

SPEECH BY MR TEO CHEE HEAN, DEPUTY PRIME MINISTER & COORDINATING MINISTER FOR NATIONAL SECURITY, AT THE BUSINESS CHINA FUTURECHINA GLOBAL FORUM ON 13 JULY 2017 AT 11.25 AM, SHANGRI-LA HOTEL, SINGAPORE

“Enhancing the Potential of the Belt and Road Initiative”

Mr Chen De Ming, President of the Association for Relations Across the Taiwan Straits,

Minister Josephine Teo,

Minister of State Koh Poh Koon,

Mr Lee Yi Shyan, Chairman of Business China,

Mr Lan Tianli, Standing Member of the CPC Guangxi Autonomous Regional Committee and Executive Vice Chairman of the Guangxi Zhuang Autonomous Region,

Professor Zhang Jie, Vice President of the Chinese Academy of Sciences,

Your Excellencies,

Parliamentary Colleagues,

Distinguished Guests,

Ladies and Gentlemen,

Good Morning to all of you.

1. China has made great progress since it started market reforms in 1978, and joined the World Trade Organisation in 2001. China’s economic development is now entering a new phase. Chinese companies and entrepreneurs are expanding beyond the Chinese market into our region and the world.

2. This significant shift signals a new trajectory in China’s development which manifests itself in several new dimensions that have an impact on the economics and geopolitics of our region.

3. China is already the largest trading partner of key regional and global economies. More significantly, China is now also a net exporter of capital. Chinese companies have doubled their overseas acquisitions in 2015 to over US\$ 225 billion last year (2016).

4. This wave of acquisitions reflects the strong interest by Chinese companies to “venture out” of China to source for new markets and new sources of growth. This includes not just state-owned-enterprises in traditional business sectors, but also private companies with new technologies and business models. Chinese companies such as DJI in drones, BYD in batteries, Yingli in solar, Tencent, Alibaba in e-

commerce are global tech giants today. I am glad to see that this Forum continues to have the “Future Economy” as a major theme.

5. China’s “venture-out” strategy is taking place in parallel with the internationalisation of the Renminbi (“RMB”). The RMB is now a major reserve currency, having been included in the IMF’s Special Drawing Rights basket from Oct 2016. China has also signed currency swap arrangements with central banks across the world, and established direct trading and RMB clearing services in many international financial centres including Singapore.

6. China’s new development trajectory brings with it challenges as well, as China continues to tackle issues such as excess industrial capacity and high corporate debt. But the signs are that China is managing this transition well.

7. China has also stepped up to play a larger role internationally, as a strong advocate for global collaboration on issues such as free trade, open markets and climate change. China’s outward facing new development trajectory depends on such a rules-based multilateral order. Ultimately, all countries, big and small, can develop and prosper, with a stable multilateral system, greater economic integration, and a climate of peace and security.

Realising Belt and Road Initiative

8. President Xi Jinping’s “Belt and Road” Initiative is a grand vision that represents China’s efforts to promote regional integration and engage more fully with the global economy.

9. The Belt and Road Initiative recalls the ancient overland Silk Road economic belt connecting China to Europe, together with the Maritime Silk Road connecting Asia, the Middle East and Africa.

10. In President Xi’s speech to the Belt and Road Forum for International Cooperation in May this year, President Xi spoke of the Silk Road Spirit of “peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit”. This Spirit will contribute to the sustained peace and prosperity of all countries along the Belt and Road.

11. China is making significant investments in countries along the Belt and Road through the Asian Infrastructure Investment Bank (AIIB), the Silk Road Fund and the New Development Bank. The China Development Bank and Export-Import Bank of China have extended USD 110 billion in loans for Belt and Road Projects by end 2016.

12. Attention has understandably been largely focused on the headline-grabbing value and scale of specific large infrastructure projects along the Belt and Road. However, China appreciates that realising the full potential of the Belt and Road Initiative involves more dimensions and layers.

13. In its grand sweep, the overarching concept of the Belt and Road is, above all, about “Connectivity”.

- Going beyond the individual projects, to how they connect together in a network.
- Going beyond just physical linkages, to include digital and human networks too.
- Going beyond funding just from China's own financial resources, to leveraging on funding by multiple stake-holders.
- Going beyond being driven principally by China, to being fully inclusive, co-owned by partners, and supported by the people from countries all along the Belt and Road.

Singapore and the Belt and Road

14. Singapore supports the Belt and Road Initiative, and reviving the Silk Road Spirit. We are an early and strong supporter of both the Belt and Road and the AIIB. In October 2014, Singapore joined 20 other countries as founding signatories of the AIIB agreement.

15. In February this year, I co-chaired the 13th Joint Council for Bilateral Cooperation with Politburo Standing Committee Member and Vice Premier Zhang Gaoli. We agreed to make the Belt and Road Initiative a key focus area for our bilateral collaboration. This was followed in May this year, when Singapore and China signed a *Memorandum of Understanding on Jointly Building the Silk Road Economic Belt and the 21st Century Maritime Silk Road* at the Belt and Road Forum in Beijing.

16. Vice Premier Zhang and I had discussed three priority areas for the Belt and Road that Singapore and China could work together on, namely: (i) Enhancing Physical and Digital Connectivity; (ii) Enhancing Financial Connectivity and (iii) Enhancing People-to-People Connectivity.

17. First, Enhancing Physical and Digital Connectivity. Large investments are being made in the cities and hubs along the Belt and Road, and to build new transportation links. The full potential of these investments can be realised when they form a network that allows the safe and free flow of goods - overland across Central Asia; and over the seas along the Maritime Silk Road through the South China Sea, the Straits of Malacca and Singapore, and the Indian Ocean.

18. Let me elaborate on Singapore's position on the Straits of Malacca and Singapore. They are key Straits connecting the Pacific and Indian Ocean Basins, used by vessels from all countries.

19. The Straits of Malacca and Singapore have the status of Straits Used for International Navigation. Passage through these Straits is covered under the regime of transit passage, specifically provided for in international law. Transit passage cannot be suspended or impeded. Singapore is a strong proponent of the right of transit passage for ships and aircraft of all countries through the Straits of Malacca and Singapore. This is a key principle of vital interest to us as trade is our lifeblood. At the same time, adherence to this principle is also critical for the success of the modern Maritime Silk Route, as it ensures the smooth and unhindered flow of trade and traffic through the Straits of Malacca and Singapore. Singapore will continue to uphold this right of transit passage for ships and aircraft of all countries, and will not support any attempt to restrict transit passage to ships or aircraft from any country.

20. In 2006, Singapore disagreed with Australia's proposal to place certain restrictions on vessels transiting the Torres Straits between Papua New Guinea and Australia, even though Singapore is also a strong advocate of marine environmental protection. China too had expressed her disagreement with this Australian proposal at that time.

21. Singapore naval ships and aircraft also work together in the Gulf of Aden, with ships from the navies of China, the United States, NATO, Japan, South Korea and other countries, to ensure that the sea lanes there remain safe from piracy.

22. Working together to keep the key sea lanes open and safe for shipping from all countries, and for all countries, is a key pre-requisite for the modern Maritime Silk Road.

23. Apart from physical connectivity, there is also tremendous potential to leverage on data and digital technology to connect people, and enhance the flow of goods, services and data among cities along the Belt and Road. This will create a network effect that magnifies the benefits in both the physical and virtual space.

24. A good example of both physical and virtual connectivity is the third Singapore-China Government-to-Government project, the China-Singapore (Chongqing) Demonstration Initiative on Strategic Connectivity (or "CCI" in short), launched two years ago. Both countries place emphasis on the CCI as a key priority demonstration project under China's "Belt and Road", Western Region Development and Yangtze River Economic Belt Strategies.

25. At the sidelines of the G20 meeting in Hamburg last week, Prime Minister Lee and President Xi discussed how Singapore could work with China to implement the Belt and Road Initiative including the CCI, which has achieved good progress in the priority areas of finance, transport and logistics, aviation and info-communications technology.

26. I am sure that during this Forum you will hear more about developments in the CCI, such as the Chongqing Logistics Development Platform (CLDP) and the Multimodal Distribution and Connectivity (DC) Centre.

27. Singapore and China are also working together to connect the overland Belt with the maritime Road through a new "Southern Transport Corridor", which completes the link from Chongqing to Beibu Gulf in Guangxi. This new corridor, which has the advantage of being entirely within China's territory, will offer a shorter and more direct trade route between Western China and the sea at Beibu Gulf, and onwards through the Straits of Singapore and Malacca to the Indian Ocean, Africa and Europe.

28. Second, Enhancing Financial Cooperation. Emerging Asia alone is expected to require US\$26 trillion of infrastructure investment from now to 2030. This creates opportunities to deepen financial linkages between Singapore and China to support new project financing needs and the internationalisation of the RMB.

29. Many financial institutions have major operations in Singapore which service countries along the Belt and Road. These financial institutions can play an active role

in financing increased trade and investments between China and ASEAN, and along the Belt and Road. Chinese banks in particular, are growing their operations in Singapore to support the needs of Chinese and Singapore-based corporates participating in the Belt and Road.

30. There is potential for institutional investors to complement traditional bank financing, to match the financing needs of projects as they transition from greenfield and brownfield to the long-term operational phase.

31. The AIIB can also work with other multilateral financing institutions in Singapore such as the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA).

32. There is a need for officials from Belt and Road countries to raise their knowledge of project preparation and finance, and to operate and sustain Belt and Road projects.

33. This brings me to the third area of Enhancing People-to-People Connectivity.

34. In the course of our own development, Singapore and China have accumulated useful experience and expertise which could be relevant for countries along the Belt and Road. Our shared experiences from the three bilateral flagship projects may also be useful for the Belt and Road projects.

35. Singapore and China can collaborate with third countries along the Belt and Road in human capital development. This could include programmes to share experiences in project preparation and finance, operating ports and airports, and managing industrial parks and free trade zones.

36. We can also encourage our think tanks to conduct joint research and seminars on the Belt and Road. This will help to develop greater mutual understanding of the possibilities and potential of the Belt and Road and how it applies to their region or country, and generate proposals and initiatives from the people living in the more than 60 countries along the Belt and Road.

37. Such mutual learning is in line with the Silk Road Spirit of “peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit”.

38. This Spirit has connected the countries and people along the Belt and Road for centuries. In the opening of President Xi’s Speech to the Belt and Road Forum in Beijing, he referred to the “thousand-year-old gilt-bronze Silkworm” from the Han period, and the Belitung shipwreck dating from about 830 AD during the late Tang period. The artefacts from the Belitung shipwreck are on display as part of the collection of the Asian Civilisations Museum here in Singapore. I would encourage our Forum participants to take some time to visit this exhibition.

Singapore-China Relations

39. Ladies and Gentlemen, Singapore and China have built a strong bilateral relationship that has adapted with the changing needs of both countries over the years. When Prime Minister Lee and President Xi met in Hamburg last week, they affirmed the substantive relationship between our two countries, our frequent high-level exchanges, and good progress in bilateral cooperation. Our cooperation on the Belt and Road Initiative is a key example of this, which has much potential for broadening and deepening our relationship and taking it to the next level.

40. Indeed, there are many important partnerships and initiatives that Singapore and China are working on. In the coming year, both countries will be working together on an upgrade of the China-Singapore Free Trade Agreement (FTA). As Country Coordinator for ASEAN-China Dialogue Relations, and when we take on the ASEAN Chairmanship next year, we hope to work with China and our partner countries to expedite the conclusion of the Regional Comprehensive Economic Partnership. These will strengthen the commitment to free trade in our region.

41. As we develop our bilateral relations, we also develop many long-standing friendships with Chinese leaders and officials. I am happy to recognise Mr Chen Deming, President of the Association for Relations Across the Taiwan Straits. He is a long-time friend of more than 20 years. Mr Chen worked with us on the Suzhou Industrial Park when he was Suzhou Mayor and then Party Secretary, and the China-Singapore FTA when he was Commerce Minister. I hope that many more long-lasting friendships will be developed during this Forum, and in the many partnerships that we have between our businesses, and at Government-to-Government level, in the coming years.

Conclusion

42. Let me conclude by returning to the theme of our Forum, and of my speech: Enhancing the Potential of the Belt and Road.

43. The Belt and Road Initiative is a grand vision that has the potential to bring long-lasting benefits for regional development and integration, uplifting the economies and peoples across this whole vast region.

44. While we have often focused on the physical infrastructure of the Belt and Road, other dimensions and layers are also important to realise the full potential of the Belt and Road Initiative.

45. These include going beyond individual projects to form a network, beyond physical links to include digital and human networks; leveraging on international and institutional financial resources; and working inclusively with partners all along the Belt and Road.

46. Singapore will work with China to help realise this potential. The Belt and Road is a key area of work for our Joint Council for Bilateral Cooperation. We will be discussing how we can work together to enhance Physical and Digital Connectivity, Financial Connectivity and People-to-People Connectivity.

47. I would like to commend Business China for organising this Forum, and thank the many speakers, agencies and companies for their support and participation.

48. I wish you a fruitful and interesting Forum. Thank you very much.