

AEC BLUEPRINT 2025 ANALYSIS

AN ANALYSIS OF THE ASEAN COOPERATION IN TRANSPORT

Foreword

The following report is part of a series which attempts to provide a detailed analysis on the ASEAN Economic Community (AEC) Blueprint 2025. Each report will cover a single element of the blueprint, providing a comprehensive look at past achievements, present problems, and the future

plans of the AEC. Special attention will be placed upon the strategic measures outlined in the AEC Blueprint 2025. This report aims to provide insight into the viability surrounding regional economic integration under the AEC.

ASEAN Transport Cooperation

Currently, connectivity is one of the most prominent issues that are shaping the future of the AEC. Given the geographical proximities of ASEAN member states, transport cooperation plays a very important role in realizing a more integrated and cohesive economic region, in promoting ASEAN's competitiveness, in enhancing sectoral cooperation, and in bridging ASEAN with the global economy. In the new AEC Blueprint 2025, the ASEAN transport cooperation is officially housed under the third pillar of the AEC, which is a new pillar not covered in the previous blueprint, called "enhanced connectivity and sectoral cooperation." The establishment of connectivity

as its own pillar shows how imperative it is as a major factor that would contribute significantly in achieving the objectives set out in the other AEC pillars. Transport, together with the other sectors supporting connectivity, plays a pivotal role in facilitating trade, investment, finance and skilled labour across the region.

This report has been prepared to provide some analysis on the importance of connectivity and infrastructure and how transport contributes to improving the connection within a member state, among member states and across the economic sectors in ASEAN.

A. Targets under the AEC 2015 Blueprint

- In the previous blueprint, transport cooperation was under the second pillar of the AEC that is establishing ASEAN as a competitive economic region as part of infrastructure development. Basically, transport cooperation under Blueprint 2015 was aimed at
 1. Developing an efficient, secure and integrated transport network in the region to realise the full potential of the ASEAN Free Trade Area, to enhance the attractiveness of the region as a single production, tourism and investment destination and to narrow the development gaps among member states;
 2. Enhancing transport facilitation and logistics services, promoting multimodal transport infrastructure linkages and connectivity, facilitating transport and tourism integration,
- and further liberalizing the air and maritime transport sectors;
- The ASEAN Transport Action Plan (ATAP) 2005-2010, which guided the ASEAN cooperation on multi-modal transport and transport facilitation, covers the three modes of transport: land, maritime and air transport. The actions involved in the action plan that were expected to be completed by 2010 include:
 - i. Implementation of the ASEAN Framework Agreement on the Facilitation of Goods in Transit (AFAFGIT) by 2009
 - ii. Implementation of the ASEAN Framework Agreement on Multimodal Transport (AFAMT) by 2010

- Finalization of the ASEAN Framework Agreement on the Facilitation of Inter-State Transport (AFAFIST) by 2008 for its implementation beginning 2010.
- The focus on land transport cooperation was on the completion of the Singapore-Kunming Rail Link (SKRL) and the ASEAN Highway Network (AHTN) projects. The major measures involved include:
 - i. Complete the development of all the missing links in the SKRL
 - ii. Complete the implementation of the AHN projects, in particular road construction/ improvement of below Class III road (two narrow lanes with double bituminous treatment) sections of the designated Transit Transport Routes (TTRs) of the AHN
 - iii. Enhance road safety in ASEAN
- On maritime and air transport, the priorities included adoption of the general principles and framework for an ASEAN Single Shipping Market (ASSM), and development and implementation of the ASEAN Single Aviation Market (ASAM), to be carried out through the following measures:
 - i. Implement relevant International Maritime Organisation (IMO) conventions
 - ii. Implement the Roadmap towards an Integrated and Competitive Maritime Transport in ASEAN
 - iii. Implement the ASEAN Open Sky Policy (Roadmap for Integration of the Air Travel Sector)
 - iv. Implement the ASEAN Single Aviation Market
- In November 2010, the 16th ASEAN Transport Ministers (ATM) Meeting adopted the next phase action plan (2011-2015), called the ASEAN Strategic Transport Plan / Brunei Action Plan (BAP). The BAP identified the strategic actions and measures that would serve as the main guidance to the ASEAN transport cooperation up until 2015. With the adoption of the BAP, member states would continue their commitments to implement the necessary strategic measures to achieve the objectives of developing an efficient, secure and integrated transport network in the region, and enhancing transport facilitation, logistics services, and multimodal transport infrastructure linkages and connectivity, as mentioned above.

B. Significant Achievements To Date

- Significant progress has been made in the areas of land, maritime and air transport sectors, and transport facilitation. The table below summarizes the important developments to date.

Area	Progress
 <p>Transport Facilitation</p>	<p>The implementation of the AFAFGIT, which has been in force since 2000, depends on operationalization of its protocols. Some protocols have been signed and ratified earlier (3, 4, 5, 8) but their operationalization is facing many problems. Other protocols have been signed but not yet ratified (1, 6, 7, 9), and one protocol (2) has yet to be signed.</p> <p>The AFAFIST has been ratified by Cambodia, Lao PDR, Philippines, Thailand and Viet Nam, and therefore has entered into force in those countries.</p> <p>The AFAMT has been ratified by Cambodia, Lao PDR, Myanmar, Philippines, Thailand and Viet Nam, and therefore has entered into force in those countries.</p>
	<p>ASEAN is currently receiving support and assistance from the European Union (EU) through the ASEAN Regional Integration Support by EU (ARISE) to improve the operationalization of the AFAFGIT, and of the ASEAN Customs Transit System (ACTS) pilot project to be implemented in 2016.</p>
	<p>ASEAN is currently working on the ASEAN Framework Agreement on the Facilitation of Cross Border Transport of Passengers by Road Vehicles (ASEAN CBTP) that will facilitate cross border transport of people among the Contracting Parties through road vehicles and to simplify a by addressing the issues related to transport, customs, immigration, and quarantine measures.</p>

Area	Progress
 <p data-bbox="165 443 300 506">Land Transport</p>	<p data-bbox="376 170 1445 338">On the SKRL project, there are two main constructions of the missing link sections: Poipet-Sisophon and Aranyaprathet-Klongluk. The latter was completed in August 2015 with funding from the Government of Thailand. The former section, the Poipet-Sisophon section has been delayed from its original schedule but the project continues for completion next year.</p> <p data-bbox="376 371 1445 472">On the AHN, there are no more missing links in the region. The total length of roads below Class III has been reduced from 5,311 km in 2010 to 2,454 km in 2015, which include 1,200 km on the priority Transit Transport Routes (TTR).</p> <p data-bbox="376 506 1445 734">With regard to road safety, ASEAN has developed the ASEAN Regional Road Safety Strategy which was adopted by the 21st ATM Meeting in November 2015 in Kuala Lumpur. Member states have also developed their respective national road safety action plans, in accordance with the United Nations Decade of Action for Road Safety 2011-2020, which aims at reducing the number of road fatalities and serious injuries by promoting activities on road safety conducted at national, regional and global levels.</p>
 <p data-bbox="165 1066 300 1128">Maritime Transport</p>	<p data-bbox="376 781 1445 913">The 20th ATM Meeting in November 2014 endorsed the Implementation Framework of the ASSM. The Framework serves as the strategic guidance in coordinating policy and harmonise rules and regulation to further liberalise the shipping markets in ASEAN.</p> <p data-bbox="376 954 1445 1086">ASEAN is working on improving the quality of the 47 designated ports so that they are able to meet the acceptable performance and capacity level. In addition, ASEAN is also implementing the programme of port management system with technical assistance from GIZ.</p> <p data-bbox="376 1126 1445 1283">ASEAN has completed the Master Plan Study and Feasibility Study on the Establishment of an ASEAN RO-RO Shipping Network and Short Sea Shipping in March 2013. Indonesia, Malaysia, Philippines and Thailand are now working on possible avenues to operationalise the 3 recommended priority routes: General Santos - Bitung route, Melaka - Dumai route, and Belawan - Phuket route.</p>
 <p data-bbox="165 1749 300 1812">Air Transport</p>	<p data-bbox="376 1332 1445 1529">The 17th ATM Meeting in December 2011 adopted the Implementation Framework of the ASAM, which provides guidance for ASEAN priority areas such as air services liberalisation, enhancement of aviation safety and security standards and practices, and harmonisation of air traffic management. ASAM has been fully ratified by all member states, but some have been limiting the operationalization of the agreement.</p> <p data-bbox="376 1563 1445 1794">In terms of operationalizing the air transport freedoms, all ASEAN member states have signed and ratified the three multilateral agreements: ASEAN Multilateral Agreement on the Full Liberalisation of Air Freight Services (MAFLAFS), ASEAN Multilateral Agreement on Air Services (MAAS), and ASEAN Multilateral Agreement on the Full Liberalisation of Passenger Air Services (MAFLPAS). This means that the agreements and their protocols have entered in force and effective in all member states.</p> <p data-bbox="376 1827 1445 1960">ASEAN adopted the Guidelines for Liberalisation of the ASEAN Air Transport Ancillary Services, which identified 7 new air transport ancillary services that have become the new sub-sectors subject to the air transport sectoral negotiations from 2010 to 2015.</p> <p data-bbox="376 1993 1445 2125">ASEAN has concluded the ASEAN-China Air Transport Agreement (AC-ATA) in 2010, which aims at liberalising air passenger and cargo services between ASEAN member states and China. Similar agreements are now being considered with other dialogue partners.</p>

C. Current Issues and Challenges

- From an economic point of view, better quality infrastructure is beneficial to improve ASEAN's readiness to become more integrated and cohesive as a single market and production base, by significantly reducing transportation cost and improving logistics deliveries. However, from the environmental point of view, this may result in higher congestions and pollutions, which may suggest that focus should be geared towards environmentally friendly means of transportation.
- In some cases, member states are still not able to reach an agreement on the issues that are hampering the conclusion of transport negotiations, for example Protocol 2 of the AFAFGIT on establishment of frontier posts have not been signed because some countries have not yet agreed on the terms.
- Financing may be an issue for some countries on the completion of the transportation projects.

D. Plans under the AEC 2025 Blueprint

- As mentioned before, in the new blueprint, connectivity is now a pillar of the AEC, considering its importance in integrating the ASEAN economies and connecting ASEAN with the global economy. Developing quality transport facilities across ASEAN is imperative in ensuring that establishing ASEAN as a single market and production base, and enhancing its competitiveness can happen according to the agreed timeline.
- The Brunei Action Plan has been replaced by the Kuala Lumpur Transport Strategic Plan (KLTSP) which was adopted by the 21st ATM Meeting in November 2015. The document aims at supporting the regional economic development and integration through enhanced land, air and maritime transport in the next ten years. It also aims at pursuing the development of sustainable transport and enhancing ASEAN's connectivity with China, Japan and Korea.
- The AEC 2025 vision for transport is geared towards greater connectivity, efficiency, integration, safety and sustainability. In addition to the priority areas as before: land transport, air transport, maritime transport and transport facilitation, ASEAN has now included sustainable transport as a new priority that will support sustainable development in the region.
- Strategic measures for transport cooperation for 2016-2025 include:
 - i. Land transport aims at establishing an efficient and integrated regional transport network within ASEAN and with neighbouring economies by following the key measures:
 - a. Achieve land transport infrastructure integration and inter-modal connectivity, with principal airports, ports, and inland waterway and ferry links;
 - b. Promote concerted and coordinated efforts at policy and operation level to develop ASEAN land transport trade corridors.
 - ii. Air transport focuses on strengthening the ASAM by implementing the measures:
 - a. Advance safer and more secure skies in ASEAN;
 - b. Enhance air traffic management efficiency and capacity through a seamless ASEAN sky;
 - c. Foster greater connectivity, including the conclusion of aviation agreements with Dialogue Partners.
 - iii. Maritime transport aims at establishing the ASSM and promoting maritime safety, security and strategic economic corridors through the following measures:
 - a. Continue to strengthen ASEAN maritime connectivity through establishment of ASSM and implementation of conventions of the International Maritime Organization (IMO);
 - b. Develop strategic maritime logistics corridor.
 - iv. Transport facilitation continues the efforts to establish an integrated, efficient and globally competitive logistics and multi-modal transportation system by implementing the measures as follows:
 - a. Operationalise the AFAFGIT, AFAFIST, and AFAMT;

b. Operationalise the ASEAN Framework Agreement on Facilitation of Cross-Border Transport Passengers by Road Vehicles (CBTP);

c. Enhance capacity and skills development to further progress regional transport facilitation cooperation and transport facilitation beyond ASEAN.

v. Sustainable transport will be developed based on a regional policy framework that includes low carbon modes of transport, efficiency in the use of energy, integration of transport networks, and better land-use planning.

- In addition, the Master Plan on ASEAN Connectivity (MPAC) 2025 provides a grand guidance on improving and promoting ASEAN Connectivity in five key areas:
 - (i) sustainable infrastructure,
 - (ii) digital innovation,
 - (iii) seamless logistics,
 - (iv) regulatory excellence and
 - (v) people mobility.

- In relation to transport cooperation in ASEAN, perhaps areas (i) and (iii) are most relevant. Under those two area, there are some measures that could be highly relevant:

- a. Establish a rolling priority pipeline list of potential ASEAN infrastructure projects and sources of funds

- b. Establish an ASEAN platform to measure and improve infrastructure productivity

- c. Strengthen ASEAN competitiveness through enhanced trade routes and logistics

- d. Enhance supply chain efficiency through addressing key chokepoints

E. AEC 2025 Blueprint Analysis

- The table below attempts to evaluate the progress made under each measure outlined in the AEC Blueprint 2025 for transport cooperation.

Strategic Measure	Current Status and Development
<p>1 Land transport: efficient, safe and integrated regional land transport network</p> <ul style="list-style-type: none"> • Achieve land transport infrastructure integration and inter-modal connectivity, with principal airports, ports, and inland waterway and ferry links • Promote concerted and coordinated efforts at policy and operation level to develop ASEAN land transport trade corridors 	<ul style="list-style-type: none"> • Work under the SKRL and AHN projects are still ongoing and will continue to be completed by the scheduled timeline. • Interconnection with air and maritime transports remains to be seen but this may require more integrated planning among the relevant authorities.

Strategic Measure	Current Status and Development
<p>2 Air transport: ASAM</p> <ul style="list-style-type: none"> • Advance safer and more secure skies in ASEAN • Enhance air traffic management efficiency and capacity through a seamless ASEAN sky • Foster greater connectivity, including the conclusion of aviation agreements with Dialogue Partners 	<ul style="list-style-type: none"> • The creation of the ASEAN single aviation market aims to allow for the third, fourth, fifth and seventh freedom operations across the ASEAN region by end of 2015. The agreement was fully ratified by all member states of ASEAN in May 2016 with the purpose of operationalising the ASEAN open skies scheme. However, several member states still have some reservations¹ on the full implementation of the agreement. For example, a presidential regulation of Indonesia states that only five airports can participate in the scheme. Lao PDR has not yet opened the Vientiane and Luang Prabang airports for Thai carriers. The Manila airport is still limiting access because of low capacity and risks of high air traffic. Despite the ratification, some form of protectionism still exists and the ASAM has not yet fully realized. • Implementation of the AC-ATA with China has not been fair for ASEAN and tends to benefit the Chinese side more, particularly in terms of the points of origin which give Chinese carriers more flexibility.
<p>3 Maritime transport: ASSM, maritime safety, security and strategic economic corridors</p> <ul style="list-style-type: none"> • Continue to strengthen ASEAN maritime connectivity through establishment of ASSM and implementation of conventions of the International Maritime Organization (IMO); • Develop strategic maritime logistics corridor. 	<ul style="list-style-type: none"> • Given the geographical nature of ASEAN countries, maritime connectivity plays a pivotal role in the movement of goods, services, investment and people across the region. This should be supported by good port infrastructure. At present, most port infrastructure in ASEAN is below average levels in the developed world. According to a Citi Research ranking of transport infrastructure in 144 countries, only Malaysia and Singapore made it to the global top 50. The World Bank and Japan International Cooperation Agency (JICA) have committed to financially support to the improvement of ASEAN port infrastructure².

¹ This information is taken from [ASEAN liberalisation: open skies achieves full ratification, May 2016, Holman Fenwick William](#)

² Information in this section was taken from [ASEAN seeks port productivity improvements, Turloch Mooney, joc.com](#)

Strategic Measure	Current Status and Development
<p>4 Transport facilitation: integrated, efficient and globally competitive logistics and multimodal transportation system</p> <ul style="list-style-type: none"> Operationalise the AFAFGIT, AFAFIST, and AFAMT; Operationalise the ASEAN Framework Agreement on Facilitation of Cross-Border Transport Passengers by Road Vehicles (CBTP); Enhance capacity and skills development to further progress regional transport facilitation cooperation and transport facilitation beyond ASEAN. 	<ul style="list-style-type: none"> As mentioned in Section B of this report, for the AFAFGIT, some protocols have been signed and ratified, and are now being implemented. Some have been signed but still in the process of being fully ratified by member states. One protocol is still waiting to be signed. The AFAFIST and AFAMT are already operational in countries that have ratified the agreements. The CBTP has been included in the KLTSP, which replaces the Brunei Action Plan. The KLTSP will guide the ASEAN transport cooperation in the next ten years (2016-2025).
<p>5 Sustainable transport</p> <ul style="list-style-type: none"> Formulate a regional policy framework to support sustainable transport that includes low carbon modes of transport, energy efficiency and user-friendly transport initiatives, integration of transport, and land-use planning 	<ul style="list-style-type: none"> Sustainable transport is a new area under transport cooperation. It is expected that ASEAN is able to develop modes of transport that are an environmental friendly and energy efficient, but still affordable to the consumers. It remains to be seen how this will progress.

F. Conclusion: Moving Forward with the AEC 2025 Plans

- It was a good decision by the ASEAN leadership to give a higher priority to connectivity and make it a separate pillar under the AEC. However, this should also mean greater commitments by the authorities to implement the agreed measures to improve the quality of transport modes, transport infrastructure and transport facilitation to enhance integration and competitiveness of ASEAN. The pending conclusion of the agreements and protocols, and ratifications of those agreements will require that ASEAN governments expedite their efforts to ensure adherence to the agreed timeline. In addition, feedbacks from the private sector and other stakeholders could be useful in moving things forward.
- The objectives of realizing the shipping and aviation single markets may need to be revisited if some countries are not able to commit themselves to the idea of a single market. Liberalization is not an easy matter but the benefits could be gained if member states are prepared to enter that phase.
- Infrastructure financing could be an issue that needs to be dealt with as early as possible. ASEAN has established the ASEAN Infrastructure Fund (AIF) that has made some important contributions to infrastructure projects in the region. The current size of the AIF is now still quite small but more intensive communication with the finance side could encourage enlargement of the Fund to meet with the growing demand for infrastructure financing.

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