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## **ASEAN Connectivity: Challenge for an Integrated ASEAN Community**

*By Phidel Vineles*

### **Synopsis**

*It is crucial for the success of the ASEAN Community to strengthen and build its intra-regional connectivity. This will lead to more investments in business and industry towards a more inclusive region.*

### **Commentary**

THE ASEAN leaders adopted the new Master Plan on ASEAN Connectivity 2025 (MPAC 2025) in September 2016 to boost the development of the region's infrastructure, logistics, innovation, and skilled labour mobility. The ASEAN connectivity agenda strives to integrate a region of over 600 million people with a total GDP of over US\$2.3 trillion. The new master plan aims to strengthen regional development by addressing the trends that shaped the region such as the rising number of the consuming class, skills gap, and large infrastructure needs.

Realising a closer and more integrated Southeast Asian region still remains a challenge for ASEAN. Regional cohesiveness requires deeper linkages for a more competitive and resilient region. Addressing this challenge requires a closer look at ASEAN connectivity's achievements and its shortfalls.

### **Connecting ASEAN**

ASEAN has recognised the need to establish projects that will build deeper regional linkages among its member states and enhance the region's physical infrastructure, institutions, and people-to-people relations. The Master Plan on ASEAN Connectivity (MPAC) adopted on 28 October 2010 through the Hanoi Declaration, encompasses the following three dimensions: physical connectivity (transport, information and

communication technology, energy); institutional (trade, investment, services liberalisation); and people-to-people linkages (education, culture, tourism).

The ASEAN Economic Community (AEC) which was inaugurated on 31 December 2015 envisioned a highly integrated and cohesive regional economy that will support the achievement of sustained economic growth. That goal requires enhanced economic connectivity that would widen infrastructure, institutional, and people-to-people connectivity in the region. This coheres with the MAPC 2025 vision of achieving a seamless and comprehensively integrated ASEAN and a greater sense of Community.

Physically, MAPC 2025 will improve the region's infrastructure to enhance the movement of people, goods, and services. Institutionally, it will help to reduce policy and institutional barriers by harmonising ASEAN regulations and standards. And it will bring people closer together within the region through ASEAN's people agenda which encompasses education, labour and tourism.

### **ASEAN Connectivity Achievements**

ASEAN connectivity helps to promote better-linked physical infrastructure across the region. The ASEAN Highway Network (AHN) has helped to reduce the total length of roads below Class III - narrow two-lane roads with double bituminous treatment - from 5,311 km in 2010 to 2,454 km in 2015. The ASEAN RO-RO (Roll-On-Roll-Off) Network has improved connectivity in sea channels, which helped to reduce shipping time by over 50 percent.

ASEAN's goal is also improving the region's internet connectivity. The establishment of ASEAN Broadband Corridor has resulted in several projects like ASEAN Internet Exchange Network (AIX) and ASEAN Single Telecommunications Market, which encourage the private sector to establish more internet connections across the ASEAN region.

Together with physical connectivity, the ASEAN Economic Community (AEC) is increasing its institutional connectivity by undertaking several measures and agreements to facilitate trade across the region. For example, Indonesia and Singapore have already started using the ASEAN Single Window (ASW) to exchange ASEAN Trade in Goods Agreement (ATIGA) Certificate of Origin Form D information in the production environment.

There are also several ongoing trade facilitation agreements for boosting trade such as ASEAN Framework Agreement on Facilitation of Inter-State Transport (AFAFIST) and ASEAN Framework Agreement on the Facilitation of Goods in Transit (AFAFGIT), which are created to harmonise transport and customs procedures for goods in transit and inter-state transport of goods.

There has also been some progress in connecting people together in the region to promote intra-social and cultural understanding and development. Thus, improving the region's curricula and standards are realised through the adoption of several agreements. For example, the ASEAN University Network (AUN) has progressed well in building a regional higher education system for its 30 member universities.

Mutual Recognition Arrangements (MRAs) are also imposed to govern eight occupations in facilitating people mobility for ASEAN nationals. ASEAN has MRAs for six sectors and framework agreements for two more: engineering, nursing, architecture, medicine, dentistry, tourism, surveying (framework) and accountancy (framework).

## **Challenges and Policy Implications**

Nevertheless, there are several challenges and opportunities in the overall economic integration process within the region, according to the ASEAN Secretariat. For example, the rising consuming class in the region is projected to reach 163 million households by 2030 that could contribute significantly to ASEAN tourism sector.

The growing tourist arrivals in the region have grown from 49 million in 2004 to 105 million in 2015. To further grow the tourism sector, ASEAN member states (AMS) need to invest in sustainable tourism infrastructure and implement policy for easier access to travel visa.

Skills shortage also poses a threat to the region. According to McKinsey Global Institute, Indonesia and Myanmar will experience an undersupply of 13 million semi-skilled and nine million skilled workers by 2030. Moreover, it is projected that more than half of all high-skill employment could be filled by candidates with insufficient qualifications in Cambodia, Indonesia, Lao PDR, the Philippines, Thailand, and Vietnam by 2025, according to Asian Development Bank (ADB) and International Labour Organisation (ILO). Hence, AMS should develop their human capital, workforce skills, and innovation for a successful ASEAN connectivity agenda.

It is also a challenge for the region on how to address its annual infrastructure needs which exceed over US\$110 billion a year. Several funding vehicles are available to fund the region's infrastructure gap, however, it requires a coordinated approach between governments, multilateral lenders, and private sector actors to ensure that infrastructure projects are efficiently structured. In doing so, ASEAN should strengthen its Public Private Partnership (PPP) frameworks for more infrastructure development opportunities in the region.

Limited labour mobility must also be addressed. It is necessary for ASEAN to consider expanding MRAs coverage for better people mobility. Presently, MRAs represent only 1.5% of the region's workforce, and many occupations are still not governed by formal agreements, according to ILO.

ASEAN connectivity is undeniably an economic and development booster for the region. Yet there are trends shaping the region that require ASEAN to implement policies to address the challenges of a rising number of consuming class, skills gap, and large infrastructure needs.

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