

Report of the NACT Working Group on Regional Connectivity and Sustainability: Connecting the Belt and Road Initiative and the Master Plan on ASEAN Connectivity 2025

Co-Hosted by NACT Malaysia and NACT China

29-30 April 2019 at Pelangi Resort, Langkawi Island, Malaysia

The Working Group Meeting on Regional Connectivity and Sustainability: Connecting the Belt and Road Initiative and the Master Plan on ASEAN Connectivity 2025 was co-hosted by NACT Malaysia and NACT China with the financial support from China Foreign Affairs University. The Working Group took place on the 29-30 April 2019 at Pelangi Resort, Langkawi Island, Malaysia. All countries were represented except for Brunei Darussalam.

The conference was divided into three panel discussions. The first panel explored the progress of infrastructure development in the region and its impact on economic and non-economic factors and the challenges confronted. The second panel examined the connectivity between BRI and the Master Plan on ASEAN Connectivity 2025. The last panel debated on the appropriate mechanisms needed to measure and assess how sustainable a given project is. The roles of different stakeholders were discussed throughout the three sessions, as key in creating an optimal environment for the proliferation of sustainable infrastructure growth in the region.

The objective of the Working Group was to explore avenues to ensure that regional connectivity is created and achieved in a balanced and sustainable manner in the region. How do we ensure that positive spillover effect and minimised negative effects on the economic, social and environmental sectors can be achieved with the development of these infrastructures region wide? What measures are needed to assess the projects being implemented? How can BRI be better aligned with MPAC 2025 by identifying the mutual demands from both ASEAN and China?

These are the guiding issues that was examined in depth in the working group given the fact that as there is a growing demand for infrastructure in ASEAN, it is imperative that the implementation of these projects on the ground mirror the guiding principles. The vision for the ASEAN Connectivity 2025 is to achieve a seamlessly and comprehensively connected and integrated ASEAN that will promote competitiveness, inclusiveness, and a greater sense of Community. Apart from people to people connectivity, the Master Plan on ASEAN Connectivity 2025 (MPAC 2025) focuses on four other strategic areas namely; sustainable infrastructure, digital innovation, seamless logistics, and regulatory excellence. When it comes to the development of connectivity infrastructure, the MPAC 2025 serves as a guiding document in the planning and execution of a given project in ASEAN. Nevertheless, as many projects within ASEAN are bilaterally negotiated, it is up to the host country to set the appropriate standard and conditions for the execution of the actual project. Within the ASEAN-China community, collaboration platforms can be developed to include full-set of value chain for infrastructure project development, management and execution, and operation and maintenance. Recently, Singapore has created an institution called Infrastructure Asia, bringing together local and international partners across the value chain, including infrastructure developers, institutional investors, multilaterals, and legal, accounting, and financial services providers, to meet Asia's growing demand for infrastructure. Infrastructure Asia invites other partners to join the platform to provide affordable, reliable and sustainable services for regional infrastructure development. It could be extended into a regional level of institution for infrastructure development. The existing collaboration institutions such as China-ASEAN Connectivity Cooperation Committee should be given full play in order for the implementation of infrastructure projects to be monitored to parallel the aspirations of the host country and the guiding principles of the MPAC 2025 and the BRI's vision.

Main messages from the discussion are as follows:

Opportunities

In ASEAN, the expected benefits from the regional connectivity cooperation with China are multiple. There is a huge demand in Southeast Asia for infrastructure, both hardware and software. With access to better infrastructure, commuting time and the cost of transportation in the region will be reduced significantly, which will benefit

communities and businesses. Products can be disseminated faster and cheaper. ASEAN's tourism sector will be promoted, and local employment will be boosted as well.

Challenges

However, there are also some challenges ahead. To date, gaps exist in terms of funding and financing infrastructure projects in the region. Given that the infrastructure projects are usually long-term and huge investment, paying back the loan could be a problem for all the parties involved in regional connectivity projects. ASEAN countries are also trying to diversify sources of investments so that they are not too dependent on a certain investor.

Coordination, monitoring and management in some regional connectivity projects are still lacking. Some top concerns related to infrastructure projects include the potential environmental impact due to the lack of regulations. Even though infrastructure is being developed, absorbing benefits are difficult because of low production capacity in selected countries in the region. Locals' relocation is another main challenge facing many countries when developing the infrastructure. Additionally, geo-political interference from external great powers is a challenge in itself.

The Way Forward

Therefore, ASEAN and China should pay more attention to the above-mentioned challenges and take the connectivity cooperation to the next stage. Life cycle cost of projects needs to be addressed and taken into account when projects are presented and agreed upon by governments. Monitoring mechanisms on mega infrastructure projects are needed to build sustainable connectivity. Environmentally sound practices should be incorporated in project planning and implementation first and foremost. Additionally, training and transfer of knowledge and know-how is needed to ensure maintenance efforts can be continued locally. Simultaneously domestic governance needs to be improved as these development projects can change the landscape of different communities. Third-party market cooperation is also highly encouraged by China to mitigate the negative impact of competition between major powers.

To emphasize, the development philosophy of BRI is common development and common prosperity. China remains humble and is open to study what ASEAN suggests in moving forward. To connect the Belt and Road Initiative and the Master Plan on ASEAN Connectivity 2025 seamlessly, the objectives must be aligned so as to make high quality, green and clean, sustainable, and affordable infrastructures possible.

The participants at Working Group Meeting are all aware how important public opinions and media coverage are for aligning BRI with MPAC 2025. Given that, media coverage should be objective in order to create an enabling environment for both enterprises with good qualifications to invest but also viable projects to maintain their sustainability.

Policy recommendations by categories

Political Dimension

1. While deliberating on the cost and benefit of participating in regional connectivity projects, policy makers need to distinguish between the debt issue and public trust deficit issue.
2. Governments of host countries must pay attention to the public opinions on the socio-economic, political and environmental impacts that regional connectivity projects might generate.
3. There must be a political will from both sides (investor and recipient countries) to address the shortcomings from both ends and ensure that the engagement is based on good faith, mutual respect and equitable benefits.
4. There must be greater commitment to strengthen relevant public institution and ensure that these institutions can function effectively. Laws and regulations must also be strictly applied to avoid financial risks.
5. All parties involved in regional connectivity projects should successfully demonstrate that the projects have no political string attached and are intended for the common good of the people in destination countries.
6. All the projects should be beneficial for local residents, create job opportunities, trade and economic development for local people and the people in the region.
7. All the projects should respect and value the local culture and avoid destroying the cultural site and cultural landscape of the local people.

8. Promote understanding of each other culture and avoid actions which will cause misunderstanding among the people between China and ASEAN.
9. Projects should include technology transfer for long-term benefits and human resource development.

Institution

1. Given the important role played by public opinion and media coverage in the cooperation between ASEAN and China, ASEAN-China Press Survey and Release Group should be set up to regularly release the progressive development of the existing projects based on the field investigation and survey. ASEAN-China Press Survey and Release Group is composed of representatives of media and academia from ASEAN countries and China.
2. The involvement of third parties (either governments outside the region, non-governmental organizations or private enterprises) must be considered in regional connectivity schemes to improve the quality of the planning and execution of the projects.
3. Enhance the coordination and monitoring role of existing institutions in the region such as China-ASEAN Connectivity Cooperation Committee and the Infrastructure Asia to ensure smooth alignment between the BRI and MPAC 2025. The missions of such mechanisms include at least but not limited to the following three tasks: 1) making assessments for regional connectivity projects in terms of economic and financial viability; 2) ensuring transparency; 3) upholding good governance.
4. In order to connect the BRI and MPAC 2025, unified regulations and technical standards must be in place. Innovation-driven strategy should also be adopted to better establish a connection between the BRI and MPAC 2025.
5. BRI projects should be sustainable for long-term development and complement the MPAC 2025, the building of ASEAN Community and the IAI Work Plan.
6. ASEAN-China Centre can play a role in exposing both China and Southeast Asian countries to each other through conferences, visits and university network.
7. A blueprint that details the overall plan, the priorities, the sequencing and the links between the BRI and MPAC 2025 must also be produced.

8. To ensure the sustainability of the projects, policies that demand the projects to be viable and usable must be in place.
9. Other institutions such as AIIB and ADB could also play an advisory role in improving the quality of regional connectivity projects.
10. Developing countries should implement monitoring and evaluation schemes into the arrangement to ensure good quality of the projects, effective management of foreign workers and appropriate importation of raw materials.
11. A commercial dispute resolution mechanism must be erected.
12. Enhancing trust between China and ASEAN countries could be achieved by increasing the number of meetings between national leaders and relevant ministries.
13. Governments must ensure policy stability and continuity in order to guarantee the sustainability of partnership between China and ASEAN countries. Risks emanating from political transition must be well acknowledged by both sides.

Good Governance and Due Diligence

1. ASEAN countries must improve their levels of accountability and transparency in conducting business or seeking investments from abroad.
2. Before committing to any kind of investment in ASEAN countries, it is important for Chinese investors to learn from wide sources about local socio-economic, geo-strategic and political conditions.
3. ASEAN countries need to create a more conducive environment to attract investments and make extra efforts to increase production capacities.
4. The socio-cultural concerns that come with the infrastructure projects must be anticipated by all parties. Examples of these include transboundary crimes, transferable diseases and the loss of cultural identities. Further cooperation could be carried out to address such concerns.
5. All parties involved in regional connectivity projects should conduct the assessment on the environmental impacts of the projects before and after their implementation. ASEAN and China should give more support and initiatives on green development.

6. All parties involved in the regional connectivity projects should enhance the communications about the quality of the infrastructure projects so as to uphold the principle of “value-for-money”.
7. The BRI and MPAC 2025 are not locked in an “either-or” situation. A combination between the two is also a possibility but projects must be aligned along the lines of hard and soft projects, big and small projects, and long- and short-term projects.
8. A sustained connectivity between China and ASEAN countries must be upheld.
 - a. ASEAN-China community of shared future could be forged by creating environmental and social sustainability which benefits to both sides. Efforts in this direction include creating jobs, transferring technology to local experts, training local workers, meeting environmental protection requirements, using modern technology and respecting the planned schedules.
 - b. Connectivity and Economic Centers, which look after matters such as productivity, competition, market opportunities as well as transport and logistics costs, should be set up to maximize economic benefits.
9. Regional countries should consider incorporating smaller infrastructure projects into the larger connectivity projects to better drive national development.
10. Local communities should be involved in the planning and construction of regional connectivity projects to ensure that their interest is fully met.
11. An enabling environment must be created at the formulation and implementation stages of the projects. These encompass more flexible customs and border procedures for people and equipment as well as better infrastructure for trade logistics.
12. Environmental protection should be priority for every project and avoid environmental degradation of forest, rivers and natural habitat. The long-term environment protection policy should be included in the project plans.