Chapter 8

ASEAN Transport Cooperation Beyond 2015

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CHAPTER 8 ASEAN TRANSPORT COOPERATION BEYOND 2015

8.1 INTRODUCTION

The ASEAN Strategic Transport Plan (ASTP) recommends actions in support of the enhancement of the ASEAN Connectivity and the establishment of the ASEAN Economic Community in 2015. It is noted that the target implementation date of 2015 was made by ASEAN Leaders in January 2007 to accelerate the establishment of the ASEAN Economic Community as originally envisioned in the ASEAN Vision 2020, in response to intensifying global and regional competitions. There is a need to look beyond 2015, and formulate a vision for continuing and strengthening ASEAN transport cooperation after ASTP 2011-2015. This chapter first highlights those ASTP actions that will have to be continued beyond 2015, and the rationale for their continuation. This is followed by identifying trends of developments globally, regionally and within ASEAN, and likely necessary actions required on the part of ASEAN Member States (AMSs).

8.2 ACTIONS BEYOND 2015

ASEAN Economic Community (AEC) Blueprint envisages four characteristics of the AEC:

(i) Single Market and Production Base

(ii) Competitive Economic Region

(iii) Equitable Economic Development; and

(iv) Integration into the Global Economy

And the ultimate objective of ASEAN transport cooperation is to realize a seamless, efficient and integrated transport system to support the realization of the ASEAN Economic Community and for ASEAN to integrate with the global economy, improve competitiveness and enhance the inflow of foreign direct investment. Thus it is required for ASEAN to achieve the ultimate objective within 2015 in accordance with the establishment of the ASEAN Economic Community in 2015.

However, some of the actions proposed in Chapter 6 will not be completed by 2015 and need to be continuously taken into consideration beyond 2015. In order to achieve truly ultimate objective of ASEAN transport cooperation, ASEAN needs to formulate a common transport policy, as the ultimate goal of ASEAN transport cooperation.

Prospects beyond 2015 in transport cooperation are closely related to uncompleted actions in ASTP as observed below.

(1) Land Transport in 2015 and Beyond

1) Major Challenges

Surely, the improvement of ASEAN Highways will facilitate economic growth but at the same time, if not planned, it will also generate more traffic volume, congestion, accidents and carbon emission. To avoid such situation key is to maintain a balance between the economic growth and transportation by promoting and improving the public transport system in AMSs. The development of integrated rail transport, LRT and bus rapid transportation will be the key sectors for future development.

The ASEAN Highways and SKRL network when completed will serve as the main skeleton of land transport for the region. Further development vertically at the national level is necessary for improved accessibility, as well as horizontally at the regional level to support

regional economic developments. In this process, efforts must also be directed at mitigating negative environmental and social impacts, controlling carbon emissions, promoting energy efficient multimodal transportation (including possible modal shifts), encouraging the use of public transportation, improving network level transportation service by appropriate utilization of ITS and ICT, and reducing traffic accidents.

The regional land transport network as will be developed during ASTP duration will gain in popularity, importance and will offer new business opportunities for the people, however, globalization is an irreversible trend and new challenges and demands will emerge in land transport sector. The reduction of private vehicles, reducing congestion and accidents, developing integrated multi-modal transport, utilization of ITS & ICT, enhancing capacity, strengthening financial system and controlling carbon emission will be the major challenge for land transport sector in 2015 and beyond.

2) Controlling the Carbon Emission

Considering the consequences of global warming specially on the existing islands and the regions next to sea, the challenge will be to reduce the carbon emission generated by land transport sector. Along with the development of public transport, the efficient rail network and inland waterways will be the key and will facilitate in controlling the carbon emission. However, the success of the rail transport and to certain extent inland waterway transport (IWT) will depend on 3 basic concepts i.e. 'comfortable', 'economical' and 'time-saving' and these concepts need to be addressed during the planning of projects to win the acceptability from the people. Being economical and energy efficient, IWT can play a more important role in freight transportation. For better and 'greener' future, the other alternatives like use of bio fuel, design of better mileage vehicles, use of renewable energy in transport also needs to be promoted and planned for.

3) Multimodal Transport and Land Bridge Corridors

The central role of regional initiatives will be to cooperate in the building of the trunk routes by road, rail and waterways, with feeder, local and distribution networks and interlinking them with other modes of transport which will provide access to intra, inter-regional and global networks. The development of 'Multimodal transport', including 'Land bridge Corridors', will be thrust area in future. For better accessibility with the rest of the world, the SKRL network and ASEAN Highways need to be fully developed and to be integrated with 'Trans-Asian Railways' and 'Asian Highways' respectively.

4) ITS and ICT

The 'Intelligent Transport System' (ITS) and 'Information and Communication Technology' (ICT) will surely play a major role in future. There are ample of evidences showing the significant improvement and gains due to usage of modern ICT and ITS services. However, currently their role in regional cooperation and sharing of resources within ASEAN is limited and are slowly being developed. The challenge ahead is to build capacity, infrastructure and facilities to utilize the latest available technologies to its maximum.

5) Capacity for the Maintenance

Currently, apart from economic status, AMSs also differ considerably in the quality and type of existing transport infrastructure and the capacity to manage and implement transport projects. The capacity for the maintenance of existing and developed infrastructure assets also differs and is a major issue, as future rehabilitation or reconstruction costs will far exceed the cost of timely maintenance. Thus, a challenge ahead will be to bridge this existing wide gap. It thus becomes increasingly important to develop competencies among the lagging nations by enhancing the technical, institutional and human capacity. This will enable them to assess and plan for future developments and to prepare themselves for the challenges of tomorrow.

6) Financing

In order to meet the large and increasing infrastructure financing needs in AMSs for the next 20 years or so, current means of financing must be strengthened and new innovative ways needs to be explored. Apart from funding and loans from international agencies and dialogue partners, need is also for leveraging more private financing and strengthening public private partnership (PPP) capacities, particularly from within the region.

(2) Air Transport in 2015 and Beyond

1) ASEAN Single Aviation Market (ASAM)

In view of the rapidly growing importance of air transportation as well as the accelerated restructuring of the global aviation market, ASEAN needs to strengthen its aviation industry by establishing ASEAN Single Aviation Market (ASAM).

For the successful implementation of ASAM, it is vital to develop and improve the wide range of activities such as liberalization of agreements and protocols, aviation safety, aviation security, aviation technology and human resource development. Particularly, the implementation of RIATS agreements and MAFLPAS will be the core engine for the development of air transportation in ASEAN.

With the implementation of ASAM, the inbound and outbound air traffic movements in ASEAN will be increased significantly. Considering this, it becomes essential for the AMS to enhance the airport infrastructure and implement projects with a special emphasis on the construction of regional terminals and low cost carriers (LCCs) terminals. Such development will facilitate in further expansion and improvement of airport facilities and services.

With the rapid increase of air traffic movements in future, it will be important for AMSs to enhance their capacity and capability to mitigate any impacts that may occur due to environmental, safety and security reasons.

2) Environmentally-friendly Aviation

The development of environmentally-friendly aviation will be the key element for further development in 2015 and beyond. To achieve this, the establishment of ASAM will be going to play a major role in future. As air transport sector will have a major impact on climate changes mainly through the emission from aircraft operation, it becomes vital to implement the 'Programme of Action (PoA)', which has already been endorsed by ICAO Council. Such programme will play major role in reducing the aviation emissions and facilitate in developing an environmentally-friendly aviation.

(3) Maritime Transport in 2015 and Beyond

1) ASEAN Single Shipping Market

According to the formulation of strategies to realize an ASEAN Single Shipping Market, rationalization, synchronization, liberalization and harmonization of shipping services and trade procedures are key requirements. Concrete actions will have to be formulated in these areas, taking the differences in the level of development among AMS into consideration.

It is envisaged that with expected developments in multimodal transport and land bridge corridors, and new developments in the neighbouring regions and beyond, it would be necessary to review and revise the list of 47 designated ports. To meet the increasing cargo demand in line with economic growth in AMS and neighbouring countries, especially on China, measures to enhance the performance and cargo handling capacity will be continuously necessary.

2) Efficient and Reliable Shipping Route

Efficient and reliable shipping services in the archipelagic regions of ASEAN constitute a critical component for intra-ASEAN connectivity. Linkages of global and domestic shipping routes will have to be strengthened. These linkages will help to narrow the economic gaps between urban areas and under-populated areas of the archipelagic regions, and to accelerate regional economy. The Philippine Nautical Highway utilizing the RoRo system appears to be a promising avenue in establishing such linkages.

3) Advanced Safety Navigation System and Maritime Security System

Malacca Strait is one of the most important shipping routes connecting East-Asia and India/Europe/Middle East, which support world trading. AMS locate along Malacca Strait have a significant role of keeping safety navigation for vessels passing the Strait. In order to reduce the number of incident and lives lost in whole ASEAN waters, navigation and security system should be upgraded to meet the international standards in cooperation with IMO, APA, FASA and the dialogue partners.

4) Eco-Port and Environmentally-friendly Shipping

In line with economic growth in AMS, cargo throughput and number of calling vessels are supposed to increase fairly. In spite of these situations, total volume of carbon emissions should be surely reduced for environmental preservation. Human resource development of port operating personnel and introduction of advanced environmental technology for cargo handling system/equipment and ocean-going vessels will be necessary.

(4) Transport Facilitation in 2015 and Beyond

1) Integrated, Efficient and Globally Competitive Logistics and Seamless Multimodal Transport System

There are still a lot of challenges that ASEAN have to address and to work on beyond 2015 for transport facilitation to enhance the competitiveness of ASEAN logistics industry. Establishment of safe and secure inter-state transport system is one of the most important challenges to improve ASEAN's competitiveness in the world. Full operationalisation of three ASEAN Framework Agreements on transport facilitation has to be accelerated following the strategy 1 in Master Plan on ASEAN Connectivity to minimize the frictions at national borders that increase the transactions cost of moving goods between countries in the region. This is an essential element to realize the vision of "single market and production base" as envisaged in the AEC Blueprint, and it is necessary to cooperate with the implementation bodies for trade facilitation.

It is important for ASEAN to streamline sectoral strategies with reference to the concept of multimodal transport system in order to enhance intra and extra ASEAN connectivity. Although the full implementation of the strategy will take a long time, it is nevertheless important to have a clear strategy of multimodal development in the ASEAN region in consonance with developments in the broader ASEAN + 6 region.

2) Green Logistics for Global Environment Preservation

Green logistics is relatively new concept and the approaches vary among AMSs. It is necessary to implement substantively identified approaches to develop environmentally-friendly logistics. Energy saving in logistics services has to be continuously conducted in all AMSs. This is a long-term approach, and furthermore, the requirement will definitely grow beyond 2015 for global environment preservation.

8.3 EFFORTS TO IMPROVE ASEAN TRANSPORT SYSTEM

8.3.1 DIRECTION OF TRANSPORT CONNECTIVITY

Economic behaviour of a country varies at different stages of demographic transition. Changes in age structure can significantly affect the economic performance of the country. Countries with a high proportion of youth dependents (age below 15) tend to devote a relatively high proportion of resources to the young before working age, often limiting economic growth. By contrast, countries with large share of the working age population (age between 15 and 64) may enjoy rapid economic growth, resulting from the increased economic activities and personal and national savings, accelerated accumulation of capital, and from reduced spending on dependents (age under 15 and age over 65). This phenomenon is known as the "demographic dividend." The combined effect of this opportunity and effective policies in other areas can stimulate economic growth. AMSs are currently enjoying rapid economic growth under demographic dividend period. Usually, the demographic dividend occurs only once during a demographic transition and lasts only for few decades. To prepare for the aging society, the member states need to strengthen their economies during the period of demographic dividend.

(1) Growing Numbers of Working Age Population during Demographic Dividend

The dividend period provide better change to realize sustainable economic growth. Most of East Asian such as South Korea: 1970-2015, Japan: 1950-1995, Hong Kong: 1965-2010 and China: 1965-2015 and South-east Asian countries such as Singapore, Malaysia, Thailand, and Viet Nam have been fully utilizing this opportunities.

Demographic dividend, however, is not always providing better opportunities for economic development. For example, Latin American countries have not capitalized on it due to a weak policy environment[1]. Without effective policies, countries miss opportunities for economic growth, or even worth. Demographic dividend may bring about higher risk of unemployment, increased crime rate, and political instability. When the window of opportunities closes, those that can not take advantage of the opportunity of demographic dividend will face difficulty.

AMSs have time limited opportunity to capitalize increasing working age population and increasing personal and national savings. The region should therefore act to implement the policies required to fully utilize this opportunities. With the right policies in place and with infrastructure investment, the region can create job opportunities for the growing numbers of working age population and secure high growth from the demographic dividend.

(2) Importance of Development of Transport Network and Transport Facilitation

East Asian and South-east Asian countries have been utilizing the opportunity of demographic dividend through open trade policy and well developed transport infrastructure connecting among them. On the contrary, Latin American countries can not capture the opportunity due to their closed trade policy and insufficient connectivity among them.

Acceleration of open trade policy and further developed transport infrastructure will be playing vital role for economic growth. Connecting diverse AMSs through well developed transport infrastructure and well organized trade facilitation system will help in achieving and sustaining an integrated and prosperous region.

However, as the World Bank's LPI indicated as shown in Chapter 2.4, while the region's trade network systems are generally above the global average, the part of it is substantially

[1] Bloom, Canning, and Sevilla estimated that if Latin American country's had been open as East Asia's were from 1965-1990, its per capita income might have grown to be one third higher.

below the global average. And the region's trade network will be increasingly strained from rising transport demand in the future. These problems can be obstacle in the way of economic development, and endanger the competitiveness of those all important production networks.

A joint study of the Asian Development Bank and the Asian Development Bank Institute "Infrastructure for a Seamless Asia" in 2009 also pointed out importance of development of transport network and transport facilitation. The lessons of the Asian financial crisis of 1997–1998 are clear: cuts in infrastructure investment that jeopardize future recovery should be avoided. Some economies, such as China, South Korea, have already adopted fiscal stimulus packages that accelerate and increase infrastructure investment. Wherever possible, other governments should undertake similar measures. While an economic downturn may reduce some of the increasing pressure on overburdened existing infrastructure, it does not obviate the need for upgrading and extending the network".

Thus, the region needs to invest hard infrastructure as well as soft infrastructure during the demographic dividend period; source of capital are increased personal, business and national saving as well as foreign investments and development assistance.

(3) Costs and Benefits of Pursuing ASEAN Connectivity

The estimates of capital cost for developing necessary transport infrastructure was made by ADB[2] in 2008. The estimate showed that AMSs will require infrastructure investments amounting to US$596 billion during 2006–2015, with an average investment of US$60 billion per year. Required average investment for transport sector during the same period was estimated to be about US$16 billion a year.

Enhancing economic connectivity within the region and beyond the region is expected to bring about enormous benefits. According to the ASEAN secretariat's estimate[3], following benefits are expected to be generated from transport connectivity in the region;

- Improved infrastructure connectivity directly supporting intra-ASEAN trade which as of the latest value amounts to about US$369 billion in 2009.
- Impact of implementing a logistics infrastructure blueprint that includes enhancing shipping modalities and improving land routes would basically reduce average logistics cost by 4% and logistics time by 9%. This is substantial- roughly about US$140 million dollars in logistics costs reduction a year.
- Improved intra-ASEAN connectivity will have spill-over impacts on presumably the economic distance to move goods and services which relates to about US$1.15 trillion of ASEAN trade with external markets.

Improvement of connectivity among the region will sustain economic development and deepens economic integration of the region. And this will eventually result in better connectivity with East Asia and with key global markets.

8.3.2 PROSPECTS BEYOND 2015

Emerging development trends as described in Chapter 5 have been posing new challenges to the ASEAN transport sector. The specific goals and actions of ASTP 2011-2015 had taken into consideration in the formulation of ASTP. The prospects beyond 2015 link closely with the new development trends which will have major impacts on the further development of

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3 ASEAN Connectivity and the ASEAN Economic Community by S. Pushpanathan, Deputy Secretary-General of ASEAN for ASEAN Economic Community, presented at the 24th Asia-Pacific Roundtable, Kuala Lumpur, 7-9 June 2010

AEC. In formulating the long-term vision of ASEAN transport cooperation beyond 2015, ASEAN should pay special attention to the following five perspectives in the transport sector.

(1) Intra-ASEAN Development Trends

The effort to develop multimodal transport and land bridge corridors in the mainland ASEAN will benefit the inland and less-developed areas of this region, and can contribute to narrowing the development gap in ASEAN.

(2) Regional Perspectives

Traditionally, AMSs have prioritized export markets outside the region, especially in the US and Europe. However, taking the prospect of a prolonged downturn in those major markets into consideration, the region also need to emphasize more on economic relation within the region and within Asia. Moving towards that long term vision requires world class trans-ASEAN infrastructure networks with open connections to regional and global markets.

ASEAN is located at the center of an economically active and growing region bounded by India in the west, China, Japan and the Republic of Korea in the Northeast, and Australia and New Zealand in the South.

The regional initiatives proposed by the dialogue partners such as China, Japan, Republic of Korea and European Union regarding regional transport cooperation are very important and should be continued for further development. ASEAN should adopt a proactive approach and be an active partner in these economic integration efforts.

Source: Study Team

Figure 8-3-1 ASEAN's Strategic Location

(3) Global Perspective

The geographically strategic location of ASEAN makes it a vital link of the global supply route between Asia Pacific and Europe, Africa and the Middle East. In this regard, land bridges either across the mainland ASEAN or through Myanmar to Kunming of China will be viable route with suitable deep-water gateway ports in Myanmar supported by efficient land transport infrastructural links. And also new land bridges between Kunming and Yangon and between Kunming and Chittagong will be created for energy security and alternative access to Indian Ocean from China.

(4) Environmental and Climate Change Perspective

One of the goals of enhanced ASEAN Connectivity is to enhance regional efforts to address climate change by facilitating the reduction of carbon and other Green House Gases (GHGs) emissions, as well as promoting sustainable development. Environmental hazard poses a serious threat for human health and the transportation sector has been one of the main sources of rapidly increasing carbon emissions. Climate change should be regarded as a key area in ASEAN transport cooperation with a view to take initiatives in emission controls to ensure sustainable development in the region and beyond.

(5) Safety and Security Perspective

Road deaths and injuries are expected to continue their existing upward trends but efforts need to be made to reduce the annual growth rate and reduce the number of deaths and injuries by AMSs. ASEAN should continuously require effective implementation of coordinated actions to improve safety for those at serious risk.

8.3.3 MAJOR EFFORTS IN VISION BEYOND 2015

Based on the prospects beyond 2015 in transport cooperation, five perspectives in the transport sector and ASEAN economies during the period of demographic dividend, ASEAN will have to make their efforts in vision beyond 2015 as below;

1) To maintain the momentum of ASTP effort by continuing selected actions;
2) To carry on effort to narrow development gap among AMSs;
3) To promote multimodal transport and energy efficient transport systems;
4) To promote eco-port and eco aviation industry;
5) To enhance land transport connectivity vertically at national level and horizontally at regional level;
6) To implement single aviation market;
7) To implement single shipping market;
8) To engage regional and global dialogue partners; and
9) To leverage on strategic geographical location to further strengthen position as international transport hub.

8.4 SUMMARY

ASEAN Economic Community (AEC) Blueprint envisages four characteristics as of single market and production base, Competitive economic region, equitable economic developments and enhanced participation in global supply networks and it is required for ASEAN to achieve the ultimate objective in accordance with the establishment of the ASEAN Economic Community in 2015. However, the proposed actions will not be completed by 2015 and need to be continuously taken into consideration beyond 2015.

Prospects beyond 2015 of each transport sector as land, air, maritime and transport facilitation are closely related to uncompleted actions in ASTP. With land transport, the ASEAN Highways and SKRL network will serve as the main skeleton of land transport for the region. With air transport, it is vital to develop and improve the wide range of activities such as liberalization of agreements and protocols, aviation safety, aviation security, aviation technology and human resource development for the successful implementation of ASEAN Single Aviation Market (ASAM). With maritime transport, ASEAN Single Shipping Market, Linkages of global and domestic shipping routes, advanced safety navigation system and security system are key requirements. With transport facilitation, full operationalisation of three ASEAN Framework Agreements will enhance the competitiveness of ASEAN logistics industry. And development of environmentally-friendly logistics will also be necessary.

AMSs have time limited opportunity to capitalize increasing working age population and increasing personal and national savings. The region should therefore act to implement the right transport policies required to fully utilize this opportunities. In order to secure high growth from the demographic dividend, ASEAN needs to invest hard infrastructure as well as soft infrastructure; source of capital are increased personal, business and national saving as well as foreign investments and development assistance.

With regard to the efforts to improve ASEAN Transport system, ASEAN should pay special attention to the five perspectives in the transport sector such as Intra-ASEAN development trends, regional perspectives, global perspective, environmental and climate change perspective and safety and security perspective.

Based on the prospects beyond 2015 in transport cooperation, five perspectives in the transport sector and ASEAN economies during the period of demographic dividend, ASEAN will have to make their nine efforts which surely contribute in vision beyond 2015.