MARITIME CONNECTIVITY IN THE ASIA PACIFIC REGION

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ABSTRACT

This guideline has as its main objective to embrace almost every issue that matters for understanding the situation regarding maritime infrastructure in the Asia Pacific area and, more specifically, the region encompassing Southeast and Northeast Asia. Moreover, aspects of history, politics and economy are considered vital to better comprehend this area’s maritime connectivity needs. The historical background of each of these regions helps to explain the existing bottlenecks regarding not only infrastructure, but also political cooperation. In this regard, the political realm is extremely important for these countries to cooperate. It is necessary to build sustainable connectivity infrastructure; furthermore, historical distrust and conflicts have been in the pace of these regions’ development and sometimes hamper better dialogue. Moreover, the economic ties are of most relevance, once they even strongly connect countries with bad political relations, as China and Taiwan, and also reveal which area is poorly connected or must have its infrastructure expanded. The maritime infrastructure is crucial for the development of every region in the world, and it gains significance in the regions here studied, where water plays a crucial role in trade and transportation. Therefore, bearing all these issues in mind is imperative for inferring which is the best combination of infrastructure investment for each country and for the region’s better development.

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INTRODUCTION

The Asia-Pacific region can be divided by the Southeast Asia and the Northeast Asia region. This study guide will be structured based on that division. Therefore, it is important to broadly introduce these two distinct regions.

Southeast Asia is situated on the east of the Indian subcontinent and on the south of China. It consists of two portions: the mainland Southeast Asia, a continental proportion, and a variety of archipelagoes to the south and east of this portion, the insular Southeast Asia (Eb 2000). Due to this, the sea is geographically predominant: more than 80% of the region’s surface is covered by the ocean, being home to more than 31,000 island economies. The region has the busiest international sea lines of communications, one of the richest biodiversity areas and a huge amount of oil reserves (Son 2013). Southeast Asia is also considered the geographical center of gravity for the wider Indo-Pacific region, where significant transport chokepoints between the Indian and Pacific oceans are settled. Southeast Asia also fringes the South China Sea and, thus, is economically and strategically vital to the emerging economies of Asia. In this context, it urges to explore the maritime potential of the region in parallel with the goals envisioned by the process of integration of the Association of Southeast Asian Nations (ASEAN), turning the region into a globally competitive maritime and economic region. ASEAN envisions a Southeast Asia where goods, investment, capital, trade and people can flow across the region without obstacles, enhancing trade, investment and socio-economic growth among its members, as well as enlarging markets. Therefore, maritime connectivity is essential to reach all of these goals. Being an area surrounded by waters, it is essential that it puts in place adequate infrastructures and resources related to maritime transport and cargo handling and an efficient, safe, secure and environmentally friendly atmosphere for seaborne trade and shipping (Khalid 2006).

According to Cheong (Cheong, 2013) the Northeast Asian region is divided into conventional Northeast Asia and Northeast Asia in a broader sense. The conventional Northeast Asia region comprises of China, Japan and South Korea (CJK). In a broader sense, Northeast Asia includes North Korea, Mongolia and Far East Russia, Taiwan and Hong Kong, in addition to CJK. For the purposes of this article, the latter will be used to describe the region, but not as a whole: only China, Japan, Republic of Korea, Democratic People’s Republic of Korea and Russian Federation are embraced in the study. The importance of the region lies within it: China, as one of the most important international actor and owner of an economy which grows since the 1980’s, is the major player to mention in the region, not only because of its influence over the other countries of the region, mainly with Japan,

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1 Chokepoints are “narrow sea lanes that are often highly vulnerable to disruption” (Ballout 2014). They are often used to transportation of oil all over the world.
South Korea and Russia, and its relations, but also because of its role in the possibility of a shift in the polarization of the world (IPEA, 2010). Likewise, a few of the most important seas that compose the sea lines of communication (SLOCs) are located in the region, such as the Sea of Japan, Yellow Sea, Okhotsk Sea and the East China Sea, and their importance to maintain goods supply must not be undervalued, since the lack of inland infrastructure poses a barrier to the possibility of transport by land (Feddersen, 2012). Therefore, maritime connectivity is essential to reach all of these goals and maintain trade flows. Being an area surrounded by waters, it is essential that it puts in place adequate infrastructures and resources related to maritime transport and cargo handling and an efficient, safe, secure and environmentally friendly atmosphere for seaborne trade and shipping (Khalid 2006).

1 HISTORICAL BACKGROUND

1.1 THE SOUTHEAST ASIA REGION

1.1.1 Maritime Connections in Southeast Asia

Strategically positioned at the crossing of the Indian Ocean and the South China Sea, Southeast Asia has its history, trade, politics and culture defined by maritime connections across the Indian Ocean field rather than the Asia-Pacific, which is rather a recent route (Bateman and Chan 2011).

In ancient times, Southeast Asia served as a passageway for the diffusion of trade and culture. Two millennia ago, the region was linked to the Indian Ocean trading system by a sea route that flowed from the mouth of the Red River (nowadays Hanoi) through the Malacca Strait to Sri Lanka and India, the Persian Gulf and Red Sea, and Roman ports in the Mediterranean. This sea route was replaced by another maritime route starting from the Pearl River, Guangdong, which enabled long-distance transportation of goods, manly luxuries (Chew 2011).

Early historical linkage between the Indian Ocean and Southeast Asia was characterized by collaboration, based on exchange of commodities and culture, with occasional naval conflict related to the domination of maritime trade (Bateman and Chan 2011). Many of these relate to the Malacca Strait, as Chinese naval expeditions during the fifteenth century to guarantee its influence through the strait

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2 Located between the east coast of the Indonesian island of Sumatra and the west coast of Malaysia, The Strait of Malacca is the main corridor between the Indian Ocean and the South China Sea. It supports the bulk of the maritime trade between Europe and Pacific Asia. As the main passage between the Pacific and Indian Oceans and the second biggest chokepoint of the world, its importance is of global relevance.
across the Indian Ocean. For centuries, Malacca has been part of the Arab trade routes linking the Middle East, Southeast Asia and China. In the 7th century, the maritime empire of Srivijaya, based on Palembang, Sumatra, rose to power, and its influence was expanded to the Malay Peninsula and Java. The empire controlled two major chokepoints in Southeast Asia: the Strait of Malacca and the Sunda Strait. Srivijaya profited from spice trade, from the tributary trade system with China and from trade with Indian and Arab merchants. The Strait of Malacca became the most important maritime trade route between India and China (Chew 2011).

The importance of the Strait of Malacca in global trade continued with the rise of a Malacca Sultanate in the 15th century, the Johor Sultanate, and the rise of the modern city-state of Singapore. In the colonial era, the strait has been target of disputes among great powers. From the sixteenth until the nineteenth centuries, Portugal, Netherlands, Great Britain and France entered the Indian Ocean, envisioning an opportunity to access China. These incursions transformed long-established maritime connections between Southeast Asia and the Indian Ocean (Chew 2011). In 1511, the Portuguese dominated Malacca, a political and cultural center which has given name to the strait. In 1641, the region was conquered by the Netherlands. In 1867, this jurisdiction was taken by England. Singapore became the main harbor, and other important centers, such as Malacca and Penang, comprised the Strait Settlements³, lasting until World War II. After the war, trade in Pacific gained huge importance, and so did the strait.

Another strait of great importance in the region is the Singapore Strait, a route of 105 kilometers sited between Singapore and Indonesia, connecting the South China Sea with the Strait of Malacca. The strait is an important shipping route since ancient times, used by migrants to Sumatra, Borneo and other islands of Indo-Pacific region and by Chinese traders to commerce with India and Arabia (Eof 2013). However, it was only in the sixteenth century that the strait emerged as a well-defined trade route, when the Portuguese travelled between India and Macau (Si 2001). In 1819, with the foundation of Singapore and its strategic geographic position, the strait gained even more relevance, since the island emerged as shipping and trading center in the region (Sien 1998). Nowadays, the Strait of Singapore is one of the world’s busiest commercial routes, being considered the second biggest port in the world and receiving an average of 140,000 vessels annually (Ship Technology 2013). The port of Singapore became even more well-known in the 1990s. It was established in 1819 and, since then, has been responsible for a huge expansion of Singaporean exports, becoming a mart for the trade from Indo-China.

³ The Straits Settlements was a former British colony on the Strait of Malacca, comprising four trade centers: Penang, Singapore, Malacca and Labuan. It was established or taken over by the British East India Company. “The Straits colony, occupied by Japanese during World War II, was broken up in 1946, when Singapore became a separate crown colony” (Britannica 2014).
China, Thailand, Malay Peninsula, Indonesia and Europe. (Psa 2014).

On top of that, ports are also of utmost relevance to maritime trade and connectivity. The major international ports in the Malacca Strait are Singapore; Johore, in Johor, Malaysia; Belawan, located in Medan, the main town of Sumatra; Penang, located in Georgetown, capital of the state of Penang in Malaysia; and Klang, the foremost trade outlet for Peninsular Malaysia. There are also smaller ports that support other elements of integration, such as local trade and labor migration (Evers and Gerke 2006; Leifer 1978).

The attempts of promoting regional integration in Asia have commonly been seen as a method of defense against colonialism in the region. Southeast Asia was divided among Netherlands, who had sovereignty over Indonesia; France, dominating Indochina (Vietnam, Laos and Cambodia); Great Britain, whose possessions were Malaysia, Burma, Singapore and part of Borneo; and United States, present in Philippines and Guam. These powers usually tried to maintain its Asian possessions isolated from each other, following the patterns of Great Britain’s “divide and rule” policy (Magno and Reis 2012).

In the context of the Second World War, geopolitics in the region had a drastic change. Japan engaged in a series of victories over great powers. The Asian country invaded China and, in 1941, it attacked Southeast Asia and the North-American Pacific Fleet (Magno and Reis 2012). In these invasions, Japan undermined colonial rule by granting a minimum of autonomy or independence to the territories invaded. After Japanese surrender in 1945, in the advent of the American attacks in Hiroshima and Nagasaki, colonial powers engaged in a last attempt to recover domination over the region. They did not have the same strength as in the past, though. Colonial powers could not defend their territories from Japanese offensive, so that claims to control it again did not have a solid basis. Furthermore, it was too late; colonial ties had been cut by the Japanese, giving space to anti-colonial nationalist movements.

The region needed to improve its attempts of cooperation, once colonial powers withdrawal led to a power vacuum that could attract new foreign powers. Also, Southeast Asia nations had to join forces in order to be effectively heard and to acquire a strong position in the regional and international system (Khoman1992).

Notwithstanding, starting a policy of integration was still not easy. The world was divided by the Cold War context, and rivalries were rising in many areas of the world, including in Southeast Asia. In that time, almost all countries in the region were facing internal issues, dealing with rebellions and civil wars. Furthermore, the region was still under great influence of the Great Britain and the United States, which led to many conflicts between nations in the region (Magno and Reis 2012).

In 1949, communist victory in China inspired many other communist movements in the Southeast Asia region. The fear of the embodiment of the
“Domino Theory” made United States turn further into the region. Therefore, the American government started to take part of and to promote regional initiatives. The first example is the Southeast Asian Treaty Organization (SEATO), in 1954, signed by Australia, France, New Zealand, Pakistan, Philippines, Thailand, Britain and United States, the last two being responsible for guiding the organization. However, both had different visions for the institution, which led to its failure.

In 1961, the Association of Southeast Asia (ASA) was founded by the governments of Malaysia, Thailand and Philippines. This initiative had focused on cultural and economic fields. Soon after its establishment, though, the organization collapsed due to a territorial dispute. The conflict emerged between Philippines against Indonesia and Malaysia, being considered a colonial heritage: Great Britain, upon withdrawal from North Borneo (Sabah), had attributed to Malaysia sovereignty over the territory. Nevertheless, Indonesia also had claims for Sabah, launching its “Konfrontasi” policy and engaging in confrontation with Malaysia. Hence, ASA collapsed.

Finally, in 1967, a promising initiative is proposed. Thailand, which had remained neutral in the dispute for Sabah, decided to assume a conciliatory role, creating the right moment for regional cooperation - otherwise, the future of the region would remain uncertain. Foreign minister of Thailand, Thanat Khoman invited two former members of ASA and Indonesia – a key member – to a meeting in Bangkok. Singapore also requested to join the meeting, being accepted.

On August 8, 1967, the foreign ministers of Indonesia, Malaysia, Philippines, Singapore and Thailand signed the Bangkok Declaration. This document gave birth to the Association of Southeast Asia Nations (ASEAN). It was the foundation of probably the most successful regional initiative in Asia, after many fail attempts in the past. The document proposed “cooperation in the economic, social, cultural, technical, educational and other fields and in the promotion of regional peace and stability through abiding respect for justice and the rule of law and adherence to the principles of the United Nations Charter” (Asean official website 2014). It was the first time that the Southeast Asian nations would successfully path its way toward integration. Actually, the foundation of ASEAN represents the culmination of the decolonization process that had started after the second Great War (Khoman 1992).

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4 The domino theory was a foreign policy theory during the 1950s to 1980s, promoted at times by the government of the United States, that speculated that if one land in a region came under the influence of communism, then the surrounding countries would follow in a domino effect” (Princeton 2014).

5 The projects of United States and of Britain for SEATO were extremely different: while the first had the goal of establishing a military alliance, the second a broad organization that could follow have the concept of non-agression as one of its pillars (Turnbull 2008; Magno and Reis 2012).

6 Konfrontasi was a policy of confrontation by Indonesia from 1963 to 1966, in opposition to the formation of Malaysia from the Federation of Malaya, Sabah, Sarawak, and Singapore (Mackie 1974).
Integration process grew on a gradual basis, broadening its scope in the region. Brunei Darussalam joined on 7 January 1984, Vietnam on 28 July 1995, Lao PDR and Myanmar on 23 July 1997 and Cambodia on 30 April 1999, reaching its current membership (Asean 2014). The economic integration of the block started only in 1992, with the ASEAN Free Trade Agreement (AFTA), which liberalized trade in goods through reduction of tariffs. (Andersson 2012). However, the economic integration of the block has slowness as a feature. Coupled with the stalemate on agricultural issues and the failed attempt by OECD to include investment issues in the Doha round, many developed countries concluded bilateral and regional free trade agreements (FTAs) with ASEAN members, as New Zealand, Australia, US, Japan, China, India and South Korea (Kraichitti 2006).

The main objective of these FTAs is to expand market for products with export potential, as fisheries, electronics, textile, leatherwear and computer parts. In comparison to Northeast Asia, the group is more open to international trade, and the strategic position of the Malacca Strait has influence over this fact (Andersson 2012). Nonetheless, the need for enhancing trade between members of the group cannot be underestimated. In the case of AFTA, internal trade in ASEAN has increased, but not sufficiently. In 2011, intra-ASEAN trade was 598 billion dollars while extra-ASEAN trade was 1,790 billion dollars (Asean Ec ChartBook 2012). This difficulty in enhancing intra-block trade comes from a weak regulatory capacity and protectionism. Economic relations between ASEAN and Northeast Asia are more significant, accounting for a level of trade of 55% in 2005 (Andersson 2012).

Apart from ASEAN, there are other Asian countries that are significant for the discussion presented. The emergence of India as one of the biggest economies in the world and as a global player may change the flows of trade and migration in its region, for example, having global impacts that may be felt mainly by nations that constitute the Indian Ocean littoral and region (Berlin 2006).

It may be considered that since the 1990s, with the adoption of the “Look East”7 policy by India, the country has been trying to enhance closer relations with nations located in the Bay of Bengal and Southeast Asia. India build a particularly strong partnership with Sri Lanka, including a FTA signed in 2000 that doubled the bilateral trade (Berlin 2006). It is an important partnership since Sri Lanka has a central location for all of South Asia. On the other hand, relations with Bangladesh don’t follow the same pattern, finding obstacles as Bangladeshi illegal migration, trade and water use. However, in accord to Berlin (2006), some improvement may be under way.

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7 The “Look East” Policy consists in an effort to reach closer relations with the Southeast Asian nations, in an attempt to compete with China (Berlin 2006).
There is also an approach of India towards the members of ASEAN. The country became a sectoral partner in 1991, a full dialogue partner in 1995 and a member of the ASEAN Regional Forum (ARF) in 1996. Among those countries, India has focused on enhancing relations mainly with Burma, Singapore and Thailand (Berlin 2006).

The littoral states in the Indian Ocean have already attempted to reach a regional economic cooperation process in the past. The Indian Ocean Rim Association for Regional Cooperation was founded in 1997 in Mauritius, envisioning easier trade and investment among its members. Notwithstanding, the block stagnated, since national interests and political economies were significantly divergent (Chew, 2011).

1.2 THE NORTHEAST ASIA REGION

To understand the recent process of integration within Northeast Asia, attention must be paid to the historical role of the interaction among the nations of the region. In the second half of the nineteenth century the relations and conflicts between the countries, and its subsequent consequences and ramifications in the twentieth century, led to and served as the basis of the current processes of integration in Asia as a whole. Focusing in Northeast Asia, the interactions with the western powers are the main pillar that has been shaping the relations amid Asian countries.

When China was still the Chinese Empire, since the Opium Wars (1839-1842 and 1856-1860), it was being dismembered and exploited by European Empires and Japan, which held possessions in Chinese territory. This process of fragmentation assured the commercial interests of these powers and crushed China both economic and politically (Filho 1982). After years rebuilding itself internally, China involved in a conflict with Japan, known as the First Sino-Japanese War (1894-1985), for the control of the Korean peninsula. Being defeated, China had to cede to Japanese jurisdiction the disputed region (Roberts 2012).

The Russian Empire saw the Japanese Empire as a compromising factor to its geopolitical interests in the region; incapable of facing Russia, Japan had to cede to the pressure and resigned of a few possessions gained in the First Sino-Japanese War to the Russian Empire. Aiming to retrieve its losses, Japan got into war with Russia, a few years later, in 1904, in the Russian-Japanese War, fighting for control over the Korean peninsula and Manchuria. The Japanese Empire, enjoying heavier power over the outdated Russian navy, imposed great defeat to the Russian Empire, which vanished in 1917’s Revolution, inside the context of World War I (Roberts 2012).

China, for its turn, from 1912 to 1949, experienced a long period of Civil War. Since 1914, an already modernized Japan took the place of Western powers in China, once they were involved in World War I. Then, Japan launched its expansionism plan in Asia, especially in China, starting by the occupation of Manchuria. China had, by that time, several factions of power: the warlords who were leaders of the various Chinese provinces; the Nationalist Party, founded by Sun Yat-Sen and the Communist Party, founded in 1921. All these forces begin to fight for power in China. Notably, the warlords and the Nationalist Party, led by General Chiang Kai-Shek, decided to ally with the Japanese against the Communists. The Communist Party fought the Japanese and also had to secure itself from the Nationalist Party (EERRI 2012, 25).

With the Great Depression, most of the Northeast Asia countries suffered from a huge dependence to exports of agricultural goods to Europe and North America. This led to growth of unemployment and poverty taxes, in addition to shrinkage of
international trade flows. Japan, which had a growing industrial base, was also affected, but it recovered in 1932, with the rise of Japanese nationalism (Filho 1982).

With the advent of World War II (1939-1945), Western powers and the Soviet Union (the Allies) fought against Germany, Italy and Japan (the Axis). Japan aimed at taking down China and at occupying the Korean peninsula. After Axis’ defeat, the United States of America occupied Japan, China resumed and finished the Civil War, and the Korean peninsula was split in two: the northern part became a possession of the Soviet Union and southern of the United States. Both territories claimed to be the rightful government of the Korean peninsula. This antagonism led to the Korean War (1950), in which China successfully defended North Korea from South Korea’s attacks supported by the United States; after three years of intense attacks from both sides, more than one million deaths – including civilians and military – and little strategic gains, the armistice was signed in 1953, with the Northern allies claiming victory (Brites 2011).

After the World War II, Soviet aid to China consisted of technical advice, economic assistance on a large scale and the introduction of Soviet methods, for example, in industrial management (Roberts 2012). However, due to tensions between the Soviet Union and China, both detached in the episode known as the Sino-Soviet Split, which started in the 1960s – in the context of the Cold War (1945-1991) – as a result of ideological differences and lack of support of the Soviet Union to China. Visentini (2013) states that such breakup happened when the Soviet Union supported India, with which China always had unsolved matters, leading China to ally with Albania, whose relations with the Soviets were just broken (Visentini, et al. 2013).

Furthermore, after almost one century under direct foreign influence, with the conclusion of the Chinese Revolution and the rise of Deng Xiaoping in 1976, China started its economic reforms, which would lead to economic openness and greater insertion in the international markets, becoming the second biggest economy in the world. This fact shows China’s will to develop better ways to integrate the region, not only in the search for markets to buy its products, but also to find sources for its growing internal economic demand. The reform and opening up of the Chinese economy since the 1990s have increased Northeast Asian economic ties, mainly between China, Japan and the Republic of Korea. In addition, China’s accession to the World Trade Organization in 2001 provided a new momentum to the Northeast Asian countries, boosting trade relations (Thorstensen 2012).

It is clear that Northeast Asia has a history full of wars, invasions and occupations, which culminated in the great distrust atmosphere of resentments and unresolved matters that is established in the region. Beyond the aforementioned matters, maritime disputes and political rivalry, results of historic conflicts, are roadblocks that keep multilateral cooperation difficult. One of the ways in which
all countries of Northeast Asia managed to get together as a group focusing on integration is the Asia-Pacific Economic Cooperation (APEC), which includes not only countries of Northeast Asia, but the ones from Southeast Asia and the ones within the Pacific Ocean. However, the most important here is to discuss the recent trilateral and bilateral attempts of integration between the countries in Northeast Asia (Szczudlik-Tatar 2013).

After the Asian crisis in the end of the 1990’s, the urgency to deepen economic, financial and trade cooperation in order to have stronger bonds among Asian countries became clear in China’s policies. Although, in the beginning, Japan and South Korea seemed reluctant to adhere to Chinese attempts of uniting the three countries, the governments of Tokyo and Seoul showed will towards the project of creating a Free Trade Agreement (FTA), in which both would obtain access to the Chinese market. As a result of these first moves, in 2012, China, Japan and South Korea signed a trilateral investment agreement and announced the decision to start negotiations on a FTA; talks on this FTA begun in 2013 (Szczudlik-Tatar 2013).

Despite the fact that FTAs are of major importance to intensify interdependence in Asia, they are just one of the few tools being used to strength cooperation in the region and, still, is not enough. The reason why is the lack of institutionalization and the fear between the countries to cede sovereignty; this turns the attempts of cooperation superficial and leads them to lay emphasis on economic-oriented projects. Moreover, security cooperation and political integration are goals which will not be accomplished considering previous actions taken by the countries of Northeast Asia when in harsh situations: maintaining peace in the region along with institutionalized and regular dialogue may lead to decreasing of tensions and increasing of confidence, although it seems difficult to see this happening after the Diaoyu/Senkaku islands episode8 (Szczudlik-Tatar 2013).

Alongside the trilateral agreements, bilateral cooperation is as important as the former: in Northeast Asia, bilateral trade rates find themselves in fast development and it rises economic dependence among Asian countries; it is not surprising that the highest rates of trade flows are between China, Japan and South Korea, but Russia and Mongolia also have intense interchange of products with all the members of the region. Four factors explain why bilateral exchange has such positive influence over the region: (1) there is strong internal complementarity in terms of resources – as so natural and human ones, but also funds and technology – which finds reinforcement in (2) the large differences in economic and political conditions and in (3) strong common market systems; finally, (4) infrastructure network conditions within the whole region plays vital role in fortifying this

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8 In 2012, the Japanese government bought this archipelago from private Japanese owners; the Chinese government saw this act as violation of Chinese sovereignty, given the disputes between the countries over the islands’ ownership.
kind of trade. The issue of the question is located in the latter, when maritime infrastructure is taken in consideration (Li & Zhong, 2010).

Concerning the existent lack of infrastructure on maritime connectivity, it is of main importance to keep and increase rates of investments in infrastructure in higher grounds and to work for the maintenance of multilateral cooperation, not only, but mainly, in economic and financial matters which focus on infrastructure; exploring other areas of cooperation, such as political ones, will serve as strengthening tools. Different levels of labor productivity, lack of trust – as a result of the already mentioned historical background of the region – and influence by the outside, mainly by the United States of America and the European Union, are the main problems which hinder the continuity of integration in Northeast Asia. The goal now is to pursue integration and cooperation in all possible ways by trying to find solutions to the above-mentioned issues (Li & Zhong, 2010).

2 STATEMENT OF THE ISSUE

This section will explain current issues involving maritime infrastructure of the Asia Pacific region, dividing it, as in the historical background, in a geographical approach: first the Southeast Asia region will be analyzed followed by the Northeast Asia region. Each subsection will introduce the political relations among countries of the region and the ones from outside that have some level of influence; after that, there will be an explanation of their economic links, mainly commercial and investments links, in order to clarify the ongoing infrastructure needs; and, finally, there will be a description of the maritime infrastructure that already exists and the main bottlenecks of each region’s maritime infrastructure. Before starting the subject, it is also important to stress that both regions have relevant intersections and relations that cannot be ignored, e.g. the Chinese interests in the South China Sea. In order to address these kinds of issues, sometimes one subsection will treat of subjects (or countries) that may not belong exclusively to the region at issue.

2.1 THE SOUTHEAST ASIA REGION

2.1.1 Political relations and the dynamic of the region

The Southeast Asia is mainly archipelagic, there are more than 31,000 island economies, scattered and isolated from the rest of the continent (The Asia Foundation 2010). The implementation of maritime connectivity projects is imperative for the development of the region and for its functioning as one of the most important paths for
the international trade. The consideration of the political issues of Southeast Asia consists of a very important part for the analysis of infrastructure projects. Territorial disputes, regional integration organizations and the influence of several countries which are not part of the region may raise risks for the success of such projects, or even facilitate their achievement.

The South China Sea has been place for many disputes over territorial issues, mainly claims of sovereignty in small islands made by six states of the region. The two biggest problems relate to the Spratly Islands and the Paracel Islands. Both are strategic points for trade circulation and represent the importance of controlling the Sea Lines of Communication\(^9\) for the countries. Besides, all this area is very rich in natural resources, such as oil and natural gas, which brings another reason for dispute over the islands. The claims for the Paracel Islands are made by China and by Vietnam. They constitute a chokepoint for better relations between both countries.

The claims for the Spratly Islands are shared by China, Vietnam, Philippines, Malaysia and Brunei. These countries maintain military presence over their claimed islands, sometimes even building ports or airports to support its sovereignty (Poling 2013). China expects to increase its control over Taiwan by owing sovereignty over more islands in the area, which explains why the country tries to implement military exercises in the region (Dolven, Kan and Manyin 2013). Many of such claims are usually overlapping, increasing the potential for conflicts and making the region very unstable. This would definitely compromise the flows of trade and, thus, compromise the interest of several countries that depend on this region for their economy.

Furthermore, these disputes also affect the regional integration process, since there is always a small conflict preventing it from getting deepened. All countries of ASEAN have been keen on implementing the Code of Conduct\(^{10}\), which would emphasize the will of the group of overcoming this problem (Council on Foreign Relations 2013). Good relations between the countries are of utmost importance for the development of the regional integration process and, consequently, for structural integration and connectivity. Moreover, the implementation of infrastructure projects could increase the utilization of natural resources and mitigate some of these conflicts.

The implementation of a regional integration processes contributes to the connectivity of the region. It is important to bear in mind that, with the conclusion of the Association of Southeast Asian Nations (ASEAN), countries have had a space to discuss the best ways for development of the region and to implement the measures deemed necessary. ASEAN was established in 1967 and, since then, it has been promoting several plans for its economic growth. As stated in the Master Plan on ASEAN Connectivity (ASEAN 2010):

\(^9\) Sea Lines of Communication (SLOC’s) is a term to describe the main maritime routes for trade, logistics and naval forces (Peele 1997).

\(^{10}\) The ASEAN Code of Conduct (COC) is a document comprising guidelines for the relations between the nations in the South China Sea. The COC is an attempt to stop actions that could destabilize the situation in the region (Thayer 2012).
The vision of ASEAN Leaders to build an ASEAN Community by 2015 calls for a well-connected ASEAN that will contribute towards a more competitive and resilient ASEAN, as it will bring peoples, goods, services and capital closer together. An enhanced ASEAN Connectivity is essential to achieve the ASEAN Community […] (ASEAN 2010, 6).

Once the objectives of the association show the will to achieve connectivity, it becomes easier to put it in practice. This Master Plan on ASEAN Connectivity is an important step to deploy the projects for the creation of a more effective infrastructure, mainly in the maritime connectivity area, which is vital for the countries’ economies. Without ASEAN, the cooperation in these areas would be very difficult, since its creation gave birth to the so called “ASEAN way”. This concept expresses the notion of cooperation through dialogue and flexibility, besides forming an identity for the group. The ASEAN way has an ethical content that contributes to the cooperation in the area and to better relations among ASEAN countries (Reis 2012). Moreover, ASEAN provides a lot of intelligence and qualified studies that contribute to the monitoring of the integration. The key strategies created by the specialists of ASEAN are essential for the effectiveness of these projects (ASEAN 2010).

It is vital to consider the influence of other countries in the region. Since it is one of the central lines for trade flows and it is rich in natural resources, there are various interests involved in the area that have been playing key roles in the political relations. Countries like India, China, Japan and US have improved their relations with the Southeast Asian countries in order to consolidate their influence in the area. India has been trying to counterbalance China’s influence in the region by promoting several investments and military assistance to the ASEAN countries, especially to Singapore and to Vietnam. The Strait of Malacca is central for the passage of any trade between India and the Pacific Ocean, besides being crucial for its national security, since it is near Indian Special Economic Zones (Khurana 2009).

China, on the other hand, is focusing on the infrastructure investments and on economic partnerships. The country has several agreements with members of ASEAN and also with ASEAN itself, including the China-ASEAN Connectivity Cooperation Committee, which will embrace all measures for connectivity with China in the region. China’s main destiny for investments is Myanmar, because the country represents an alternative path for Chinese trade and resources, once China is seeking for diversification in its trade and energy supply routes (Khurana 2005). The country still relies heavily on the Malacca Strait, since approximately 60 percent of the vessels passing through the strait per year are heading to China (Zhang 2008).

The United States of America have been worrying about Southeast Asia for its importance for the international trade. The Straits located in the region, such as Malacca, Lombok and Sunda, are special chokepoints in the system of sea lines of communication and any event occurred there can compromise international trade.
US claim that “all trading nations have a vested interest in preserving stability on the Southeast Asian SLOCs” (Noer 1996, 3), which confers it a right to be active and present in the region. The country has been trying to heighten its presence in Southeast Asia after the 9/11 events, transforming the region into a “second front” for the war on terror. Events such as the bombing in Bali, Indonesia, on October 2002 that left 200 killed also encourage the presence of US in the region (Vaughn et al 2009). Through regional maritime security initiatives, US has improved its relations with ASEAN countries, though Indonesia and Malaysia still present restraints concerning sovereignty in the requests from US (Morada 2006).

Japan is one of the most present nations from outside the area. The Japan International Cooperation Agency (JICA) is very active in Southeast Asia, being the investor of many of the most important projects of infrastructure. The interests of Japan are basically because of the energy provision from the area, which is vital for its economy. Japan looks for economic relations and investment with ASEAN countries through JICA’s Regional Cooperation in ASEAN, providing port development and new strategies for maritime connectivity (Khurana 2005). The image below shows the various ports funded with JICA’s investments in the region.

Image 2 - JICA’s Cooperation on Port Development in Southeast Asia

Source: Japan International Cooperation Agency 2012.
2.1.2 Economic Relations

Economic relations inside ASEAN have improved significantly after the creation of the association. Understanding this dynamics is essential to implement projects that may improve relations where they are not very strong and to achieve better logistics. In 1997, ASEAN countries agreed on a Common Effective Preferential Tariff that gave preference for products originated in ASEAN to increase its competitiveness in the world market. With the establishment of the ASEAN Economic Community (AEC), in 2007, and the goals of AEC 2015, the path for economic integration became more concrete. The countries sought to eliminate tariffs and non-tariff barriers and to facilitate investments from ASEAN to ASEAN. The AEC can be summed up by its motto “One Vision, One Identity, One Community” (Price Waterhouse Coopers 2012).

ASEAN has hitherto established several Free Trade Agreements (FTAs) with other countries, which represents the association’s will to become more competitive in the global trade flows. Such FTAs were made with China, Japan, Korea, India, Australia, New Zealand and Russia. FTAs were also made with other regional economic groups, like Mercosur and the European Union. There is also the Trans-Pacific Partnership Agreement11, which now includes only Singapore and Brunei Darussalam from the ASEAN region, but it is still in negotiation (Price Waterhouse Coopers 2012). This partnership is gaining security aspects as the negotiation of US’s entrance goes further, and may represent another source of North American influence in the region.

Close to 20% of ASEAN trade comes from intra-ASEAN exchanges. Brunei has a big production on mineral fuels and oil, since it has access to important sources of petroleum offshore. The country’s main exports for ASEAN countries are precisely from oil production. Interestingly, the country’s main imports from ASEAN are also from oil extraction and mineral fuels, besides machinery and articles of iron and steel – especially for the industries located there. Vietnam also imports oil and electrical equipment from ASEAN, but its main exports are of oil too. Here, it is important to bear in mind that these countries have access to oil reserves, but do not have the technology to refine it. This is a very important fact on the region, which explains why they export and import oil and mineral fuels. Singapore, Indonesia, Malaysia and Thailand main exports and imports are on oil production. But in this case, these countries have the capacity to refine it, indicating more development in industry and technology (International Trade Center 2014).

Cambodia and Lao PDR do not have such abundant oil resources, and,

11 TPPA or Trans Pacific Partnership Agreement is a trade agreement between 11 countries namely Malaysia, Singapore, Philippines, Vietnam, Brunei Darussalam, Japan, Australia, New Zealand, America, Peru, Mexico, Chile (Kong 2014).
therefore, need to import it from the rest of the world. Mineral fuels and oil rank as their main imports, along with vehicles. Both countries export simpler goods, such as rubber and copper articles for ASEAN countries. The Philippines, on the other hand, show superiority in industrialization, importing and exporting mainly electrical equipment. Myanmar exports are highly topped by oil production, in a much higher level than other countries. But its imports are also mainly of mineral fuels, only one third of what they export, showing how the country has difficulty in supplying itself (International Trade Center 2014).

Concerning relations among ASEAN countries, it is clear that Thailand, Malaysia and Singapore have the best trade within the block. These three countries have very close relations, appearing as their biggest exporters and importers. Indonesia also has good relations with Singapore and Malaysia, but ranks only as the biggest importer from Lao PDR. Brunei main relations are with Singapore, Malaysia, Thailand and Vietnam, which has also good relations with Cambodia (International Trade Center 2014). Lao PDR does not have close trade ties with Vietnam and Cambodia, although they have been trying to improve connectivity inside the Indochina Peninsula.

It seems that all trade relations inside ASEAN are very dynamic and that all countries cultivate commercial ties with each other. Some of them, such as Myanmar and Lao PDR, do not have close ties with neighbors, because these countries do not have a much opened economy and are still trying to develop their commercial ties. Philippines is not a big exporter or importer for any of the countries of ASEAN, since the country has better trade relations with extra regional countries, such as Japan and United States (International Trade Center 2014). It is also important to notice that archipelagic countries have more trade relations with other archipelagic countries, so that it is important to improve maritime connectivity in order to increase this trade’s effectiveness.

2.3 THE SITUATION OF THE MARITIME INFRASTRUCTURE

The Southeast Asia is an archipelagic region, consisting of thousands of islands poorly connected that have strategic value for many countries outside the region. ASEAN also deals with problems of heterogeneity, presenting different levels of development, infrastructure and connectivity. Many areas of Southeast Asia have insignificant road or railway infrastructure, giving maritime connectivity huge importance for the development of these regions. As stated in a report on maritime connectivity of the ADB:

Improved connectivity, especially through transport links, is an essential
condition for economic growth. Transport links not only provide physical access to resources, but also enable producers to take advantage of opportunities in domestic and foreign markets, leading to economies of scale and specialization. (Trace, Frielink and Hew 2009, 7)

Therefore, improving physical maritime connectivity in ASEAN is essential for countries to achieve greater competitiveness, to consolidate ASEAN integration and ASEAN Community. It would also reinforce ASEAN as a central point in East Asia, for trade and for economic integration (ASEAN 2010). Moreover, as seen above, ASEAN countries have been improving their commercial and investment relations among themselves and with other partners from Asia and the Pacific, which demands more maritime connectivity, since the greatest part of the trade is made through the sea. This shows how important it is to maintain the effectiveness of shipping services and the appropriate conditions of ports in the region (Trace, Frielink and Hew 2009).

According to the Master Plan on ASEAN Connectivity (ASEAN 2010), ASEAN has selected 47 ports as the main destiny for port development investment. Each one of these ports has different conditions, and one of the objectives of the plan is to create equality among them. Singapore and Malaysia are the countries with the best port infrastructure of the region, but, even so, they need investments in order to achieve greater capacity, as they are big hubs. Ports in Bintulu and Sandakan, in Malaysia, aspire to become regional hubs as well, urging for higher flows of investment in the region. It is important to provide less developed countries with access to these hubs by improving their connection and integration with the economic centers of the region. While Malaysia and Thailand have improved their port infrastructure in the latest years, the rest of the region has remained stable and in need of support and development (Shepherd and Wilson 2008).

If a port infrastructure is inefficient or inadequate for the port’s demand, the costs would be higher for the shipping lines, increasing charges and compromising the flows of trade and provoking obstacles for the free trade in the area. The ports of Singapore, Port Klang (Malaysia) and Port of Tanjung Telepas (Malaysia) are the ones with the best conditions for trade, being references worldwide. On the other hand, Bangkok (Thailand), Laem Chebang (Thailand), Jakarta (Indonesia) and Manila (Philippines) have poor management and lack of investment on the right sectors (Trace, Frielink and Hew 2009).

One of the main issues of the region is the depth of the ports and straits. The straits of Malacca and Sunda are the ones with the biggest flows of trade in the region, but they are not that safe. Their depth can prevent bigger ships from passing or causing vessels to run aground, besides the presence of an active volcano (Krakatoa) in the Sunda Strait, which provides a natural risk for any trade flow (Noer and Gregory 1996). The Straits of Lombok and Makassar would be preferable alternatives for ships, since they
are the only ones without draft limitations. The problem is that Singapore still depends on the Malacca Strait for its incomes and any diversion of trade from it would harm its interests. Indonesia has problems with the depth of its ports, preventing bigger ships from passing, and it still suffers from poor management and infrastructure, lacking land connectivity for trade (Trace, Frielink and Hew 2009).

Image 3 - Straits of Lombok and Makassar

Another chokepoint is the fact that private investments usually go for the most developed ports, focusing on the higher flows of trade. The minor ports have been left aside and with poor conditions to actually be an alternative for ships to address. This reflects the need, posed by the Master Plan on ASEAN Connectivity, to create more equal conditions of trade and connectivity, improving the ports on the less developed areas and generating their economic growth and development. Considering that ship-owners would only use the ports where there is a cargo base with sufficient size for their containers and products, it is important for countries to focus on the construction of bigger cargo bases in their ports, to attract more ships. Another point for improving maritime connectivity is to invest on projects of connection between ports and inland transport, as roads, railways and even waterways (Trace, Frielink and Hew 2009).

An interesting aspect of the trade in Southeast Asia is that, because of the huge amount of islands, the usual strategy of “load-on, load-off” becomes too expensive and, thus, not worthwhile. The Master Plan on ASEAN Connectivity chose to experiment a new special strategy for the region, created in the Philippines, which is the “roll-on, roll-off” (RO-RO) strategy. This strategy has been showing great results and may highly increase trade flows between ASEAN countries. With the RO-RO, there is a connection between the land and sea transport, because trucks go inside the vessels, mitigating the costs for the unloading and preventing time-losses. The plan anticipates investments in RO-RO vessels for the region, in order to improve this form of cargo transportation that seems much more efficient for the local geography (The Asia Foundation 2010).

Improving maritime connectivity does not depend solely on ports or strategies for trade; creating maritime economic corridors, pre-determined routes that should path the way for infrastructure development, can increase the relations among neighbors and improve the flows of trade.

The development of maritime economic corridors (MECs) can address the issue of poor connectivity on “thin” regional routes. The corridor development concept hinges on an evolution from transport corridors, to trade corridors, to corridors where many dimensions of economic development are taken into account. In a maritime setting, such corridors can integrate highly scattered island economies with multiple economic, social and even environmental benefits. In archipelagic nations such as Indonesia and the Philippines, MECs can be domestic but most likely will have a bigger impact when crossing borders. (Trace, Frielink and Hew 2009, 15)

The JICA has a project for a Maritime Economic Corridor in Southeast Asia, comprising Malaysia, Singapore, Indonesia, Brunei and the Philippines. This corridor would support the desire of Indonesia of creating an economic development corridor in the region. This initiative is part of the partnership between ASEAN and Japan for connectivity in Southeast Asia, for which Japan is contributing with ideas of connectivity infrastructure projects (JICA 2012). The following image shows the Maritime ASEAN Economic Corridor.

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13 In this system, goods are delivered by trucks to the point of origin, unloaded, then loaded onto ships, carried to the next port, unloaded once more, then loaded onto other trucks for the next leg of their journey. Each step, which may be repeated many times in an inter-island distribution chain, imposes another layer of costs and bureaucracy (The Asia Foundation 2010).
Other projects can also improve maritime connectivity and diminish the dependency on the abovementioned straits as the main paths for trade flows in the region. China has a long-term concern on securing its supply of energy through the Southeast Asia region; hence, it is trying to create alternative routes for trade. China is now investing in the Sittwe Port in Myanmar, in order to supply support for the pipeline that would connect the port to Kunming, in the Yunnan Province. This pipeline would provide the energy and the physical integration needed for China, and reduce the Malacca voyage in 750 miles (Zhang 2008).

China has also studied the possibility of building a canal in the Kra Isthmus that would be like a Chinese version of the Panama Canal. This construction would take place in the south of Thailand and may change completely the dynamics of energy flows in the region, creating a new passage for countries to use and diminishing their dependency on the Malacca Strait (Zhang 2008). Although it seems very good for the ASEAN countries, Singapore hugely depends on the flows of the Strait of Malacca, defending its utilization despite its risks. If some of its flows were to be diverged from it, the country would face several losses.

Another important proposal from China is the project of the New Maritime Silk Road. The name comes from the trade flows of Chinese silk and other commodities that used to exist in ancient times. The Chinese President has announced in 2013 the will to join efforts with the countries from Southeast Asia in order to enhance maritime connectivity. This project can bring opportunities for cooperation and
also challenges, considering the several territorial disputes in the area. Furthermore, it should raise economic development and diplomatic ties in the region. This idea is supported by many of ASEAN members and is part of the new foreign policy of Xi Jinping (Jiao 2013).

With all this stated, it is clear that the Southeast Asia region is in need of investments in maritime connectivity infrastructure. It is important to establish projects that can address different areas of the region, as much as different sectors of infrastructure. New strategies for trade, construction of ports and canals are all valuable and different ways of improving the connectivity in the area. The best way to achieve development goals of the Master Plan on ASEAN Connectivity and to reach a seamless Southeast Asia is through integration.

In terms of investment, the Master Plan on ASEAN Connectivity identifies public-private partnerships (PPPs) as a way to coordinate government and private sector actions in order to fill the gaps on infrastructure and infrastructure services. Furthermore, a study from ADB shows that international institutions, such as the ADB itself and the World Bank, should provide the necessary financial and technical assistance for the implementation of regional integration projects, especially in the maritime connectivity area. This study also supports the idea of an Asian Forum for Infrastructure, where countries could discuss projects for subregional integration in a regional scope. Along with this forum, the study proposes an Asian Infrastructure Fund, created with the domestic savings of the region to finance the projects of infrastructure. One important fact is that the projects should be organized by priority levels, encouraging countries to improve their planning on national projects as well (Asian Development Bank 2009).

The same study places connectivity infrastructure projects, such as building roads, railways, bridges, canals, ports and pipelines, as the main priorities of policymakers to connect and improve integration in Southeast Asia. According to ADB (2009, 10), “from 2010 to 2020, Asia will need to invest around U$8 trillion in overall national infrastructure and, in addition, about U$290 billion in specific regional infrastructure projects”. This would create an average of U$750 billion per year. With the latest economic crisis, countries are still trying to recover from the losses that caused infrastructure projects to be the first to be cut off from the government costs. It created a very large infrastructure deficit in the South East countries, such as Malaysia, Indonesia and the Philippines. The multilateral financing institutions should, thus, support the development of these economies through the rough periods and promote more investments in the region (Asian Development Bank 2009).
2.2 THE NORTHEAST ASIA REGION

The Northeast Asia Region is composed by Northeastern China, Japan, South Korea, North Korea, Russia Far East and Mongolia (Kawai 2013). The latter will not be fully treated here, once it is landlocked.

2.1.1 POLITICAL RELATIONS AND THE DYNAMIC OF THE REGION

The Northeast Asia is a region of great economic and political importance for the world, and it is far from stable. Its relatively recent history, which remains in the hearts and minds of the people of the region, embraces Japan's invasion of China, Japanese control of Korea and the Korean War. The Korean War divided the peninsula and had China fighting for North Korea and Japan, for South Korea. All of this led to an environment of distrust and unresolved problems (Cook 2014).

The recent rise of the People’s Republic of China (PRC) has created concerns of all kinds in the region. On one hand, Asian countries have become more dependent on China’s trade. On the other, its growing military capabilities raise questions about how and against whom it can use it. PRC’s recurrent disagreements with United States – despite their huge trade and investment relations – alarms US allies in Asia, especially the Republic of Korea (ROK) and Japan, geographically near China and deeply economically involved with this country (Cook 2014).

In the level of bilateral relations, China and South Korea established diplomatic ties only in 1992, and, since then, relations have largely improved, exemplified by the increasing number of leaders’ visits. The current administration of Park Geun-hye in ROK has a more cooperative and trust-based approach to China. Both countries have shared goals of economic development and policies for North Korea, while signing agreements in many areas, including high-tech industry and energy (Snyder and Byun 2013). It is clear that better relations with China are in consonance with a more amicable approach to North Korea. Park has approached its northern neighbor with a trust-building policy, whereas she has demonstrated her will to collaborate with China in this issue, recognizing its potential role in exercising “leverage over Pyongyang’s aggressive policies” (Snyder and Byun 2013, 1). Chinese President Xi Jinping and Park share important positions on the Korean Peninsula, as the goal of denuclearization, an important step towards peace and stability. In addition, they have reached agreements on their sovereignty problems in the Yellow Sea, though not eliminating them (Snyder and Byun 2013). Finally, these positive relations between China and South Korea are a relevant constraint for
the relations of the latter with Japan and US (Cook 2014). The Democratic People's Republic of Korea (DPRK) remains under UN Security Council sanctions and isolated from the international community, hampering better relations with countries in the region. China has been North Korea's greater political and economic ally, and their cooperation exists since the Korean War. Nowadays, China strives to reallocate North Korea in the international community. In this pursuit, it defends the need of stability, dialogue and denuclearization in the Peninsula. Despite recently demonstrating some disapproval on North Korea's dismiss of the denuclearization – as showed by its latest nuclear tests – and economic reform demands, PRC prioritizes stability over denuclearization, and that may continue to guide its relations with DPRK. On the other hand, North Korea recent provocative acts have approximated the Japan-ROK-U.S. axes in terms of North Korean issues, prioritizing denuclearization pressure (Snyder and Byun 2013; Nanto and Manyin 2010).

Japan-South Korea relationship has gotten worse over the last decade, while they intensified their disputes. While ROK's President Roh Moo-hyun (2003-2008) highlighted territorial disputes with Japan, President Lee Myung-bak (2008-2013) tried to improve their relationship. The current President Park Geun-hye, however, has resumed the trend of negative trajectory (Cook 2014). Notably, analyzing these three presidents, the periods when ROK advanced in cooperation with China coincided with those when the relations with Japan worsened. This fact is important when considering the possibility of a trilateral cooperation.

Contrary to the above bilateral relationship, the China-Japan one has not changed due to alterations in leaderships; it is much more influenced by domestic factors, their problematic history and their opposite trajectories. Then, their relations have been marked by instability. In this case, territorial disputes are central to diplomatic relations, even leading to concerns of a possible conflict. Public opinion of both countries has shown opposition against each other (Cook 2014). Moreover, in Japan's 2010 National Defense Program Guidelines, the Chinese rise is identified as the greatest threat to Japanese security and position in Asia and the consequent need for Japan to respond firmly to this challenge unilaterally, through the US-Japan alliance and through fostering closer security ties with like-minded regional countries (Cook 2014, 9).

14 In this sense, it is important to mention that “South Korea's hesitancy in fully committing to support the United States' regional ballistic missile defense system opposed by China and backed by Japan (and Australia) is one sign of this constraint” (Cook 2014, 3).

15 Accordingly, it is important to stress that the US pressures on East Asian multinationals not to do businesses with North Korea are a powerful constraint to the integration of this country properly in the international community and, particularly, in the East Asia as a whole (Petrov 2012).
Besides all that, Japan is the leading US’s ally in Asia and China has tried to limit US role in the region.

Despite bilateral divergences, there is a trilateral cooperation among Japan, China and ROK that dates back to 1999, in a meeting on the sidelines of “ASEAN plus Three Summit”. Since 2008, the three countries started to meet every year in a separate summit. The main areas of cooperation, involves economy and trade, culture, finance, science and technology and logistics, among others. Furthermore, they have already supported eighteen ministerial meetings in some areas, like foreign policy and economy and trade (Ministry of Foreign Affairs of China 2012). Therefore, although it is known that their history and relations are marked by a myriad of quarrels and distrust, these achievements show a stronger cooperation is, at least, pursued. Better relations among these three countries – and, more difficult but also necessary, North Korea – can contribute to enhance region stability.

Russian relations with the region also involve territorial disputes with historical implications, but nowadays it is guided mainly by economic issues. Its potential to export gas for Northeast Asian countries is the main axis of Russian insertion in the area. Russia and China have been trying for a long time to achieve an agreement on this issue, but negotiations have always been stalled. At the moment, with Russian annexation of Crimea and the western claims about it, Russia has more reasons to turn east. This fact came to foster Russian long-standing goal of diversifying its energy markets from slow-growing Europe (Johnson 2014).

The crisis in Ukraine, which has stoked fears in Europe that Moscow will again use its energy weapon to bludgeon recalcitrant neighbors, is only accelerating Europe’s urge to find alternatives to Russian gas - and accelerating Russia’s desire to find new buyers. Many of them could come from Asia (Johnson 2014, 1).

Then, China, Republic of Korea and Japan could solve its energy supply issue, now heavily dependent in coal (China) and expensive Liquefied Natural Gas (LNG) sources (Japan and ROK). Japan, in particular, has had its first trade deficit in 30 years, due to expensive LNG imports. This energy situation explains why Asian countries’ reaction to the Ukraine crisis has been much softer than western ones. Even Japan and South Korea, US allies, have hesitated to condemn Russia (Johnson 2014).

Finally, the last aspect to be covered is the maritime sovereignty disputes in Northeast Asia. This rivalry is mainly justified by overlapping sovereignty rights - in conformity with the UN Convention on the Law of the Sea\(^\text{16}\) -, the transformation of territorial disputes in matters of national pride and, due to the region’s countries

\(^{16}\) This UN Convention stipulates 12 nautical miles of territorial water, 200-nautical mile exclusive economic zone (EEZ) – regarding natural resources and certain economic activities - and 350 nautical miles of continental shelf.
economic growth, the intensification of the pursuit of national maritime interests. Besides the Russia-Japanese dispute over the Northern Territories/Kuril islands, the disputes are situated in the South China Sea (treated in the Southeast Asia section), the East China Sea, the Sea of Japan and the Yellow Sea (Lee 2013).

In the East China Sea, most relevant disputes take place between Japan and China over 1) Senkaku/Diaoyu islands, also claimed by Taiwan; and 2) continental shelves extension over shared waters, which involves oil and gas fields. In the Sea of Japan, the dispute involves the Liancourt Rocks (Dokdo/Takeshima). In the Yellow Sea, the disputes are a minor disagreement between China and South Korea: both claim for Exclusive Economic Zones (EEZ) rights. The main problem of this dispute is the Chinese fisherman illegal activities in the South Korean EEZ, once Chinese waters suffer from overfishing. Also in the Yellow Sea, there is the Ieodo/Suyan reef dispute between China and ROK (Lee 2013; Roehrig 2012; Dolven, Shirley and Mark 2013).

In addition, US interests are also involved in the disputes, once it considers “presence in the ‘East Asian littoral’ vital to its primacy and global strategic influence” and believes that involving itself in the region is a response to “China’s growing maritime assertiveness” (Baviera 2010, 1). Chinese maritime interests are growing fast, as well as its efforts to become a maritime power. Regional countries’ willingness to develop better relations can be hampered if these maritime disputes are not appropriately solved (Mingjiang 2012).

2.1.2 Economic Relations

The analysis of economic links among countries shows which ones have the closest relationships, how this has evolved and what might be the future prospects of the countries’ economic cooperation and, perhaps, regional integration. Most of all, the assessment of the economic links gives us powerful tools to judge the bottlenecks of maritime infrastructure connectivity. First of all, these countries are very different from each other. While China is a big country, with the biggest world’s population and astounding growth rates (despite the little recent slowdown), Russia is also a big emerging country, with lots of resources but with less impressive growth rates. The others are much less populated and also have divergences: South Korea is a growing developed country, Japan is an almost stagnated developed country and North Korea is practically isolated from the international community (Kawai 2013).

In terms of trade, Northeast Asia has had an increased integration in last decades. Intra-Northeast Asian trade accounted for 22.8% of the total region’s trade in 2011, from 15.2% in 1992. China is the only country that has its dependence on the region reduced. Besides that, Russian Far East dependence stands out (Kawai 2013):
Table 1 - Trade Dependence of Individual Countries on Northeast Asia (%)

<table>
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<tbody>
<tr>
<td>PRC</td>
<td>22.2</td>
<td>26.7</td>
<td>19.0</td>
<td>18.6</td>
</tr>
<tr>
<td>Japan</td>
<td>10.9</td>
<td>16.6</td>
<td>28.5</td>
<td>28.7</td>
</tr>
<tr>
<td>DPRK</td>
<td>54.1</td>
<td>34.0</td>
<td>57.4</td>
<td>75.4</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>23.5</td>
<td>26.0</td>
<td>33.3</td>
<td>32.2</td>
</tr>
<tr>
<td>Mongolia</td>
<td>78.2</td>
<td>67.6</td>
<td>82.0</td>
<td>81.7</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>12.5</td>
<td>8.1</td>
<td>17.0</td>
<td>15.4</td>
</tr>
<tr>
<td>Russian far East</td>
<td>--</td>
<td>53.8</td>
<td>65.0</td>
<td>75.0</td>
</tr>
</tbody>
</table>

DPRK = Democratic People's Republic of Korea, PRC = People's Republic of China

Source: FMI apud Kaway (2013)

The PRC is the main exporter to Japan since 2002, exporting mainly coal, coke and oil (not crude), followed by the United States. ROK, in its turn, was the third major exporter to Japan in 2002, but, in 2013, it ranked as the 7th biggest supplier, notably losing room to fuels (as natural gas, oil and coal) exporters, like Saudi Arabia, Qatar and Australia. In 2013, the United States was the main destiny of Japan's exports, but China followed it closely – as it had been the major destiny from 2009 to 2012. ROK has been the third major destiny for more than ten years (International Trade Center 2014).

China’s main supplier in 2013 was the Republic of Korea, followed by Japan. It imports from ROK and Japan mostly electronic equipment (e.g. electric integrated circuits), optical products and machinery. In terms of exports, ROK and Japan were, in 2013, the 5th and the 6th main destinies, respectively. China’s foremost exports to Japan and ROK are of manufactured products, as electronic equipment and machinery, but remarkably they are goods of other parts of the production chain, when compared to Chinese imports. North Korea was the 12th destiny in 2013, and imported mainly oil, machinery and electronic equipment (International Trade Center 2014).

South Korean imports come, firstly, from fuel exporters, as Saudi Arabia, Qatar, Kuwait and, in the 7th position as exporter, Russia. Japan and China were only the 12th and the 21st exporters in 2013, respectively. Chinese position is now much lower than in previous years. On the other hand, China was the main destiny of ROK’s exports in 2013, while Japan was the third (International Trade Center 2014).

Therefore, China, ROK and Japan have a great share in each other’s trade,

17 Chinese trade was considered counting Hong Kong off.
notably because of its investment ties, with the reallocation of ROK’s and Japan’s corporations’ production bases to China\textsuperscript{18}. Trade among them “has increased by more than four times from US$130 billion in 1999 to US$ 690 billion in 2011” (Ministry of Foreign Affairs of China 2012, 1), and has summed up 91.7\% of total intra-region trade in 2011. Russia and North Korea, by their turn, have relatively little participation in the region’s commerce (International Trade Center 2014; Kawai 2013).

Besides these bilateral relations, one important aspect of the commercial links is the dependence on fuels. “While China, Japan and South Korea were the world’s second, third and eleventh largest oil consumers, they are 50, 99 and 97\% dependent on oil imports respectively” (Australian Strategic Policy Institute 2013, 10). Russia is abundant on oil and natural gas; however, 80\% of its energy resources go to Europe (Australian Strategic Policy Institute 2013).Although these three countries trade relations with Russia have not been very significant yet, the potential for a higher level of economic integration is huge.

Finally, Northeast Asia institutionalized integration has been intensifying slowly compared to other regional projects, as the European Union or the MERCOSUR. Particularly, there is one initiative that stands out: The China-Korea-Japan Free Trade Area, known as CKJ. The potential of integration is great, given the relevant and evolving economies embraced in this region\textsuperscript{19} (Cheong 2003) and the already established trade and investment ties. As for economic implications, the CKJ is likely to enlarge markets and investment opportunities, fostering economic growth. Besides that, certainly it would have security and political consequences: as history has shown, economic agreements can contribute to reduce security tensions and to create an environment of peace and trust, what would be helpful to the stability of Northeast Asia\textsuperscript{20} (Cheong 2003; Petrov 2012).

Nevertheless, Petrov (2012) is more pessimistic regarding CKJ, believing that “political mistrust and economic protectionism” prevail in these countries’ sense of regionalism. The possibility of integration is severely harmed by “[t]he legacies of colonialism, international wars and civil conflicts […]”, thwarting any attempts to

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\textsuperscript{18} Japan and ROK have increased significantly its Foreign Direct Investment (FDI) on China. In 2011, “direct investment from Japan and the ROK to China had amounted US$ 80 billion and US$ 50 billion respectively” (Ministry of Foreign Affairs of China 2012, 1). Chinese FDI to Japan and ROK is much smaller, comparatively (The Heritage Foundation and American Enterprise Institution 2014).

\textsuperscript{19} These three major Asian powers represent 75\% and 22\% of the East Asian and world populations, 90\% and 20\% of East Asian and the world economies and 70\% and 20\% of East Asian the world trade, respectively. Their population is around 1.5 billion people and its aggregate GDP is around US$15 trillion (Petrov 2012); (Ministry of Foreign Affairs of China 2012).

\textsuperscript{20} The possibility of the CKJ certainly brings implications to the infrastructure needs in the region: a FTA imply the need of an adequate net of maritime infrastructure connectivity.
rebuild trust and achieve multilateral cooperation”. Although the countries’ leaders have recognized economic benefits of a FTA, they have advanced little in resolving mutual problems. On top of that, to develop the entire region, an agreement would have to include North Korea, allowing its products to reach new markets, in order to boost its “flagging economy”, and consumer goods to enter in North Korea, alleviating its supply problems (Petrov 2012, 1). The inclusion of DPRK is crucial to avoid instability trends in the region; an peace building path must involve dealing with the economic issues.

2.3 THE SITUATION OF THE MARITIME INFRASTRUCTURE

The Asia Pacific region, particularly Northeast Asia, is a region whose increasing trade is notable and prominent. Given the its geography, maritime trade is unavoidable. Besides, most of the world trade is being carried by sea (Ng 2012).

Intergovernmental cooperation is needed in the intent of improving maritime connectivity. As Kaway (2013) affirms:

> governments tend to be reluctant to finance cross-border infrastructure projects using their own resources. The reason is that these projects are often viewed as unduly benefiting the neighboring countries when the latter do not adequately invest in the shared projects. The consequence is that governments tend to under-invest in cross-border infrastructure and, as a result, limit cross-border connectivity (Kawai 2013, 3).

Northeast Asian countries share a great economic complementarity among each other: “The Russian Far East and Mongolia are resource-rich economies, while Japan and the Republic of Korea are strong in high-tech manufacturing industries. The PRC has abundant labor and provides a large, expanding market” (Kawai 2013, 7). However, compared to other Asian regions, they have done little to cooperate. Better integration would have to occur and, especially, better maritime connectivity is necessary.

Alongside trade, the countries’ ports were also transformed. Asian ports are “early adopters of containerization and private participation in port operations. These factors collectively enabled the region to master container handling and become home to some of the world largest global terminal operators” (UNCTAD Secretariat 2011, 97). China’s rising demand and manufactures exports, mainly in the last decade, have expanded the need to invest in port infrastructure. The Chinese 11th Five-Year Development Plan focused on maritime infrastructure development (Ng 2012). The great amount of investment led to oversupply of port facilities. Hence, a competition
dynamic started and has intensified as enterprises reallocated to more inland locations in China, like Sichuan, Hunan and Chongqing, and ports near these regions started to gain importance and to grow. Then, established hub ports, like Hong Kong (China), Busan (Korea) and Kaohsiung (Taiwan), started to compete with formerly peripheral Chinese ports (Ducruet, Lee and Ng 2010; Ng 2012).

China, whose trade is 90% made by sea, has more than 500 ports in activity. In addition, it has the world’s busiest port – in terms of TEU’s (Twenty-foot Equivalent Unit) (Khalid 2006)\(^2\) -, once Shanghai surpassed Singapore in 2010. Moreover, in the list of the 50 busiest container ports of the world, China appears with 12 ports, while 7 of them are among the top ten. Therefore, constant investment is needed to meet this demand. South Korea, by its turn, has a total of 28 international ports and 22 coastal ports, but has only one port in this same list, the Port of Busan, which ranks in the 5th position. Busan is part of South Korea strategy to become the logistical hub of Northeast Asia, which involves investing in another port (Gwangyang) to avoid congestion in Busan. Japan has a network of near 1,100 ports (given its own geography), being 21 specific trade ports. Moreover, Japan has 3 ports among the 50 busiest of the world. North Korea has increased its ports capabilities in the last decades, but its potential is still underused due to international isolation. Finally, Russia has 22 large ports and 100 small ports. Russia Far East suffers from poor railroads and roads, which is why its waterways are essential in this area (World Shipping Council 2014; Ng 2012; The Korea Transport Institute 2005).

Besides considering the TEU of ports, other way to analyze their importance is evaluating its role in a region’s transport network, that is, its centrality and intermediacy in shipping liner routes. If we adopt this view, “the growth of traffic at Chinese ports does not necessarily imply that they have gained equivalent position within the structure of shipping networks.”\(^2\) (Ducruet, Lee and Ng 2010, 4). Ports that have the majority of its throughput channeled by few connections are much more vulnerable and dependent, while “[s]trong ports are those that diversify the distribution of their traffic”, as Busan and Shanghai\(^3\) (Ducruet, Lee and Ng 2010, 9). In terms of volume of container traffic, Chinese ports have increased their participation on Northeast Asia, South Korea has maintained its position, and Taiwan, Hong Kong and Japan have their shares. However, the Northeast Asia

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21 TEU can be defined as the “[s]tandard unit for counting containers of various capacities and for describing the capacities of container ships or terminals. One 20 Foot ISO container equals 1 TEU” (OECD 2002).

22 However, some ports may have big throughputs and be connected with few lines of trade, while others may be much more connected but have as main function the channeling of small volumes, for example (Ducruet, Lee and Ng 2010).

23 From 1996 to 2006, Shanghai has amplified its connections from 20 to 36, reducing significantly its vulnerability and dependence (Ducruet, Lee and Ng 2010).
network remains concentrated in Hong Kong and in Busan, while only Shangai has achieved a central position. For Japan, there is a slow port growth and a limited centrality, because ports have a trade function rather than a transit function i.e. being a logistical hub, as South Korean ports (Ducruet, Lee and Ng 2010).

Although plenty of investment was directed to port infrastructure and even a dynamic of competition emerged, the question remains open on whether all this investment and the prospects of future investments are enough to the region's growing trade and utilization of port facilities. A study made by the Ocean Shipping Consultants (OSC) concluded - based on known port investment plans and forecasted container port demand - that the latter will increase more than the capacity of Northeast Asia ports. Therefore, their perception is that the situation will not be sustainable without additional port investments. The prospects are that the demand will represent from 104 to 108% of the total port capacity in 2020 (Ocean Shipping Consultants 2013).

Another relevant aspect of the maritime connectivity in Northeast Asia is the ferry lines connecting the countries' ports. International ferry transportation is more intense in the Bohai Sea, the Yellow Sea and the East China Sea than in the Japan Sea. Domestic ferries in Japan, China, Russia and the ROK have as their main purpose the movement of vehicles (including railroad wagons). The Northeast Asian international ferries, however, basically transport only cargo and passengers. The only exception is the Shimonoseki-Busan ferry, connecting Japan and the Republic of Korea, which can deal with the movement of automobiles and trucks. However, Japanese vehicles can only enter into ROK under strict conditions, and vice versa (Mitsuhashi, et al. 2005).

**Image 5 - Northeast Asia International Ferry Network (2002)**

Source: Erina apud Mitsuhashi et al (2005), adapted by the authors.
In terms of sea transport corridors, the northern and the southern sides of the Tsushima Strait are very different. The southern side has an intense international transportation and needs constant investment in both soft and hard or physical infrastructure, once trade tends to increase (Mitsuhashi, et al. 2005). The former is defined as “a sound and predictable legal system, advanced research and development, and the provision of a comprehensive suite of maritime services including baking, insurance and maritime financing”. And the latter as “well-developed port systems, both domestic and offshore, an efficient, quality international shipping fleet, and modern shipbuilding and ship repair facilities, bunkering and logistics support” (Mak 2006, 138). On the other hand, the northern side of the Tsushima Strait has few shipping lines. This region is a gateway to the Russian Far East, to DPRK and to Northeast China, that is, a great market yet to be fully explored. To develop shipping routes in the northern side of Tsushima Strait, some changes must occur, as 1) the improvement of inland connection between Northeastern China and the Sea of Japan; 2) the advance of transport efficiency in Siberia (through the Siberian Land Bridge); and 3) the upgrading of DPRK’s international relations, in order to achieve freedom of transit through its territory and better use of its ports (Mitsuhashi, et al. 2005).

The Korea Transport Institute (2005) exposed 6 important transport corridors in the Northeast Asia region24. The first one connects Russia, Mongolia and China, being essential to Mongolia, once it provides access to sea through the Chinese Tianjin Port. The connection is made by road and railroads, and can be extended to Japan via container vessel from Tianjin to Kobe port. The second one is the Beijing, Seoul, and Tokyo (BESETO) corridor, “perhaps the most important economic growth axis in North-East Asia” (The Korea Transport Institute 2005, 34). It is supposed to connect Beijing to Seoul, via railway and roads, and Seoul to Tokyo via maritime connectivity, connecting Busan and Gwangyang ports to Shimonoseki port in Japan via sea ferry, and then reaching Tokyo via railway or roads. Nonetheless, it is not in operation yet once there are not links between the ROK and DPRK and sections of the corridor in China and ROK have yet to be improved. This route would provide an alternative for direct sea route from Chinese Dalian Port to Busan or to Japan.

24 For further knowledge of these corridors, access: http://www.internationaltransportforum.org/Proceedings/Border2009/09Lee1.pdf
The third corridor goes from Busan in South Korea through North Korea and reaches Russia in the Siberian Land Bridge. It can get to Japan via container vessel connecting Yokohama port and Busan. This corridor is also not functioning due to lack of connection between ROK and North Korea. The fourth corridor connects Mongolia, China, DPRK (Rajin Port, a free trade seaport) and, via maritime connectivity, Japan. It is a great potential route to reduce costs, mostly for the trade between Chinese northeastern three provinces (CNETP) and Japan, and to integrate North Korea with the region. Railway and related transshipment facilities would need to be modernized and improved, while Rajin port would need new investment to operate properly and more efficiently. The fifth corridor connects Russian ports to Northeastern China, then passes through Russia and reaches Mongolia. It is an important way for Chinese products to achieve the East Sea and the Pacific. However, Russian ports would have to be improved, mainly its transshipment facilities and its administrative procedures (The Korea Transport Institute 2005).
Image 7 - Potential East Trade Corridor utilizing Corridor 4 and Corridor 5

The sixth corridor would connect Russia Far East, the CNETP ROK and Japan. Linking the entire CNETP region, this corridor would be essential to support transport demands of this area. The corridor would connect CNETP to ROK and Japan via the Dalian Port, which is the 17th busiest port of the world. Its capacity would have to be augmented.

In general, to improve infrastructure connectivity in this region, investments must be made to meet the increasing demand of sea transportation. According to ESCAP (2005), for China, new terminals and expanded capacity can be a target; for DPRK, major challenges relate to the slow economic growth, the lack of funds, the inadequate capacity of its ports and maritime fleet and the lack of container handling capacity. Japan needs to diminish its ports cost, increase the efficiency of its services and of its own coastal shipping. ROK, mostly, needs to invest in new seaports; finally, Russia needs to improve its cargo handling equipment and control system, as well as improve its inland connectivity to its ports in the Russia Far East

25 The CNETP compose the Bohai economic circle with the Greater Beijing region (Beijing, Tianjin, and Hebei Provinces). The Bohai region is one of the three major economic areas in China with the Zhu River Delta (Shenzhen, Guangzhou, and Hongkong) and the Chiang River Delta (Shanghai)” (The Korea Transport Institute 2005, 78)
Northeast Asia growth also implies increasing energy demand. This question is particularly relevant when considering the abundance of hydrocarbons in some Northeast Asian countries and the shortage of other ones. Moreover, China plans to increase its natural gas use so as to reduce its dependence on coal, in order to diminish its greenhouse gas emissions. Although it had plans of pipelines networks, they had been delayed on price and route issues, mostly. However, after ten years of negotiations, in 2014 China and Russia—represented by CNPC and Gazprom, respectively—have finally reached a deal on the natural gas supply to the former. Both will invest in pipelines in their respective territories to enable the transportation of the gas.

Although of the most importance, the deal does not close other types of energy trade agreements. For instance, energy sea lines of communication could foster the region’s integration, even in military affairs, and meet the rising demand for energy, even though it could also amplify mistrust if the governments do not cooperate properly (Australian Strategic Policy Institute 2013; Paik, Lahn and Hein 2012). Moreover, other routes and projects can still be in place, once Russia can still develop other deals (even with China) and its gas fields in East Siberia. As Paik (2012) states:

Russia aims to send 19-20% of its gas exports to the Asia-Pacific market by 2030. To achieve this, it must start developing its super giant gas fields in East Siberia. […] But the economic justification can only come from a more assured stake in the Asian market, namely by securing long-term pipeline delivery contracts (Paik 2012, 1).

This pipeline for China can help to revitalize the CNETP area as well as to develop the Russia Far East and bolster Northeast Asia integration. Moreover, it could be extended to Japan and South Korea. Undoubtedly this kind of dynamics would enhance cooperation in the region. (Paik, Lahn and Hein 2012).

26 China has negotiated for getting gas to supply its CNETP, while Russia would benefit from supplying gas for the western part of China, once it would be possible to direct surpluses from Europe to this country (Paik, Lahn and Hein 2012). Moreover, “[f]or Russia, China’s three northeastern provinces offer only a 20 bcm/y gas market, whereas at least 30 bcm/y would be needed to justify the development of an eastern pipeline.” (Paik, Lahn and Hein 2012, 7). These were some of the issues that hampered the negotiations. Also, for gaining share in the Liquefied Natural Gas (LNG) market, starting by Asian markets, “Putin signaled the urgency of building a pipeline from the Sakha Republic to the Port of Vladivostok” (Paik 2012, 1).

27 For instance, “A separate route that could deliver gas to China’s western provinces and provide diversification is also in the works, according to Putin.” (Russia Today 2014).
3 PREVIOUS INTERNATIONAL ACTIONS

It is important to notice that some measures to achieve further maritime connectivity have already been taken in the Asian region as a whole, as well as many others are in progress. Following the patterns of division of this work, in this section some examples of previous actions concerning the topic are presented, firstly, concerning Southeast Asia and, secondly, Northeast Asia.

3.1 SOUTHEAST ASIA

In a general analysis, ASEAN has been slow to implement measures of cooperation on maritime questions. This slowness can be explained by the overlapping claims existent - among member nations and between some members and China, for example –, by the difficulty to engage in resource mobilization, financing requirements for modernized port infrastructure and by the lack of capacity of the countries in the region as a whole (Pushpanathan2010). Only in the latest years questions such as maritime connectivity started to gain the attention they deserve. In this sense, the primary means of cooperation towards the cited question in the present is the Master Plan on ASEAN Connectivity. For this reason, we will first present a brief analysis of this measure, including some of the other measures related to maritime cooperation in the following sub-sections.

3.1.1 MASTER PLAN ON ASEAN CONNECTIVITY

Launched in 2010, the Plan was created as an element of the main goal that is to build an ASEAN Community by 2015, serving as a plan of action for the period from 2011 until 2015. The ASEAN Community calls for a well-connected region, not only among its members but also between these members and the rest of the world. The connection proposed by the plan would be achieved by a three-pronged strategy: physical connectivity, institutional connectivity and people-to-people connectivity, being maritime connectivity located in the first scope, so that this sub-area will be better explored in this work.

The Key Strategies of ASEAN to enhance physical connectivity consist on: a) complete the ASEAN Highway Network; b) complete the implementation of the Singapore Kunming Rail Link (SKRL) Project; c) establish an efficient and integrated inland waterways network; d) accomplish an integrated, efficient and competitive maritime transport system; e) establish integrated and seamless multimodal transport systems to make ASEAN the transport hub in the East Asia
region; f) accelerate the development of ICT infrastructure and services in each of the ASEAN Member States and g) prioritize the processes to resolve institutional issues in ASEAN energy infrastructure projects (Asean 2010). The following list shows the projects considered as priority by the plan, being the items iv, v and vi directly related to maritime connectivity (Asean 2010):

i) Completion of the ASEAN Highway Network (AHN) missing links and upgrade of Transit Transport Routes (TTRs);
ii) Completion of the Singapore Kunming Rail Link (SKRL) missing links;
iii) Establish an ASEAN Broadband Corridor (ABC);
iv) Melaka-Pekan Baru Interconnection (IMT-GT: Indonesia);
v) West Kalimantan-Sarawak Interconnection (BIMP-EAGA: Indonesia);
vi) Study on the Roll-on/roll-off (RoRo) network and short-sea shipping;
vii) Developing and operationalising mutual recognition arrangements (MRAs) for prioritized and selected industries;
viii) Establishing common rules for standards and conformity assessment procedures.
ix) Operationalise all National Single Windows (NSWs) by 2012;
x) Options for a framework/modality towards the phased reduction and elimination of scheduled investment restrictions/investments;
xi) Operationalisation of the ASEAN Agreements on transport facilitation;
xii) Easing visa requirements for ASEAN nationals;
xiii) Development of ASEAN Virtual Learning Resources Centres (AVLRC);
xiv) Develop ICT skill standards; and;
xv) ASEAN Community building programme.

In relation to maritime transport, the Plan addresses port infrastructures, maritime services and port performances as the key challenges to achieve connectivity in this area. In order to achieve integration in the seas, especially to achieve efficient shipping routes, the Plan tries to implement the example of the Philippines Nautical Highway (Roll-on/roll-off (RO-RO) System), which deserves a special attention.

3.1.1.1 The RO-RO System

The RO-RO system is essential to achieve the goal of building efficient and reliable shipping routes in order to enhance connectivity. To fully understand how the system works and how it can improve trade and connectivity, we must first understand the system that is traditionally used by the countries in Southeast Asia: the load-on/load-off system. Accordingly to the Asia Foundation (2010):
In conventional containerized or ‘load-on, load-off’ shipping, goods are delivered by trucks to the point of origin, unloaded, then loaded onto ships, carried to the next port, unloaded once more, then loaded onto other trucks for the next leg of their journey. Each step, which may be repeated many times in an inter-island distribution chain, imposes another layer of costs and bureaucracy. As a result, the economics of load-on, load-off tend to favor centralized shipping hubs that may poorly serve smaller, regional markets. (Asia Foundation 2010, p. 1)

The RO-RO policy simplifies the process, since it allows trucks, buses and cars to roll on and off the vessel without unloading. In this sense, it saves time, costs, equipments and also makes some bureaucratic procedures unnecessary.

In Philippines, the amount of benefits purchased since the implementation of the policy was huge: according to ADB (2010), the results consisted on reduction in transport costs, creation of new regional links and expansion of regional markets, more efficient shipment of goods and people that have particularly benefited the poorer provinces in the maritime routes, acceleration of local area development, realignment of logistical practices with more frequent deliveries, and greater competitive pressure on the domestic shipping industry.

Following the great example from that country, a regional RO-RO policy was adopted as one of the 15 flagship projects approved in the ASEAN Leaders Summit of 2010, as well as included on the Master Plan for Connectivity, as previously stated.

Also according to the Asia Foundation, the main challenges for the implementation of the policy are the maintenance of focus to establish the process and “regulatory environments for commercially viable regional RO-RO routes to emerge” (Asian Foundation 2010, 2).

In the following table, there are some of the potential Ro-Ro routes, considered by studies of 2011 and related to the perspectives of the Plan:

<table>
<thead>
<tr>
<th>Table 2 - Potential Ro-Ro Routes in the perspective of MPAC</th>
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</thead>
<tbody>
<tr>
<td><strong>Sumatera Economic Corridor</strong></td>
</tr>
<tr>
<td>1. Dumai – malaka (Malaysia) – Songkhla (Thailand)</td>
</tr>
<tr>
<td>2. Belawan – Penang</td>
</tr>
<tr>
<td>3. Tj. Balai Asahan – Port Klang (Malaysia) – Songkhla (Thailand)</td>
</tr>
<tr>
<td><strong>Java Economic Corridor</strong></td>
</tr>
<tr>
<td>4. Malaka – Java - Sumatera</td>
</tr>
<tr>
<td><strong>Kalimantan Economic Corridor</strong></td>
</tr>
<tr>
<td>5. Singkawang – Kuching (Sarawak) – Brunei via land transportation</td>
</tr>
</tbody>
</table>
6. Singkawang / Pontianak - Johor

**Sulawesi Economic Corridor**

7. Bitung Manado – P. Mindanao (Philippines)

**Bali-Nusa Tenggara Economic Corridor**

8. Kalabahi (NTI) – Timor Leste
9. Kupang (NTI) – Timor Leste via land transportation

**Maluku-Papua Economic Corridor**

10. Sorong – Bitung – P. Mindanao

Source: Centre for Policy Analysis and Development on Asia-Pacific and African Regions

3.1.1.2 Roadmap Towards an Integrated and Competitive Maritime Transport (RICMT)

Stressed by the MPAC, the Roadmap consists of an action plan to achieve a “more open, efficient and competitive ASEAN maritime transport system” (Bridel, 2012 p. 6), covering elements as movement of freight and passengers and liberalizing maritime transport services in ASEAN, connecting with the objective of establishing ASEAN as a single market. Related to the Roadmap is the implementation of an ASEAN Single Shipping Market (ASSM), in order to enhance competitiveness and efficiency of the shipping market in the region.

According to the document of creation of the Roadmap, the countries subscribe to a policy agenda which states: (a) Foster competition in all shipping markets; (b) Adhere to the principle of free competition on a commercial basis for cargo movements to, from or between ASEAN Member Countries; (c) Promote a set of guidelines for the regulation of liner shipping markets; (d) Prevent or minimize the imposition of unjustifiable fees, surcharges or imposts by shipping lines or associations of shipping lines with a dominant position in any trade to, from or within ASEAN; (e) Ensure that any international shipping operations retained under Government-ownership are corporatized and operated in accordance with commercial principles; (f) Refrain from providing preferential access to routes, cargoes or contracts to Government-owned lines, and to adopt a timetable for the removal of such preferences where they currently exist; (g) Work collectively and progressively towards the development of a single integrated ASEAN shipping market; and (h) Develop guiding-principles for the pricing of port services based on the cost of service and infrastructure provision. (“Roadmap towards an integrated and competitive maritime transport in Asean” 2010, p. 2)

The implementation of the Roadmap is coordinated by the ASEAN Maritime
Transport Working Group (MTWG), a platform created so that the countries can update each other about the progress towards the implementation of measures related to maritime cooperation, as MPAC, for instance.

3.1.2. **Asian Development Bank (ADB)**

The Asian Development Bank (ADB) is one of the main sources for connectivity financing. The bank provides an average of more than USD 1 billion per year in infrastructure lending and capacity building (APEC, 2013). The initiative that matters the most for the subject discussed in this work is the attempt to develop Regional Corridors. These are crucial for the development of transport connectivity, since it links urban areas with important economic activity, amplifying the opportunities and benefits to other areas of the region. In relation to maritime connectivity specifically, the main initiatives are the Indonesia, Malaysia and Thailand Growth Triangle (IMT-GT) and the Brunei-Indonesia-Malaysia-Philippines-East ASEAN Growth Area (BIMP-EAGA).

3.1.2.1 The Indonesia, Malaysia and Thailand Growth Triangle (IMT-GT)

Crucial to the development of this initiative is the establishment of connectivity through economic corridors. The first to be considered is the Songkhla-Penang-Medan Corridor, important due to its great seaports. The second one is the Strait of Malacca Corridor, the most advanced in terms of transport connectivity. Another transport route in potential is Banda Aceh- Medan- Pekanbaru-Palembang (North-South Sumatera) Corridor, although this route is currently insufficient because of the increasing volume of traffic. The last corridor to be considered is Malacca-Dumai. ADB has initiated a study on the development of IMT-GT economic corridors as a first step in implementing the following policies, also created after a study made by the institution:
<table>
<thead>
<tr>
<th>Issue</th>
<th>Policy</th>
<th>Strategy</th>
</tr>
</thead>
</table>
| **Draught restrictions:** The lack of periodic maintenance causes availability of inadequate water depths at Dumai, Belawan and Teluk Bayur. Songkhla and Kantang suffer from the same problem. | IMT-GT supports undertaking of periodic maintenance dredging at Sumatra ports and development of new ports in Southern Thailand | - IMT-GT support regularization of periodical maintenance dredging of ports  
- IMT-GT supports development of Nakula container terminal jetty on the Trang River and the proposed 2nd Songkhla port subject to feasibility and approvals of Thailand Government |
| **Operational Efficiency:** The operational performance of some of the key ports of IMT-GT is well below international standard, particularly in domestic container handling at Belawan and Teluk Bayur. Penang is no exception. | IMT-GT supports implementation of best practices and modernization of port operation in order to achieve comparable performance level. | - IMT-GT supports port efficiency improvement of Dumai, Belawan, Teluk Bayur and Penang through appropriate studies. Whilst the Dumai study could focus on bulk cargoes, the study for Belawan and Penang ports could focus on container handling. The study for Teluk Bayur could encompass both efficiency improvement for bulk cargoes and a feasibility study for setting up a container terminal. |
| **Port Interfaces:** Dumai, Belawan and Teluk Bayur are the ports that suffer from inadequate hinterland connectivity. | IMT-GT supports development of adequate port interfaces in order to facilitate seamless hinterland traffic movement as well as to increase the cargo potential of IMT-GT ports | - IMT-GT supports development of port access Road for Belawan and Teluk Bayur and hinterland Road connectivity between Dumai and Pekanbaru. |
### New Port Development:
The proposed transshipment harbor at Sabang Bay suffers from many lacunas. The proposed new ports at Pakbara in Southern Thailand and Kyaukphyu and Dawei in Myanmar that also aims at transshipment traffic of the Bay of Bengal ports is a great threat to the project. New capacity additions that are underway at Colombo, Chennai, Kelang and Johor ports are another threat to the Sabang Transshipment Harbor proposal.

IMT-GT supports development of a transshipment harbor in Sumatra with private sector participation to cater to the growing transshipment traffic in the Malacca strait.

- IMT-GT recognizes the strategic advantage of locating a transshipment harbor in Bande Ache Province that will benefit the IMT-GT subregion. In order to minimize the lacunas identified and the threats posed by new ports developments in Thailand and Myanmar as well as to strategies the threats of new capacity additions, reevaluation of the feasibility study should be commissioned.

### Passenger Terminal:
The missing connectivity between Tammalng and Medan could Foster tourism growth in the IMT-GT subregion. The existing passenger terminal at Belawan is located within the cargo handling area and is inadequate to handle future cruise vessel. Malacca passenger terminal suffers from tidal variation causing disruptions to the services.

IMT-GT supports development of exclusive passenger and cruise terminals to encourage tourism and cater to passenger traffic.

- IMT-GT recognizing the role of tourism prospects encourages setting up of JV companies among IMTGT countries for the operation of ferry services between Tammalang and Belawan.
- IMT-GT further supports separation of passenger terminal from the cargo operational area of Belawan port and development of an exclusive passenger terminal. In addition cruise liner terminal similar to Kelang may be considered if viable or integrated with the proposed passenger terminal.
- The new terminal development at Malacca may be reevaluated to develop the terminal with the state-of-art passenger amenities including CIQ facilities.
<table>
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<tr>
<th>Issue</th>
<th>Policy</th>
<th>Strategy</th>
</tr>
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<tbody>
<tr>
<td>Automated Customs Clearance:</td>
<td>All IMT-GT countries should have fully automated customs clearance system that is uniform in its application, process and procedure in order to enable seamless trading among IMT countries.</td>
<td>- IMT-GT encourages the member countries to adopt ASYCUDA World</td>
</tr>
<tr>
<td>IMT countries are not compliant with the standardized formats recommended by the WCO as the adoption of ASYCUDA differed. Hence the software to process the customs clearance is developed on a standalone basis. This results in substantial delays.</td>
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</table>


3.1.2.2. Brunei-Indonesia-Malaysia-Philippines- East ASEAN Growth Area (BIMP-EAGA)

BIMP-EAGA is a sub-area currently in a situation of under-developed connectivity, and one of the great reasons to it is the poor maritime infrastructure (CPADAPAR, 2011). This fact calls the attention since the sub-area accounts for the two largest archipelagos of the region (Indonesia and Philippines). RO-RO network already exists between Brunei and Malaysia, even though the situation is still incipient. There is a need to find ways to expand this system in the area designated. Indonesia and Philippines already recognized the importance of building a RO-RO system between both countries and engaged in dialogues to implement joint studies.

3.1.3 Maritime Security

It is important to stress that maritime cooperation in the region is happening not only in economic terms but also in relation to other areas, such as maritime security, for instance. A good example is the Cooperative Mechanism for the Straits of Malacca and Singapore. The Mechanism was launched in 2007, envisioning the
encouragement of user states and shippers to cooperate and help seaside states in their responsibilities to guarantee safety and environmental protection in the Straits (NBAR, 2010). The littorals (Indonesia, Malaysia and Philippines) have primary responsibility over the Straits because they possess sovereign rights. They also are responsible for maintaining maritime security, but this element does not enter in the scope of the Cooperative Mechanism because it was refused by Indonesia and Malaysia. Another measure to guarantee maritime security is the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against ships in Asia (ReCAAP), addressing the huge problem that piracy constitutes in the region, even threatening the development of trade by maritime routes. The Agreement was established in 2006 and it has fifteen Asian members (Bangladesh, Brunei, Cambodia, China, India, Republic of Korea, Laos, Myanmar, Philippines, Singapore, Sri Lanka and Vietnam), as well as two European countries (Denmark and Norway).

The initiatives previously presented constitute only some of the measures adopted to enhance maritime connectivity and cooperation in Southeast Asia. ASEAN, for example, has been promoting maritime cooperation under various other frameworks, mainly through ASEAN Regional Forum (ARF), ASEAN Transport Ministers Meeting (ATM), ASEAN Defense Ministers Meeting (ADMM) and East Asia Summit (EAS) (Son, 2013). According to Khalid (2013):

> In undertaking these measures, ASEAN member nations fully acknowledge the importance of maritime sector as a key facilitator of trade and socio-economic development in the region. Despite their disparities in the levels of socio-economic development and maritime infrastructures, member nations are committed to the cause of developing an integrated and competitive maritime transport sector (Khalid 2013 – online).

A Southeast Asia region greatly connected by water is not only essential to explore geographical conditions (a region surrounded by seas, as previously stated in this work), but also to successfully achieve the ASEAN Economic Community (AEC) envisioned by the regional institution - being this fact recognized by the member nations, since an efficient maritime transport sector is considered one of the pillars of then AEC (Khalid, 2013 - online).

3.2 NORTHEAST ASIA

From the beginning of the 1990’s to the first five years of the 2000’s, one of the main tasks of the Asian Development Bank (ADB) was to work together with private investors and the governments of the major countries of Northeast Asia to enhance the
capabilities and facilities of a few ports in the region. Concerning the People’s Republic of China, five of the main ports, namely, the ports of Dandong, Yingkou, Yantai I, Fangcheng and Yantai II, had projects built up to these ends; it is known that all of the projects created for this purpose are fully operational. In the same period, ADB participated in the seminar on Port Investment and Competition, in Tianjin, and in the 1995’s ESCAP study Privatization in Ports, Waterways, and Dredging, including preparation of Guidelines for Private Sector Investments in Ports and Dredging. Finally, ADB has been supporting projects which facilitate port operations, as the implementation and maintenance of highways, railways and expressways (UNESCAP 2005). Similarly as in Southeast Asia’s section, in the next sub-sections some projects concerning infrastructure development to Northeast Asia will be discussed as well.

3.2.1 THE GREATER Tumen Initiative (GTI)

A prominent ADB’s project relative to development of infrastructure aiming the improvement of connections of sea ports, developed in the mid-1990’s, is the Nine Transportation Corridors in North-East Asia, which relies on the connection of areas with the greatest concentration of population in the region within the Pacific Ocean, using already built network and the ones to be built. The corridors are: the BAM Trade Corridor, the Siberian Land Bridge (SLB) Trade Corridor, the Suifenhe Trade Corridor, the Tumen River Area Trade Corridor, the Dalian Trade Corridor, the Mongolia Trade Corridor, China Land Bridge (CLB) Trade Corridor, the Korean Peninsula West Trade Corridor and the Korean Peninsula East Trade Corridor. It is important to express that there are differences between the maturity and development of each corridor: some are just concepts and other are already being sufficiently used (UNESCAP 2005).

From all these corridors, there is one which has often been discussed: the Tumen River area. The PRC as the first country to show interest in developing the region and to guarantee access to an important port in the Sea of Japan, leading to the creation of the Tumen River Area Development Programme (TRADP), which was supported by the United Nations Development Programme (UNDP), aiming environmental management, economic development and regional cooperation, with participation of China, Russia, North Korea, South Korea and Mongolia. Under this programme, the Rajin-Sonbong Economic Special Zone (Rason) was created in leased land from the Russian Federation, the RPC and the Democratic People’s Republic of Korea. By 2005, the Changchun Agreement changed the name of the programme to the Greater Tumen Initiative (GTI), because of the involvement of private sectors, extension of territorial boundaries in which the initiative would act and exclusion of North Korea as a member – due to rivalry with South Korea (White 2010).
The GTI has benefits for every country participant in the initiative, that is to say: the northeast of China is not economically developed as its eastern coastal region and an easier access to ports, trade routes and inland regions of Russia would give the region a chance to a joint development with this country. As a result of this partnership, the Primorsky territory, which has a lack of infrastructure and financing, would have its problems solved by the abundant natural resources in the GTI region. In the same way, South Korea, which has limited natural resources, would have more efficient transportation and shipping connections through the Sea of Japan, and it would approach to abundant natural resources. Finally, Eastern Mongolia, as an underdeveloped region, expects to boost its economy and reduce poverty by using trade mechanisms provided by the Tumen River corridor (White 2010).

Image 8 - Map of the Greater Tumen Region.


3.2.2 Asian Land Transport Infrastructure Development (ALTID)

Another plan of initiatives for infrastructure relative to the Northeast Asia region in the Asian Land Transport Infrastructure Development (ALTID), which was established in 1992 by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP); it is important to highlight that this initiative was created to cover the whole Asian region, but it has direct and massive impact over Northeast Asia specifically, mainly because of the Northern Corridor, which passes through the PRC and the Koreas. Its three pillars – the Asian Highway (AH), the Trans-Asian Railway (TAR) and the facilitation of land transport projects through intermodal transport terminals (dry and inland ports), according to the ADB Institute
– seek to improve economic ties by enhancing access to seaports through highways and the establishment of dry ports\textsuperscript{28} in landlocked countries (ADB \& ADBI 2009; ADB 2006). Although they are not maritime infrastructure projects per se, they establish great precedents of infrastructure projects in Asia, besides clarifying the context and current projects and existing infrastructure in the region.

Image 9 - The Asian Highway.

Among the three pillars of the ALTID, the Trans-Asian Railway is one the most important projects to Northeast Asia: the Trans-Asian Railway Network Agreement was signed in 2006 in an effort to bring together not only the ports within Asia by a railway network, but also with the ones in Europe. Given the size of such an important project like this, it is referred, sometimes, as the “Iron Silk Road”\textsuperscript{28}

\textsuperscript{28}UNESCAP defines a “dry port” as an inland location with functions similar to those of a seaport for the consolidation and distribution of goods. It distinguishes three types of modal interchange facilities that process cross-border trade and provide full customs services: dry ports, inland container depots and freight villages. Dry ports can process all forms of cargo, while inland depots can process only containers (ADB, 2009).
AsiA Development BanK’s BoArD of Go vernors

– by the way, the Silk Road concept is recently being brought up and used as an example of possible connection route in matters of infrastructure in Asia. However, there are some structural problems that turn it difficult for the project to become real in its entirety, as, to name one, the different sizes of gauges between the countries in the railways. When TAR is concluded, it will unite regions separated by gigantic distances, providing a huge boost of economic cooperation and enhancement of trade flows (ADB & ADBI 2009; ADB 2006).

Image 10 - The Trans-Asian Railway Network.


3.2.3 The New Silk Road

The Silk Road was an ancient trade route created in the Han dynasty, about AD 200 BC, and it linked China with Central and South Asia, Europe and Middle East. Recently, after the 2008’s crisis, with the current president of the PRC, Xi Jinping, the idea of the Silk Road was revived with a new concept, called “the New
Silk Road”. With this new identity, it will be used in order to bring together the well-developed coastal areas and the less-developed inland areas, search for new markets and preserve the existing ones, and, finally, maintain constant trade flows within the regions the route covers (Shaanxi 2010; Tatar 2013).

Xi Jinping, in his speeches at the 13th Shanghai Cooperation Organization (SCO) summit in Bishkek and at the G20 summit in St. Petersburg, both in 2013, presented a proposal with five points to create a New Silk Road Economic Belt to enhance relations with the regions encompassed by the route. These five points discuss, respectively, about (1) joint economic cooperation, (2) strengthening of overland and maritime connections, (3) elimination of trade barriers and reduction of expenses, (4) reinforcement of monetary cooperation and, as said by Xi, (5) strengthening of “people-to-people relations”. Following the proposed ideas, the “New Silk Road” will serve as a tool of communication between the inland parts of China with its coastal areas in the East and South China Seas and with the countries in which the road passes through. That said, the importance of this route to maritime connectivity lies on how it will turn easy the link between far areas inside Asia with ports in the PRC by its maritime branch, the Maritime Silk Road: through this mean, maritime trade not only within Northeast and Southeast Asia, but also outside these regions with trading partners around the world, will get to be fortified (Tatar 2013).

Image 11 - The Silk Road and the Maritime Silk Road

![Map of the Silk Road and the Maritime Silk Road](http://www.iro.umontreal.ca/~vaucher/Genealogy/Documents/Asia/images/silkroad.gif)
Finally, a last project regarding the development and improvement of maritime connections in the Northeast Asia region is the establishment of the Northeast Asian Development Bank (NEADB). Since the meeting of the Northeast Asia Economic Forum of 1993, when the idea of the NEADB was put in discussion by South Korea, it has been fostered by a few governments. In 2000, an Ad Hoc Committee was created to emphasize the need for the creation of the NEADB: it would play the role that is not currently performed by the existing institutions, through financial investments directed to infrastructure and economic development. It is said by authorities that praise for the creation of this body that the transfer of capital from the already existent multilateral bodies is not done properly and directly to the needs of Northeast Asia. Besides addressing this problem, the NEADB would also work to disseminate information and technology to all the countries of the region, aiming at strengthening of interdependence and economic stability (Cho & Katz 1996; Kakazu 1994).

Two of the main ideas to the creation of the NEADB are (1) to adhere North Korea and Russia to a possible member list, since both countries are not participants in the ADB; and (2) to uplift economic cooperation and integration of different economies with different stages of industrial growth, structure and development, as said by Cho and Katz (1996):

> By encouraging economic cooperation and integration and a combination of the maturity of older economies with the potential vitality of the newer ones, we can achieve rejuvenation of the former and stimulation of the latter (Cho & Katz 1996, p. 42).

What is being discussed is that there is a lack of investments in the region and that the NEADB would work to attract the capital from private investors, directing it right to real needs of the region. Other multilateral financial institutions, which, as revealed by recent studies, have their financial support being injected in means that do not meet with the region’s needs for financial infrastructure; therefore, the role of the NEADB here would be to work together with these institutions to improve this matter (Cho and Katz 1996). Beyond that, these investments would have an already decided path and, as a body which would cover not only maritime connectivity issues, but also infrastructural and financial matters (as the improvement of ports and highways/railways that communicate dry ports/trade centers with sea ports), the NEADB concretization would be a greater fact to push Northeast Asia forward. As Cho and Katz (1996) state:
Successful development will depend on the region’s ability to attract private investment, and this will increase rapidly when investors perceive that their investments will be supported by adequate highway, railway and air transportation systems; ports and harbors […]. Upgrading Northeast Asia’s infrastructure and the importation of engineering and construction services, materials, and plant and equipment, much of it from outside the region, to bring the region’s infrastructure up to standards and permit it to compete successfully with other areas for limited private-sector resources will involve investments in infrastructure far beyond the region’s own capacity (Cho & Katz 1996, p. 44).

4 BLOC POSITIONS

Australia has been trying to improve its maritime connectivity with areas further away, such as India and ASEAN, since they are important commercial partners. Therefore, it is essential to improve the ports in ASEAN, since the South China Sea is a very important region for Australian security and trade (Khurana 2005). The Straits of Lombok and Makassar are very strategic points for the Australian trade flows (Noer and Gregory 1996). Moreover, the Australian government has issues regarding the sovereignty of some reefs with Indonesia, with which it also has problems in establishing the maritime limits (CIA World Factbook 2014). Australia is also negotiating the Trans-Pacific Partnership (TPP).

Exporting mainly to European countries, Bangladesh gives a big importance for the improvement of its own maritime connection. Routes that facilitate the commerce with the west are fundamental for the country (CIA World Factbook 2014). Also, the amount of trade has been growing in its ports and the relations with China have increased, including investments in the port of Chittagong (Krishnan 2010). Besides, the country has boosted its maritime connection with Sri Lanka (Ministry of Defense and Urban Development of Sri Lanka 2013), which counts with Chinese investments in its ports (Ondaatjie 2013). Sri Lanka is a great supporter of the Chinese Maritime Silk Road, believing that the project can improve the connectivity in the region at its highest (Zeenews 2014).

Another country enjoying Chinese investments is Myanmar. China has been trying to improve relations with the country and it is its biggest economic partner today. Myanmar is also part of the economic corridor with the countries from the Indochina Peninsula and is a strong supporter of projects in the region. The nation has increased its relations with Thailand and Bangladesh in terms of connectivity and infrastructure (Soe 2014; Ponnudurai 2012).

Thailand is one of the most important countries in Southeast Asia in terms of trade flows and it has great relations with Indonesia, Malaysia and Singapore. It also has strong ties with China and is a great supporter of the Chinese project to build a
canal in the south of the country as an alternative for the Malacca strait flows (Zhang 2008). The maritime trade has become a great part of the total Thai trade, being of utmost relevance for Thailand to improve its maritime connections.

**Cambodia** and **Laos** are located in the Mekong river region, and their imports and exports depend largely on the development of this region, especially Laos, since it is a landlocked country and needs access to the sea. Cambodia has been working on connectivity projects with Vietnam and it relies on Japanese investments for its development. Also, the country has discovered offshore oil reserves, which may have a great role for its maritime connectivity (ASEAN - German Technical Cooperation s.d.). **Vietnam** also depends on the Mekong region development and is part of the project of the economic corridor that will connect the three countries to a port in Myanmar. Having as its biggest trade partners Japan, China and South Korea, the country is interested in the development of trade with these countries (CIA Factbook 2014). Besides, Vietnam is part of the negotiations of the TPP.

**India’s** interests in maritime connectivity are highly based on a strategy to balance China and to enhance the “Look East” policy. The South China Sea, for instance, is very important for Indian trade, but not as critical as it is for China. The country engages in several maritime security agreements in the region and looks for an improved relation with countries from ASEAN, such as Singapore, Indonesia, Thailand, Myanmar and Vietnam (Khurana 2009). India can serve as a less intrusive alternative than western partners, such as the United States, which poses high suspicions on ASEAN members with its Regional Maritime Security Initiative (Khurana 2005).

**Papua New Guinea** and **Timor-Leste** are both countries from the Archipelagic Southeast Asia and are two of the poorest countries in the region. Papua New Guinea has a connectivity focused on Australia, which is its biggest importer and exporter and supports the country with security assistance, but, on the other hand, it has poor connectivity with ASEAN, which comprises two of its main importers (Singapore and Malaysia) (Trace, Frielink and Hew 2009). Timor-Leste suffers with the fact that there is only one containerized service linking the country to ASEAN countries, posing a huge obstacle for trade. However, ASEAN countries are still big trade partners. Timor-Leste also has problems with Indonesia regarding the former occupation, even though the Indonesian imports were very significant to Timor-Leste (International Trade Center 2014).

The **Philippines** have been the lead country with regards to maritime connectivity, since it is an archipelagic nation. The country has developed the Ro-Ro strategy to connect its islands and has shown huge progress in connecting to other countries, such as Indonesia, China and Vietnam (Olchondra 2013). This Ro-Ro strategy is the key point for the Master Plan on ASEAN Connectivity and serves as an example for all the other countries in the region. Having the United States, Japan...
and China as biggest trade partners, the country looks for biggest improvements in connectivity with them (CIA Factbook 2014).

**Malaysia** strongly relies on the Strait of Malacca and has some concerns regarding the regional control of the strait in relation to the United States proposal for the TPP. However, it advocates the use of the Straits of Lombok and Makassar, so that Singapore does not benefit from them as well (Noer and Gregory 1996). One important fact is that there is a possibility of diversion of Malaysian trade from Singapore if the port in Bintulu counts with investments to expand and upgrade its facilities. Besides, the Malaysian ports have a great competition with Singapore in becoming hubs in the region, which explains why Malaysia does not support developments in the port of Singapore so strongly (Trace, Frielink and Hew 2009). Also, the country has very different levels of development and the poorest regions are not well connected to ASEAN. Malaysia is too a supporter of the Maritime Silk Road proposed by China, since it may develop infrastructure that will benefit Malaysian trade.

**Singapore**, on the other hand, has the most important port in the Southeast Asia and counts with a privileged strategic location, right on the Malacca Strait. The country truly defends its control over the Strait and any alternative route may diminish its trade flows and the movements of the port. Its economy depends largely on the hub status of Singapore, since there is no other alternative route (Noer and Gregory 1996). Singapore also concerns about the presence of the United States in the region through the TPP, but it is already part of the partnership.

Also part of the strategy to balance India in the region, China has been investing in **Pakistan** maritime connectivity by developing the port of Gwadar, with strategic location in the Indian Ocean. The country is part of the economic corridor project that will connect it to China (Bhutta 2014). Besides, the nation has good relations with the United States and depends highly on its exports to the country. Pakistan also has problems with India relating to the Kashmir dispute and will not support projects that may increase India’s development. The economic growth of ASEAN countries is very important for Pakistan, since it can use this growth to develop itself through Free Trade Agreements. Furthermore, Pakistan can be a link to the Central Asian countries that are landlocked and need bigger connectivity (Khan 2013).

**New Zealand** has strong trade relations with Australia and China, but has been trying to diversify its partners, especially with countries from Southeast Asia. Therefore it is important to establish a good connection with this region in order to improve even more the commerce. It also believes in expanding its relations to other countries in East Asia (Ministry of Transport of New Zealand 2011). New Zealand is already part of TPP’s negotiations. **Brunei Darussalam** is part of the TPP original agreement and is in the TPP’s negotiation table. It has a great dependency on oil and gas exports. Its strategic location, near the Malacca Strait, can promote competitive
advantage for the country and increase its trade flows (Prinsen 2004). The country also has good relations with Japan and South Korea; therefore, it is important to develop the regions in the route to facilitate the exports to Northeast Asia ports.

**Indonesia** counts with Japanese investment to develop some of its ports, but it has few locations that provide the depth needed to build a large port. Hence, it is important for it to support projects of development in close countries, which could facilitate Indonesian trade. The importance of the Straits of Lombok and Makassar is very high for Indonesia, once they are the main routes of commerce in the region. Indonesian trade also depends on the Sunda Strait (Noer and Gregory 1996).

**Afghanistan** is still a divided country struggling for stability, where various interests are involved, including those from countries of the Asia Pacific region. Afghanistan, as **Kazakhstan** and **Turkmenistan**, does not have its own interests in stake in the maritime infrastructure of this region, once the projects to future increase in trade routes connected to these three countries – as the so-called “New Silk Road” – focus on upgrading roads and railroads. However, they may follow the interests of their main allies in the region, in order to guarantee good relations and to leverage precedents in investment projects through ADB. Once Afghanistan is striving to get supplies and resources, undoubtedly it may act actively and in conformity with its allies' interests, as China (already a great investor in Afghanistan and with high potential to increase its economic influence) by one hand, and Japan and South Korea, on the other, as they are both US' allies and have supported its occupation. Particularly, Japan is the second biggest donor to the country, following USA (Reuters 2011; Ku, Thompsom and Whertz 2011). Turkmenistan and Kazakhstan, besides having good relations with Russia (especially the latter), have seen its relations with China fostered in recent years. China is the second biggest Kazakhstan trade partner, only behind Russia. Moreover, China and Kazakhstan have been cooperating in energy and transport cross-border projects, which may boost these two countries relations (International Trade Centre 2014; Idrisov 2014). As the two others, Turkmenistan also has been improving its relations with China, mainly through commercial issues and Chinese investments in a gas pipeline connecting both countries (Miller 2012). Furthermore, recently, both Turkmenistan and Kazakhstan have expressed their interest in further cooperation with ASEAN (Turkmenistan 2013; ASEAN 2014). Particularly, the Kazakh are making efforts to direct its grain exports to Southeast Asian markets (through China), besides enlarging its exports to China by building a grain terminal at the Kazakh-Chinese border (Obolenskiy 2014).

Although **Mongolia** is part of the Northeast Asian region, it cannot be subject to investments in the issue in question, once it is landlocked. Its access to the sea is done mainly by Tianjin port in China, but also through Vostochny port in Russia. Bearing this in mind, the country must strive to diversify its gateways to the sea, in
the intent of securing its trade. Particularly, ports with facilities for containers, coal and iron ore (among other products) are in the core of Mongolia’s interests (Park 2011). Therefore, Mongolia is interested in fostering infrastructure connectivity of Northeastern provinces of China and Russia Far East, as well as railways and other land infrastructure that connect the ports to the rest of these countries’ territory. For example, improving the Vladivostok port, in Russia, would give a greater access to the Pacific Ocean for Mongolia, which is connected to this port via railways connected to Russia (Economic and Social Commission for Asia and the Pacific 2005).

China, as it is located in the Asia-Pacific region, has the general interest of boosting economic integration of the region as a whole. However, it may focus on developing the maritime infrastructure of countries that are strategically important for the sustaining of its trade - the ones located in its main trade routes -, as Myanmar, which is already receiving direct investment from China for the construction of ports. Chinese interests in developing these infrastructures in various countries are mainly commercial, although some say that China has military desires (The Economist 2013). Moreover, a great part of the Chinese trade passes through the Southeast Asia Region, specifically through the Malacca Strait (principally oil imports: 80% of them pass through this strait); therefore, improving alternative trade routes is in China interests (Pant 2009). Besides that, China has great trade and financial ties with ASEAN countries – even a Free-Trade Agreement – which undoubtedly affects its investments interests for the areas. However, its maritime disputes in the South China Sea are a concern and also target areas for investment – preferably unilaterally, though. Moreover, it has deep interests in promoting the maritime “New Silk Road”, connecting the east with the west of Asia. In Northeast Asia, China has great interest in promoting stability in the Korean Peninsula, once it is North Korea’s biggest ally and it has been improving its relations with South Korea. Furthermore, there is interest in the North Korean port of Rajin, located in the Tumen River, which would offer potential access to the northern Pacific (Swielande 2012). Finally, the recent natural gas agreement concluded with Russia puts China in a great place, once it may help to mediate agreements about natural gas supply for other countries, as South Korea or Japan – although one must bear in mind that Chinese relations with the latter are getting worse over the years (Russia Today 2014; Cook 2014).

The Republic of Korea (ROK) is a key country for the maritime connectivity in East Asia, once it has one of its biggest and busiest ports – Busan – and is striving to improve other facilities. The port of Busan is crucial part of South Korea’s strategy of becoming the central regional trade hub. In this intent, ROK has been investing in the Gwangyang port, in order to avoid congestion in Busan, which is already the fifth busiest port in the world (World Shipping Council 2014). South Korea
has been improving its relations with China in a pragmatically way, once it is still an US ally in the region. However, as ROK is not part of the TPP’s negotiation, it must be concerned about granting its interests in South East Asia. In Northeast Asia although South Korea must try to guarantee great connectivity, it must bear in mind that the astounding Chinese ports’ growth can present competition to its own ports, considering ROK’s intent to become a regional trade hub. Finally, South Korea seeks to reduce the tensions in the Korean peninsula - especially to eliminate the North Korean nuclear threat -, for which the cooperation with China is central (Cook 2014).

Taiwan has its core commercial interest in stake when discussing maritime connectivity in the Asia-Pacific, once it is an island and, isolated politically from the international community, the commercial links are its principal method of international insertion. Firstly, it is worth stressing well-developed relationship between Taiwan and US, as Taiwan may strive to defend US interests in the region, like pursuing to guarantee the freedom of navigation and unifying perspectives with US allies in the region. Second of all, Taiwan’s main trade partners are Japan and China; the Northeast Asia (considering Japan, China and the Republic of Korea) represented nearly 40% of its imports and 50% of its exports, demonstrating the importance of maintaining good infrastructure links connecting this region (International Trade Centre 2014). However, Taiwan must endeavor to diversify its investments in the region, once they are currently concentrated on mainland China; therefore, being part of discussed ADB’s projects is extremely relevant, principally in the ones involving Taiwan’s and US’ allies, as Singapore, with which it has signed a free-trade agreement (Wu 2014; Fensom 2013). Moreover, the Taipei port and, mainly, the Kaohsiung port – the 13th busiest container port in the world (World Shipping Council 2014) -, have become ports of great significance, and Taiwan has been pursuing to establish bilateral agreements in order to establish itself as a regional trade hub (Kastner 2013; Taiwan International Ports Corporation 2013).

The United States of America has strong interests involved in the whole Asia-Pacific region. Its recent trend of becoming a “Pacific Nation”, manifested in the US pivot to Asia, has boldered them, and having allies in the region has proved to have an increased importance. The United States aims to maintain its ties with traditional allies, but also to further expand them to other countries, not only in the security realm, but in the economic as well. In this sense, the Trans-Pacific Partnership, still in negotiations, is highlighted. The project, as envisioned by the US, excludes China and, if concluded, would help US insertion in the region (Reis 2014; Swielande 2012). TPP is not the only US’s interest, as the country has established ASEAN as a priority, and not all ASEAN’s countries are part of TPP negotiations. Therefore, the US must strive to develop its main Southeast Asian allies’ connectivity, as Singapore, Thailand and Philippines, as well as its emerging allies, alike Vietnam,
while searching to depart them from Chinese influence, avoiding, if possible, its participation in the main projects for the area. In Northeast Asia, Japan and the Republic of Korea are its main allies. The approximation between China and South Korea represents a concern to US interests and affects directly its objectives when dealing with its support for maritime infrastructure in the area. In broader terms, the US has to defend always the need of freedom of navigation, for which the better connectivity of strategic countries is essential and the expansionist Chinese policy in the region – as considered by the US – is a concern (Swielande 2012; Majid 2013).

Canada has been recently driving its attention towards Asia, as it recognizes this century as the “Asian Century” and the Asian markets as great opportunities for its trade interests. Considering itself a Pacific nation and being a big supplier of products, services and expertise, Canada is willing to continue to augment its exports to Asian markets, which has more than tripled from 2002 to 2011. In this intent, Canada has already invested around US 3.3 billion in national infrastructure to ease trade in the Asia-Pacific region – being US 1.4 billion federal investment - in a unified program named as the Canada’s Asia-Pacific Gateway and Corridor Initiative (Government of Canada 2012). Furthermore, Canada is involved in the negotiations of the TPP agreements, which can bolster its exports and trade relations, besides benefiting its enterprises in the Asia-Pacific markets; hitherto, the only Asian country with which Canada has a free-trade agreement is South Korea (Della-Giacoma 2014). Canada’s most important allies in the region are Australia, Japan, South Korea and the US. However, differentially from the latter, Canada has remained silent on freedom of navigation issues involving the maritime disputes in the South China Sea (Manicom 2012). For accomplishing its objectives, it is essential that Canada increases its influence in the infrastructure projects and the construction of new maritime routes in the area, in order to increase its presence and legitimacy within the region.

Japan is directly involved in the issue and particularly interested in investments that ease its commercial links in the region. But further than a potential destination of ADB’s projects, Japan plays an important role as a financing actor in the region and must strive to be involved in projects that serve its objectives, as the improvement of Russian ports or the construction of a maritime gas pipeline connecting Russia and Japan. Cooperation with China and South Korea also may occur, once the negotiations of the China-Korea-Japan free trade agreement are in order; however, as Japanese political relations with these two countries have been getting worse over the recent years, cooperation becomes harder (Cook 2014). Moreover, projects in Southeast Asia also deserve Japan’s attention: it has a free trade agreement with ASEAN and relatively good commercial relations with Malaysia, Indonesia, Thailand and Singapore. By the other hand, Japan has entered in the TPP negotiations, which involves, among others, Malaysia, Brunei, Singapore and
Vietnam (Cooper and Manyin 2013). In this context, it is important to remember the close relationship Japan has with the US, which undoubtedly may affect its position on debating maritime infrastructure in the Asia-Pacific region, a core region in the current US’ foreign policy.

The United Kingdom, France and the Netherlands have historical ties with the Asia-Pacific region: they had its presence there either by establishing colonies or by enjoying trade opportunities. Nowadays, although these relationships are not so close as they were, their interests are still present in the region, mainly represented by economic ties. Specifically, UK investment ties with Southeast Asia are pretty relevant (Swire 2013). For Europe as a whole, including Luxembourg, Norway, Germany and Italy, the great volume of trade between Europe and East Asia proves the essentiality of improvements of this region’s infrastructure, being one of the major choke points the Strait of Malacca. Trade ties with the Northeast Asia region (especially China) are the most relevant of the region and, if taken as a whole, the Southeast Asia region is also relevant. Thus, although alternative routes are longer and more expensive, it is useful to have them in mind when discussing this subject, crucial for European trade (European Institute for Asian Studies 2011). A core maritime interest for Europe is securing the freedom of access of the main global Sea Lines of Communication (SLOCs) being one of them the one that stretches from the East and South China Seas through the Malacca Straits into the Indian Ocean. Moreover, “[m]aintaining open and uninterrupted access to […] SLOCs is vital not only for European trade and commerce, but also for the projection of European power” (Behr, Aaltola and Brattberg 2013, 6). Furthermore, the Europeans, as the United States, consider the maintenance of the freedom of navigation in the region crucial to its interests (European Institute for Asian Studies 2011).

Northeast Asia is an important region for Turkey’s growing economic and global influence. In the political realm, relations with South Korea and Japan are historically good. Regarding the former, Turkey has always endorsed South Korean positions in the Korean Peninsula issue (Colakoglu 2013). Its relations with Japan, for its turn, have been improving in the recent years, mainly based on economy – especially investments opportunities – and energy (Miller 2014). Turkish relations with China are basically influenced by their huge commerce – China is Turkey’s third biggest trade partner – and by Chinese investments on mine and rail infrastructure in Turkey. Therefore, Turkey has great incentives to engage itself in the region. However, it usually does not choose sides, as on the Senkaku/Diaoyu dispute, in which it sustains its neutrality (Colakoglu 2013). Turkey does not share significant trade ties with Southeast Asian countries, but it has just signed a free trade agreement with Malaysia, allowing mutual preferential market access, which is important, once bilateral trade has already been increasing. Moreover, “Turkey views at Malaysia as a major entry-point for its commercial interests in ASEAN” (Panda
Finally, Turkish relations with Asia are constrained by its close relationship with US (Colakoglu 2013).

**QUESTIONS TO PONDER**

1. Being Northeast Asia more developed than the Southeast Asia, in which instance does the former needs less attention from the ADB?
2. How maritime infrastructure affects the regional - and, perhaps, global - balance of power?
3. What is the role of maritime connectivity in Asia-Pacific’s political issues?
4. Which are the main political and economic conflicts that may hinder better integration and connectivity in the Asia-Pacific region?
5. The energy and security issues may enable a more trustful environment in the region or may just worse their relations?

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