

Enhance Infrastructure Inter-connectivity to Support the Belt and Road Initiative

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The Silk Road Economic Belt and the 21st Century Maritime Silk Road (the Belt and Road or B&R) traverses Asia, Europe and Africa, connecting the vibrant East Asia economic circle and the well-developed European economic circle. In between there are many densely-populated countries with rich resources and huge development potential. Currently, economies along the B&R are under-developed and not open enough. So they have a strong desire to modernize their economy through improving infrastructure and accelerating industrialization. After 30 years of rapid growth, thanks to the reform and opening-up, China is now the second largest economy in the world. It has accumulated sufficient capital, advanced technologies and favorable market conditions to expand cooperation with B&R countries. Also, thanks to its complete industrial system, China has the scale and comparative advantages in infrastructure construction and equipment manufacturing industries such as transportation, energy and communication, hi-tech industries such as new energy and new materials, as well as emerging sectors such as IT and e-commerce. Particularly, China's rich experience in infrastructure construction provides favorable conditions for it to improve cooperation with B&R countries so as to build the Belt & Road hand in hand.

It is learned that the B&R already has a very huge infrastructure network. Rail mileage totals 569,000 km, roughly 50% of the world's total; highway mileage reaches 18 million km, about 17.6% of the world's total; the number of airports is 3,695, 8.8% of the world's total; inland waterway length totals 333,000 km, about half of the world's total; the number of telephone line and internet server covers 670 million and 408,000 respectively, 58% and 32% of the world's total. Besides, natural gas pipeline and crude oil pipeline mileage extends 560,000 km and 195,000 km respectively. However, though big in size, the B&R infrastructure still faces many problems. First, infrastructure of

transportation, energy, power and telecommunications sectors is old and has little inter-connectivity. Channels have limited capacity for international connection, most of which are missing segments with no efficiency. Second, infrastructure construction and improvement require a large amount of cash, and most projects need a long period for construction, resulting in low profit expectation. Besides, many B&R countries have different land forms, which scares off a lot of construction enterprises. Also, with an under-developed economy, many countries have limited financial resources for infrastructure construction and improvement. Third, institutional establishment is lagging behind. Construction plans, policies and standards among these countries are inconsistent. Poor coordination of infrastructure operation leads to high cost and low efficiency. Fragmented infrastructure and inefficiency are the bottleneck hindering economic development and cooperation in the region.

Under such circumstances, the Chinese government has made infrastructure inter-connectivity one of the key moves in building B&R. It is willing to advance the construction of important international channels together with B&R countries under the precondition that their sovereignty and safety concerns are respected, so as to establish an infrastructure network that connects all Asian sub-zones and among Asia, Europe and Africa. In my opinion, we need better cooperation in the following areas:

First, a multi-level platform for policy exchange needs to be built. Infrastructure inter-connectivity is featured by externality and public goods, especially land inter-connectivity such as railway, highway and pipelines, which traverses many sovereign countries. This necessitates better policy exchange among all relevant countries, which requires the full play of influential organizations such as APEC, SCO, ASEAN+ and Boao Forum for Asia, sub-zone multilateral mechanisms and dialogue mechanisms can also be established for specific infrastructure construction projects. Policy dialogues at various levels can gather opinions from the government, business and academic circles so that countries can learn from each other, solve common problems and reach agreement. The APEC Inter-connectivity Blueprint approved in Beijing last year has been a good example of how dialogues can be helpful.

Second, a detailed plan for cooperation should be made. Given the high cost of infrastructure investment, the huge and wide impact of inter-connectivity, a good plan should be made first as guidance for implementation of specific projects. The plan should take into consideration the demand for economic and social development of relevant countries. It must suit the development strategies and plans of each country while taking into account the demand of other countries; meet the immediate needs and be forward-looking; facilitate economic growth while not ignoring the impact on society and environment. In that regard, China is willing to cooperate with relevant countries in the spirit of equality and mutual benefit and pursue win-win result. Take China-Pakistan Economic Corridor as an example. The two countries have jointly made a Long-term Plan for the Corridor based on the agreement reached between leaders of both sides. The Plan contains preliminary one demonstrating major infrastructure and cooperative projects. The two countries have agreed on a group of early-harvest projects in key areas, in which energy and power projects alone cost US\$30 billion. Since last year, within the B&R framework, China has signed inter-governmental B&R cooperation agreements with Kazakhstan, Kuwait and Qatar. The most recent one is the signing of MOU on Drafting China-Tajikistan Cooperation Plan with Tajikistan. Currently we are making the Development

Plan for China-Mongolia-Russia Economic Corridor together with Mongolia and Russia. It has been applied to specific cooperative areas and projects while taking into account each's development strategies. We have also drafted the Work Program for Plan-making of East Asia Inter-connectivity, which has been submitted to the ASEAN secretariat. Guided by these plans, construction of the second phase of China-Tajikistan highway project and China-Central Asia natural gas pipeline D are picking up speed; construction of Moscow-Kazan high speed rail, China-Laos railway, China-Thailand railway, and China-Kyaukpyu port are all underway; construction of China-Belarus industrial park has also started. All these projects are tailored to the development plans, as well as infrastructure status quo and requirements of countries concerned. They are good examples of the B&R principle of joint discussion, construction and sharing.

Third, an effective financing model should be established for infrastructure inter-connectivity. It goes without saying that the massive B&R infrastructure construction requires a large amount of money. According to the ABD projections in 2009, Asian countries would invest US\$8 trillion in infrastructure construction between 2010 and 2020. Yet there is a huge funding gap due to strained financial resources, backward financial infrastructure, limited capacity of multi-lateral financial institutions (FIs), and lack of investment intention of commercial banks and private enterprises. It requires joint efforts of the international community, especially B&R countries, to expand financing channels and explore new financial models for infrastructure construction. For example, government and commercial forces should be joined so as to employ public fund and attract commercial FIs and private capital through such operation models as PPP; a financial support system featuring appropriate division of responsibilities and good coordination between policy and commercial FIs should be established; multi- and bi-lateral special funds and multilateral development FIs should be fully used; cooperative and other forms of financing institutions should be built to participate in the B&R infrastructure construction. All these will help break the financing bottleneck.

In recent years, China has been trying to expand outside cooperation through multilateral financing platforms. It has proposed to establish BRICS Development Bank, Asian Infrastructure Investment Bank (AIIB), SCO Development Bank, and the Silk Road Fund. Now the establishment of Silk Road Fund has been started, and the Pakistani Karot hydro-power station is the first B&R investment project of the Fund. It is totally misunderstanding that some people worry that China was plotting to challenge existing international multilateral organizations. In fact, China is building these FIs to complement and solidify the existing financial system, so as to provide more solutions to currently unsolved problems. Judging from positive responses of Asian, European and African countries when China proposed to build the AIIB, it is clear that countries around the world have high expectations for new multilateral FIs. I wish more of this kind will be established in the future.

It is the common cause of relevant countries to build B&R together, and improving inter-connectivity is a shared mission. To do that, we need to meet each other halfway. We sincerely hope that all countries can join hands, seize this strategic opportunity of openness and prosperity, and improve inter-connectivity which would benefit billions of people.