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ASEAN CONNECTIVITY A ROLE FOR EUROPE?



Spring 2014

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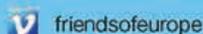
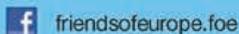
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ASEAN CONNECTIVITY

A ROLE FOR EUROPE?

Report of the Policy Insight

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ASEAN Connectivity: A role for Europe?

The Southeast Asia needs a combination of physical, institutional and people-to-people connections to boost its economic integration, panellists told a *Friends of Europe* Policy Insight meeting on 27 February. This will require large investment – but also technical assistance to ease cross-border business links and the movement of people.

“One challenge is to build rail links,” said [Lim Chze Cheen](#), Head of the Association of Southeast Asian Nations (ASEAN) Connectivity Division. “We also need institutional support: If it takes several days to cross a border, then that is not an effective use of funds.”

The event took place while an ASEAN delegation visited Brussels for the first ASEAN-EU Dialogue on Connectivity, highlighting the potential of EU help to promote ASEAN integration. The association’s members are aiming to establish an ASEAN Economic Community by the end of 2015, which would facilitate the free movement of goods, services, investment and skilled labour, as well as a freer flow of capital. The EU has long experience in establishing a single market, building transport networks and promoting the movement of people and capital, and the ASEAN delegation was aiming to study some of the EU’s ideas.

ASEAN’s push for integration was outlined in its 2010 Master Plan on Connectivity calling for a combination of hard infrastructure, an enabling regulatory framework and a shared identity. But the task is a large one. The 10 member nations have a combined population of over 600 m and US\$2.3 tn in gross domestic product. They have 47 airports, over 200 ports and a road network totalling 40,000 km. Some members are on the Asian mainland, while others are maritime nations.

“How are we going connect our region?” said Lim. “How are we going to bring our people together? How are we going to ensure that we can have seamless movement of goods and services?”

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Lim Chze Cheen, Head of the Connectivity Division at the ASEAN Secretariat

Answers include making sure that the roads are good enough to support trade and investment; embarking on a single shipping market; improving the ports; and streamlining customs and border procedures. ASEAN is also upgrading its regional telecommunications networks, and wants to set up an integrated grid to allow member states to share power.

Funding is a challenge, however, he said. The Singapore-Kunming Railway envisages a high-speed network across the region, for example. But there is still a gap of 256 km from Cambodian capital Phnom Penh to the border with Vietnam. “Without the link, there is no seamless connection in terms of rail,” said Lim. “A feasibility study has been done, but the link has not been built. So the government has been actively seeking investors.”

Rahmat Pramono, Indonesia's Representative to the ASEAN Connectivity Coordinating Committee (ACCC) – set up to monitor implementation of the Master Plan - said: "ASEAN needs \$600 bn for physical connectivity. We have the ASEAN Infrastructure Fund, but it is not sufficient to finance all the projects."

"ASEAN needs \$600 bn for physical connectivity. We have the ASEAN Infrastructure Fund, but it is not sufficient to finance all the projects."

Rahmat Pramono, Indonesia's Representative to the ASEAN Connectivity Coordinating Committee (ACCC)



Elisabeth Buensuceso, Representative of the Philippines to the ACCC, said that each national government has the political will to increase national spending on infrastructure. Traditional sources of financing – such as the World Bank and the Asian Development Bank (ADB) – are still contributing too. More recently, the idea of public-private partnerships has been gaining popularity.

"We have to ease the pressure on government spending by distributing the long-term risks of infrastructure spending."

Elisabeth Buensuceso, Representative of the Philippines to the ASEAN Connectivity Coordinating Committee (ACCC)



"This is not a cure-all, but it could present a big opportunity to address the financing needs of master plan," she said. "We have to ease the pressure on government spending by distributing the long-term risks of infrastructure spending."

“In the EU, we have always been very attracted to initiatives like ASEAN, which we consider as the most successful regional integration design so far among developing countries,” said **Jean-Claude Boidin**, Head of Unit at the European Commission’s Directorate General for Development and Cooperation. “In the European Union’s own history, there has been a lot of learning and a number of mistakes, and there are some elements that are relevant for ASEAN.”

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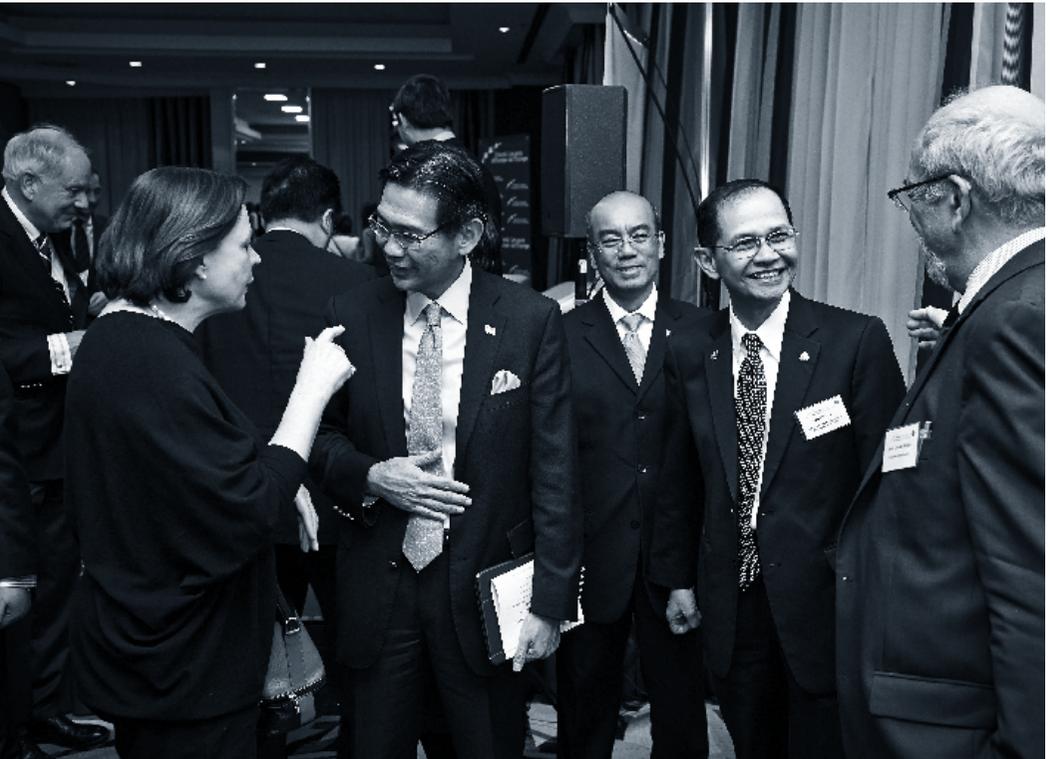


Jean-Claude Boidin, Head of Unit for Centralised Operations, Asia and Central Asia of the European Commission’s Directorate General for Development and Cooperation

There are significant differences in mood between the two regions, however, with EU citizens showing signs of discontent at some aspects of European integration, while ASEAN is enthusiastic for further moves forward.

“In ASEAN we don’t have scepticism – we all have strong and growing confidence in this course and we keep moving ahead,” said Sanh Chau Pham, Vietnam’s Ambassador to the EU, speaking from the floor. He added: “The EU is in better position than any organisation or country to share connectivity with ASEAN because you have a lot of lessons to share.”

Beyond finance, the EU is already working closely with ASEAN, and the EU-ASEAN Dialogue on Connectivity is providing an opportunity to exchange experiences and best practices. “Borders, barriers that we observe in any regional grouping hinder human and economic development,” said Boidin. “What is strong about the connectivity concept advocated by ASEAN is that it draws attention to the core of the integration agenda.”



The ASEAN-EU Border Management Project is aiming to ease the movement of goods and people. The EU Support to Higher Education in ASEAN Region (EU SHARE) programme is helping develop regional higher education frameworks in ASEAN. It is also promoting student mobility – both within ASEAN and to the EU, which welcomes more than 4,000 ASEAN students each year on EU scholarships. The EU is also helping with the technical aspects of integration, such as statistical systems, where Eurostat is providing support.

The total value of ASEAN's trade has reached \$2.5 tn a year, and the EU and ASEAN trade over €200 bn in goods and services. To boost ties further, the EU concluded an Foreign Trade Association (FTA) with Singapore in December 2012, and is currently negotiating with Malaysia, Vietnam and Thailand. These could one day form the basis for a future EU-ASEAN deal.



“The EU has always said that bilaterals are building blocks to a region-to-region agreement,” said moderator **Shada Islam**, Director of Policy at *Friends of Europe*.

Pramono pointed out that ASEAN is trying to finalise a Regional Comprehensive Economic Partnership (RCEP) with Australia, China, India, Japan, Republic of Korea and New Zealand. So the association will wait to conclude this before attempting further FTAs. “After we have this consolidated text, we can open discussions on FTAs with other dialogue partners,” he said.

“The EU has always said that bilaterals are building blocks to a region-to-region agreement.”

Shada Islam, Director of Policy at Friends of Europe



ASEAN should be proactive in setting its agenda and should be open to dialogue on a range of issues, said **Pradap Pibulsonggram**, Thailand's Representative to the ACCC. It also needs to stay united. Its recent achievements include accepting Myanmar as a member and, as a whole, maintaining economic growth during the economic crisis, he said. Now it is preparing to become a community in 2015.

"We are already looking beyond 2015, and that's where the EU comes in," he said. "ASEAN should be in the driver's seat."

"We are already looking beyond 2015, and that's where the EU comes in"

Pradap Pibulsonggram, Thailand's Representative to the ASEAN Connectivity Coordinating Committee (ACCC)



One area ASEAN is trying to improve is its communications. Outsiders know too little about the organisation and region, said Norbert Baas, a former German Ambassador to Indonesia and a Senior Advisor at Bohnen Kallmorgen & Partner, speaking from the floor. "It is difficult to find out in detail what projects are in the pipeline," he said. "ASEAN is on rise and interest is growing but German businesses don't know how to get information."

To promote understanding, ASEAN is preparing a series of YouTube videos about its activities, telling stories about successful businesses and ventures. "We need to communicate better to our stakeholders," said Lim.

Despite the new initiatives, ASEAN will not forget one of its original purposes when it was founded nearly half a century ago: Security. "We would like to project the basic ASEAN principle of settling disputes through internationally recognised principles," said Buensuceso. "We call for diplomatic solutions to problems, not the use of force or the threat to use force."

Pibulsonggram pointed out the significance of the ASEAN Regional Forum (ARF), a large international dialogue on security in the Asia-Pacific region. In addition, he said, "Our defence ministers meet once or twice a year. One of the strengths of ASEAN is maintaining stability."



ANNEX I – Programme

18.00 – 19.30 POLICY INSIGHT
 ASEAN Connectivity: A role for Europe?

Connectivity is crucial for ASEAN integration, the building of an ASEAN Economic Community by end-2015 and ensuring the grouping's centrality in an evolving and dynamic regional architecture. The ambitious Master Plan on ASEAN Connectivity adopted in 2010 includes the building of institutional, physical and people-to-people linkages among the ten countries – and also within countries. Physical connectivity includes transport, communication and energy projects while institutional connectivity covers trade and economic areas including trade and investment liberalisation and capacity building. People-to-people connectivity, meanwhile, includes tourism, education and culture. How much progress has ASEAN achieved in implementing the Master Plan for Connectivity? How are the projects being financed? What is the role of the private sector in promoting and encouraging ASEAN connectivity? How is ASEAN civil society being brought into the discussion and programmes? Can the EU help in speeding up ASEAN connectivity through its own experience and expertise? What business opportunities do the connectivity plans open up for European enterprises?

Jean-Claude Boidin	Head of Unit for Centralised Operations, Asia and Central Asia at the European Commission Directorate General for Development and Cooperation
Elizabeth Buensuceso	Philippines' Representative to the ASEAN Connectivity Coordinating Committee (ACCC)
Lim Chze Cheen	Head of the ASEAN Connectivity Division at the ASEAN Secretariat
Pradap Pibulsonggram	Thailand's Representative to the ASEAN Connectivity Coordinating Committee (ACCC)
Rahmat Pramono	Indonesia's Representative to the ASEAN Connectivity Coordinating Committee (ACCC)

Moderated by **Shada Islam**, Director of Policy at *Friends of Europe*

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Arutyunyan Mara, Third Secretary, Mission of the Russian Federation to the EU

Baas Norbert, Senior Advisor, Bohnen Kallmorgen&partners

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Peña Demetrio, Assistant, Paragon Europe

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Phonseya Manorom, Ambassador, Mission of Laos to the EU

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