

## **Opinion: "Connectivity key to sustainable ASEAN Community" by S.**

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Last October, ASEAN leaders adopted the Master Plan on ASEAN Connectivity to further advance ASEAN Community building and integration. The landmark Master Plan is a testament to the astute foresight of the ASEAN leaders to help the region stay focused and on track toward the ASEAN Community by 2015, and to keep the momentum going beyond 2015.

It is ASEAN's response to the region's needs for improved physical, institutional and people-to-people linkages within and with the rest of the world.

All eyes are now upon ASEAN as we implement the strategies, but how will connectivity benefit stakeholders — particularly ASEAN peoples?

I would say that enhancing ASEAN connectivity would bring about many economic and non-economic gains including employment, business opportunities, convenience, as well as greater and better choices of goods and services. Further, it is estimated that a one percent increase in infrastructure spending in Asia can increase private consumption by one to two percent of gross domestic product (GDP). This will benefit the wider investment community as well as ASEAN countries and their people.

The development of physical infrastructure within the regional grouping promises tremendous business opportunities.

Lower-income countries, land-locked regions and hinterlands will gain access to mainstream economic activities, which include exports to larger regional markets and linkages with regional production networks and industrial zones.

In deciding on connectivity projects, it is important to strengthen the bonds between mainland and archipelagic ASEAN member states, and accord equal priority to the maritime connectivity as more than 80 percent of freight is transported through the sea. With better connectivity, we can expect costs and distance to shrink remarkably within ASEAN and beyond.

According to the ASEAN Logistics Study 2008, the logistics cost of intra-ASEAN container movements is estimated to be US\$2.25 billion a year, with about 55 percent representing out-of-pocket costs (transport, terminal and access costs) and 45 percent time costs. Implementing a comprehensive logistics infrastructure could reduce average logistics cost by 4 percent and logistics time by 9 percent. This is substantial — amounting to roughly \$140 million in logistics cost reductions in a year.

The same study shows that customs clearance processes are time consuming and domestic transportation constitute a large portion of total logistics costs.

For example, one shipment of goods can often involve dozens of parties and documents. ASEAN member states are in various implementing stages of their National Single Windows, and this will eventually move toward an ASEAN Single Window. When that happens, we can expect faster border clearance by providing traders a single point for submitting clearance documentation. The savings in costs can only boost business activities among ASEAN traders.

Improving people-to-people contacts, on the other hand, will foster a stronger sense of shared cultural and historical linkages. In 2010, tourism in ASEAN flourished with total international arrivals of over 73 million. This is an increase of 11.53 percent compared to 2009. Intra-ASEAN travel was the major source market for the region, with share of 47 percent in 2010. Improved connectivity, in terms of better air linkages and more liberal visa requirements, will increase further inbound and intra-ASEAN tourism. All these in turn will strengthen and intensify ASEAN community building efforts.

Enhanced ASEAN connectivity would also bring about greater effectiveness of the web of ASEAN-centered Free Trade Agreements (FTAs), and speed up the development of a free trade arrangement in East Asia as the region booms. It will benefit not only ASEAN, but also other regional and global firms operating in the region.

Expanding ASEAN connectivity beyond the region suggests a strong desire to link the peoples and economies of the region closer through various means. Enhanced connectivity can potentially place ASEAN at the center of East Asia growth and development. For this to happen, ASEAN needs to seize the opportunities offered by its geographical and comparative advantages as well as the competitive challenges brought about by the global trade and investment environment.

The development of ASEAN connectivity may bring about negative impacts too. ASEAN recognizes this and is determined to address or manage these negative impacts, such as tackling the asymmetric distribution of regional connectivity project costs and benefits, and managing effectively the negative socioeconomic impacts across countries so as to ensure win-win outcomes for all ASEAN countries.

To realize ASEAN connectivity, the World Bank estimated that ASEAN needs to invest over \$7.5 trillion in overall regional and national infrastructure. ASEAN has to look both within and outside the region to finance the Master Plan.

The imminent establishment of an ASEAN Infrastructure Fund marks an important step towards attracting private sector financing. The idea of the ASEAN Infrastructure Fund (AIF) was conceived to address and provide financing for the huge infrastructure requirements of ASEAN. It is in fact one of the alternative new forms of financing identified to support the implementation of the Master Plan on ASEAN Connectivity.

The utilization of public-private partnership (PPP) models will also be critical in harnessing the strength of the private-sector, maximizing synergistic effects with Official Development Assistance (ODA), and boosting the development effects of the projects involved.

Secretary-General of ASEAN, Surin Pitsuwan, has stated his hope to see more public-private partnerships, where the private sector works with governments through various innovative modalities appealing to the market and presented in the “language of the market.”

ASEAN connectivity is indeed a Herculean project but the necessary glue for building a sustainable ASEAN community building. A vibrant ASEAN community will certainly benefit our partners too and bring ASEAN to the global community of nations, a vision articulated by Indonesia under its chairmanship of ASEAN.

The writer is the deputy secretary-general of ASEAN for the ASEAN Economic Community and was involved in drafting the Master Plan on ASEAN Connectivity. The opinions expressed are his own.

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