

Developing ASEAN Seamless Connectivity



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A Logistics Perspective on the ASEAN Vision 2040

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ASEAN Connectivity

- The foundations for an ASEAN Economic Community have been developed around four pillars: developing a single market and production base, raising competitiveness, supporting equitable development and integrating ASEAN into the global economy.
- (2015) Modest achievement in Connectivity
 - There are still many underdeveloped connections: roads, railways, waterways, airlines.
 - **Domestic connectivity** is still big **issues** in many AMS with Singapore and perhaps Brunei as exception.
 - Archipelagic countries have serious **challenges** in maritime connectivity.
- Challenges:
 - Different development stages, different interests
 - Lack of both public and private funding
 - Regulatory
 - Lack of good project pipeline

MPAC and AEC

AEC 2025:

- i. A highly integrated and cohesive economy
- ii. A competitive, innovative and dynamic ASEAN
- iii. Enhanced connectivity and sectoral cooperation
- iv. A resilient, inclusive, people-oriented and people-centered ASEAN
- v. A global ASEAN

MPAC 2025

The vision: To achieve a seamlessly and comprehensively connected and integrated ASEAN that will promote competitiveness, inclusiveness, and a greater sense of community

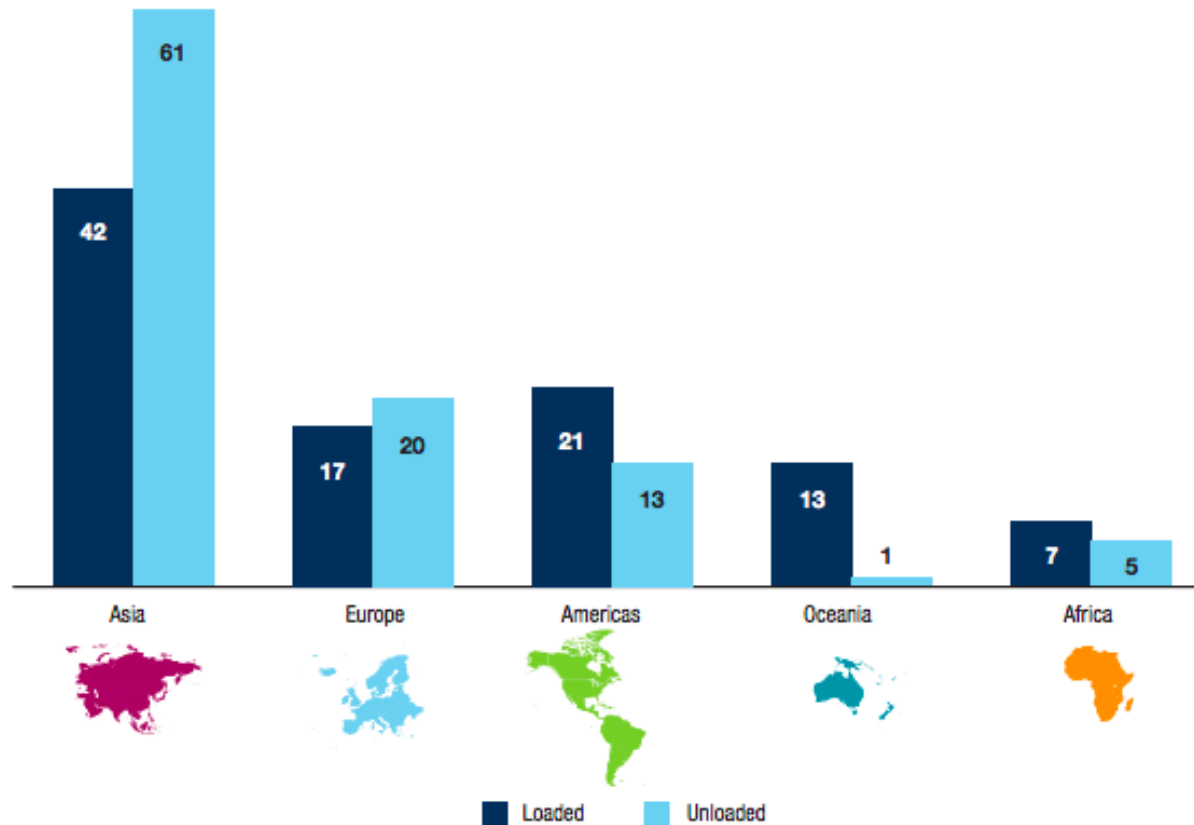
Infrastructure in Select Asia Countries

Infrastructure quality in ASEAN Member States, 2018

	Brunei	Cambodia	Indonesia	Laos	Malaysia	Philippines	Singapore	Thailand	Viet Nam
Overall	4.4	3.4	4.1	3.8	5.3	3.0	6.4	4.1	3.6
Road	4.8	3.2	4.1	3.3	5.3	3.1	6.3	4.3	3.4
Railroad	--	1.6	4.2	-	5.0	1.9	5.9	2.6	3.0
Sea Port	3.9	3.7	4.0	2.3	5.4	2.9	6.7	4.3	3.7
Air transport	4.5	3.7	4.8	3.8	5.7	2.9	6.9	5.2	3.8

Source: WEF 2018

World seaborne trade, by region, 2017 (Percentage share in world tonnage)



Source: UNCTAD, 2018

Ownership of the world fleet, (per 5 November 2018)

No	Country or territory	Number of vessels			Dead-weight tonnage (thousand of tons)			National flag as percentage of total (dead-weight tonnage)
		National flag	Foreign or international flag	Total	National flag	Foreign or international flag	Total	
1	Greece	774	3 597	4 371	64 977	265 199	330 176	19.7
2	Japan	988	2 853	3 841	38 053	185 562	223 615	17.0
3	China	3 556	1 956	5 512	83 639	99 455	183 094	45.7
4	Germany	319	2 550	2 869	11 730	95 389	107 119	11.0
5	Singapore	240	2 389	2 629	2 255	101 327	103 583	2.2
6	Hong Kong (China)	95	1 497	1 592	2 411	95 396	97 806	2.5
7	Republic of Korea	801	825	1 626	14 019	63 258	77 277	18.1
8	United States	943	1 128	2 071	13 319	55 611	68 930	19.3
9	Norway	549	1 433	1 982	4 944	54 437	59 380	8.3
10	Bermuda	21	473	494	1 215	53 036	54 252	2.2
20	Indonesia	1 886	62	1 948	19 414	885	20 299	95.6
22	Malaysia	500	162	662	9 731	9 793	19 524	49.8
30	Viet Nam	875	116	991	7 464	1 756	9 221	81.0
33	Thailand	337	65	402	5 576	1 983	7 559	73.8

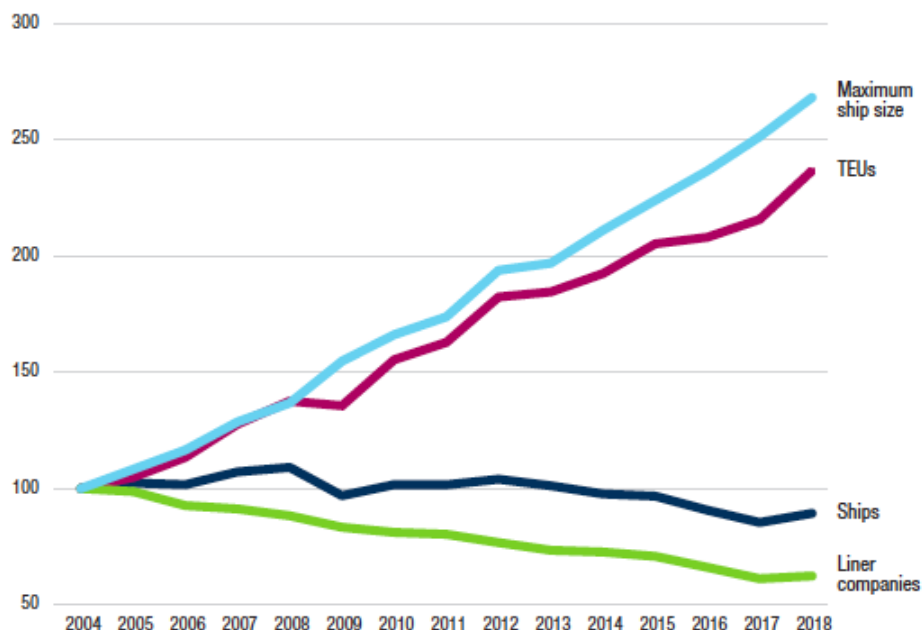
Source: UNCTAD (2018)

Marine Services

During the last decade:

- Increasing container capacity by triple
- Decreasing number of marine services companies by 29%
- As ships get bigger, players become fewer

Trends in container ship deployment, average per country (2004 = 100)



Connectivity with outside is stronger than that of intra-ASEAN

Intra ASEAN	Cambodia	Indonesia	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam
Indonesia	0.224	-	0.455	0.264	0.319	0.472	0.420	0.407
Malaysia	0.294	0.455	-	0.322	0.379	0.783	0.506	0.531
Philippines	0.274	0.319	0.379	0.229	-	0.392	0.356	0.326
Singapore	0.302	0.472	0.783	0.323	0.392	-	0.527	0.557
Thailand	0.299	0.420	0.506	0.284	0.356	0.527	-	0.476
Viet Nam	0.294	0.407	0.531	0.281	0.326	0.557	0.476	-

ASEAN-Asia Pacific	Australia	China	China, HK SAR	China, Taiwan	India	Japan	ROK	New Zealand	Pakistan	Sri Lanka
Indonesia	0.355	0.411	0.427	0.369	0.386	0.366	0.380	0.316	0.337	0.386
Malaysia	0.445	0.753	0.664	0.567	0.565	0.531	0.690	0.387	0.486	0.644
Philippines	0.313	0.417	0.375	0.387	0.349	0.354	0.394	0.302	0.291	0.321
Singapore	0.471	0.776	0.683	0.610	0.573	0.559	0.718	0.404	0.489	0.648
Thailand	0.398	0.497	0.479	0.444	0.387	0.455	0.465	0.327	0.370	0.447
Viet Nam	0.344	0.600	0.510	0.494	0.413	0.452	0.540	0.349	0.364	0.445

ASEAN-North America, EU	USA	Canada	United Kingdom	Belgium	France	Germany	Greece	Italy	Malta	Netherlands	Spain
Indonesia	0.415	0.385	0.368	0.340	0.359	0.333	0.317	0.332	0.316	0.359	0.362
Malaysia	0.590	0.467	0.651	0.665	0.618	0.646	0.502	0.580	0.492	0.632	0.651
Philippines	0.341	0.312	0.326	0.331	0.317	0.319	0.270	0.327	0.273	0.317	0.321
Singapore	0.628	0.496	0.687	0.701	0.662	0.682	0.516	0.640	0.531	0.663	0.692
Thailand	0.473	0.426	0.450	0.456	0.400	0.444	0.340	0.372	0.346	0.441	0.403
Viet Nam	0.519	0.438	0.456	0.514	0.495	0.507	0.402	0.486	0.459	0.499	0.463

Source: UNCTAD, 2018



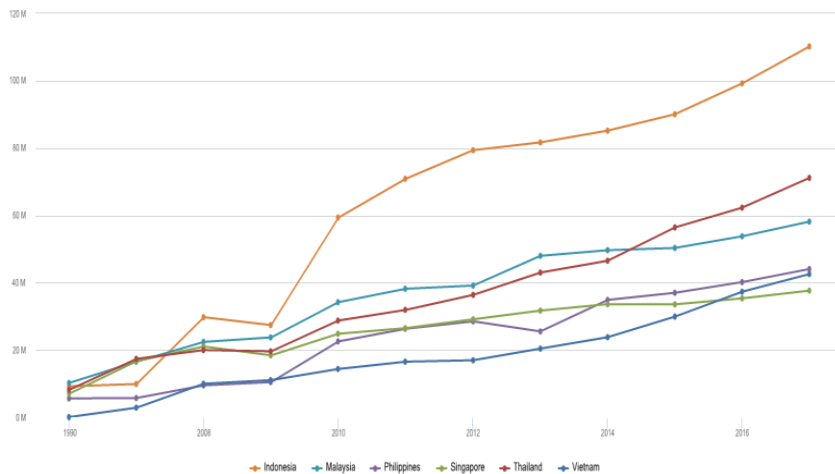
Red: bilateral liner index >0.6 (strong connectivity)
Green: bilateral liner index 0.4 < i < 0.6 (moderate connectivity)

Brunei, (large part of) Indonesia, and Philippines are located outside the major sea lanes



ASEAN Single Aviation Market

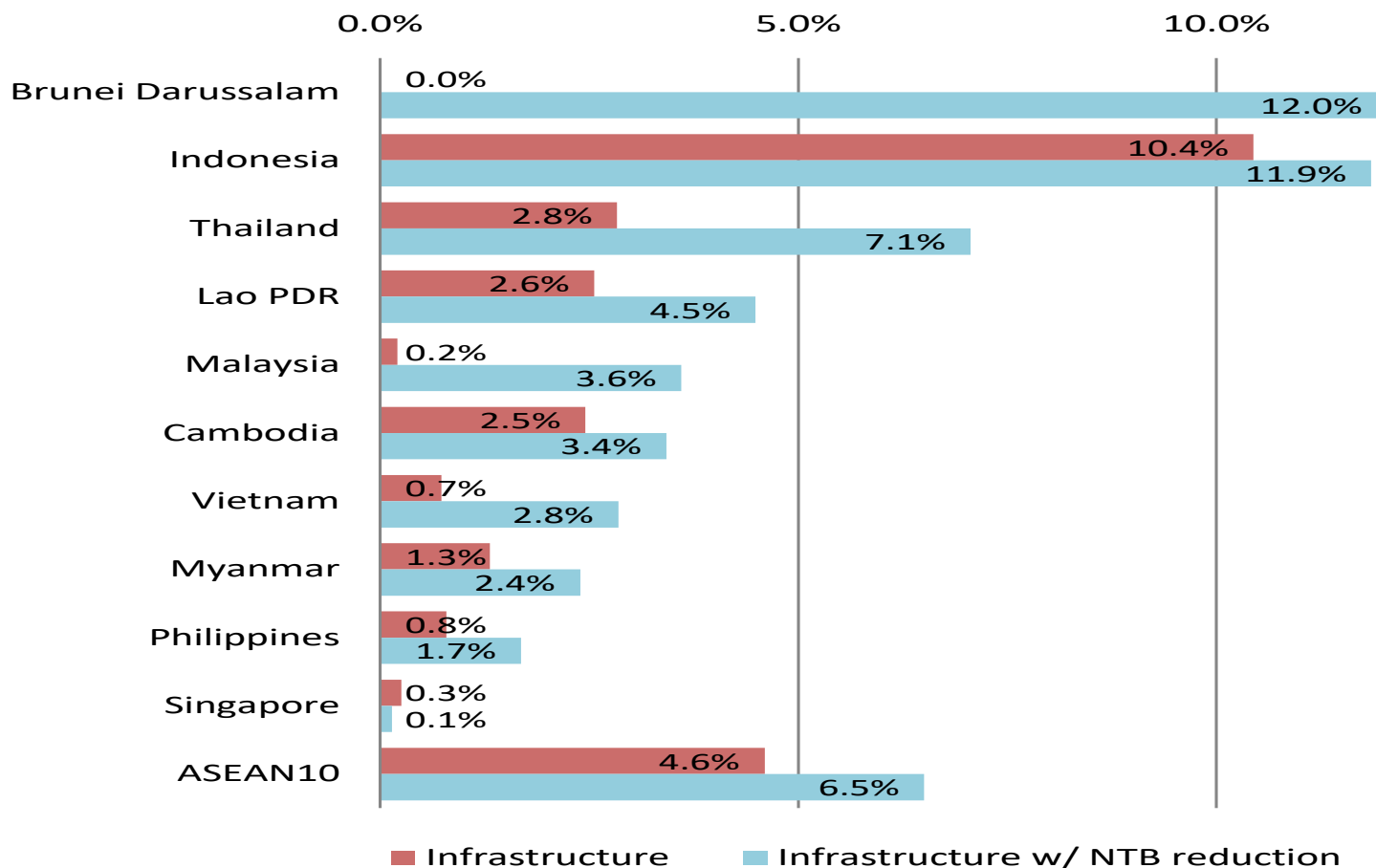
Air passengers in ASEAN6, 2009-2017



Series : Air transport, passengers carried
Source: World Development Indicators
Created on: 09/27/2018

- The contribution from budget airlines market expansion.
- The growth of passengers exceeds the growth of airports capacity.
- Less progressive regulatory advancement/harmonization in the region.
- Control and ownership restrictions
- The absence of regional oversight body to carry out the International Civil Aviation Organization (ICAO) tasks.
- Liberalization of the aviation policy up to the 7th freedom is estimated to increase the total social welfare (the sum of airport profits, airline profits, and consumer surplus) in Indonesia, Malaysia, Singapore, and Thailand (ERIA estimates, forthcoming).

Economic Impact on ASEAN Member States (2040): GSM Simulation



Source: IDE/ERIA-GSM simulation result.

Assumptions of GSM Simulation

- Road improvement, Dawei deep-sea port development and border facilitation along the Mekong-India Economic Corridor (MIEC),
- Road improvement and border facilitation along the East-West Economic Corridor (EWEC),
- Road improvement and border facilitation along the North-South Economic Corridor (NSEC),
- Indonesia–Malaysia–Thailand Growth Triangle and connection to surrounding economic clusters (IMT+)
- Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area and connection to surrounding economic clusters (BIMP+)
- Sea route improvement between Manila and Singapore, Singapore and Jakarta, and Jakarta and Manila
- Road development in Indonesia, Lao PDR, Myanmar, the Philippines, and Vietnam. It includes proposed Vientiane-Vinh Expressway (Keola and Kumagai, forthcoming).
- High-speed railway in Indonesia, Malaysia- Singapore, and Thailand under planning or under construction (Isono 2018 and Kumagai et al 2018)

Challenges

- Potentials of Indonesia and Philippines to have higher participation in maritime connectivity
- How to improve domestic connectivity?
- Liners businesses are demand-driven. Both Indonesia and Philippines are growing; Indonesia domestic demand is high but imbalance (East-West corridor)
- Singapore and Malaysia: powerful and centric sea trade ports. Do ASEAN need more hubs?
- Realizing Single Aviation Market: slow progress, sensitive subjects
- Financing infrastructure projects, esp. cross-border ones

Trends that shape future demand

- New regulations: green technologies (emissions, waste, water treatment, energy efficiency).
- Cost and time efficiency
- Multi-modal transportation and logistics network
- Security (military and non-military)
- Value added services: financial, repair services, logistic supplies for the ship, integrated trucking system, regulatory-related services, etc.
- Digital economy

Way Forward

- Port modernization:
 - Separate cargo and passengers terminals
 - Approaching congestion problems with market mechanism
 - Increase berth and terminal capacities in main international ports (deep sea ports: Indonesia: Kali Baru and Kuala Tanjung)
 - Simplify organizational structure in port management and use modern soft infrastructure to increase efficiency, real time approach, transparency, and accountability.
- Continue to develop and expand physical infrastructure to fulfil the increasing demand and to support the logistics market.
- Improve performance of trade facilitation, customs, and standards.
- Relaxing (limited) cabotage to improve maritime connectivity through easier procedures and increased economies of scale. (BIMP-EAGA)
- Thailand may take initiatives in leading the ASEAN connectivity process.

Way Forward: Regional connectivity

- Establish networked economies in subregions to increase the market size. Privileges can be applied within this cluster.
- Build value added services to anticipate future demand, including digital economy (block chain, IoT, etc.)
- Linking major shipping lines (ports of Japan, HK, China, Singapore, Malaysia) with archipelago.
- Indonesia has just assigned Sabang Port as a new hub with India's port. Proposal can be enlarged to explore the new route(s) from Sabang to Eastern Indonesia-Philippines.
- Liberalize ASEAN Sky Policy up to 7th freedom.

Way Forward: Regional connectivity

- Full implementation of the WTO-TFA by all AMS (by agreeing on a common set of Category A);
- Ratify and implement the Revised Kyoto Convention from WCO (need to harmonise all the green lane/red lane for ASEAN Customs)
- All AMS will need to adopt and ratify (and implement) ESCAP resolution 48/11 related to cross border transport facilitation.
- Establish regional body to conduct ICAO's task
- Community airline(s)?



THANK YOU

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