

Infrastructure for a Seamless Asia

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In view of Asia's enormous untapped economic potential and lack of connectivity as well as ongoing financial economic crisis, there is an urgent need for creating a seamless Asia, an integrated region connected by world-class environment-friendly infrastructure networks. The study "Infrastructure for a Seamless Asia" covers the issues and challenges for regional infrastructure defined as cross-border (or transnational projects) that involved "hard" (physical structures, equipment, facilities and services) and "soft" (eg. policy, regulatory, governance, trade facilitation and institutional frameworks) infrastructure spanning two or more neighboring countries and/or national projects that have a significant cross-border impact in stimulating regional trade and income; or in connecting with the network of neighboring or third countries. The challenge is to build efficient and seamless connections across Asia and to the rest of the world for a more competitive, prosperous, and integrated region. It covers ADB's 44 developing countries plus Japan and Brunei Darussalam and gives the broad pan-Asian initiatives and sector-specific subregional efforts specifically in transport, energy and telecom.

The study provides reasons for increased infrastructure investment. One, infrastructure enhances the competitiveness and productivity as well as in economic recovery and helps in sustaining medium to long-term growth. It helps increase standard of living and reduce poverty by connecting isolated places and people with major economic centers. It promotes environmental sustainability. It forms an important part of fiscal stimulus package, especially in the case of prolonged crisis. Moreover, it helps in increasing regional demand and intraregional trade for rebalancing Asia's growth. The objectives of the study are (i) to examine the key issues and challenges in strengthening cross-border connectivity in Asia; (ii) to examine the benefits and cost of regional infrastructure; (iii) to estimate the financing requirements for developing Asia's infrastructure; (iv) to provide recommendations for effective programs, policies and institutions for regional infrastructure; and finally (v) to present a framework for pan-Asian infrastructure cooperation towards a seamless Asia.

The study found out that on average, Asia need to invest about \$750 billion per year in infrastructure (both national and regional) during 2010-2020. This is expected to produce substantial real income gains of about \$13 trillion for developing Asia during this period and beyond. The main source of financing for Asia's infrastructure can be the region's vast domestic savings. However, there is a need to strengthen the national and regional local currency bond markets-notably the Chiang Mai Initiative, the ASEAN + 3 Bond Market Initiative and the Asian Bond Funds. There is also a need to identify and prepare "bankable" projects to encourage private financing involving Public Private Partnership. A "Pan-Asian Infrastructure Forum (PAIF) should be established to help coordinate and integrate existing subregional infrastructure initiative towards a seamless Asia and an "Asian Infrastructure Fund" (AIF) is needed to mobilize international funds (public and private) and help prioritize, prepare and finance "bankable" regional projects.

In conclusion, a framework for Pan-Asian Infrastructure Cooperation is needed and this requires a common vision, strong leadership and shared commitment by Asian leaders, strong institutional capacities at national level, coherent infrastructure development at national, subregional, and regional levels and Pan-Asian infrastructure strategies to prioritize investments and coordinate policies. Effective planning and implementation of projects to ensure "win-win" outcomes among participating countries can be done by

addressing the issue of asymmetric distribution of projects' cost and benefits and managing socioeconomic impacts. An effective financing framework can help mobilize the region's vast savings and encourage public-private partnerships. Together with international and regional development partners like ADB, WB and UNESCAP, bilateral organizations like JBIC/JICA), Asian economies can work together to achieve a Seamless Asia.