Infrastructure Connectivity: Thinking big, Starting Small

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Infrastructure Connectivity: Thinking big, Starting Small

1. **One Importance**
2. **Two Features**
3. **Three Challenges**
4. **Four Efforts**

1 One Importance

❖ Priority for development

Table : Conventional Estimates of Aggregate Transportation and Irrigation Infrastructure Productivity in Elasticity of Output with respect to Infrastructure Access

Economy/Region	Infrastructure Type	Elasticity	Source
Cross-country	Paved roads in agriculture	0.26	Binswanger (1990)
Cross-country	Rural road density in agriculture	0.12	Binswanger (1990)
Cross-country, OECD	Transportation	0.07	Canning and Fray (1993)
Cross-country, LDCs	Transportation	0.07	Canning and Fray (1993)
Cross-country, LDCs	Transportation and communication	0.16	Easterly and Rebelo (1993)
Cross-country	Irrigation in agriculture	1.62	Binswanger (1990)

Source: Yasuyuki Sawada, The Impacts of Infrastructure in Development, ADBI Working Paper, 2015.

One Importance

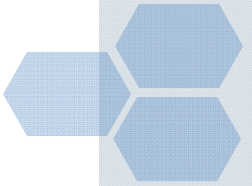
- Chinese: Build roads before you get rich.

One Importance

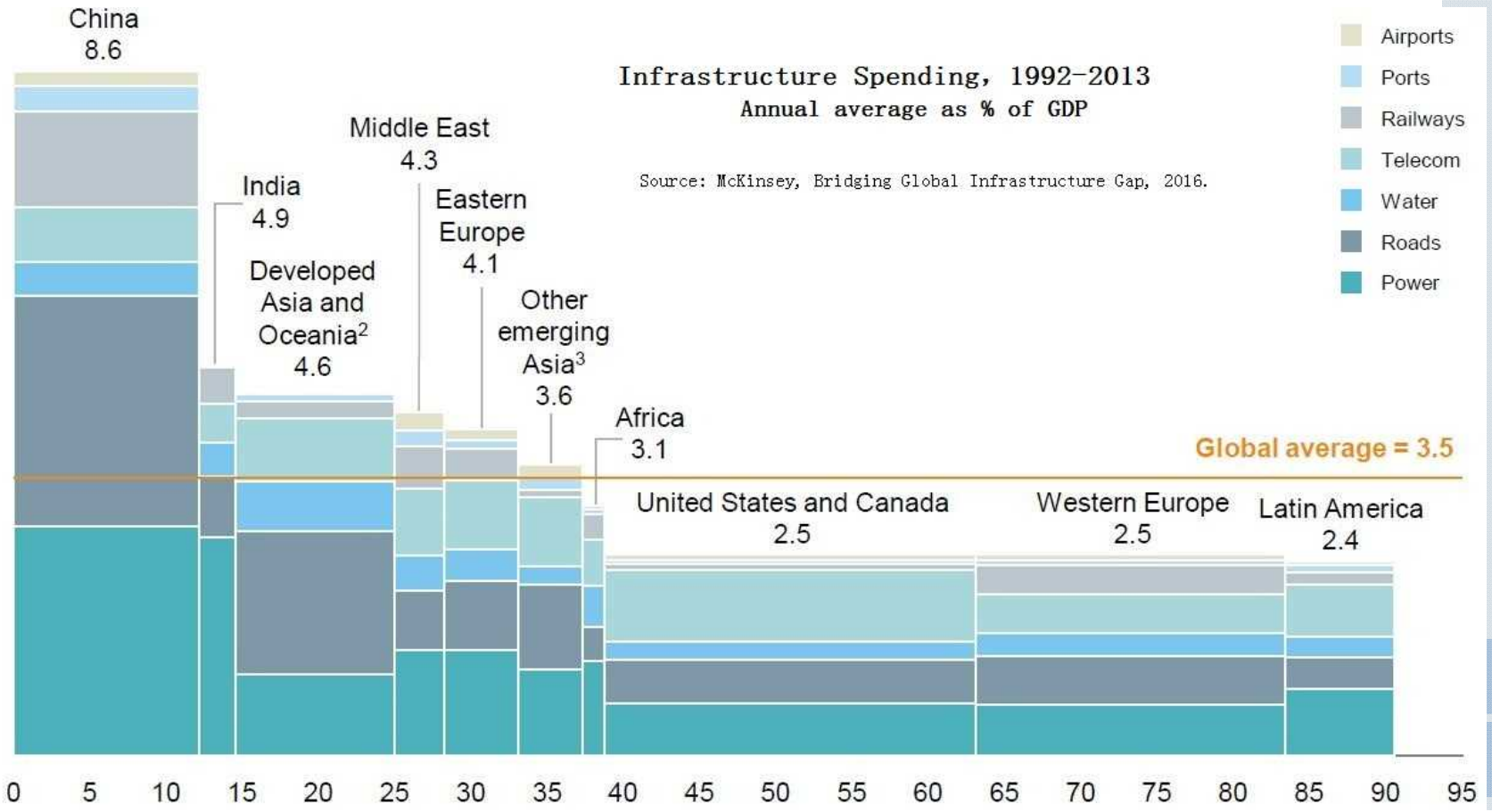
- Top one Importance of Infrastructure
  - Economic growth
  - Poverty reduction
  - Social employments
  - … …
- Infrastructure: precondition for connectivity
- High Quality: guarantee for connectivity

Two Features

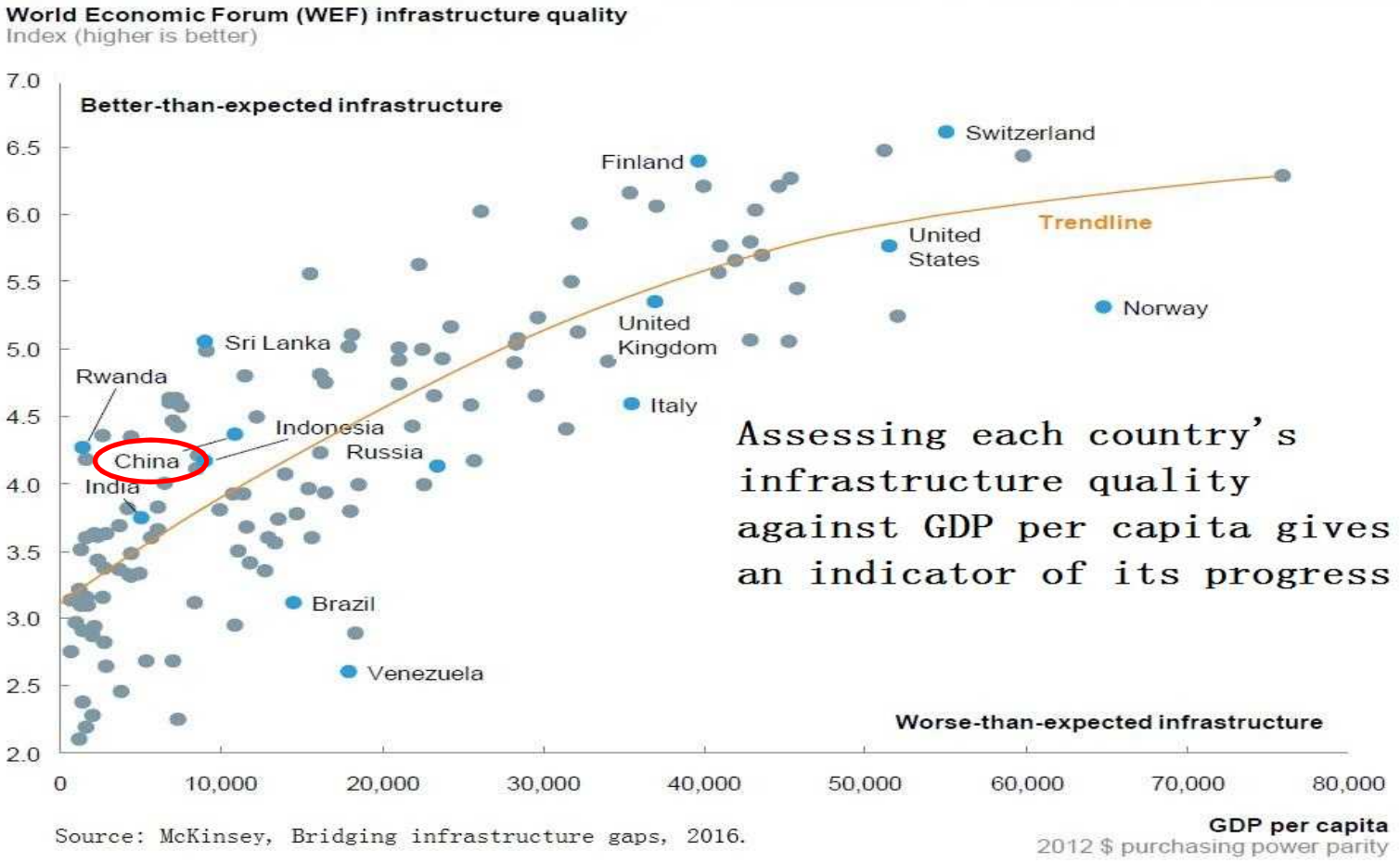
- 2.1 Unbalance
- 2.2 Insufficiency



2 Two Features



2 Two Features



Assessing each country's infrastructure quality against GDP per capita gives an indicator of its progress

Source: McKinsey, Bridging infrastructure gaps, 2016.

3 Three Challenges

- 3.1 Physical Connectivity
  different standards
- 3.2 Institutional Connectivity
  diverse policies
- 3.3 Financing
  huge gap

3 Three Challenges

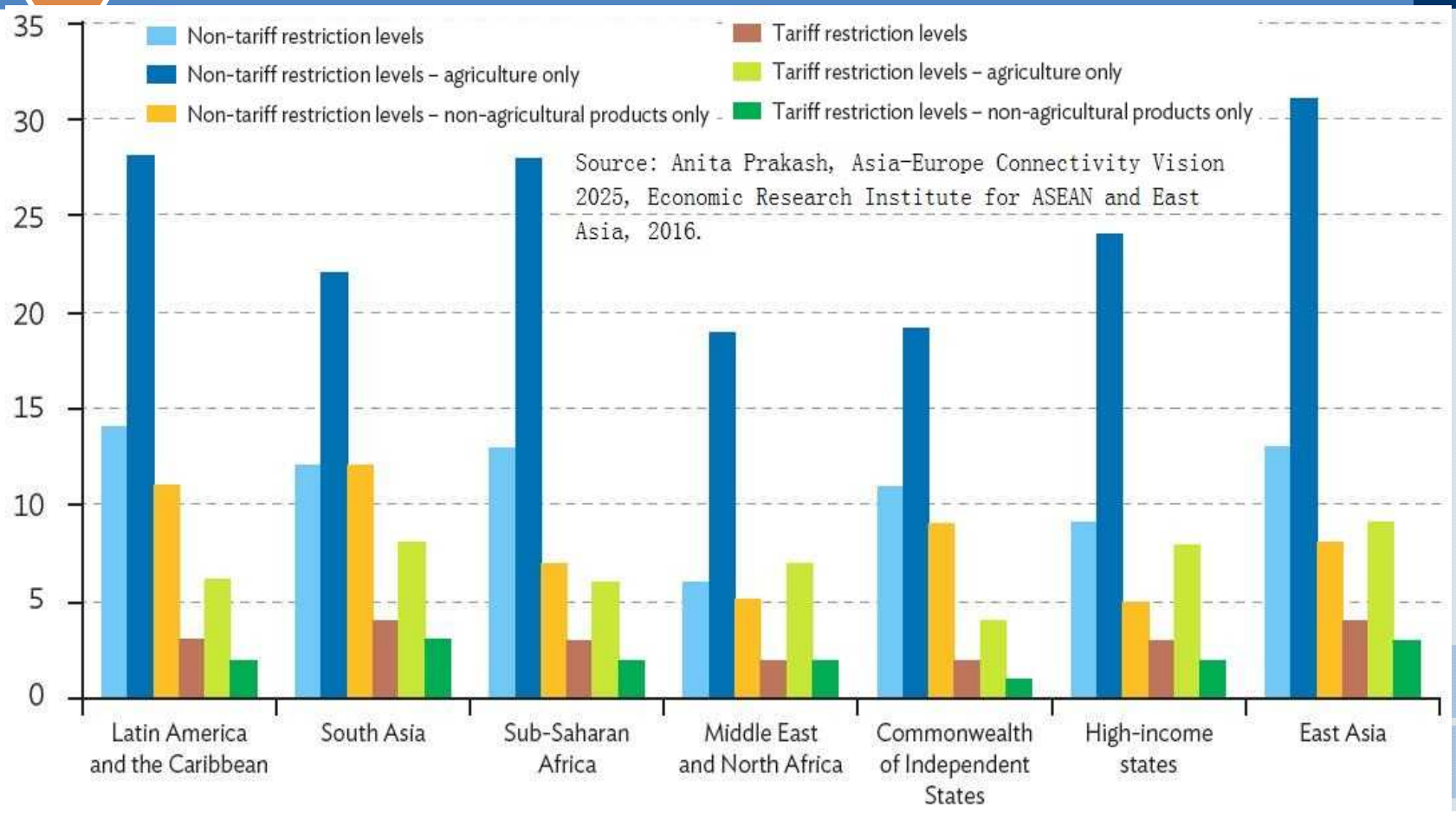
- 3.1 Physical Connectivity

  different standards

  - The EN Eurocodes
  - Japanese Industrial Standards
  - Chinese Standards
  - … …

(incompatibility of rail gauges in different countries)

Three Challenges

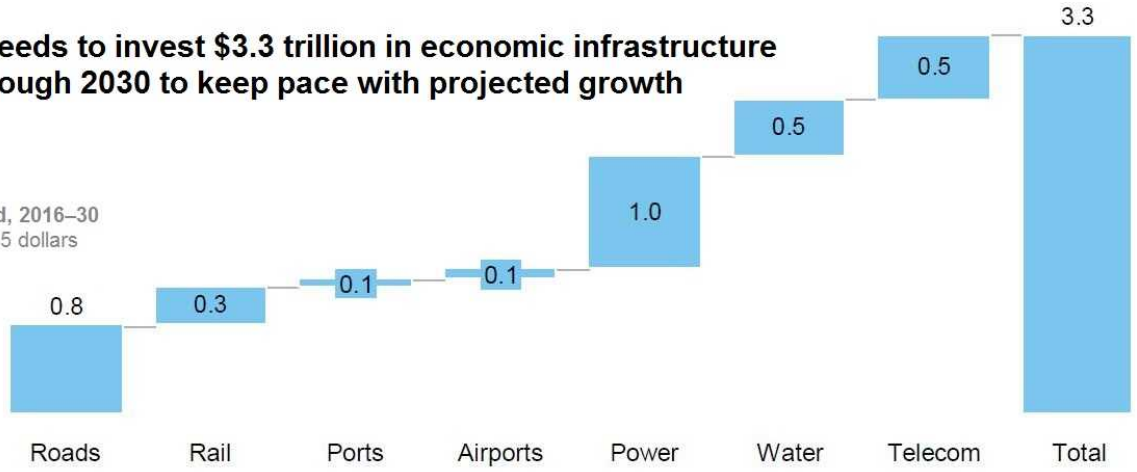


Three Challenges

3.3 Financing

huge gap

The world needs to invest $3.3 trillion in economic infrastructure annually through 2030 to keep pace with projected growth



	Roads	Rail	Ports	Airports	Power	Water	Telecom	Total
Annual spending % of GDP	0.9	0.4	0.1	0.1	1.1	0.6	0.6	3.8
Aggregate spending, 2016–30 $ trillion	11.4	5.1	0.9	1.3	14.7	7.5	8.3	49.1[1]

Source: McKinsey, Bridging global infrastructure gaps, 2016.

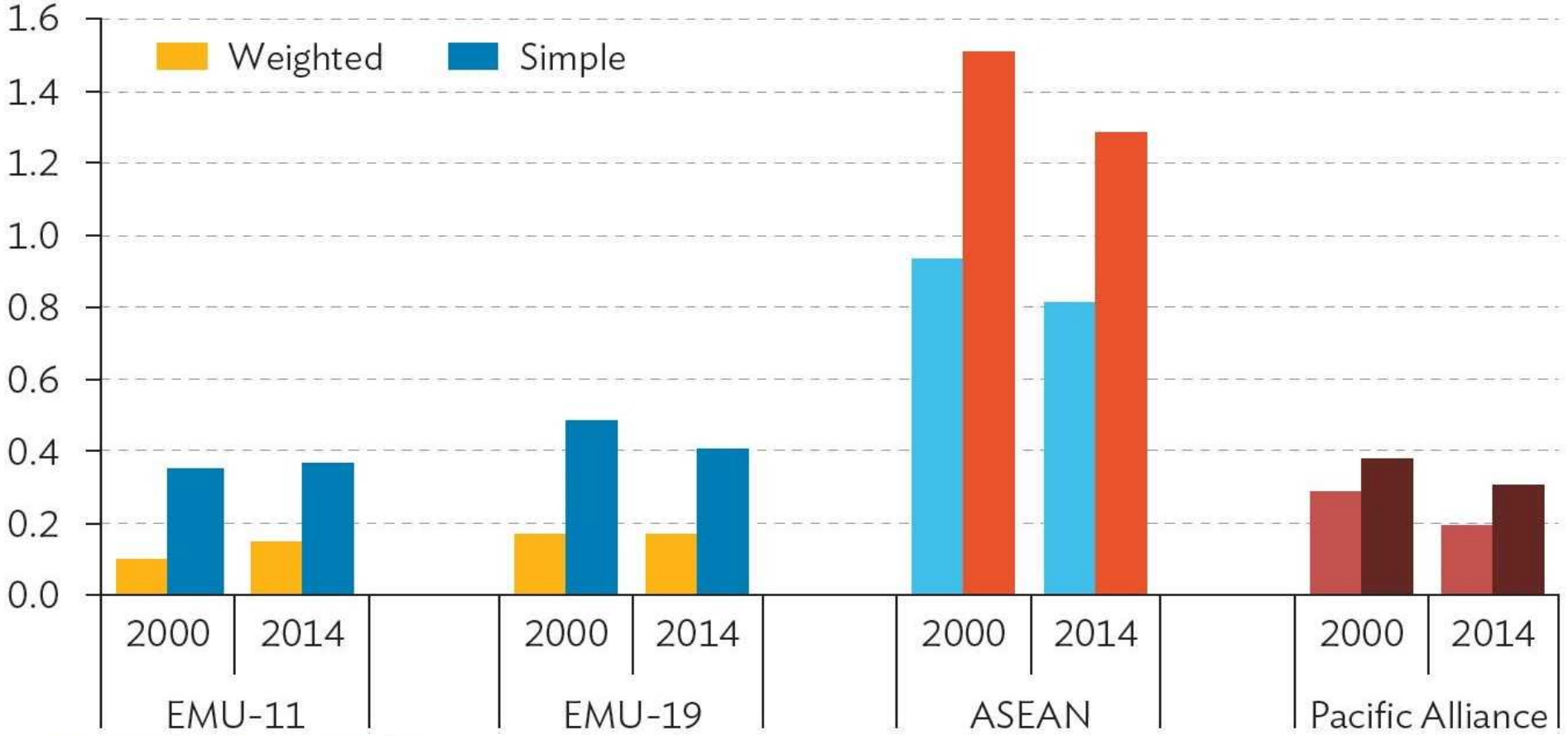
Four Efforts

- 4.1 Recognition of diversification
- 4.2 Communication & coherence
- 4.3 Effective financing
- 4.4 Quality & sustainability

Four Efforts

- 4.1 Recognition of diversification
  - Seek common points while reserving differences
  - Fully respect national attributes
  - Success of ASEAN
  - Lessons from TPP
  - Progress in BRI & RCEP

Dispersion in Gross Domestic Product (GDP)



EMU : Economic and Monetary Union.

Source : Anita Prakash, Asia–Europe Connectivity Vision 2025, Economic Research Institute for ASEAN and East Asia, 2016.

Four Efforts

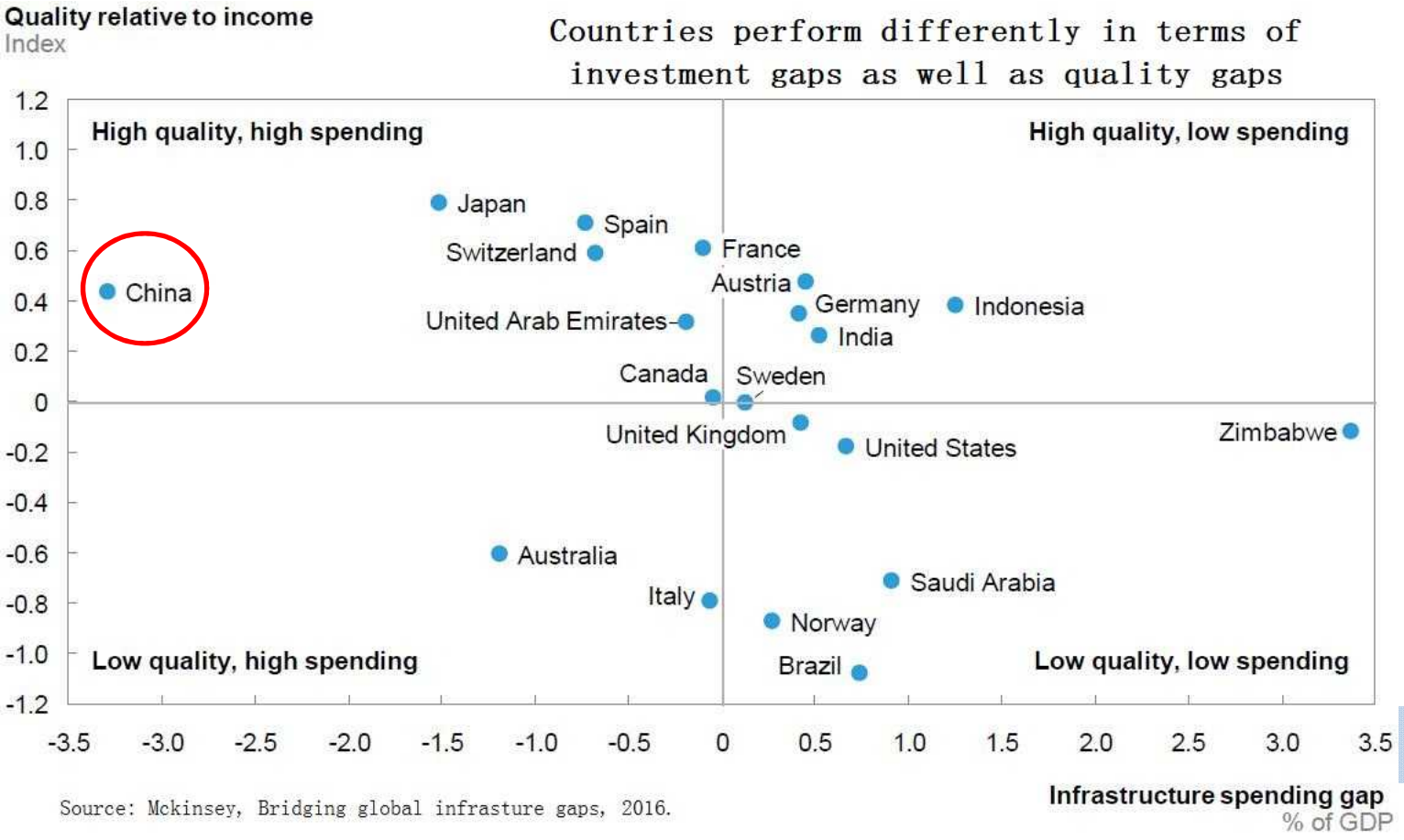
- 4.2 Communication & coherence
  - Market Access
  - Trade Facilitation Agreement

    Single window
  - Pre-establishment national treatment & negative list

Four Efforts

- 4.3 Effective financing
  - Lean, Clean, Green (AIIB)
  - PPP

4 Four Efforts



Source: Mckinsey, Bridging global infrasture gaps, 2016.

Four Efforts

- 4.4 Quality & sustainability

  - e.g.
    Jakarta-Bandung High Speed Railway
    China Railway Express
    Port of Piraeus

The end !