends,

China's future and destiny have never been so closely linked with that of other countries in the Asia-Pacific and around the world. We will always take history as the teacher, base ourselves on the reality, and take a future-oriented approach to expand and deepen mutually beneficial cooperation with other countries in the Asia-Pacific and around the world and jointly build an Asia-Pacific region that is open, inclusive and interconnected, for common development and shared prosperity.

Thank you.