

One Belt One Road Forum for International Cooperation

Remarks prepared for delivery by Henry M. Paulson, Jr.

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Let me, first, thank my good friend Zeng Peiyan and the China Center for International Economic Exchanges for their kind invitation to participate in today's event.

Chairman Zeng and I have worked together for more than five years now. First, to build an action-oriented partnership between our two institutes—the Paulson Institute and CCIEE. And second, to tackle, through our two institutes' joint programs, truly pressing public policy problems.

One of these problems is how to get urbanization right. Or, to put that another way, how countries like China can build the *infrastructure* of cities in a way that does not ultimately compromise the environment, make them less livable, or make them less functional.

A big part of that is how to get infrastructure development right. And it is infrastructure development and financing that lie at the heart of China's ambitious 2013 proposal of a "Belt and Road Initiative."

I see China's initiative as fitting into a broader series of connectivity initiatives that have, over the past 25 years, begun to change the face of Asia. But the Belt and Road strikes me as something more. It systematizes China's efforts and vastly expands the *potential* to deploy Chinese capital in support of growth and development around the world.

One thing I learned from my days as an investment banker, and then as chairman and chief executive of Goldman Sachs, is that infrastructure development is not easy anywhere. Often, infrastructure investments yield suboptimal returns.

The fact is, project conditions, political risks, and economic realities vary widely from country to country and sector to sector. Therefore, the Belt and Road projects must not be assessed on any single generalizable criterion. Instead, assessments should be based on how each project contributes to development, growth, employment, and opportunity in this or that country. A power generation project in Pakistan cannot be easily compared to a road project in Africa.

So that means that China's important new commitment to infrastructure development will, inevitably, run into some of the same challenges that have confronted those who have implemented large-scale infrastructure initiatives before.

From my vantage point, the goal of greater connectivity is especially worthy. And I congratulate China on bringing this into greater focus. Because of the Belt and Road, old debates about economic connectivity and integration have been given new life. I am not at all surprised that other countries, most notably Japan and India, have joined China in promoting connectivity and infrastructure initiatives of their own. And I encourage those initiatives from Tokyo and New Delhi as well.

Particularly in Asia, the potential of *all* of these initiatives, each in their own way, to contribute to greater prosperity and opportunity seems obvious. Asia, historically speaking, was an astonishingly integrated region.

In this sense, the regrowth of economic connections in Asia is consistent with the region's history before the modern era.

Consider this: Asian economies in the 1960s, 70s, and 80s grew, in large part, because they were exporters to the United States and Europe. But today, over half of Asia's trade is conducted within the region itself. The Belt and Road will change this picture further as FDI stock and flow alters the picture of the region and Chinese money flows to infrastructure and other investment.

Amid such a dramatic shift, it should not surprise us that many around the world are watching so closely to see precisely *how* the Belt and Road evolve.

And China, I think, should *welcome* that scrutiny. After all, it offers an opportunity to China to design best-in-class projects with the highest standards for construction, environmental impact, and financial transparency, thus showcasing whether and how China has arrived as a global player.

The Belt and Road is a *bilateral* Chinese initiative, not akin to the multilateral initiatives of, say, the World Bank that I described earlier—or, for that matter, efforts by the new Asian Infrastructure Investment Bank. Whenever an initiative is proposed and developed by one country, it invites close scrutiny by outsiders not just of intentions but, ultimately, of projects and procurement rules.

My experience at Goldman Sachs taught me that this is *good* thing. It's not just about China. Indeed, it is important that *all* infrastructure initiatives, whether from multilateral or bilateral lenders and builders, be open and transparent, including in their procurement and construction opportunities.

Simply put, the more China can demonstrate that the Belt and Road initiative is open to outside participation in this way, the more it will be embraced by global (and even American) firms and suppliers.

Conversely, the more that the Belt and Road evolves as an exclusively Chinese initiative, built around Chinese firms alone, the fewer opportunities there will be for Americans and others, and the more that we are likely to hear from skeptics and critical voices.

I am an American. And I know the United States has been among those countries apparently most skeptical of the Belt and Road. Yet I believe U.S. firms, expertise, and capital can and should have a role to play. America offers best in class firms, financial practices, environmental technologies, and other valuable contributions. So I hope Americans keep an open mind as the Belt and Road develops and look for opportunities to participate.

Likewise, I strongly encourage China to open the initiative to global participation. President Xi Jinping has taken a significant step by systematizing China's ideas and initiatives through the Belt and Road. I welcome his commitment to connectivity—and the way that China is stepping up not just to develop its *own* infrastructure but that of other countries.

So I am pleased to be in Beijing for this event. I am determined to learn more. I am intrigued by the opportunities. And I, like others, will watch closely as the projects, rules, and standards associated with the Belt and Road develop.

I encourage greater dialogue and discussion around the initiative. And that is one reason I am pleased to be at this discussion of it among think tanks. Think tanks are important contributors of objective analysis and independent research. That independence should be encouraged, including in China. Conferences like this one demonstrate why serious and open dialogue among them is so important.

Chairman Zeng, my good friend, thank you for inviting me. And ladies and gentlemen, I am delighted that we all have an opportunity to participate in this event, where we can learn more about this important initiative and from each other.

Thank you.