

Keynote Address
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Economic Research Institute
for ASEAN and East Asia

Federation of ASEAN Shipowners' Associations
37th Annual General Meeting
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The Ritz Carlton Hotel, Pacific Place
Jakarta-Indonesia

His Excellency, **Mr. E.E. Mangindaan**, Minister of Transportation of the Republic of Indonesia,

His Excellency, **Mr. Bambang Susantono**, Vice Minister of Transportation of the Republic of Indonesia,

Her Excellency, **Mrs. Carmelita Hartoto**, Chairman of Federation of ASEAN Shipowners' Association (FASA),

Members of FASA from Indonesia, Singapore, Malaysia, Philippines, Thailand, Vietnam, and Myanmar,

Distinguished Guests

Ladies and Gentlemen

A very good morning for all of us,

Selamat Pagi,

On behalf of Economic Research Institute for ASEAN and East Asia, ERIA, I would like to thank the Government of the Republic of Indonesia and Federation of ASEAN Shipowners' Association for the opportunity to speak in this important event of the 37th FASA Annual General Meeting.

ERIA greatly welcomes the 37th FASA Annual Meeting, understanding that the results certainly will benefit regional development. Given the geographical condition of South East Asia, Maritime Transportation has been playing crucial role in connecting and developing ASEAN+ countries, and it is reflected by its important position in the Master Plan on ASEAN Connectivity or MPAC in short. The MPAC was developed to build a strong ASEAN Community and ERIA is very pleased to have contributed to the drafting of MPAC. ERIA is continuing her participation to achieve the implementation of the agreed activities as stipulated in the MPAC.

Ladies and Gentlemen,

The volume and traffic of the ASEAN trade, both within and across regions, are expected to increase in the coming years. Export value in ASEAN countries has doubled during the last 5 years, while Asia Ports' container traffic has been contributing to the world container traffic by more than 50% during the last decade. This poses opportunity and challenge for ASEAN, as we know that major sea linkages in Asia are dominated by China and Singapore's ports. To benefit from this trend, ASEAN must first be prepared with sufficient physical infrastructure support. Yet, there are also institutional arrangements that need to be addressed, and communities to be engaged, to ensure that the benefit will be enjoyed by all members of ASEAN.

Please allow me to share with all of you some of the on-going and planned initiatives –with emphasis on maritime development– we are, or will be undertaking in relation to enhancing physical infrastructure development, strengthening institutional mechanisms, and engaging communities at large under MPAC. Our efforts in implementation support were appreciated by National Leaders at the last 19th ASEAN Summit and 6th East Asia Summit.

In order to promote implementation of the Master Plan, ERIA has established a team of experts who will be liaising with the National Coordinators in ASEAN Member States to address key challenges facing the implementation of the prioritized infrastructure projects in MPAC as well as the Comprehensive Asia Development Plan, or CADP in short. The team will also come up with the way forward to expedite the realization of these projects.

CADP is an initiative by the East Asian Leaders to help coordinate, expedite and expand sub-regional production network initiatives with the view to deepen economic integration and narrow development gap in the region. CADP has specified three sub-regions that are Mekong, IMT+, and BIMP+, which include multiple industrial corridors connecting countries or regions at different development stages in order to effectively utilize economic dynamism.

In order to explore the full potentials of economic corridors in the region, it is important to enhance the connectivity among the economic corridors by upgrading maritime connectivity. Indeed, as demonstrated in the CADP, the enhancement of maritime connectivity is expected to have larger impacts on economic growth and narrowing of development gaps.

Despite the importance, many ASEAN countries, with the exception of Singapore and Malaysia, rank lower relative to China and Hong Kong in the UNCTAD Liner Shipping Connectivity Index. At the same time, most of the gateway ports of the ASEAN Member States are already “fairly full”, which means that investments in capacity expansion would have to be made, in order to meet the growth in trade expected from the deeper economic integration of the ASEAN Member States, among themselves and with the rest of the world.

In addition to the physical infrastructure, it is also important to make the regional shipping market more efficient and competitive. For this purpose, the MPAC identifies the development of an ASEAN Single Shipping Market, or ASSM, as one of the key strategies. ASEAN has started a comprehensive study for ASSM, based on the strategic paper on ASSM prepared by Indonesia. In addition, ASEAN decided to conduct a study on the roll-on/roll-off, or RoRo network and short sea shipping as one of the prioritised projects in the MPAC. This study is regarded as a first step in exploring one of the options to enhance the connectivity between archipelagic and mainland ASEAN.

Ro-Ro system has several advantages compared with conventional shipping and air transport, including: faster loading and unloading, faster sailing time, cheaper operational costs, lower port development cost, and lower CO₂ emission. The study from *Enrico Basilio* of the Philippines shows that Ro-Ro system has improved transport efficiency, tourism and agricultural productivity, Inter-Island trade, logistics reengineering, and local area development. The successful case of the Philippines Nautical Highway Network is expected to provide important lessons for ASEAN in establishing international RoRo networks in the region.

Enhanced maritime connectivity in ASEAN will enhance the connectivity among various economic corridors and thereby promote the integration between archipelagic and mainland ASEAN. This is clearly an integral step for ASEAN to become a single market and production base, as envisaged in the ASEAN Economic Community Blueprint, which in turn will spread the benefits of economic integration throughout ASEAN and East Asia.

Ladies and gentlemen,

We have recognized the significance of Maritime Transportation in connecting ASEAN economy. Yet, a strong and prosperous ASEAN Economy Community is not only standing on physical connection. It also requires strong and integrated institutions and well-connected people. It is indispensable that sophisticated physical facilities should be operated by creditable and skillful personnel using harmonious soft infrastructure.

In this regard, ERIA is developing a Meister Scheme to ensure that ASEAN Member States will have the people with the requisite skill sets, particularly in management and engineering disciplines, to ensure the successful implementation of their respective prioritized infrastructure projects through Public Private Partnership.

ERIA's Meister Scheme will not only help to develop human resources in critical area for national development but more importantly to contribute to the movement of scarce skilled labor to where it is required, through the undertaking of a common curriculum by renowned institutions of higher learning in the region.

ERIA welcomes any input, constructive ideas, feedback, participation, and cooperation from FASA to help constitute our strong building. Participation of governments, citizens and the industries is indispensable to support timely implementation of key economic initiatives and ensuring the benefits of such realization are enjoyed by all the people in ASEAN. I really hope today's meeting will become another historical achievement to promote connectivity in this region, thus contributing the establishment of ASEAN Economic Community in the year 2015.

Thank you for your kind attention.

Terima kasih banyak.