



Leaders of APEC economies pose for a group photo during their annual meeting in Da Nang, Viet Nam, on November 11

# ALIGNING GOALS

## APEC members can do more to promote connectivity agenda

**A**s another annual APEC Summit drew to a close in Da Nang, Viet Nam, the future became even more uncertain as the U.S. president lashed out at so-called “chronic trade abuses” and promised to take a bilateral approach to address trade issues. President Donald Trump sent a clear message that his country does not offer a free ride to any country and the U.S. wants to conduct trade on the principles of fairness and reciprocity.

Thus, the vision for building a “seamlessly and comprehensively connected and integrated Asia-Pacific” is seemingly in jeopardy. Such anxiety was soothed to some extent when Chinese President Xi Jinping stated in his keynote speech at the APEC

CEO Summit in Da Nang that “we should uphold multilateralism, pursue shared growth through consultation and collaboration, forge closer partnership, and build a community with a shared future for mankind.”

### Connectivity to prosperity

Xi’s call is well rooted in China’s increasing contribution to APEC, particularly to the very idea of connectivity and the formulation of the APEC Connectivity Blueprint for 2015-25. In September 2013, Xi advocated for the first time the Silk Road Economic Belt during a visit to Central Asia, and the following month he

proposed the 21st-Century Maritime Silk Road in his trip to Indonesia. Since then, China has combined the two and made all-out efforts to design and implement the Silk Road Economic Belt and 21st-Century Maritime Silk Road Initiative, also referred to as the Belt and Road Initiative. On October 8, 2013, APEC leaders confirmed for the first time, with a declaration adopted in Bali, their long-term commitment “to accelerate our physical, institutional and people-to-people connectivity” and achieve the objective of a seamlessly and comprehensively connected and integrated Asia-Pacific. In order to promote connectivity, the declaration laid out specific measures, including the establish-

ment of an APEC Experts Advisory Panel and a Public Private Partnership Center in Indonesia.

Undoubtedly, the China-proposed Belt and Road Initiative inspired the Bali APEC Summit to adopt a connectivity agenda, and China later on expanded the idea of physical, institutional and people-to-people connectivity to include a fourth element, namely, financing. In November 2014, as APEC Summit host, China gave a significant boost to APEC's connectivity agenda. On the one hand, the APEC Secretariat published the APEC Connectivity Blueprint, detailing the goals and objectives of APEC's connectivity agenda and its implementation strategies. In fact, the Blueprint was an action plan. On the other hand, in their joint declaration, APEC leaders committed to "implementing the Blueprint and achieving the overarching goal of strengthening physical, institutional and people-to-people connectivity by taking agreed actions and meeting agreed targets" by 2025.

China laid out the Belt and Road Initiative and systematically carried it out. At the same time, with China's proactive support, APEC adopted its connectivity agenda and put it into practice. Unfortunately, even though the Belt and Road Initiative and APEC's connectivity agenda inspired each other and share a lot of similarities, they basically operate on two parallel tracks with few joint programs. More importantly, whereas the Belt and Road Initiative has gained momentum and is now in full swing, APEC's connectivity agenda has not really taken off and substantially lags behind what China has achieved. China has decided to establish six economic corridors, some of which have already taken shape. So far, the China-Pakistan Economic Corridor has attracted more than \$46 billion worth of investments and is still growing. In addition to on-the-ground projects, China has set up banks to facilitate the implementation of the Belt and

Road Initiative. In his speech at the Bali APEC Summit in 2013, Xi proposed the creation of the Asian Infrastructure Investment Bank with the aim of helping to resolve the bottleneck in infrastructure construction financing. The bank was officially founded in 2015 with 58 member states and registered capital of \$100 billion, half of which came from China. So far, the bank has approved 21 infrastructure projects in 11 Asian countries. Also, in his speech at the Beijing APEC Summit in 2014, Xi announced the setting up of the Silk Road Fund with \$40 billion of registered capital, wholly contributed by China, to serve the Silk Routes infrastructure projects. The fund commenced operation on December 29, 2014. China laid solid financial groundwork for financing the Silk Routes projects, with potential spillover into the APEC connectivity agenda.

### Collective endeavors needed

Alongside the staggering development of the Belt and Road Initiative, APEC struggles to fulfill its promises and battles uphill to implement its connectivity agenda due to two basic problems.

The first is the absence of leadership. The United States, still the world's number one economy, shows little interest in promoting connectivity across the Asia-Pacific region. President Trump detached from the issue as he is preoccupied with jump starting domestic infrastructure construction. The waning interest on the part of the United States highlights the necessity for a nation that has the political will and economic capacity to lead the implementation of the connectivity agenda. Following the spirit of the 19th National Congress of the Communist Party of China, China is poised to offer Chinese wisdom and plans and may be willing to play a larger role in promoting connectivity in the region.

The second problem is the financial bottleneck and lack of experience. Infrastructure construction is time consuming and costly and does not guarantee a profitable payback. Although APEC encourages member economies to explore infrastructure financing by mobilizing private sector resources and public-private partnerships, they struggle to pool enough funding to undertake large projects. Furthermore, APEC's connectivity agenda is troubled by a lack of experts and experienced officials who have been deeply involved in large-scale infrastructure construction. China can offer help in these two key aspects.

But any deep involvement of China in the APEC connectivity agenda should happen with some caveats. First, China needs to remain cool-headed. Even though China is the world's second largest economy and has significant foreign currency reserves, it is not strong enough to shoulder the responsibility of promoting physical connectivity in the whole region and must mobilize all APEC member economies, particularly the developed countries, to undertake collective endeavors. Second, China cannot take full charge of the APEC connectivity agenda, and certainly, the APEC connectivity agenda cannot absorb the Belt and Road Initiative. But China can try to seek synergy between the two programs by focusing on their overlapping region, namely, the West Asia-Pacific region, and figure out what it can do and what it cannot do. Third, China cannot promote connectivity effectively and efficiently in the region without U.S. participation. China and the whole region cannot afford to let the U.S. stay on the sidelines if they want to achieve something.

APEC has long been perceived by some scholars as a show that has produced many high-profile declarations but failed to make any solid progress on any major promises it has made. The connectivity agenda offers APEC its best hope of proving that it can accomplish objectives. China will help this happen. The year 2025 is not too far away, so China and other APEC members need to move quickly to forge a consensus regarding China's role and the synergy between the Belt and Road Initiative and APEC's connectivity agenda. If they fail to promote Asia-Pacific connectivity, they definitely will not be able to achieve the other objective of establishing a free trade area for the region. ■



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