

A New Dynamism of Regionalism towards ASEAN Connectivity and Its Linkage with National and Local Development Projects : A Case Study of Indonesia

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A New Dynamism of Regionalism towards ASEAN Connectivity
and Its Linkage with National and Local Development Projects:
A Case Study of Indonesia

A Dissertation

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Gatot Hari GUNAWAN

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Alhamdulillah.....for concluding the PhD Program.

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*----- Sic Parvis Magna-----
(Sir Francis Drake, 1540-1596)*

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List of Abbreviations

ASEAN	Association of Southeast Asian Nations
AEC	ASEAN Economic Community
ACCC	ASEAN Connectivity Coordinating Committee
ADB I	ASEAN Development Bank Institute
AIF	ASEAN Infrastructure Fund
ASDP	Angkutan Sungai, Danau dan Pelabuhan/ River, Lake and Port Transportation
BAPPENAS	Badan Perencanaan Pembangunan Nasional/ National Development Plan Agency
BAPPEDA	Badan Perencanaan Pembangunan Daerah/ Regional Development Plan Agency
BIMP-EAGA	Brunei, Indonesia, Malaysia, Philippines East ASEAN Growth Area
CPR	Committee of Permanent Representatives
EU	European Union
ECC	European Economic Community
ERIA	Economic Research Institute for ASEAN and East Asia
EC	Economic Corridor
Gen San	General Santos city
GRDP	Gross Regional Domestic Product
JTFAC	Japan Task Force for ASEAN Connectivity
KEK	Kawasan Ekonomi Khusus/ Special Economic Zone (SEZ)
KAPET	Kawasan Pembangunan Ekonomi Terpadu/ Integrated Economic Development Zone
KP3EI	Komite Percepatan dan Perluasan Pembangunan Ekonomi Indonesia/ Committee of Percepatan dan Perluasan Pembangunan Ekonomi Indonesia
MP3EI	Master Plan Percepatan dan Perluasan Pembangunan Ekonomi Indonesia/ Master Plan of Acceleration and Expansion of Indonesian Economic Development
NC(AC)	National Coordinator (for ASEAN Connectivity)

PPP	Public-Private Partnership
PELINDO	Pelabuhan Indonesia/ Indonesian Port Authority
RTRW	Rencana Tata Ruang Wilayah/ Plan of Regional Layout
RPJM	Rencana Pembangunan Jangka Menengah/ Mid-Term Development Plan
RPJMD	Rencana Pembangunan Jangka Menengah Daerah/ Provincial Mid-Term Development Plan
Ro-Ro	Roll on-Roll off
WG	Working Groups

CHAPTER 1

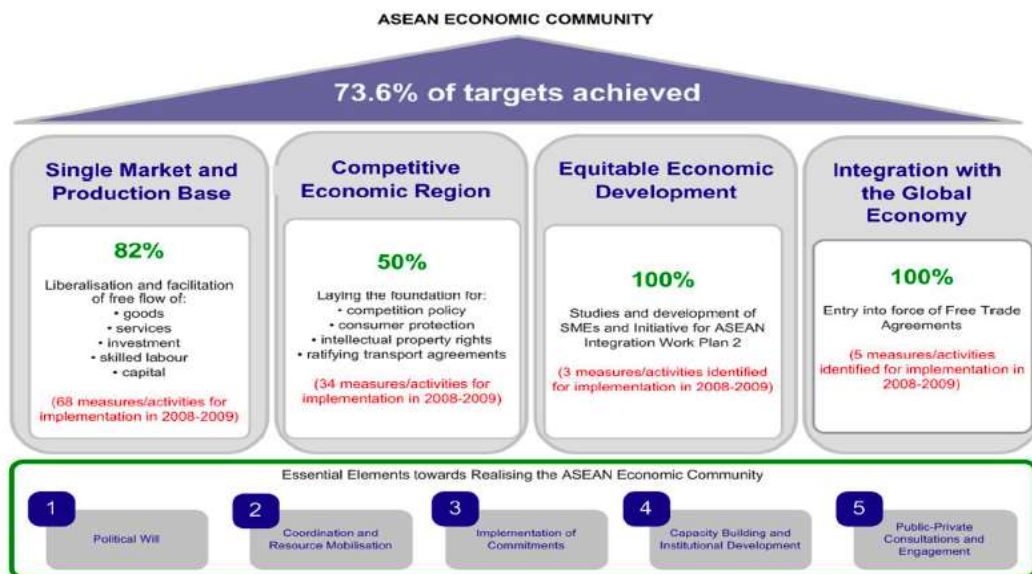
INTRODUCTION

I. Introduction

Nowadays ASEAN is in the process of enhancing cooperation by the establishment of ASEAN Community in 2015. The idea of ASEAN Community began in 1997, when ASEAN leaders adopted the “ASEAN Vision 2020” during ASEAN 30th Anniversary in Kuala Lumpur. This Vision is a means for realization of a single ASEAN Community, which is “outward looking, living in peace, stability and prosperity”. Then, the Vision was formalized and made comprehensive in the Bali Concorde II, adopted at the 9th ASEAN Summit 2003. There are three major pillars of ASEAN Community, namely: ASEAN Security Community, ASEAN Economic Community and ASEAN Socio-Cultural Community. In the 12th ASEAN Summit in Cebu in 2007, ASEAN Leaders agreed to accelerate the establishment of ASEAN Community from 2020 to 2015.

In order to monitor the progress of the achievement of ASEAN Economic Community and integration with global economy, the ASEAN Secretariat provides a scorecard, which was subsequently updated in four phases in every two years between 2008 and 2015. The current score card, as provided by the ASEAN Secretariat, nevertheless, can serve as indication about the progress of ASEAN economic integration, as shown in the following Figure 1-1:

Figure 1-1. Progress towards ASEAN Economic Integration



Source: ASEAN Secretariat, Progress Report of ASEAN Economic Community (2012) p.9

The Figure 1-1 shows that ASEAN lacked on the compliance for the attainment of competitive economic region (50 per cent of target achieved). Transport and energy, and their related infrastructure are key factors to foster the competitiveness of regional economy. Therefore, at the opening ceremony of the 42nd ASEAN Foreign Ministers' Meeting in Phuket, 20 July 2009, Prime Minister Abhisit Vejjajiva of Thailand proposed the idea of ASEAN Connectivity for the first time. It means that goods and people, investment and initiatives, can travel obstacle-free all over the region.

Furthermore, on 28 October 2010, ASEAN leaders adopted the Ha Noi Declaration of the Adoption of the Master Plan on ASEAN Connectivity. In this Declaration, the ASEAN leaders recognized that the Master Plan on ASEAN Connectivity (MPAC) would promote economic growth, narrow development gaps, speed up ASEAN integration and Community building process, enhance competitiveness of ASEAN, promote deeper social and cultural understanding, smooth people mobility, and connects its Member States within the region and with the rest of the world.

On 20 May 2008, when Indonesia commemorated the one-century anniversary of National Awakening day¹, President Susilo B. Yudhoyono gave a nation-wide address concerning the future of Indonesia. He mentioned at the time that Indonesia can transform into a developed nation in the 21st Century. With the introduction of the main theme "Indonesia Can", it is intended to increase self-reliance, competitiveness, with a distinguished and proud nation as prerequisites to becoming a developed nation in the 21st Century. Furthermore, in a gathering with the Indonesian Chamber of Commerce in Jakarta on 10 September 2009, President Yudhoyono stated the idea to synergize and improve Indonesia's economy in related to the plan within five years (2010–2015) was to exercise "debottlenecking", acceleration and expansion of Indonesia's national development.

This master plan has two key factors, i.e. acceleration and expansion. With the development of the master plan, it is hoped that Indonesia is able to accelerate the development of various existing development programs, especially in boosting value adding of the prime economic sectors, increasing infrastructure development and energy supply, as well as the development of human resources and science & technology. The acceleration of development is expected to boost Indonesia's future economic growth.

Besides acceleration, the government also pushes for the expansion of Indonesia's economic development so that the positive effects of Indonesia's economic development can be felt not only at each and every region in Indonesia, but also by all components of the

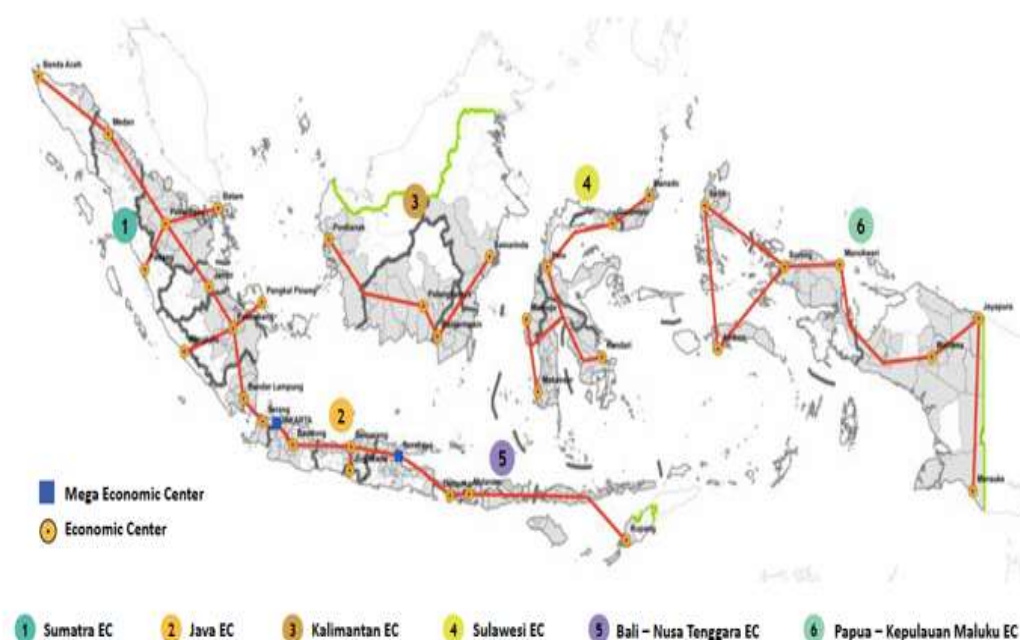
¹National Awakening day is a day to commemorate the establishment of Boedi Oetomo (20 May 1908) as mark of the rise of spirit of unity, nationalism and awareness for the fight for the independence of the Republic of Indonesia.

community across Indonesia. The MP3EI is not intended to replace the National Mid Term Development Plan/ Rencana Pembangunan Jangka Menengah (RPJM) nor the national and regional development processes currently ongoing. On the contrary, the MP3EI also functions as a complementary working document for the above-mentioned development plans.

To achieve tangible benefits and measurable impacts, acceleration and expansion measures were specifically formulated based on consultation with key stakeholders. Eight main programs and 22 main economic activities have been identified. In addition, six economic corridors are identified as growth centers and are expected to boost economic development throughout the nation. Investors and businesses can therefore clearly choose their desired sectors and preferred regions according to their business interest and specialization in accordance with the key economic drivers of the six corridors (Coordinating Ministry for Economic Affairs 2011).

The improvement of the investment climate is one of the main agendas in the MP3EI. Therefore, in the short term, improvement of the investment climate will be through debottlenecking, regulations, incentives and the acceleration of infrastructure development needed by all stakeholders. Debottlenecking efforts mentioned above will not be successful without the support of all parties, including the central and local governments. In the future, the local governments are expected to play a more active role in the debottlenecking efforts to improve investment climates. Economic corridors in MP3EI shown in the Figure 1-2 below:

Figure 1-2. MP3EI Six Economic Corridors



Source : Masterplan Acceleration and Expansion of Indonesia Economic Development (2011) p.12

The Figure 1-2 shows that MP3EI consists of six Economic Corridors, namely: 1. Sumatera Economic Corridor (EC), 2. Java EC, 3. Kalimantan EC, 4. Sulawesi EC, 5. Bali-Nusa Tenggara EC, and Papua-Kepulauan Maluku EC. Each of corridor is developed on specific advantages respectively. For instance, Java EC is the center for strategic industries meanwhile Sulawesi EC is the center for industry related to fisheries product.

One of the projects of ASEAN Connectivity is Bitung – General Santos Ro-Ro Project. This dissertation focus on the policy making process in regional level of ASEAN that affected policy making process national level of Indonesia and furthermore local level of North Sulawesi Province. It is interesting because the project is in archipelagic part of ASEAN, which is considered weak for connectivity projects compared with connectivity projects in mainland part of ASEAN. In fact, this project is based on BIMP-EAGA² focus area that was launched in 1994 by four member countries of ASEAN, namely: Brunei Darussalam, Indonesia, Malaysia, and Philippines. The policy-making process in ASEAN Connectivity may become a model for policy-making process in ASEAN in the future especially in economic cooperation.

Related to Ro-Ro Project, MP3EI have two projects namely: Bitung – Manado toll road and extension of Bitung Port. Meanwhile, North Sulawesi province supports by two projects namely establishment of Bitung Special Economic Zone (Kawasan Ekonomi Khusus/KEK Bitung) and establishment Manado-Bitung Integrated Economic Development Zone (Kawasan Pengembangan Ekonomi Terpadu/KAPET Manado-Bitung).

Geoff Wade of the Singapore's Asia Research Institute (ARI) in an article of December 2010 titled "ASEAN Divides" highlighted the possible crack within ASEAN. The mainland region of ASEAN (i.e. Thailand, Cambodia, Laos, Myanmar, and Viet Nam), according to Wade, sees its political and economic future tied to China far more than to the archipelagic region of ASEAN (Wade 2010).

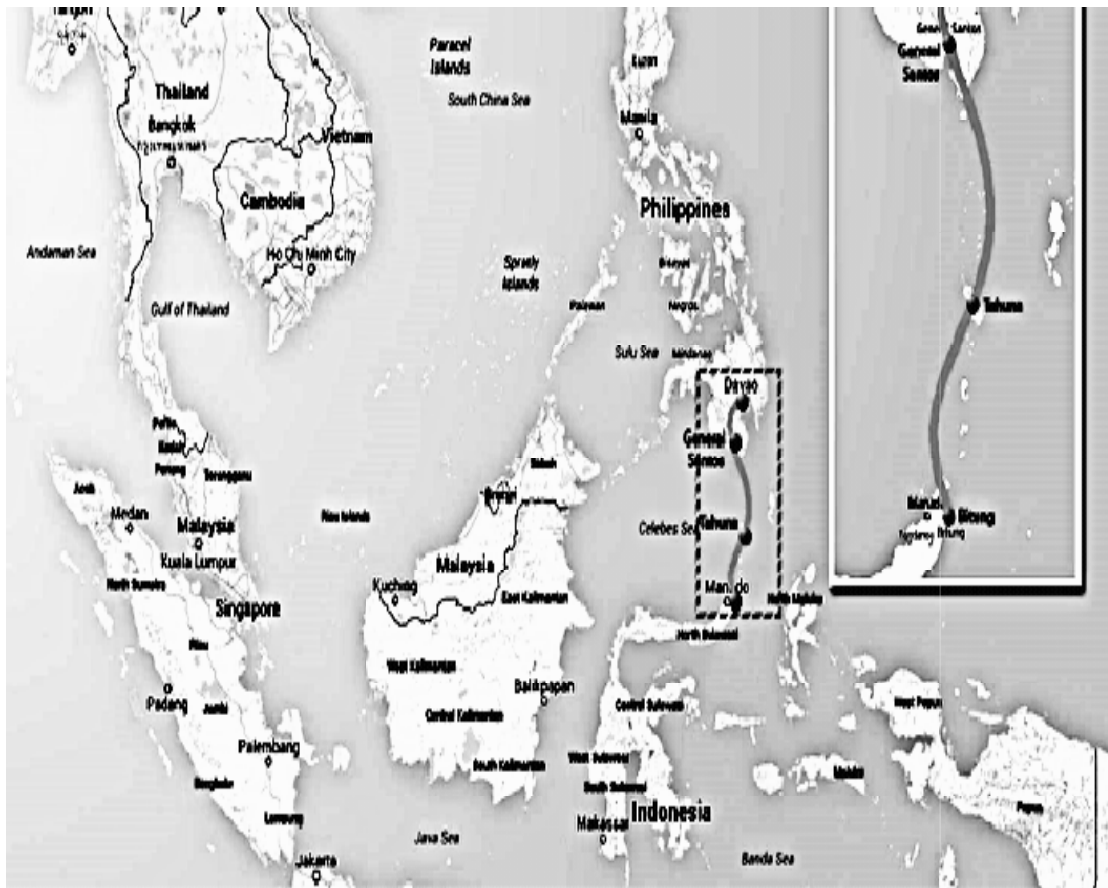
As such, within the spatial geopolitics, ASEAN, in terms of geographical proximity and socio-economic linkage, has been "divided" into Western part of ASEAN which is characterized by the traditional connectivity spine of Java, Sumatra, Peninsular Malaysia, and the Greater Mekong Sub-region; and the Eastern part of ASEAN which is fragmented in a vast archipelago consisting of Eastern Part of Indonesia and the Philippines (maritime connectivity). One possibility for ASEAN to help improve its maritime connectivity is by assisting Indonesia and the Philippines, for instance, to interconnect the Eastern belts of the Indonesian archipelago with the Strong Republic Nautical Highway (SRNH) of the Philippines.

Indonesia and the Philippines proposed the Ro-Ro project Bitung - General Santos to be

² BIMP-EAGA is a sub-regional economic cooperation initiative within ASEAN. It has four member countries, namely: Brunei, Indonesia, Malaysia, and Philippines. It was founded in Davao city of Philippines in 1994. BIMP-EAGA cooperation aims to trade, tourism, and investment in the region.

part of the project list ASEAN Connectivity. Ro-Ro shipping along the 520 km connects two important port cities in the region, namely Bitung of North Sulawesi and General Santos of Mindanao. Both cities are important for the economy of the eastern region of Indonesia and the southern Philippines. Bitung will be the entrance to the eastern region of Indonesia or northern Sulawesi in particular, whereas General Santos will be the entrance to the southern region of the Philippines or Mindanao in particular. Ro-Ro shipping will be operated with the scheduled Ro-Ro ships, which bring the flow of goods and people between Bitung and General Santos. The Ro-Ro lines is shown in the following figure 1-3:

Figure 1-3. Map of Bitung – General Santos Ro-Ro Lines



Source: BAPPEDA Bitung City (2014)

In MP3EI, North Sulawesi is part of Sulawesi economic corridor. The theme of Sulawesi Economic Corridor is to serve as the center for production and processing of national agricultural, plantation, fishery, oil & gas, and mining. This corridor is expected to be at the forefront of the national economy serving the markets of East Asia, Australia, Oceania and America. Sulawesi Economic Corridor has a high potential to achieve economic and social

development with its main economic activities.

In connection with the fishery, North Sulawesi is an important producer of fisheries in Indonesia. Fisheries accounted for 22% GRDP of North Sulawesi (Coordinating Ministry for Economic Affairs 2011). This is in line with the Bitung - General Santos Ro-Ro project where both are centers of the fishing industry that important for Indonesia and the Philippines. In connection with the development of connection between Bitung and General Santos, it makes the significant growing for both cities and development in the region. This is also supported by the development of Bitung as a Global hub port. Therefore in MP3EI there are two infrastructure projects, namely Expansion of Bitung port and development of Manado – Bitung Toll Road.

Bitung port is located at the Sea-lane III of Indonesian waters. Sea-lane III is located in the eastern region of Indonesia that connects the Pacific Ocean, the Maluku Sea, theSeram Sea to the Indian Ocean in the south of the island of Timor. Bitung port is important as the entrance of the eastern part of Indonesia from Pacific Ocean. Bitung port can become the entrance / exit of goods from the Philippines, East Asia or America. The appointment of Bitung harbor as part of ASEAN connectivity is essential to the development of the port of Bitung to be ready to become a Ro-Ro port and a global hub port.

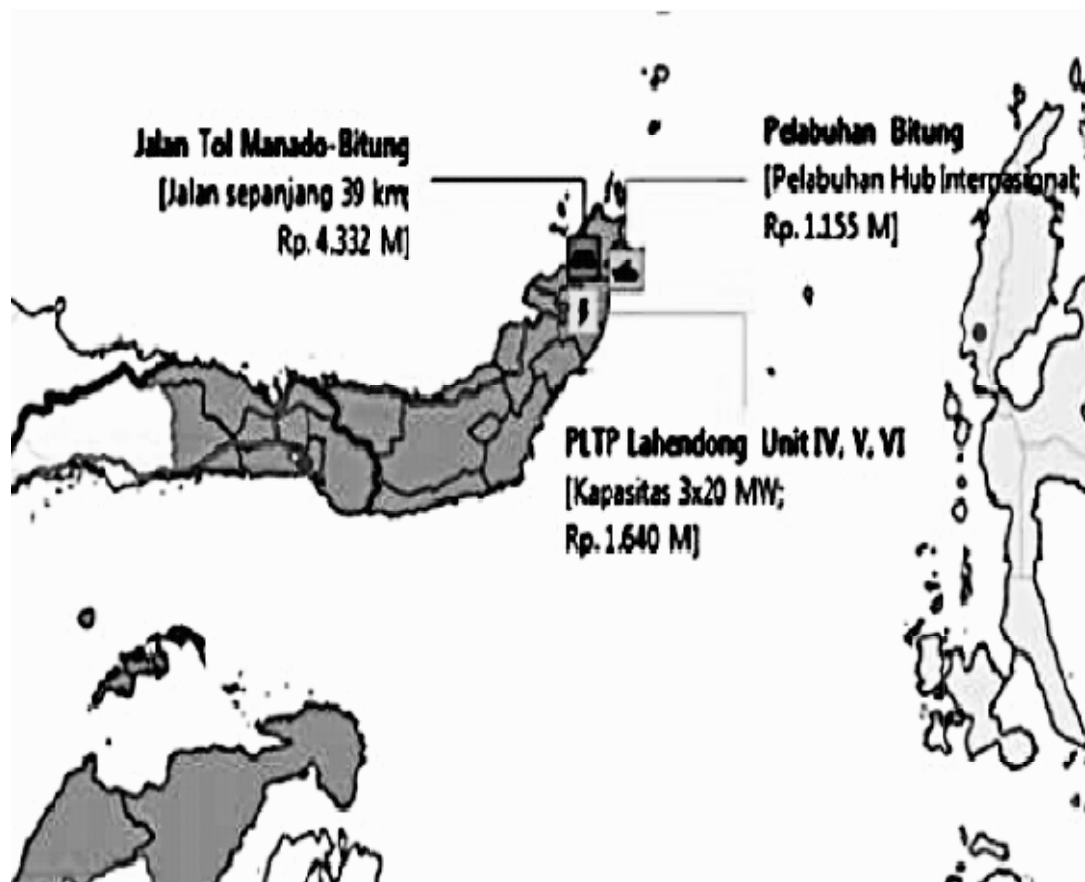
Bitung port expansion projects is undertaken by state-owned companies, Pelabuhan Indonesia IV (Pelindo IV) with funding by public-private partnership, as the company who responsible for operating the Indonesian port in eastern Indonesia. Expansion of Bitung Port Development Project began in 2013. This project aims at preparing Bitung as Ro-Ro port and a global hub port. As Ro-Ro port, Bitung port projects carried expand the passenger waiting room, setup Office for Custom, Emigration, Quarantine and Security (CIQS). Setting CIQS to give fast, accurate and comfortable services is necessary to regulate the flow of people and goods from Ro-Ro sealines. Meanwhile, to make Bitung as a global hub port, among others, additional dredging depth of 12 meters, the expansion of the port area of 4.500 m², as well as the addition of loading and unloading equipment.

Manado - Bitung Toll project aims to connect Bitung with the North Sulawesi capital, Manado. Supporting Bitung as Ro-Ro port and Global hub port is necessary to build a toll road infrastructure linking to the center of economic and administrative in the city of Manado of North Sulawesi. 39-km-Manado - Bitung toll road will accelerate that previously taken 2.5 hours with regular inter-city roads, becoming 40 minutes. This project is financed by a public-private partnership. Provincial governments are responsible in the process of land acquisition; city and regency governments are responsible for the construction of the toll road exit in each region. The central government builds the 60km road from Manado, while the rest is built by

private.

The toll road will speed the flow of goods and people between Bitung and Manado. This road is also part of the trans-Sulawesi in MP3EI Sulawesi economic corridor that connects major cities and ports in Sulawesi. The future will be built railways between big cities and the ports which is currently the process has already begun with the construction of railway from Makassar to Pare-Pare in South Sulawesi. The Toll road Project and Expansion of Bitung Port are shown in the following Figure 1-4:

Figure 1-4. Projects of MP3EI in North Sulawesi



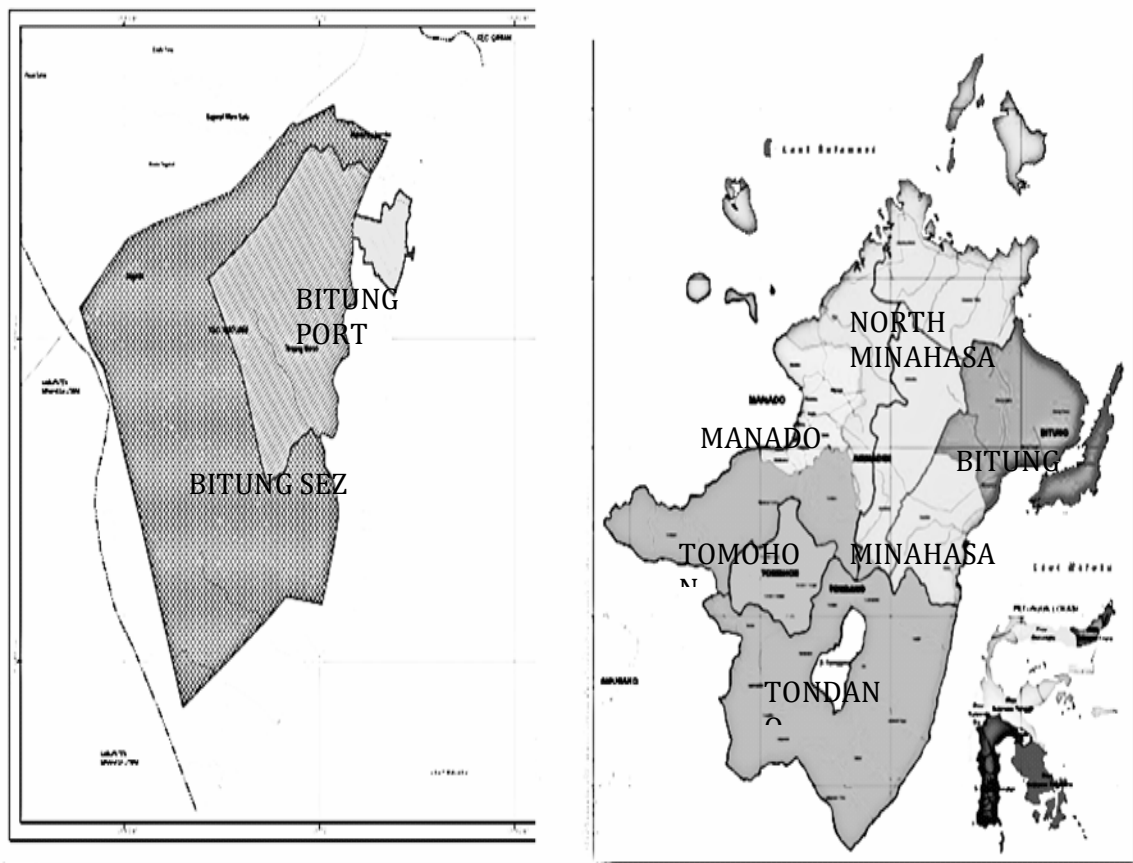
Source: Masterplan Acceleration and Expansion of Indonesia Economic Development (2011) p. 23

Bitung is an important city in the fishing industry of North Sulawesi. As stated earlier that the distance Bitung and General Santos is 520 km, it is necessary to attempt to keep the Ro-Ro shipping is still operating by strengthening economic ties of both cities. Therefore, the Government of North Sulawesi builds Bitung Special Economic Zone that will become the center of the fishing industry in the city of Bitung. To strengthen business relationships both cities, intensive communication has been made between the government and business communities. Mutual visits are already underway to open up investment opportunities. Bitung

SEZ will be the center of the fishing industry. The waters of North Sulawesi produce a lot amount of tuna. Besides the Banda Sea and Seram Sea fish also produce fish abundantly. In future, fisheries products will be processed in Bitung SEZ before brought to both domestic and export markets.

Development of Bitung of SEZ should also be supported by economy of the surrounding area. Therefore, the local government of North Sulawesi also builds North Sulawesi IEDZ that aimed at supporting Bitung SEZ. North Sulawesi IEDZ consists of the city of Manado, Bitung city, Tomohon reGENCY, Tondano reGENCY, Minahasa reGENCY and North Minahasa reGENCY. IEDZ territories will produce products that will also be processed in Bitung SEZ, thereby increasing the variety of products that processed in Bitung SEZ. These areas produce agricultural products such as cocoa, corn and soybeans. SEZ area and North Sulawesi Bitung IEDZ are shown in the following Figure 1-5.

Figure 1-5. Map of Bitung SEZ and North Sulawesi IEDZ



Source: North Sulawesi Development Plan Agency (2014) appendix IV-2

ASEAN dialogue partner countries are also keen to be involved in the implementation of MPAC. In addition to China, which is actively involved in highway construction projects in mainland ASEAN, Japan is also interested in the development of ASEAN maritime

connectivity projects, among others, Gen Santos-Bitung Ro-Ro Project. In 2011, Japan established Japan Task Force on ASEAN Connectivity whose task is to support the implementation of MPAC.

This research aims to discuss relations in policy coordination at the three levels of policy-making process, namely: Regional level of ASEAN, National level of Indonesia and Domestic level of North Sulawesi Province, especially in the Project of Roll-on – Roll-off (Ro-Ro) line between Bitung of Indonesia and General Santos of the Philippines. This project is part of ASEAN Maritime Connectivity and Sulawesi Economic Corridor. This dissertation argues that there is changing in policy-making process in ASEAN.

For years, ASEAN has been well known on consensus-based policy-making process or so called “ASEAN way”, which the policies are weak and loose (Leifer 1999; S. Narine 2002; S. Simon 2008). Different from ASEAN way, the policy-making process in ASEAN Connectivity is more look like shown by adjustment theories of regionalism (Taylor 1990). This phenomenon was occurred in Europe, between Treaty of Rome (1957) and Treaty of Maastricht(1997) (Groom and Taylor 1988; Molle 2006). The research will show Coordination and Harmonization, in Bitung-General Santos Ro-Ro Project as part of the process of regionalism in Southeast Asia.

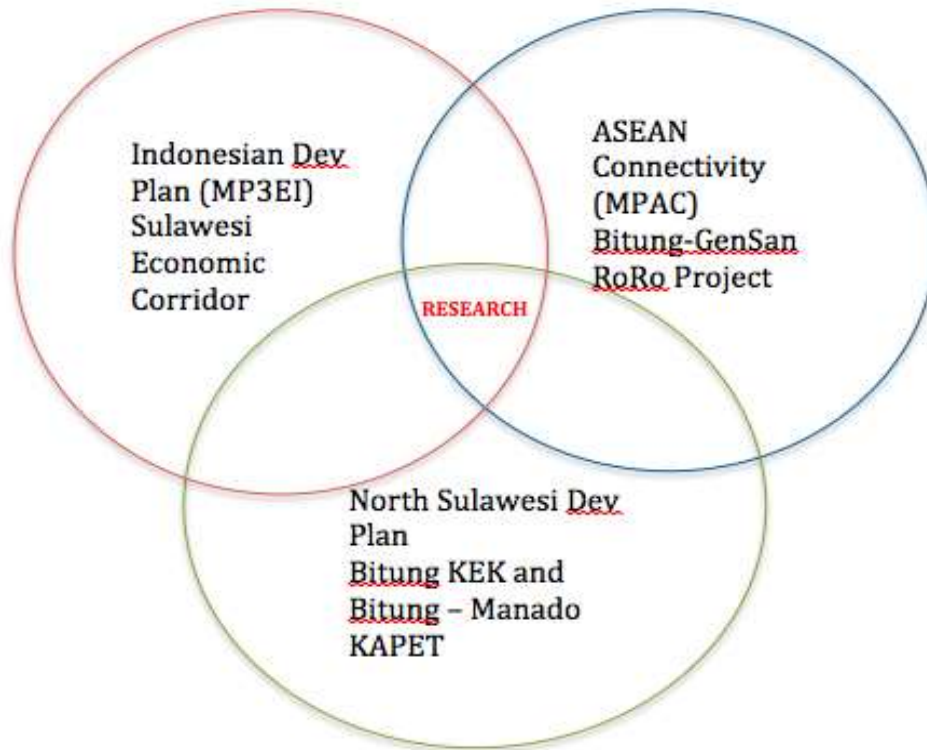
The policy making of ASEAN Maritime Connectivity between Indonesia’s North Sulawesi region and Philippines’ Mindanao; and Sulawesi Economic Corridor as part of MP3EI are an interesting topic for research on public policy-making process. Furthermore, this research also observes on the role of Japan as an ASEAN dialogue partner, who actively participates in this project.

II. Rationale

ASEAN now is in the process of regionalism by establishing ASEAN Community in 2015. To support ASEAN Community, ASEAN leaders have agreed to establish ASEAN Connectivity. One of the projects of ASEAN Connectivity is Bitung – General Santos Ro-Ro Project. This research focuses on the policy making process at the regional level of ASEAN that affected policy making process at the national level of Indonesia and furthermore local level of North Sulawesi Province.

The research focuses on Bitung – General Santos Ro-Ro Project of ASEAN Connectivity. The figure below (Figure 1-6) shows the relationship among the three levels of policy-making, namely the regional level (ASEAN), the national level (Indonesia) and the level of local government (North Sulawesi), each of which has a policy to improve connectivity.

Figure 1-6 Focus of research



Source: designed by the author

The Figure 1-6 shows that these three levels of policy making process are interconnect and intertwined to one another. Each level influences the two others. The connection among them is influencing and supporting. The research focuses on the relations among them. Especially the policy making process at each level can influence other levels. This process will emphasis on coordination and harmonization.

III. Research questions

The implementation of MPAC and MP3EI raises two inter-related questions. First, how have the ASEAN and Indonesian Connectivity projects affected on policymaking process at the regional, national, and local levels? Second, how are the relations among actors in Bitung-Gen Santos Ro-Ro Project?

The research also has two sub-questions as follows:

How have policies been taken at the regional (ASEAN), national (Indonesia), and local (North

Sulawesi) levels, related to ASEAN Connectivity?

How is the policy-making process in Japan's Government (Task Force) in ASEAN Connectivity projects?

The first main question will test the application of Adjustment Theories of Regionalism in the case of ASEAN case. For a long time theories are European centric, just explain the phenomenon that happens in Europe. Since this dissertation started with an assumption that ASEAN has been changed in the post-ASEAN Charter era, therefore, the research applies the theories for the case of ASEAN Connectivity. The second question focuses on the main object of the research, namely Bitung-Gen Santos Ro-Ro Project, after the new phenomenon of ASEAN in ASEAN Connectivity is examined, in this way, this dissertation will explain the relations among actors from three levels of policymaking process (ASEAN, Indonesia, and North Sulawesi) who are involved in the projects.

The two sub questions will complete the discussion on ASEAN Connectivity. The first one focuses on the process how the policies have been taken. The second one is related to ASEAN+1 mechanism, especially in the ASEAN plus Japan dialogue partnership. Japan shows its interest to assist ASEAN in implementation MPAC, especially in ASEAN Connectivity Maritime Corridor. As well as Indonesia and Philippines where Ro-Ro project is implemented, Japan is also archipelagic country thus it has advanced experiences in the development of maritime connectivity.

IV. Argument / Thesis

This dissertation argues that there is a changing in policymaking process in ASEAN. Previously, the policy making process in ASEAN is based on consensus among member countries that emphasize on the authority of nation-state. This process is well known as "ASEAN way". This dissertation sees that in implementation of Master Plan of ASEAN Connectivity in order to establish ASEAN Community in 2015, ASEAN does some changing in the process that more emphasis on coordination and harmonization, increasing the role of ASEAN Secretariat and ASEAN System.

Indonesia launched MP3EI in order to adjust to the policy that has been taken in regional level of ASEAN (ASEAN Connectivity). Regarding Adjustment Theory of Regionalism, there should be adjustment, harmonization, and coordination in regionalism process. In this purpose, Indonesian Government should take some effort including making new policies and adjust laws and regulations.

Indonesia applies MP3EI to adjust the existing development planning in RPJMN to support the implementation of the MPAC. Related to Ro-Ro project Bitung – General Santos, Indonesia harmonize with the establishment of Sulawesi Economic Corridor, shown in Bitung port expansion project and the construction of toll roads Bitung-Manado.

This effort is not only prepared by the central government, but also influences local government policy, particularly the North Sulawesi provincial government. For exercising the Ro-Ro project, North Sulawesi government established Bitung SEZ project that supports the economic function of the Ro-Ro project.

V. Theoretical framework

Groom and Taylor (1990) classified the theory of regional cooperation into three categories depending on the theoretical focus. First, some scholars have attempted to deal with regionalism at the micro level of international relations (Beer 1969, Cox 1970, Jacobson 1974, Jordan 1972, Lodge 1989). These theories treat the process of regionalism cooperation that focus on actors that mainly occurs in the existing state system. Thus, they mostly focus on the process of cooperation among regional countries, while these efforts did not touch on issues of sovereignty and national boundaries. This group is referred as adjustment theories. This theory appears in five key components in international cooperation relations, namely; coordination, cooperation, harmonization, associations and parallel national action.

In this theory, the government is the dominant actor, utilizing regional organizations to achieve its national interests. Coordination involves the adjustment of national policy refers to the consultation process within the international organization that aims to achieve a common goal. Cooperation, in this case refers to the cooperation between Member States in regional organizations to achieve their each national goal in the framework of common goals in regional organizations. In this case the regional organization makes common purposes in line with the national interest. Harmonization will appear on national policy adjustments to the collective agreement between the member states in regional organizations in order to achieve a common goal. Association will appear in the consultation process on the regular meetings of regional organizations, these meetings are usually not binding in decision-making process, while the parallel national action refers to the willingness of member states to coordinate their national legislation in the process of each internal processes to achieve common goals.

The second category of regionalism theory focuses on the idea of the approach to rebuilding the state system. This theory groups interpret and determine ways to improve regional cooperation in an integrated manner. This theory is known as the integration theories. These are included in this theory are: Functionalism and Neo-Functionalism. Scholars and

practitioners perform a key role in developing process of European integration. European countries have long been concerned about the war-free continental because they experienced two World Wars. A number of scholars of international relations during the inter-war period did not insist normative theory and impressive to achieve world peace. As a result, they fail to demonstrate practical and detailed methods to successfully achieve international peace. In contrast, the post-World War II theory showed properties different from their predecessors in the sense that they tried to provide practical ways to establish a regional entity (Beloff 1970, Burrows 1978, Haas 1968, Mitrany 1975, Rosentiel 1963, Taylor 1983, 1987).

Among the theories in this category, functionalism can be noted most influential enough to receive attention from both scholars and policy makers. Indeed, the works of David Mitrany provides many useful insights about European integration (Mitrany 1975). Mitrany suggests that functional integration is more important. In other words, propositions such as "form follows function" and "spill-over effect" has been taken either during the process of European integration. Then, E.B. Haas formulated functionalism and come with neo-functionalism (Haas 1968).The important difference lies in the idea that neo-functionalism suggests the importance of a political initiative in accelerating the process of integration.

Third, another group of scholars has been more concerned about the changes at the level of world-system that can be more effective by regionalism. This theory is known as the World State System that consists of Regime Theory and World System Theory. Burton (1972), Hopkins (1982), Maghroori (1982) and Willet (1982) also pay attention to other aspects of regionalism will be affected by systemic change in the world. Thus, this theory emphasizes the importance of regime change and tries to prescribe regionalism as a cure for the problems of the world and to explain regionalism as a consequence of systemic change (Roger 1990).

The existing Regionalism theory had actually contributed to explaining and analyzing European integration. On the other hand, they have given way on how to deal with difficulties in achieving European integration. They occupy an important part of the theory of international relations despite the explanatory power they have shown fluctuations depending on the circumstances. Perhaps one of the weakest points is that they emphasize the importance of pluralism and democracy. This theory can best be applied in advanced societies such as Western Europe. However, we can draw useful insights from the theories of regionalism that existing in analyzing the current regionalism movement happening elsewhere and to provide a more suitable way to pursue regionalism in different contexts.

Among the three classifications above, this dissertation uses the theory in the first classification, the adjustment theory. The adjustment theory view the regionalism process vertically to see how the policy taken in regional organization can influence the policy making

process at national level. It is different from Integration theory that views the process of regionalism horizontally to understand the relations among member countries of regional organization. It is similarly different from world system theory that emphasis on external factor can influence regional organization.

This research focuses on the process of coordination and harmonization of adjustment theories of regionalism, which explained the initial conditions when the European integration process was still formed as the European Economic Community or the period between Rome Treaty (1957) and the Maastricht Treaty (1992). The same phenomenon is now happening in ASEAN, the author would like to apply this theory in ASEAN, especially in the phase before the formation of the ASEAN community. Policy-making process in the ASEAN connectivity can be used as an example in the integration process. This process involves regional organizations, countries, local level of member country and even other parties who are partners of the regional organization. Table 1-1 shows that each theory has its own strength and emphasis. This study attempts to apply adjustment theory of regionalism to explain the current process in ASEAN regionalism.

Table 1.1.Characterers of Regionalism Theories

	Adjustment Theory	Integration Theory	World System Theory
Level of Analysis	Within State System	Rebuilding State System	Beyond State System
Major Components	<ul style="list-style-type: none"> • Coordination • Cooperation • Harmonization • Association • Parallel National Action 	<ul style="list-style-type: none"> • Functionalism • Neo-Functionalism 	<ul style="list-style-type: none"> • Regime Theory • World Systems Theory
Primary Actor	<ul style="list-style-type: none"> • Nation-state • Political leaders • Societal groups 	<ul style="list-style-type: none"> • Nation-state • Political leaders • Mass Public • Regional Organization 	<ul style="list-style-type: none"> • Nation-state • Regional Organization
Focus	Explanation	Analysis Prescription	Prescription

Source: modified by the author from Groom and Taylor, Framework for International Co-operation, New York (1990).

In order to understand five components of Adjustment theory of regionalism, we start the discussion by the explanation of each component. Each component has characteristics in implementation of regionalism.

V.1. Coordination

Taylor (1990) stated that the coordination is a way to generate a common policy of the actors who have authority in policy making. Coordination associated with the process of adjustment of the initial position of each actor to the common policy that has been agreed. It appears on the programs and policies are made. Coordination has three basic elements: (1) The actor has authority, (2) Policies directed in accordance with the collective agreement, (3) These policies adapted into a program that is regarded as a common interest (Taylor 1990).

Although the coordination procedure can be performed at various levels of society, the coordination of the policy made at the international level will be attractive and complex due to the principle of sovereignty and equality of the main actors. These actors may reject a policy as an object of coordination, which will appear on the policies and positions of the actors towards a common policy that has been agreed upon. Many things can affect the actors in policymaking, whether weak or strong influence, either an advantage that may be obtained, for example, economic or political advantage from other countries or regional organizations.

There are still possible deviations policies and programs of common policies that have been agreed. This is due to the complexity of the technical issues and different focus of the program from one actor to another. It is a duty of regional organizations to monitor continually and correct deviations from the actors who participated in the common policy. The next task of the regional organizations is predicting strategic aspects that may arise, particularly in the important policies such as security and economy.

Together with the results of this policy coordination may not be fully adhered to by all national actors sovereign (state), therefore international organizations need to create a special body to maintain state actors remain on the direction in accordance with the agreed policy. Determined value of a common policy on the wishes of each state actors involved. Sometimes unavoidable debate in the policy-making process, it is still part of the coordination procedure.

One of the important processes in the coordination is "Confrontation of policy". This process was initially applied in the policy-making process in the EEC. It refers to the process of assessing the policy of a state actor by other state actor and international organizations (Palmer and Lambert 1968). States whose policies were assessed must be able to explain the proposed program. In this case the policy of each state will be confronted with the policies of other participating states in the overall context in accordance with the common policy. This is two-way assessment and adjustment process, namely; between an international organization with member states, and between member states.

It is also important to observe the processes that occur in international organizations. These cases refer to the relationship of the actors in order to get maximum results in coordination between the actors involved. In this respect, there are three parties involved, namely;

(1). Secretariat of the international organization, which runs the administrative functions of policy coordination between states.

(2) Representatives of the Member States in international organizations, in charge of the coordination meetings and delivering national policies of each state. This representation also will deliver agreed common policies to respective state.

(3) National agencies, the national bodies that are affected by a common policy at the level of international organizations. Then these agencies will adjust their policies.

The coordination process can be divided into three stages; first, formulating common policies. In this process the member states through a long process in accordance with the procedure referred to in international organizations. Second, after a common policy has been agreed upon, member states make their national policies in response to the agreed common policy. For an example of this process in the EEC will be dominated by the confrontation policy between the position of each country and also the views of regional organizations (EEC). This process involves the committee in secretariat headquarters and permanent representative of each member state. The third stage is the preparation of reports. Each state regularly submits reports on the implementation of programs and policies that have been agreed (Nugent 1989).

V.2. Cooperation

In the theories of international organizations from the view of economics is based on the process of internationalization³ and approach both functionally and structurally. Internationalization is a basic process of the world economy based on more expanded and increases in the consumption, development of science and technology, transportation and telecommunications, and the development of international labour. This process can result in twofold actions: the first is the emergence of new conflicts and competition in international relations, and the other hand, interdependent. Internationalization can create common interests and joint efforts that can directly encourage the formation of cooperation that tries to solve problems together. This condition can be achieved on a global system through cooperation in international organizations on a regional framework with the participation of countries in the region. The objective of regional economic cooperation may differ, so does the proximity and instruments of regional organizations will base on the nature and structure of the region.

³Internationalization is the process of increasing involvement in international environment.

Geo-economic region contains certain characteristics that reflect the inter-regional cooperation with the rest of the world based on shared characteristics, interests, economic orientation, and ideological attachment (Simay 1990). The word "cooperation" can be attributed to the desire Parties at the collaboration in an international organization. It is also one of the approaches to the theory of integration. Integration is the result of the internationalization process that occurs in all sectors including economic activity.

Integration can be ideals when the countries in the region intend to increase economic cooperation through internationalization in connection with the increase in production, consumption, infrastructure and etc. this is done by increasing production and suppress the border barriers. These conditions and specifications are determined by the development of socio-economic conditions, the level of economic development, the condition of the world economy and international political relations. In interpreting the integration of economies, based on the economics usually do by removing the barriers to the movement of commodities, capital and labor. Further in addition to reducing these barriers should also be a positive factor to encourage the integration of such harmonization of national economic policies.

Maksinova (1976) proposed five characteristics of integration, namely; first, the development of cooperation in the economic between states on the basis of developments of labour that affecting the relationship between each state. Second, integration is a flexible process and can be adapted so that each state has an important role in the process. Third, integration is a process that is dominated by the regional nature. Fourth, as a result of the integration, there will be significant changes in the economy of each country. Fifth, integration has close relations with socio-economic of the countries involved (Maksinova 1976). Integration requires states to respect the common interest and then to reduce the sovereignty of the country in various areas of cooperation by internationalization of national economic policy.

V. 3. Harmonization

Harmonization in international relations is a condition where there is a common understanding, knowledge, and agreement on certain issues outlined in a separate national policies of each states. Harmonization continues to explain the phenomenon of cooperation pattern that emphasizes the adjustment of national policy for regional interests. Harmonization has a broader scope of cooperation but is less specific on the policy implications of the coordination. To understand the concept of harmonization needs to take into account the importance of the activities that are designed to disseminate important national actors on common goals and to encourage the development of the international identity of the results of policy alignment.

There are four techniques that can be carried out by regional organizations for harmonization; the first is research, it refers to investigation, examination, and share of information on national policies that can be assessed, or when the national policymakers can create or change in order to adjust its policies. This research is conducted to assess the implications of national policies whether the measures taken against national policies of other member states that have agreed on common policy. Second, conducting reviews of national policies that have been taken. This needs to be done to determine the development of policy. Third, cross-assessment among member states, the European Commission in common policymaking process also carries out this procedure. It is also necessary to share information and experiences on how to resolve the problem, so that other countries can learn. The last is a need for a joint forum to discuss the development of a national policy of each state within the framework of a common policy. The forum can both be a regular meeting or a special body set up in the secretariat of the international organization (Robertson 1973).

Further, there are three requirements to implement the harmonization; the first is the existence of applicable common rules, the prevalence of information among member states and the shared similarities understanding of the policy. Second, the need for a collective understanding on interdependence and agreed that national policies can be influenced by the common policy. Third, pursue national interests in line with the common interests resulting in synergy to wider interest (Groom and Taylor 1988).

The biggest advantage of harmonization is to achieve policy alignment of national actors without the need to compromise the sovereignty of each country. Harmonization may be the right strategy for international organizations in the world of nation-states. Increased economic cooperation, the extent of cooperation, advances in communications systems, as well as the increasing interdependence between countries can also increase the harmonization.

V. 4. Association

Association is possible to exist in the world of state-centric and non-state-centric. Associations have a flexible nature and can be in many forms of Institution. An institution is established basically to reduce conflict in a region or to deal with particular issue. Associations can be a loose organization based on mutual agreement. In the association will not affect the sovereignty of each state involved. Usually in association there is a high sense of brotherhood among its members based on the understanding and sharing the same values that can unite its member states.

To create associations needs the absence of differences or disputes between the member states. However, in relation to the value of brotherhood as key point of the association, even

though there are some problems among its members, the value of this fraternity can reduce tension or even resolve the problem.

Association is a flexible instrument in response to various needs, referring to the time, place, political status, level of development and so on. Association agreement may be part of a process of membership of international organizations (e.g. Turkey-EU and East Timor-ASEAN), or cooperation between the two institutions or institutions in the country based on a framework of cooperation that could benefit both parties (e.g. EU-Africa Caribbean Pacific in terms of trade). Association is flexible, open, decentralized and collaborative system that allows the government and the people, the state and the Inter-Governmental Organization, can work together according to their individual needs.

V.5. Parallel National Action

Parallel national action is different from coordination, cooperation, and harmonization in the case when these processes involve in regional organization, it puts more emphasis on procedures for the behavior of states involved in activities closely together towards an integrated network. The basic premise of parallel national action is keeping the sovereignty of the states involved.

Although this process may not lead to regional political unification process but the realization of a political integration is still possible in the sense that these countries adopt the same domestic and foreign policy as a result of intense consultations, joint research, and common concern to be considered fixed at national policy-making process of each country. The focus of this process is a behavioral equation of state actors and coordination is done without the need for a supranational policy-making authority. One of the best examples of this integration process is the cooperation among the Scandinavian countries in the Nordic Council organization.

Characteristics of parallel national action in Scandinavia is the process of building consensus where extensive network integration expanded and enhanced by Nordic regional organizations by facilitating interaction between interest groups, political parties, parliaments, governments of each of the five members of political systems. The results of this process are to improve the equality of social conditions on issues of law, social and economic, as well as removing obstacles in the relationship.

They also involve the distribution and utilization of shared resources and expertise in the fields of culture, education, and scientific research to create a new collective administrative institution. In the implementation of external relations together, the member states have

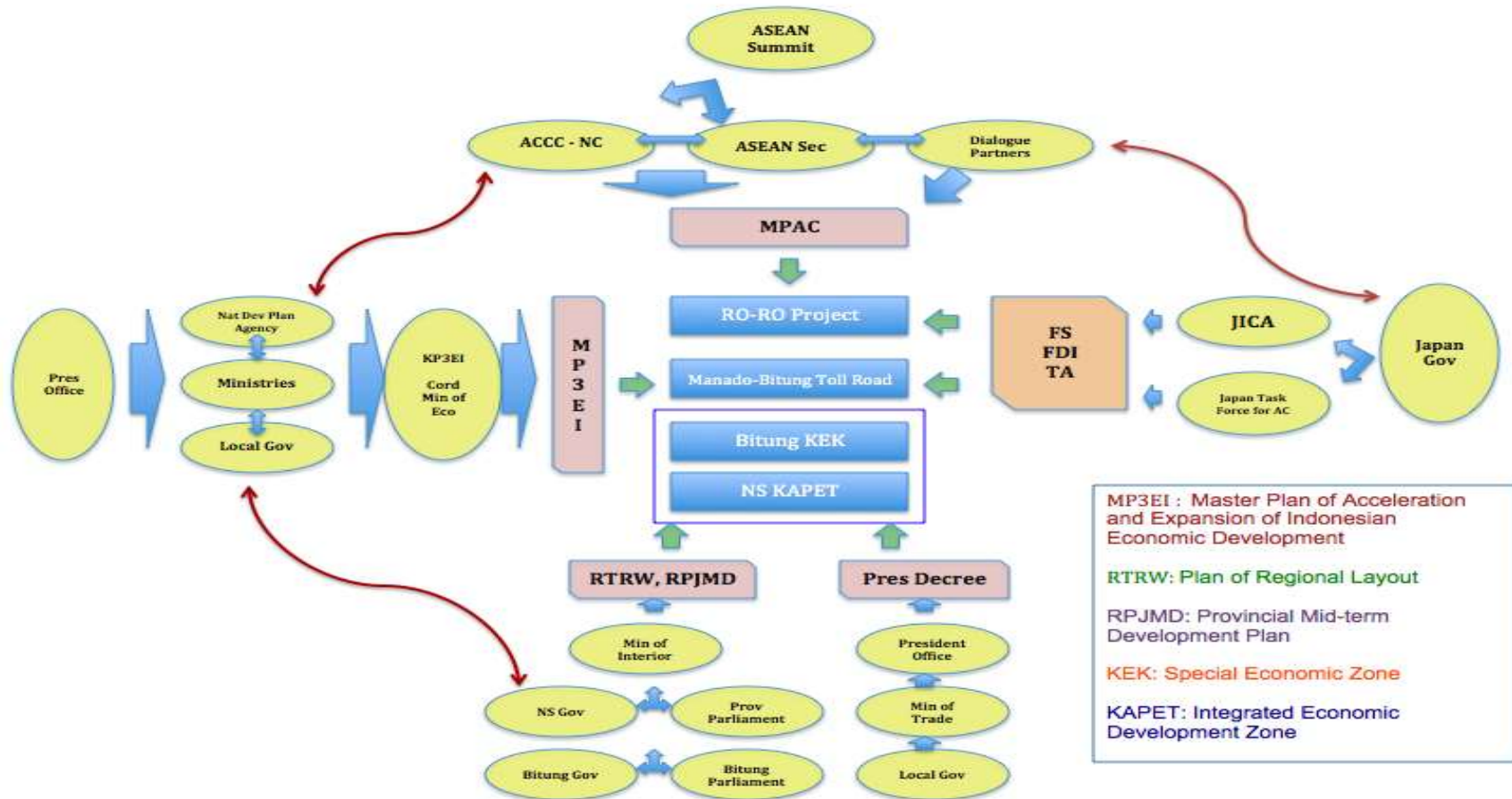
developed a procedure for behavior base on common policy positions in international organizations and joint actions in international negotiations (Nielson 1990).

VI. Analytical Framework and Methodology

After discussing theoretical frameworks applied for this dissertation, this section explains the main analytical framework used to organize and present the research. For this study, the main substantive chapters of this dissertation (Chapters Three to Six) will be organized to highlight the relations of the actors at each level of policy-making process, namely; regional level of ASEAN, national level of Indonesia, domestic level of North Sulawesi and also policy-making process in Japan in the framework of ASEAN-Japan partnership. (See Figure 1-7).

Figure 1-7 shows the relations among actors in the policymaking process in Bitung-General Santos Ro-Ro Project and its related projects. The upper part shows the process at regional level of ASEAN. This part shows the process how the policy of Bitung-General Santos Ro-Ro Project has been taken. This part is discussed in Chapter 3 of this dissertation. The left part shows the process at national level of Indonesia. This part shows how the national policy of Indonesia in MP3EI is influenced by the policy has been taken at regional level of ASEAN. This part is discussed in Chapter 4 of this dissertation. The below part shows the process at the local level of North Sulawesi Province. This part shows how the policy at regional level of ASEAN and national level of Indonesia influence the policy in provincial development plan. This part is discussed in Chapter 5 of dissertation. The right side of the figure shows about the policymaking process in Government of Japan related to ASEAN Connectivity. This process will be discussed in Chapter 6. In the center of the figure shows the Bitung–General Santos Ro-Ro project and its related projects.

Figure 1-7. Actors and Policy-Making Process in Bitung – General Santos Ro-Ro Project



Source: prepared by the author

Further, this dissertation will discuss the vertical relationship between three levels of analysis, namely ASEAN, Indonesia, and North Sulawesi about how they policy development influence to others in accordance with the adjustment theory of regionalism. Out of five parts of adjustment theories of regionalism, this research will emphasize on coordination and harmonization. It is because coordination and harmonization well explained the regionalism process in European Union when it was still known as European Economic Community. This dissertation believes that the condition in ASEAN currently is similar as the condition of European Economic Community. Therefore, the policy making process should meet three phases of adjustment (see Table 1-2)

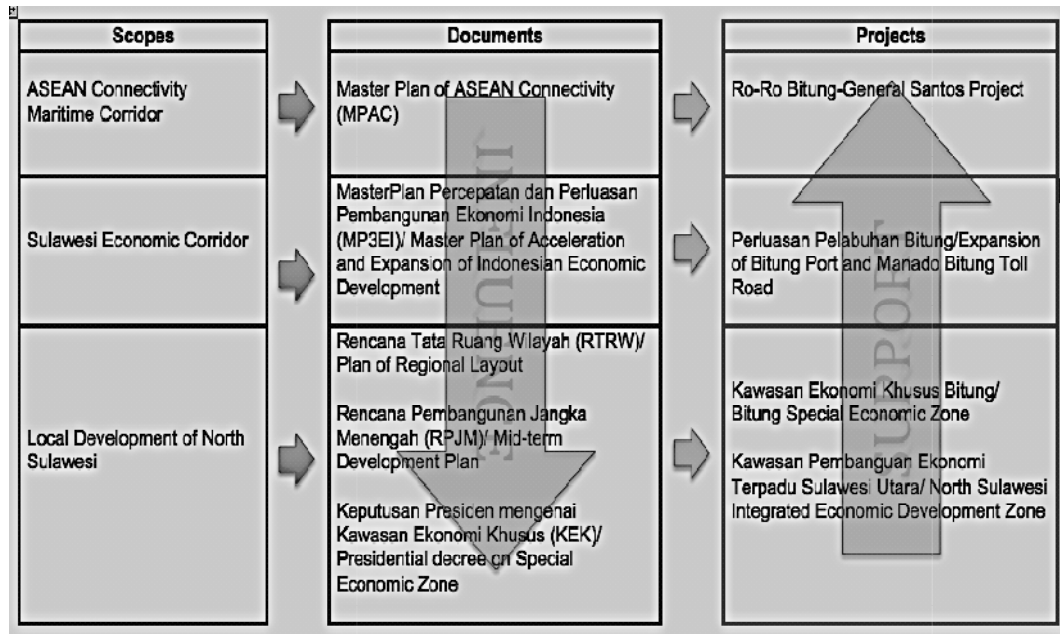
Table 1-2. Coordination and Harmonization

Adjustment Theories	Phase I Formulating Common Policies	Phase II Formulating National Policies	Phase III Reporting
Coordination	<ul style="list-style-type: none"> • Formulated by authorized actor (government) • Collective Agreement • Common Interest 	<ul style="list-style-type: none"> • Confrontation of Policies • Adjustment of National Policies 	<ul style="list-style-type: none"> • Reporting of implementation
Harmonization	<ul style="list-style-type: none"> • Understanding Common Policies • Understanding on Interdependence • National interest synergize to Common interest 	<ul style="list-style-type: none"> • Research/Examination of National Policies • Review on National Policies • Cross Assignment of National Policies 	<ul style="list-style-type: none"> • Forum discussion

Source: prepared by the author

Those phases of Coordination and Harmonization will be used at the three levels of policymaking process in this research namely regional level of ASEAN, national level of Indonesia, and local level of North Sulawesi province. It purposed to show how policy that has been taken in ASEAN can influence policy making process in Indonesia and North Sulawesi. It expected to show the coordination and harmonization process in those 3 level of policy making process (see Figure 1-8).

Figure 1-8 Frame, Documents, and Projects



Source: prepared by author

The Figure 1-8 above shows the relations among three different policy making processes divided into scopes, documents, and projects. In the regional level of ASEAN, there is Ro-Ro General Santos project in the framework of ASEAN Connectivity Maritime Corridor and being formulized in MPAC. In the national level of Indonesia, related to Ro-Ro General Santos project, there are two main projects namely, Expansion of Bitung Port and development of Manado-Bitung Toll Road. These two projects are in the frame of Sulawesi Economic Corridor of MP3EI. Finally, in the local level of North Sulawesi, there are two projects are related to Ro-Ro General Santos project, namely development of Bitung Kawasan Ekonomi Khusus (KEK)/ Special Economic Zone (SEZ) and development of North Sulawesi Kawasan Pembangunan Ekonomi Terpadu (KAPET)/ Integrated Economic Development Zone (IEDZ) . These two project are in the frame of local development plan of North Sulawesi which are regulated in Rencana Tata Ruang dan Wilayah (RTRW)/ Plan of Regional Layout, Rencana Pembangunan Jangka Menengah

(RPJM)/ Mid-Term Development Plan and President Decree on KEK. The red arrow shows that the document in regional level influences to document in national level and the document in the national level influences to the documents in local level of North Sulawesi. Meanwhile, the blue arrow shows that the projects in the local level support the projects in national level, then the projects in national level support the project in regional level. The two arrows, up to this point are still hypothesis and will be discussed further in the chapters and conclusion.

The research focuses on development policies under President S.B Yudhoyono (2004 – 2014) especially under MP3EI. In some case; it also discusses Indonesia's development policies before MP3EI to make comparison. Data of this research were taken from secondary data from government offices, interviews with officials and experts.

The author has been involved in the discussion of ASEAN connectivity, both within the framework of ASEAN and ASEAN-Japan since 2010. The author conducted field work in Manado and Bitung to collect data in 2014. In some opportunities, researcher also attended meetings in ASEAN Connectivity (2010-2014) in Jakarta, Medan and Tokyo.

The author also had an opportunity to participate in a program to visit to the Ro-Ro port in Fukuoka (2011) to see Ro-Ro lines Fukuoka - Pusan, as a model Ro-Ro Bitung– General Santos. In the same year, the author also followed a visit to the port of Bitung and General Santos.

VII. Organization of Chapters

This dissertation consists of the following seven chapters. Chapter 1 is Introductory chapter that consists of the introduction, rationale, research questions, argument, theoretical framework, methodology. Chapter 2 presents Literature review that discusses some concepts related to this research.

Chapter 3 discusses the policymaking process at the regional level of ASEAN. It shows the on-going process of integration by establishment of ASEAN Community in 2015. It also shows the reason why ASEAN Connectivity is needed in order to achieve goal of establishment ASEAN Community. Relations among actors are examined related to adjustment theory of regionalism.

Chapter 4 discusses the policymaking process in national level of Indonesia. This chapter focuses on policy-making process in national development plan. The changes and shifting in development plan, especially before and after MP3EI will be discussed to show how government of Indonesia did efforts to adjust and harmonize to the changing environment at the regional level of ASEAN.

Chapter 5 discusses the development plan in North Sulawesi. This will focus on development of Ro-Ro Project Bitung-General Santos city. This chapter shows that policy in

regional level of ASEAN (MPAC) influence to national level of Indonesia (MP3EI) and furthermore to local level of North Sulawesi province (RPJMD).

Chapter 6 discusses the role of Japan in the partnership framework with ASEAN. Japan has significant role in establishment of ASEAN Connectivity by establishment of Japan's Task Force on ASEAN Connectivity. This chapter shows cooperation between ASEAN and non-member party in integration process in ASEAN.

Chapter 7 is for conclusion. This chapter discusses relations among actors at these three levels of analysis, namely regional level of ASEAN, national level of Indonesia and local level of North Sulawesi Province, moreover with Japan as dialogue partner of ASEAN. The dissertation concludes that there is changing in policymaking process in ASEAN which is shown that the policy at regional level of ASEAN influences the policy at national level of Indonesia as well as local level of North Sulawesi.

CHAPTER 2

LITERATURE REVIEW

I. Infrastructure Development Policy

Discussion on ASEAN Connectivity will indeed discuss the infrastructure development. ASEAN Connectivity consists of three elements, namely, the physical connectivity (hard infrastructure), institutional connectivity (soft infrastructure) and people-to-people connectivity. This research will more discuss about policies related to physical or hard infrastructure connectivity. Infrastructure plays an important role in promoting rapid economic growth and making this growth more inclusive, by sharing the benefits of growth with poorer groups and communities, particularly in remote and isolated areas and small and landlocked countries. Kuroda (2006) believed that Infrastructure facilitates the poor's access to basic services and helps increase their income generating capacity. Physical connectivity through cross-border infrastructure (CBI) development is crucial for enhanced regional cooperation and economic integration (Kuroda 2006).

Infrastructure can mean many things to different people. The Merriam-Webster Dictionary defines as the system of public works of a country, state, or region; also the resources (as personnel, buildings, or equipment) required for an activity. The Cambridge Dictionary defines as the basic systems and services, such as transport and power supplies, that a country or organization uses in order to work effectively. The Oxford Dictionary defines as the basic physical and organizational structures and facilities (e.g. buildings, roads, power supplies) needed for the operation of a society or enterprise. While, The American Heritage Dictionary defines as the basic facilities, services, and installations needed for the functioning of a community or society, such as transportation and communications systems, water and power. Infrastructure typically refers to the technical structures that support a society and economy, such as transportation, water supply, wastewater treatment facilities, power grids, flood management systems, and communications such as internet, phone lines, and broadcasting.

In economic terms, infrastructure can be seen as a structure, which allows for the production and exchange of goods and services. Broadly defined, the concept of infrastructure is not limited to public utilities, but may also refer to information technology, informal and formal channels of communication, software development tools, and political and social networks, which support the economic system. It also encompasses the soft aspects of infrastructure such as operating procedures, management practices, and development policies that interact with societal

demand and the physical world to facilitate the transport of people and goods, and energy, among others (National Research Council 1987).

Bhattacharyay classified infrastructure into two kinds, namely: hard infrastructure and soft infrastructure. Hard infrastructure refers to physical structures or facilities that support the society and economy, such as transport (e.g. ports, roads, railways); energy (e.g. electricity generation electrical grids, gas and oil pipelines); telecommunications (e.g. telephone and internet); and basic utilities (e.g. drinking water supply, hospitals and health clinics, schools, and irrigation). Soft Infrastructure refers to non-tangibles supporting the development and operation of hard infrastructure, such as policy, regulatory, and institutional frameworks; governance mechanisms; systems and procedures; social networks; and transparency and accountability of financing and procurement systems (Bhattacharyay 2008).

Cross-border or regional infrastructure may be defined as infrastructure that connects two or more countries, as well as national infrastructure that has significant cross-border impact. Therefore, a large portion of national infrastructure, such as airports, ports, roads, and railways, can be considered as CBI. In other words, national infrastructure connectivity or integration is the building block for cross border or regional connectivity.

Many studies also emphasize the role of infrastructure in facilitating trade. East Asia is noted to have achieved high integration in trade, mostly through trade in parts and components. Many countries in the region are involved at different stages in the assembly process. Fujita(2005) have noted that East Asia's highly integrated manufacturing system has allowed the region to play an "export platform" in the global economy. However, these systems are still evolving and will come under increasing pressure, as production concentration and other economic activities expand inland, due to rising costs in coastal areas (Fujita 2005).

Bhattacharyay (2008) has identified a number of major roles for infrastructure in regional socio-economic development and integration. First, basic infrastructure promotes economic exchange among various sectors of an economy, both locally and internationally. It provides greater access to key inputs for economic growth, such as resources, technology, and knowledge. Second, infrastructure improves socio-economic and environmental conditions by providing basic needs and utilities such as roads, water, sanitation, hospitals, clinics, schools, environment-friendly power, and telephone lines—all of which are part of the United Nation's Millennium Development Goals (MDGs). It can reduce: (i) non-income poverty by facilitating the poor's access to basic services; and (ii) income poverty by increasing economic opportunities and income generating capacity, particularly for poorer groups and communities in remote areas. Third, it enhances physical connectivity both within and among countries, facilitating the movement of

goods and services. Soft infrastructure—such as modern technology and improved customs procedures and trade rules and regulations—improves logistics, resulting in reduced trade costs and the speedier movement of goods and services. Fourth, greater regional integration through enhanced physical connectivity supports trade and investment (including FDI) expansion, and financial market development (2008).

CBI provides economies with greater access to regional and global markets. It promotes efficient production, trade competitiveness, and trade flows, by allowing businesses to join the regional production network and supply chains. This gives small, landlocked, low-income economies the opportunity to narrow their development gap with richer ones. Finally, CBI allows regional economies to share scarce regional resources such as energy, capital and services.

II. ASEAN Way

ASEAN's practices and achievements have long been debatable, and scholars of the field have repeatedly debated whether the organization is a powerful international actor with real political power or merely a weak intergovernmental organization with only superficial influence (Eaton 2006, He 2006). Different assessments of ASEAN seem to develop from various analytical approaches taken by scholars. Specifically, three perspectives of neoliberalism, constructivism, and neorealism have been used in the literature to analyze ASEAN (S. Simon 2008). Generally, neoliberalism (or liberal institutionalism) and constructivism hold a positive evaluation on ASEAN's performance, but neorealism maintains a skeptical view. The core of this debate stems not only from disparate perspectives, conceptual definitions, and measuring criteria used by researchers but also from various issues examined by scholars with unequal depths, scopes, and time spans. Thus, investigating ASEAN becomes similar to the proverbial measurement of an elephant by several blind men because scholars not only use different tools but also measure different portions of the elephant. Similarly, scholars rarely agree on what the association actually is.

The above-mentioned three approaches have different views on ASEAN in terms of its essence, internal capacity, and efficacy of maintaining regional peace and stability. Neoliberals argue that as an evolving multilateral institution, it facilitates cooperation among Southeast Asian nations by reducing transaction costs and uncertainty, as well as by enhancing credibility of commitments. ASEAN is capable of using various multilateral frameworks (e.g., the ASEAN Regional Forum [ARF] and the East Asian Community) and peaceful norm binding agreements (e.g., the Treaty of Amity and Cooperation [TAC]) to engage Extra-regional powers (e.g., China) to ensure regional peace and stability. By focusing on ideational elements (e.g., ideas, norms, and identity), constructivists contend that ASEAN is an emerging “nascent security community” or

“de facto” security community (Acharya 1991, 1998, 2001, Chin 2007, Kuhonta 2006). According to constructivists’ perspectives, ASEAN’s practices have not only facilitated socialization among its member states but also promoted identity building. Constructivists argue that the effectiveness of ASEAN in maintaining regional peace lies in its capacity of socializing great powers and motivating their acceptance of conflict-avoiding norms that the association prescribes (Acharya 2004, Cruz de Castro 2000, Katsumata 2006, Severino 2007).

The third perspective, neorealism, points out that ASEAN is a weak and loose regional organization composed of small and middle-sized states. Neo realist argues that the organization is, at best, merely an instrument for serving the interests of individual states (S. Narine 2002).

By placing emphasis on the balance of power, neorealist challenges that regional stability in Southeast Asia relies more on the distribution of military capability among great powers than on the ASEAN institutional arrangement (Alagappa 2003, Emmers 2003, Ikenberry 2002, Leifer, *The Balance of Power in East Asia* 1986, 1996). The association’s “consensus-driven, conflict-avoidance formula leads itself increasingly to more powerful actors outside the region shaping ASEAN’s destiny” (Jones 2007).

The three approaches develop contradictory assessments about the efficacy of ASEAN because they assess the organization with different analytical lenses. Neoliberals make a convincing argument that ASEAN has become more institutionalized. Nevertheless, the actual achievement of those functional, cooperative programs remains questionable. Constructivists argue that ASEAN states have generated a certain measure of shared identity and that institutional norms have been accepted by great powers. However, contentions that a shared identity eliminated military clashes between member states die quickly in light of 2008 border conflicts between Thailand and Cambodia. What constructivists commend as the acceptance of ASEAN norms by great powers may be overestimated given that those powers had already embraced similar principles in their own countries. Finally, while neorealist correctly point to ASEAN’s institutional weakness and its marginal role in East Asian security, their bias in overemphasizing the importance of tangible power (e.g., military capability) prevents them from appreciating the pivotal role played by the association in East Asian issue framing and confidence building (Ball 1999, Stubbs 2002, Yuzawa 2006).

In Conclusion, the three perspectives have different strengths and weaknesses. Despite a wide application of these approaches in ASEAN studies, no single perspective provides a satisfactory explanation of why the association has made remarkable progress in some areas while not facilitating change in others. What makes the ASEAN a long-lasting regional organization is the way member nations implement the organization’s principles. These principles, which directly

link to ASEAN's policymaking process, lead its members, despite their different interests, to unite as one organization and generate a collective diplomatic position.

The principles guiding the association's operations are the so-called ASEAN Way. The ASEAN Way refers to applications of the following three elements: norms, forms of communication, and decision-making methods. The combination of these elements has kept the organization as loosely institutionalized as possible, preventing union prerogative from overriding the sovereignty of individual states (Leifer 1999). Nevertheless, critics argue that the ASEAN Way leads the association to become just an "intergovernmental organization," due to the limited power and resources of the ASEAN Secretariat (S. Simon 2008). Despite inherent weaknesses, the ASEAN Way maintains critical guidelines in how member states interact. In terms of norms, the ASEAN Way keeps principles of sovereign equality, noninterference, and nonuse of force. Among these norms, sovereign equality is ranked highest, revealing that from the onset, the original member states intended to protect each state's sovereignty and never wanted ASEAN to become a super-national entity (S. Simon 2008). The acceptance of sovereign equality leads states to respect the principle of noninterference, which is closely linked to the background and timing of ASEAN's formation. It is no coincidence that ASEAN was established in 1967, in the aftermath of the confrontation between Indonesia and Malaysia during the early 1960s. Both intraregional tensions and interventions by extra-regional great powers made ASEAN states prioritize sovereign independence as its way of maintaining national survival.

Beside this background, the original goal of ASEAN was, internally, to manage intraregional conflicts between member states, and, externally, to use the collective weight of ASEAN to protect each state's sovereignty and integrity of territory from external intervention. These norms have set common goals and basic rules for member states to pursue and by which they must accept. For instance, the norm of non-interference becomes a legitimate reason for states to prevent domestic issues from being discussed in formal meetings, although the absolute practices of this norm have fluctuated over time (Kao 2000, Katanyuu 2006).

The second element of the ASEAN Way, forms of communication, emphasizes the use of both informal and conventional communications between officials of states to improve a mutual understanding and facilitate confidence building between members. In ASEAN's first two decades, its highest-level meeting remained at the Foreign Minister level. Before long, the ASEAN Economic Minister meeting was initiated to deal with the issues of regional economic cooperation. Not until the fifth summit in Bangkok in 1995 did ASEAN decide to hold the conference annually. Now the association holds an annual summit and more than 400 meetings per year (Chin 2007). For constructivists, these meetings are an important process of socialization, facilitating the formation of a shared ASEAN identity among member states. Acharya argues that

one aspect of the Way is a “process of identity building which relies on conventional modern principles of interstate relations as well as traditional and culture-specific modes of socialization and policy-making” custom in Southeast Asia (Acharya 2001, 28). This feature has made contacts between governmental officials from different states possible, which helps encourage friendship between the top officials and, therefore, reduces the chance of misunderstanding.

The third element of the ASEAN Way is the policymaking methods of ASEAN. ASEAN states reach a collective decision by consensus and consultation, which not only has been ASEAN’s tradition but also has been prescribed in the ASEAN Charter (ASEAN Secretariat 2007). Narine argues, “The ASEAN way involves the use of extensive consultation and consensus-building to develop intra mural solidarity” (S. Narine 1997, 965). Using consultation and consensus as a method of policymaking is due to the constraints of ASEAN norms. This method can prevent direct conflict caused by a divided voting result among members, ensuring that the voices of small and weak states are heard. Both advantages help maintain ASEAN’s harmony and solidarity.

Another important aspect of policymaking is the practice of flexible consensus (Acharya 1999). First, this practice implies that an ASEAN policy does not require a unanimous agreement among states for the organization to maintain unity, as long as no member state openly voices an objection. Second, “the disagreeing state does not have to comply with the collective decision in the process of implementation” (Kawasaki 2006, 223). As Narine (1997) points out, if ASEAN states cannot obtain an agreement on a certain policy, they are allowed to go different ways. Third, the application of “flexible consensus” is mostly applied to economic decisions or to less politically sensitive issues. Although the flexible consensus allows states to agree to disagree, ASEAN still strives to smooth out the differences among member states by creating an ambiguous language to maintain the illusion of solidarity. Any decision made in the name of ASEAN shall not undermine the interests of any member (Chin 2007).

Thus, ASEAN is like an instrument for its members to foster their individual interests. Member states rarely allow ASEAN to constrain their self-interested behaviors (S. Narine 2002). The existence of ASEAN is to serve the interests of member states, but member states are not expected to sacrifice their individual interests in exchange for the collective interests of ASEAN. Additionally, although flexible consensus allows for easier decision-making for the association, these collective resolutions are not effective since they are not legally binding on the individual dissenting states.

III. ASEAN Connectivity

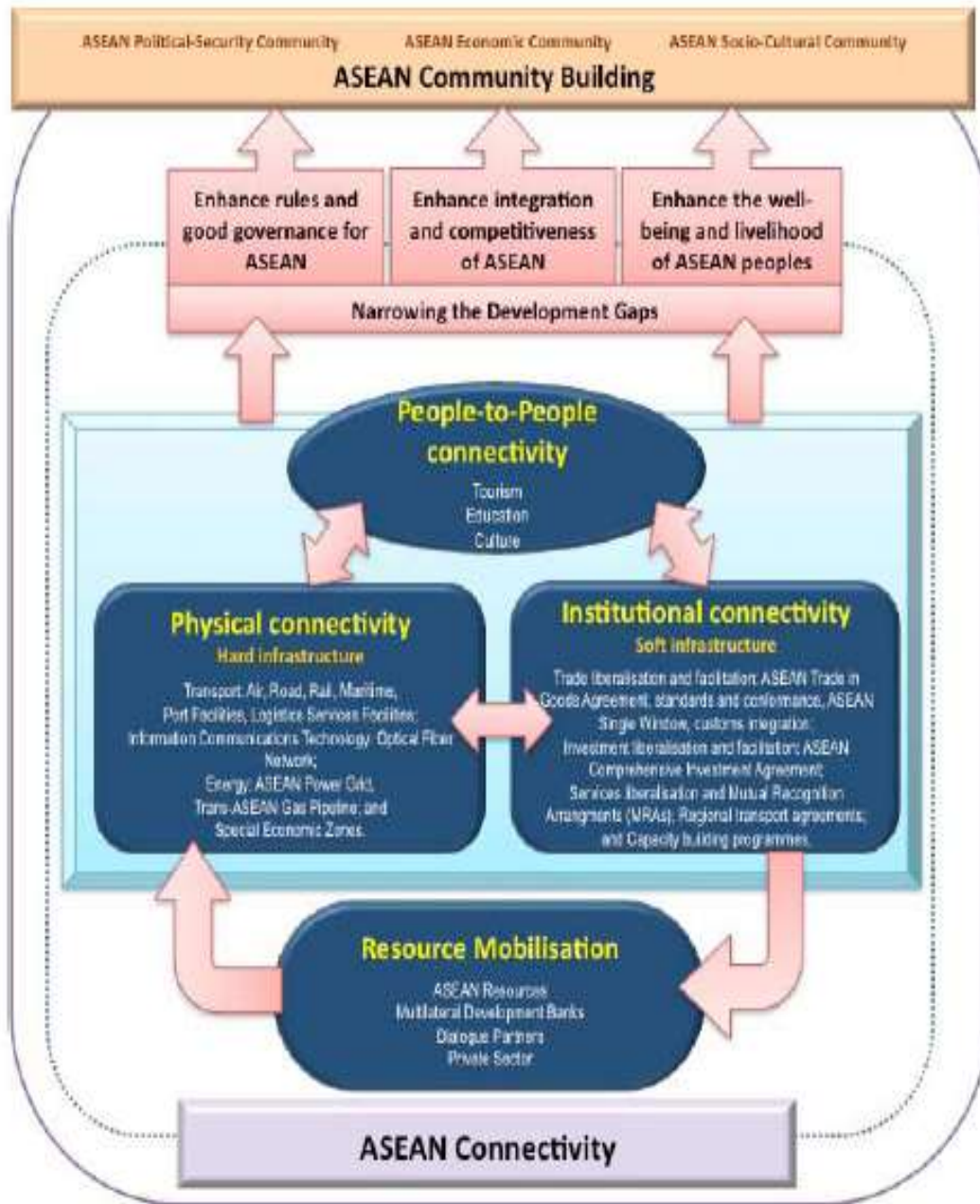
An important area of ASEAN cooperation is binding ASEAN countries closer through efficient infrastructural linkages in transportation, telecommunications, and energy (Yong 2004).

Achieving regional infrastructure integration is one of ASEAN's most challenging tasks, given the region's geographic, size and economic diversity. The challenges notwithstanding, developing Cross Border Infrastructure (CBI) should be one of ASEAN's primary goals. The global economic development has an impact on the economic growth and export performance of ASEAN countries. Regional demand needs to be enhanced through increased intra-regional trade. CBI can play an important role in strengthening regional physical connectivity to promote intra-regional trade.

Economic integration in East Asia, and most ASEAN countries has been primarily market-driven (bottom-up approach), through trade and FDI; however, integration has reached a critical stage where further advances will require the development of a region-wide political institution (Fujita 2005, Kawai 2004). In recent years, East Asian countries have been working to establish more government-level agreements, to enforce de facto market-driven integration founded on common production bases across the region (Watanabe 2006). A top-down government-led and market-creating approach will be appropriate at this stage. A similar "multi-track and multi-speed approach" should be used for ASEAN infrastructure integration (Kuroda 2006). To build up infrastructure, ASEAN members should utilize their own national resources, as well as cooperate with other Asian countries. The role of ASEAN, then, is to ensure cooperation and coordination of its members' infrastructure projects; attached shared resources, such as capital, energy, services and technology; harmonize cross-border rules and regulations; and facilitate exchange of good practices on institutions and policies. Such cooperation can potentially follow a two-track approach, namely: (i) cooperation in building and operating CBI; and (ii) cooperation in financing infrastructure development. Enhancing ASEAN connectivity through CBI requires strong commitment and partnership among ASEAN governments.

According to the MPAC, the key elements of ASEAN Connectivity include: (1) physical connectivity (i.e. transport, energy, and information and communications technology); (2) institutional connectivity (i.e. trade liberalization and facilitation, investment and services liberalization and facilitation, mutual recognition agreements/arrangements, regional transport agreements, cross-border procedures, capacity building programs); and (3) people-to-people connectivity (i.e. education and culture, as well as tourism). See figure below (Figure 2-1)

Figure 2-1. Relations between ASEAN Connectivity and ASEAN Community



Source: ERIA Study Paper on ASEAN Connectivity (2011) p.23

‘Connectivity’ according to the document of the Master Plan on ASEAN Connectivity, refers to the physical, institutional and people-to-people linkages that comprise the foundational support and facilitative means to achieve the political-security, economic, and socio-cultural pillars towards realizing the vision of an integrated ASEAN Community.

The 6th East Asia Summit, held in Bali, 19 November 2011, has declared its support to the implementation of the Master Plan on ASEAN Connectivity. As such, it is time for the governments of the ASEAN Member States to work closely together with the private sectors and the governments of Australia, China, India, Japan, Republic of Korea, New Zealand, Russia and the United States to materialize, in a comprehensive manner, the ASEAN Connectivity. Such cooperation should be focused particularly in mobilization of resources and expertise, information sharing, and identification of specific cooperation projects where the EAS Partners could participate in the three dimensions of physical, institutional, and people-to-people connectivity. EAS aside, the UN has also lent supports to the implementation of the ASEAN Connectivity. In this case, Japan also has expressed to be actively involved in ASEAN Connectivity, especially on development of the Maritime ASEAN Economic Corridor by establishment Japan's Task Force on ASEAN Connectivity.

For the purpose of this research, the area identified as “the Western Part of ASEAN” includes the Greater Mekong Sub-region (GMS) minus Yunnan and Guangxi, and Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT), as well as Singapore and Java. GMS, IMT-GT, Singapore and Java are well-connected one to the others. The area identified as “the Eastern Part of ASEAN” includes the Philippines archipelago, Sarawak, Sabah, Brunei and the Indonesian economic corridors (as identified in the “Master Plan of Accelerated Economic Development of Indonesia – MP3EI) of Kalimantan, Bali – NTT, Sulawesi, and Maluku-Papua. The core area of the Eastern Part of ASEAN is the Brunei-Indonesia-Malaysia-the Philippines - East ASEAN Growth Area (BIMP-EAGA). Connectivity in this sub-region is relatively poor.

The striking character of “connectivity” is its double edge nature. One needs to be careful in designing ASEAN Connectivity, or the national connectivity as expressed by Master Plan for Acceleration and Expansion of Indonesia Economic Development (MP3EI). Connectivity by nature works at both sides. Connectivity might lead into a better economic integration but somehow it might also lead into economic vulnerability, even disintegration, if the region is not well prepared for it. The phenomenon of “ASEAN divides” can be read as a new drive in the part of mainland region of ASEAN to integrate economically, due to geographical proximity, with the rising China. Thus consequently, this might lead into an “isolation” of the archipelagic region of ASEAN from the rest of the ASEAN region.

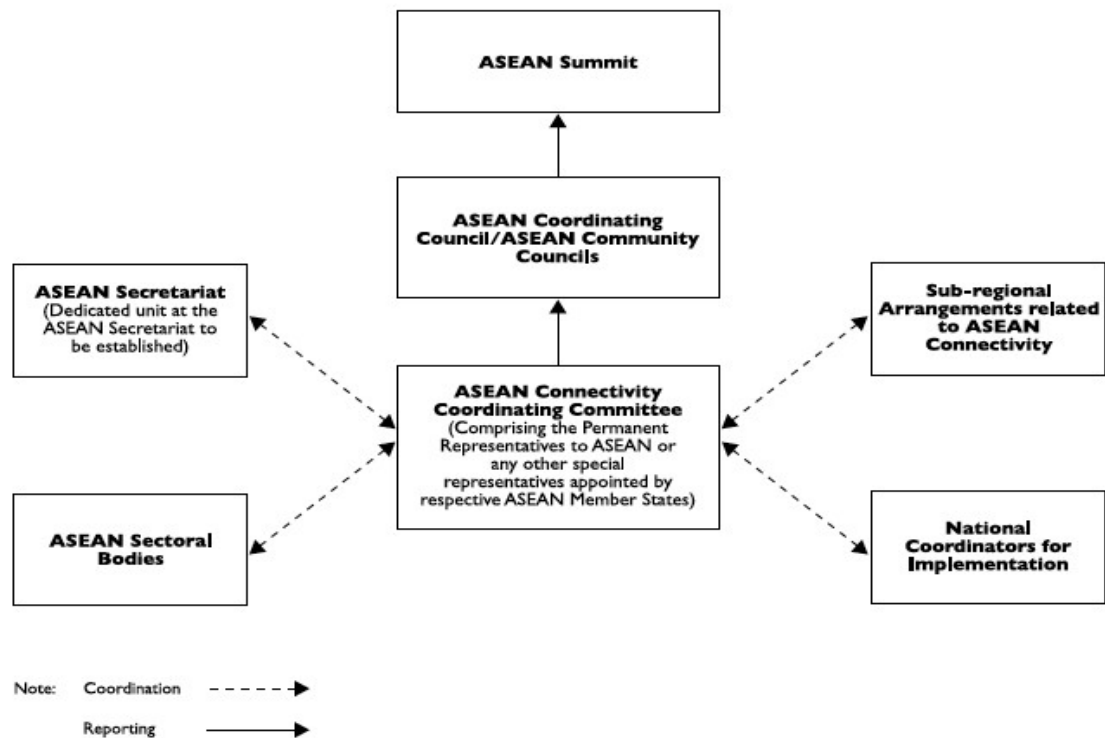
In accordance with the mandate of MPAC, each member state appointed one person as a representative of the ASEAN Connectivity Coordinating Committee (ACCC) and one person as National Coordinator for ASEAN Connectivity. Furthermore, the two entities have a very important role in the policy-making process for ASEAN Connectivity.

ACCC is located in Jakarta and meet at least two times a year to discuss progress on ASEAN Connectivity projects. The Permanent Representative of ASEAN countries based in Jakarta usually also hold the ACCC representatives' positions. The ACCC has a Working Group

that meet every month to discuss the technical development of the ASEAN Connectivity. ACCC WG is composed of senior officials at the Permanent Representative of ASEAN countries in Jakarta. The ACCC will make a report to the ASEAN leaders, two times a year through the ASEAN Community Council (ACC) which consisting of the Ministers for Foreign Affairs.

While the National Coordinator for ASEAN Connectivity (NCAC) is a senior official in each state capital city of ASEAN members who are responsible for making national development plans related to ASEAN connectivity. NCAC periodically report the development of national projects related to ASEAN connectivity to the ACCC. On the other hand, the ACCC will also report to NCAC on the development of ASEAN connectivity at the regional level. Relations between actor in ASEAN Connectivity can be see in figure below (Figure 2-2).

Figure 2-2. Relations between actors in ASEAN Connectivity



Source: Master Plan of ASEAN Connectivity (2011)

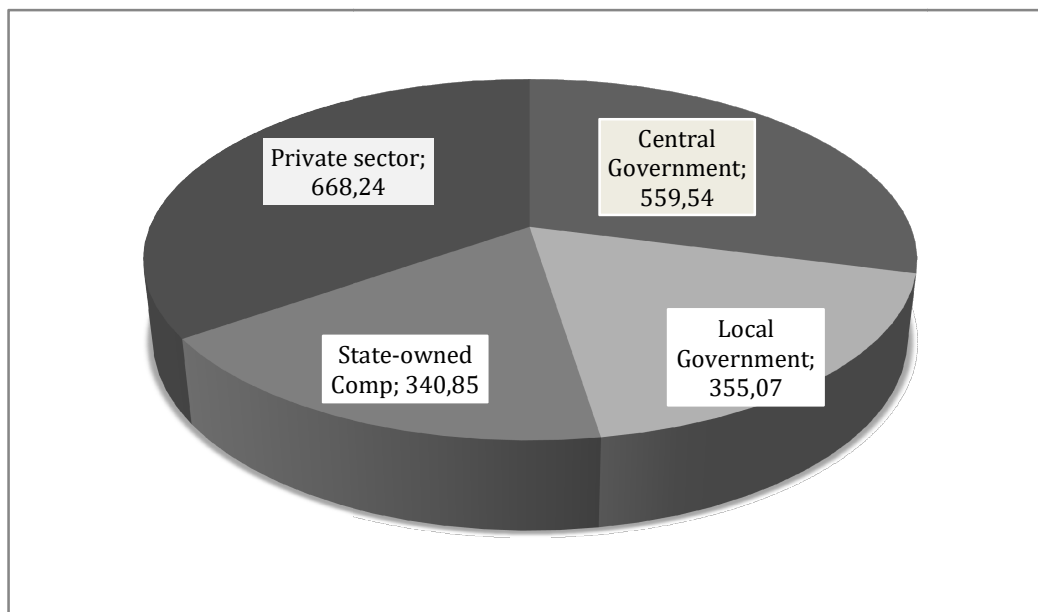
IV. Public-Private Partnership

State is responsible for building infrastructure (i.e. roads, railways, shipping lines) to improve the welfare of its people. But, in most developing countries, the state has limited resources to finance infrastructure development projects. To overcome this gap, the role of private sector is highly expected.

Today, the private and public sectors could work together based on a “fair go” principle.

Government is to build connectivity infrastructure as part of the public goods. Companies are to build connectivity infrastructure to serve their business interest. However, the two different interests can be reconciled. Government and companies can build infrastructure that serves both the interest of the public and the companies as well. The “fair go” principle dictates that who uses the infrastructure most, would pay most. Careful and sound planning is primarily important to base this public-private partnership (PPP).

**Figure 2-3. Infrastructure Investment Capacity in Indonesia (2010-2014)
In Rp. Trillion**



Source: Presidential Decree No. 5/2010 on the Medium-Term Development Plan 2010 – 2014

As a matter of national policy, Indonesia is relying on public-private partnership in the development of badly needed infrastructure. The figure above (Figure 2-3) shows the amount of capital needed in the development of infrastructures throughout Indonesia. For five years (2010-2014), Indonesia needs a volume of investment of IDR 1,924 trillion (USD 211 billion). Out of this amount, about IDR 560 trillion (USD 61.5 billion) will be bore by the central government, IDR 355 trillion (USD 39 billion) by local governments, IDR 341 trillion(USD 37.4 billion) by state-owned enterprises, and the rest of IDR 668 trillion (USD 73.4 billion) by private companies. The amount that must be bore by private sectors, which is considerable much higher than that of the central government, underlines the importance of public-private partnership in providing the necessity infrastructure to boost economic development in Indonesia.

In PPP nevertheless, the government is the one, which is responsible to provide public needs and interest. The government should be able to develop a synergy between the development of energy, connectivity, and industry/management of natural resources. At the regional level, a sound planning and implementation of connectivity will bring progress towards economic integration.

PPP have become widely accepted and popular in public policy management. The 1990s has seen the establishment of the PPP as the key tool of public policy across the world (Osborne 2000) as an outcome of New Public Management (NPM). NPM has shifted the focus of management from public service-to-service delivery. Since the 1980s, privatization, market mechanism, contestability in the delivery of public goods and services, deregulation, and reinvention of the role of government were the keywords of New Public Management. At the center of that NPM was a cut-back of public sector expenditure, a delegation of responsibilities to the private sector and fostering of voluntary engagement of private sector aiming at providing public goods (Mitchell-Weaver and Manning 1991). The principles of NPM encouraged the establishment of Public Private Partnerships (PPP) as a new management tool.

Now Public Private Partnership (PPP) has become a favorite tool for providing public services and developing society in both developed and developing countries. At the most general level Public Private Partnerships (PPPs) are generally recognized as long-term cooperative institutional arrangements between public and private sectors to achieve various purposes. There is a wide range of PPPs with diverse features and involved in different activities.

There are extensive debates about the concept of PPP. The debate is whether PPP needs a definition and what constitute a PPP. Some argue that PPP needs to be redefined. For example, Hodge and Greve (2007) state that 'there is a need to re-examine the different meanings and definitions given to PPP to find out whether the concept is worth keeping and using for empirical studies', since a huge number of definition of PPP are to be found (for example, Holland (1984), Huxham (1996), Bennet and Krebs (1994), Sellgren (1990), Stratton (1989), Collin (1998), Stern and Harding (2002), Broadbent and Laughlin (2003), Klijn and Teisman (2003)). However, most of them stress different aspects of PPP as they are derived from different contexts and represent different points of view. For example, cooperation between public and private actors with a durable character, risks, and benefits are important features in Klijn and Teismans's (2003) definition; whereas different aspects of PPPs such as 'long-term cooperative relationships' and 'private sector providers of public service' are found in the definition of Greve (2003) definition. However, some argue that PPP needs no specific definition since the concept is assumed as very clear and most people agree with the general definition, that is PPP is the cooperative activities between public and private sector. PPP is widely used for different purposes. However, there are divisions among the scholars about the uses of PPP in practice. Some researchers focus on PPP as an inter-organizational arrangement between different institutions in which PPP is used as a

governance or management tool; some concentrate on PPP as a development strategy (Teiseman and Klijn 2002).

Most definitions that focus on governance and management tools emphasize that PPPs are either inter-organizational or financial arrangement between the public and private sectors. There are some common agreements in most PPP literature that focus on inter-organizational arrangements. First, PPP is cooperation between organizations. The second aspect is sharing risks. These are two most important aspects of PPPs. Risk sharing is viewed as an important incentive for both the public and private sectors, since it is assumed that risk-sharing could benefit both actors. The third prospect is that these types of cooperation can result in some new and better products or services that no single organization either the public or the private could produce better alone. Finally, it has been noted that in PPP a partnership involves a longer-term commitment, which can continue for a number of years, e.g. 10 to 30 years.

One definition of PPP is provided by the Dutch public management scholars Van Ham and Koppenjan (2001) with organizational relationship. They identify PPP as 'cooperation of some sort of durability between public and private actors in which they jointly develop products and services and share risks, costs, and resources which are connected with these products' through an institutional lens. This definition has several features. First, it underlines cooperation of some durability, where collaboration cannot only take place in short-term contracts. Second, it emphasizes risk sharing as a vital component. Both parties in a partnership together have to bear parts of the risks involved. Third, they jointly produce something (a product or a service) and, perhaps implicitly, both stand to gain from mutual effort.

Some definitions of PPP emphasize on the financial relations. There are promises that PPP reduces pressure on government budgets because of using private finance for infrastructures and they also provide better value for money in the provision of public infrastructure. These uses of PPPs are prominent in the literatures on infrastructure building. This mostly includes BOT (Build-Operate-Transfer), BOOT (Build-Own-Operate-Transfer) and BOO (Build-Own-Operate). In general the financial arrangements of BOT, the most common of these arrangements, are the project is designed and financed by the private sector, and run and maintained by the private sector for the concession period. The private sector partner receives income from running the infrastructure (e.g. toll road, electricity generation). After the expiry of the concession period, the legal ownership of the project is transferred to the government.

Public Private Partnership (PPP) is emerging as a new development arrangement. The prominent arguments are PPPs maximize benefits for development through collaboration and enhanced efficiency (Brikenhoff and Brikenhoff 2004). Thus PPP is seen as a significant method of promoting development and a tool for development (Paoletto 2000). ADBI studied several public private partnerships programmes in Asia and the Pacific and defines PPP as: 'collaborative activities among interested groups and actors, based on a mutual recognition of respective

strengths and weaknesses, working towards common agreed objectives developed through effective and timely communication' (ADBI 2000, 42). ADBI argues that considering all these components separately, a PPP occurs as a development process when all the aspects appear together (ADBI 2000).

There are several features in this definition. First, common objectives partnerships are undertaken for the purposes of implementing objectives that have been agreed to by the groups involved. The objectives are ideally developed through a process of communication and negotiation that is acceptable to all actors involved. Second, agreement to undertake activities means that there will be specific commitment to undertake activities and these activities will be built on each partner's strengths. Third, actions of these PPP will be to overcome weaknesses of each partner – overcoming apparent weaknesses may involve a sharing of expertise, knowledge or experiences by one or more groups amongst the other groups. It also means first recognizing the weaknesses. Finally, actors in this process of partnership may include different community groups such as NGOs, local governments, research groups, agriculture and developments institutes, corporations and national governments. Some similar characteristics are evident in the definition that is provided by Bennet and Krebs (1994), when they define PPP as cooperation between actors where they agree to work together towards a specified economic-development objective to develop a local area or the local economy.

V. Literature Gap

Research on regionalism always refers to the process of regionalism in Europe. The EU is the most advanced example of the process of regional regionalism. ASEAN is currently undergoing a process of integration, although still left behind compared to the EU. Therefore, research on ASEAN integration process is less than research on the European Union. Indeed, almost the same phenomenon happens especially when the European Union has not signed the Maastricht treaty. The author will explain the process of regionalization in ASEAN with the theory was used to explain the phenomenon in the European Union.

Furthermore, to support the achievement of the ASEAN Community, ASEAN member countries agreed to establish the ASEAN connectivity. Some researchers have discussed about ASEAN Connectivity, Indonesian development, and decentralization in Indonesia. But, there is not about the relations among three of them. This research focus on how regionalism process in Southeast Asia (ASEAN Connectivity) influences in policy making process in Indonesia's Development (MP3EI). This research will take development process in North Sulawesi; hence, it will show the relations between the central government of Indonesia and the provincial government of North Sulawesi.

CHAPTER 3

ASEAN CONNECTIVITY TOWARDS ASEAN COMMUNITY

I. ASEAN from Regional Cooperation to Community

ASEAN was established on 8 August 1967 with the signing of the Bangkok Declaration. Bangkok Declaration was signed by the Foreign Ministers of the five countries of Southeast Asia, namely Adam Malik of Indonesia, Narciso R. Ramos of the Philippines, Tun Abdul Razak of Malaysia, S. Rajaratnam of Singapore, and Thanat Khoman of Thailand.

Bangkok Declaration declared the establishment of an Association for Regional Cooperation among the Countries of Southeast Asia to be known as the Association of Southeast Asian Nations (ASEAN). The aims and purposes are to cooperate in the economic, social, cultural, technical, educational and other fields, and to promote regional peace and stability through abiding respect for justice and the rule of law and adherence to the principles of the United Nations Charter.

It specified that the Association would be open for participation by all States in the Southeast Asian region subscribing to its aims, principles and purposes. It proclaimed ASEAN as representing “the collective will of the nations of Southeast Asia to bind themselves together in friendship and cooperation and, through joint efforts and sacrifices, secure for their peoples and for posterity the blessings of peace, freedom and prosperity.” ASEAN grew when Brunei Darussalam became its sixth member on 7 January 1984, a week after gaining independence.

ASEAN achieved greater development in the mid-1970s following the changed balance of power in Southeast Asia after the end of the Vietnam War. The region’s dynamic economic growth during the 1970s strengthened the organization, enabling ASEAN to adopt a unified response to Vietnam’s invasion of Cambodia in 1979. ASEAN’s first summit meeting, held in Bali, Indonesia, in 1976, resulted in an agreement on several industrial projects and the signing of a Treaty of Amity and Cooperation, and a Declaration of Bali Concord I. The end of the Cold War between the United States and the Soviet Union at the end of the 1980s allowed ASEAN countries to exercise greater political independence in the region, and in the 1990s ASEAN emerged as a leading voice on regional trade and security issues.

On 28 July 1995, Vietnam became ASEAN’s seventh member. Laos and Myanmar joined two years later on 23 July 1997. Cambodia was to have joined together with Laos and Burma, but entry was delayed due to the country’s internal political struggle. The country later joined on 30 April 1999, following the stabilization of its government.

In 1990, Malaysia proposed the creation of an East Asia Economic Caucus composed of the members of ASEAN as well as the People's Republic of China, Japan, and South Korea, with the intention of counterbalancing the growing influence of the United States in Asia-Pacific Economic Cooperation (APEC), and in the Asian region as a whole. The proposal failed, however, because of heavy opposition from the US and Japan. Member states continued to work for further integration and ASEAN Plus Three was created in 1997.

In 1992, the Common Effective Preferential Tariff (CEPT) scheme was adopted as a schedule for phasing out tariffs, and as a goal to increase the "region's competitive advantage as a production base geared for the world market". This law would act as the framework for the ASEAN Free Trade Area (AFTA). AFTA is an agreement by member nations concerning local manufacturing in ASEAN countries. The AFTA agreement was signed on 28 January 1992 in Singapore. After the East Asian Financial Crisis of 1997, a revival of the Malaysian proposal was put forward in Chiang Mai, known as the Chiang Mai Initiative, which called for better integration of the economies of ASEAN as well as the ASEAN Plus Three countries, China, Japan, and South Korea.

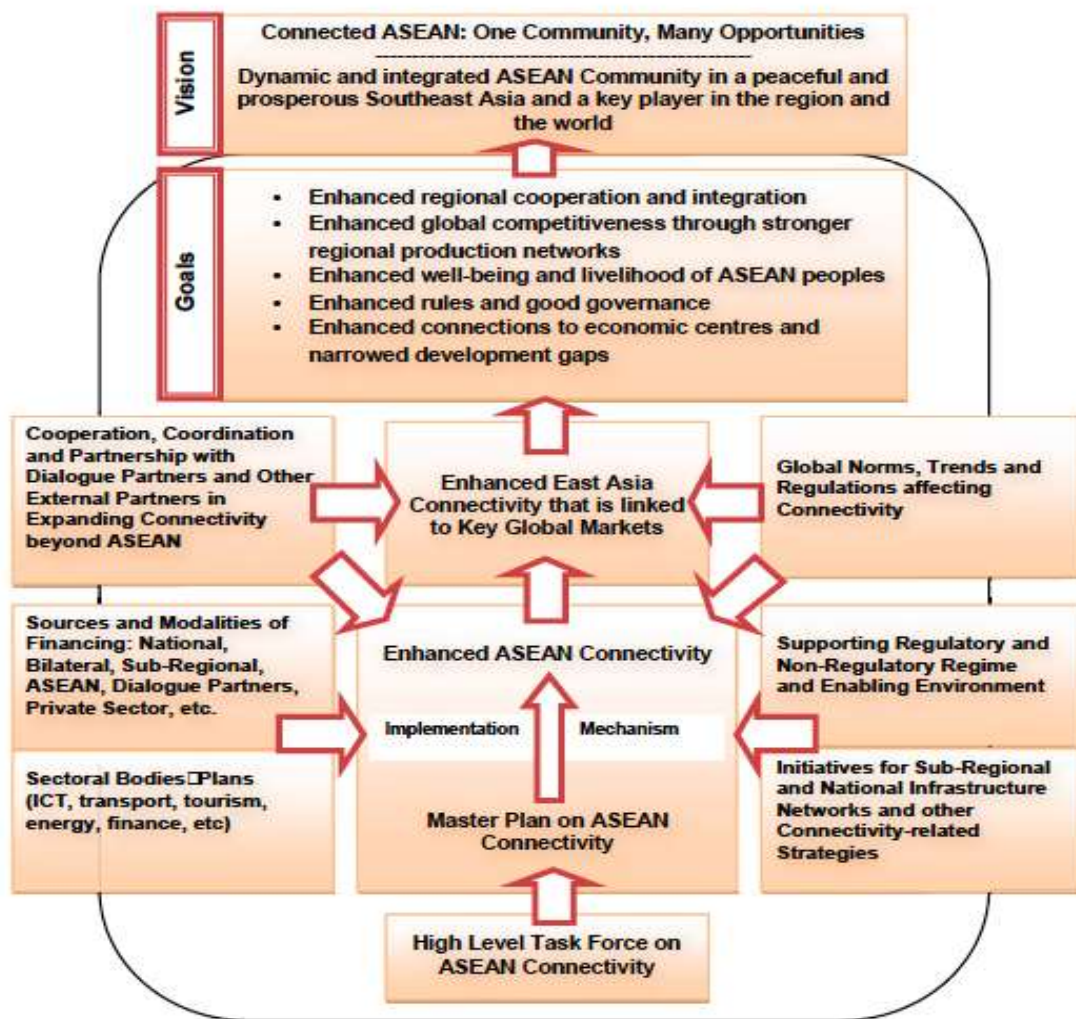
Beginning in 1997, heads of each member states adopted the ASEAN Vision 2020 during ASEAN's 30th anniversary held in Kuala Lumpur. This vision, as a means for the realization of a single ASEAN community, sees Southeast Asia to become a concert of nations, which are "outward looking, living in peace, stability and prosperity." Included were provisions on peace and stability, being nuclear-free, closer economic integration, human development, sustainable development, cultural heritage, being drug-free, environment, among others. The Vision also aimed to "see an outward-looking ASEAN playing a pivotal role in the international fora, and advancing ASEAN's common interests." Such vision was formalized and made comprehensive through the Bali Concord II in 2003. Three major pillars of a single ASEAN community were originally established: (1) ASEAN Security Community, (2) ASEAN Economic Community and (3) ASEAN Socio-Cultural Community. The ASEAN Community, initially planned to commence by 2020, was accelerated and pronounced on 31 December 2015. This was decided upon by heads of member states during the 12th ASEAN Summit in Cebu in 2007.

On 20 November 2007, the ASEAN Charter was signed in Singapore, 40 years after the founding of ASEAN. Also simultaneously signed was the ASEAN Economic Community (AEC) Blueprint. This was to establish the region with stronger rules-based norms and values shared among all member states. The charter was later ratified in 2008. To fully embody the three Bali Concord II pillars as part of the 2015 integration, blueprints for ASEAN Political-Security Community (APSC) and ASEAN Socio-Cultural Community (ASCC) were subsequently adopted in 2009 in Thailand.

II. Connectivity in ASEAN

The idea of ASEAN connectivity was first proposed by Thai Prime Minister Abhisit Vejjajiva at the Opening Ceremony of the 42nd ASEAN Foreign Ministers' Meeting on July 20, 2009 in Phuket. As the Chairman of ASEAN, Prime Minister Abhisit proposed that a "Community of Connectivity" should be one of the objectives of ASEAN Community 2015. It means that goods and peoples, investment and initiatives, can travel obstacle-free throughout the region. A fully integrated ASEAN economy as a single market and production base must have such connectivity built into both its hardware and software. Figure 3-1 shows vision and goals of ASEAN Connectivity.

Figure 3-1. Vision and Goals of ASEAN Connectivity



Source: Master Plan of ASEAN Connectivity (2011) p.32

II.1. Establishment of Master Plan of ASEAN Connectivity (MPAC)

On October 28, 2010, ASEAN Leaders adopted the Ha Noi Declaration of the Adoption of the Master Plan on ASEAN Connectivity. In this Declaration, the ASEAN Leaders recognized that the Master Plan on ASEAN Connectivity will promote economic growth, narrow development gaps, speed up ASEAN integration and Community building process, enhance competitiveness of ASEAN, promote deeper social and cultural understanding, smooth people mobility, and connects its Member States within the region and with the rest of the world.

Connectivity according to the document of the Master Plan on ASEAN Connectivity refers to the physical, institutional and people-to-people linkages that comprise the foundational support and facilitative means to achieve the political-security, economic, and socio-cultural pillars towards realizing the vision of an integrated ASEAN Community (see Figure 2-1).

According to the document, the key elements of ASEAN Connectivity include: (1) physical connectivity (i.e. transport, energy, and information and communications technology); (2) institutional connectivity (i.e. trade liberalization and facilitation, investment and services liberalization and facilitation, mutual recognition agreements/arrangements, regional transport agreements, cross-border procedures, capacity building programs); and (3) people-to-people connectivity (i.e. education and culture, as well as tourism).

The global community is expected to contribute to the implementation of the Master Plan since a well- connected Southeast Asia, due to its geostrategic values, will be better for the regional and global security, stability and welfare. As such, it is time for ASEAN Dialogue Partners to help ASEAN implement the Master Plan, especially since resource is an important part of the implementation. According to a study by Asian Development Bank (ADB), it is estimated that ASEAN countries will require infrastructure investment of USD 596 billion during 2006-2015 or about USD 60 billion a year. The ASEAN Infrastructure Fund (AIF) was then established to help address the resource mobilization problem. The AIF is being set up with an initial equity contribution of USD 485.2 million, of which USD 335.2 million is from ASEAN while the remaining USD 150 million is from ADB. (ASEAN Secretariat 2011) The Fund's total lending commitment through 2020 will be around USD 3.6 billion. It will provide financing for selected public-private partnership (PPP) projects. It is hope that this will attract even greater foreign capital inflows to the region. Foreign direct investment flows in the region doubled to USD 75.8 billion in 2010 from USD 37.8 billion in 2009, and for the first time more than USD 12 billion of those flows were sourced within ASEAN. Some possible sources of AIF is shown in the following table.

Table 3-1. Possible Sources of Available Funding of AIF

No	Possible Sources of Available Funding
1.	ASEAN Development Fund (ADF)
2.	ASEAN Cultural Fund (ACF)
3.	ASEAN Information Communications Technology (ICT) Fund
4.	ASEAN Energy Endowment Fund
5.	ASEAN-China Cooperation Fund (ACCF)
6.	Japan-ASEAN Integration Fund (JAIF)
7.	ASEAN-ROK Special Cooperation Fund (SCF)
8.	ASEAN-ROK Future Oriented Cooperation Programme Fund (FOCP)
9.	ASEAN Plus Three Cooperation Fund
10.	ASEAN-Australia Development Cooperation Programme Phase II (AADCP II)
11.	ASEAN-India Fund
12.	ASEAN Economic Integration Support Programme (ASEAN-EU)
13.	ASEAN Air Transport Integration Project (ASEAN-EU)
14.	ASEAN Development Vision to Advance National Cooperation and Economic Integration (ADVANCE) Programme (ASEAN-US)
15.	Economic Research Institute for ASEAN and East Asia (ERIA)
16.	Asian Development Bank (ADB)
17.	World Bank
18.	Other Technical Assistance Programmes within ASEAN and with ASEAN External Partners

Source: Master Plan of ASEAN Connectivity (2011) p.34

The 6th East Asia Summit, held in Bali, 19 November 2011, has declared its support to the implementation of the Master Plan on ASEAN Connectivity. As such, it is time for the governments of the ASEAN Member States to work closely together with the private sectors and the governments of Australia, China, India, Japan, Republic of Korea, New Zealand, Russia and the United States to materialize, in a comprehensive manner, the ASEAN Connectivity. Such cooperation should be focused particularly in mobilization of resources and expertise, information sharing, and identification of specific cooperation projects where the EAS Partners could participate in the three dimensions of physical, institutional, and people-to-people connectivity. EAS aside, the UN has also lent supports to the implementation of the ASEAN Connectivity. In this case, Japan also has expressed to be actively involved in ASEAN Connectivity, especially on development of the Maritime ASEAN Economic Corridor by establishment Japan's Task Force on ASEAN Connectivity.

II.2. The Imbalanced Connectivity in ASEAN

Among the main issues in the ASEAN connectivity are difference and dis-connectivity. First, there is a difference in the progress of connectivity between the Western Part of ASEAN, which is landmass in nature, and the Eastern Part of ASEAN, which is archipelago. Second, as it concerns maritime transport, connectivity between the Western Part of ASEAN and the Eastern Part of ASEAN is poor (thus, this represents an issue of dis-connectivity). Third, the Eastern Part of ASEAN, which largely consists of the Eastern Part of Indonesia, represents the weakest link in the overall ASEAN Connectivity. Fourth, pull factors are needed to speed up the process of connectivity building. These four issues must be addressed accordingly by ASEAN.

The area identified as “the Western Part of ASEAN” includes the Greater Mekong Sub-region (GMS) minus Yunnan and Guangxi, and Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT), as well as Singapore and Java. GMS, IMT-GT, Singapore and Java are well-connected one to the others. The area identified as “the Eastern Part of ASEAN” includes the Philippines archipelago, Sarawak, Sabah, Brunei and the Indonesian economic corridors (as identified in the “Master Plan of Accelerated Economic Development of Indonesia – MP3EI) of Kalimantan, Bali – NTT, Sulawesi, and Maluku-Papua. The core area of the Eastern Part of ASEAN is the Brunei-Indonesia-Malaysia-the Philippines - East ASEAN Growth Area (BIMP-EAGA). Connectivity in this sub-region is relatively poor.

The striking character of “connectivity” is its double edge nature. One needs to be careful in designing ASEAN Connectivity, or the national connectivity as expressed by Master Plan for Acceleration and Expansion of Indonesia Economic Development (MP3EI). Connectivity by nature works at both sides. Connectivity might lead into a better economic integration but somehow it might also lead into economic vulnerability, even disintegration, if the region is not well prepared for it. The phenomenon of “ASEAN divides” can be read as a new drive in the part of mainland region of ASEAN to integrate economically, due to geographical proximity, with the rising China. Thus consequently, this might lead into an “isolation” of the archipelagic region of ASEAN from the rest of the ASEAN region. One possibility for ASEAN to help improve its maritime connectivity is by assisting Indonesia and the Philippines, for instance, to interconnect the Eastern belts of the Indonesian archipelago with the Strong Republic Nautical Highway of the Philippines. Western part and Eastern Part of ASEAN Connectivity are shown in the following figure.

Figure 3-2. Western part and Eastern part in ASEAN Connectivity



Source: Indonesia's Paper on ASEAN Connectivity (2010) p.34

The Master Plan on ASEAN Connectivity is purportedly to boost the attainment of ASEAN Economic Community. The ultimate aim of ASEAN Economic Community is to create ASEAN as a highly competitive single market and production base, which at the end will promote equitable economic development for the ten ASEAN countries. ASEAN Economic Community is also an ASEAN's strategic step to integrate with global economy.

ASEAN has concluded Free Trade Agreements (FTA) with China, India, Japan, the Republic of Korea, Australia, and New Zealand. Hence, ASEAN is paving the way (i.e. conducting studies) towards the attainment of East Asia Free Trade Area (EAFTA), comprising ASEAN + China, the Republic of Korea, and Japan (ASEAN +3); and comprehensive economic partnership on East Asia (CEPEA) comprising ASEAN + Australia, India, and New Zealand (another ASEAN +3). EAFTA and CEPEA are part of the ASEAN attempts to engage major economies in the regions in attaining common stability, security, and prosperity through the dynamic equilibrium approach. The progress of the economic integration is monitored by a scorecard system.

ASEAN, according to the ASEAN Secretariat, was initially concerned whether it can comply with the ASEAN Economic Community Blue Print. However, in 2009, the Blue Print has been well executed to achieve equitable economic development and integration with the global economy (respectively 100 per cent of targets achieved). Nonetheless ASEAN has been lacking on the compliance for the attainment of competitive economic region (50 per cent of target achieved). Transport and energy, and their related infrastructure are key factors to foster the competitiveness of regional economy; and in the case of ASEAN, failure to develop reliable transport and reliable supply of energy represents the serious impediments to the advancement of ASEAN Economic Community. This assertion is well taken by the current research and thus provides a basis, as it concerns the archipelagic region of ASEAN, for focusing on maritime transport.

Various ASEAN documents in fact have called for better connectivity to support ASEAN competitiveness. The following table shows the competitiveness index of ASEAN countries, and the most associated problematic factors for doing business in those countries.

Taken from the World Economic Forum Global Competitiveness Report, the table below shows the following indications. First, most ASEAN countries, except Singapore and Vietnam, suffer from inefficiency of government bureaucracy. Second, in the Eastern Part of ASEAN, namely Indonesia and the Philippines, the Report mentions in particular about inadequate supply of infrastructure. In Indonesian context, as previously mentioned, it is the Eastern Part of Indonesia that suffers the most from the lacking of infrastructure, in particular the maritime one. As such, in the current research, the investigation on the inadequacy of infrastructures has been focused on the inadequacy of maritime transport. The gap represents the most problematic factor in doing business in the archipelagic region of ASEAN.

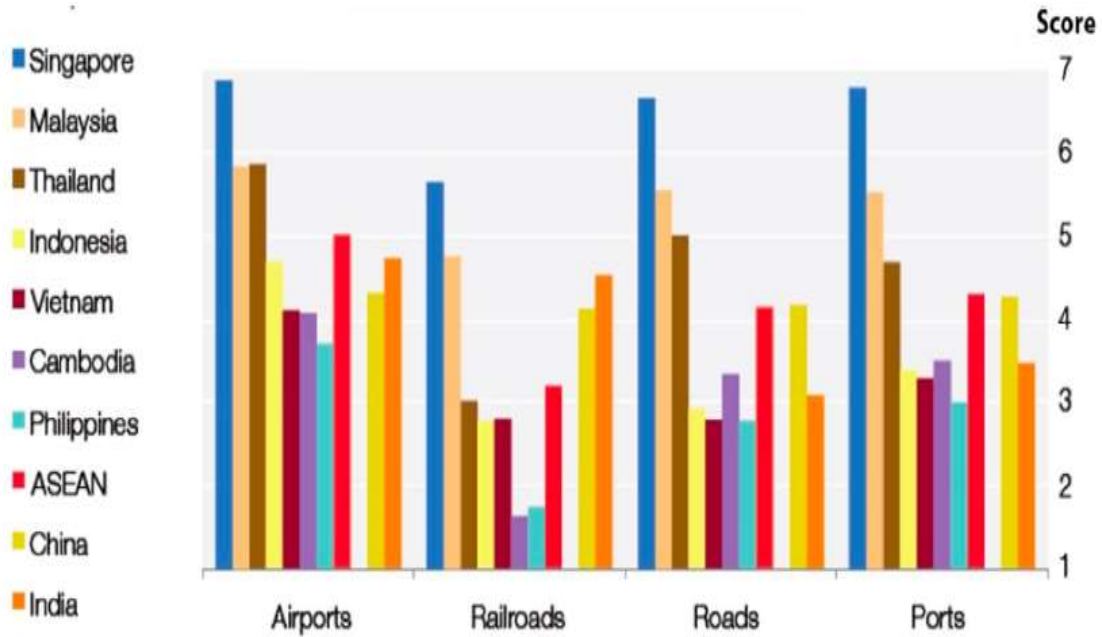
Table 3-2 Competitiveness index of ASEAN member countries and China

No.	State	2001	2005	2010	Three most problematic factor for doing business
1.	Singapore	10	5	3	(1) Inflation, (2) Restrictive labour regulations, (3) Inadequately educated workforce
2.	Brunei Darussalam	N.A	N.A	28	(1) Restrictive labour regulations, (2) Poor work ethic in national labour force, (3) Inefficient government bureaucracy
3.	The Philippines	54	71	85	(1) Corruption, (2) Inefficient government bureaucracy, (3) Inadequate supply of infrastructure
4.	Malaysia	37	25	26	(1) Inefficient government bureaucracy, (2) Access to financing, (3) Policy instability
5.	Thailand	38	33	38	(1) Government instability/coups; (2) Policy instability; (3) Inefficient government bureaucracy
6.	Indonesia	55	69	44	(1) Inefficient government bureaucracy; (2) Corruption; (3) Inadequate supply of infrastructure
7.	Cambodia	N.A	103	109	(1) Corruption; (2) Inefficient government bureaucracy; (3) Inadequately educated workforce
8.	Laos	N.A	N.A	N.A	N.A
9.	Myanmar	N.A	N.A	N.A	N.A
10.	Viet Nam	62	74	59	(1) Access to financing; (2) Inflation; (3) Policy instability
*	China	32	46	27	(1) Access to financing; (2) Policy instability; (3) Corruption

Source: World Economic Forum Global Competitiveness Report (2011) p.56

In the maritime transport sector, the quality of ports in Indonesia and the Philippines is less satisfactory. Figure 3-3 shows in 2009, out of the score 1(worse) to 7 (best), Indonesia and the Philippines score about 3 which is much lower than Singapore, Malaysia, Thailand, and the average ASEAN.

Figure 3-3. Quality of Infrastructure of ASEAN member countries China and India



Source: World Economic Forum Global Competitiveness Report (2011) p.64

The Master Plan on ASEAN Connectivity encourages the Eastern Part of ASEAN to undertake vigorous development of maritime connectivity, using Ro-Ro system. In fact, maritime connectivity is among the most essential factors to support the creation of ASEAN as a ‘ single-production base’.

Until now, as far as the global transport is concerned, maritime transport remains the most effective model of transport in term of fuel efficiency. Yet, more than 90 per cent of cargo is moved by sea rather than by land or air. This research will be focused on this particular issue. The work of Toyota Regional Production Base, as an example, might be helpful to understand the role of maritime connectivity for a regional production base in archipelago like Indonesia.

Figure 3-4. Toyota Regional Production Base



Source: Toyota Motor Manufacturing Indonesia Report (2013) p.22

Figure 3-4 reveals how the Toyota Regional Production Base is heavily concentrated in the Western Part of ASEAN (Thailand-Peninsular Malaysia-Java), with a somewhat extension to the East by the inclusion of Manila into the Toyota Production Network. Java, indeed, under MP3EI, is an economic corridor devoted for modern industry, including automotive. The red dots, however, represent industrial clusters, with relatively better connectivity (i.e. port and otherwise) and supply of electricity than other regions. While the illustration exemplifies Toyota regional production base, in fact, it is also generally true for other machinery production base in the ASEAN area.

It is not hyperbole to expect that Japanese perspective on the development of ‘connectivity in the archipelagic region of ASEAN will follow the pattern of Japanese regional production base highlighting industrial connectivity among its industries in Thailand, Peninsular Malaysia, Java, and the Philippines. Research on Japan’s role in ASEAN Connectivity will be discussed in Chapter 4.

With the development of the Greater Mekong Sub-region (GMS), which is in part supported by the spillover effect of the rise of China, and to some extent also the rise of India, the Western Part of ASEAN enjoyed the benefits from the connectivity projects. Thus the region foresees better prospect of achieving integration between the Greater Mekong Sub-region and Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT).

Figure 3-5. ASEAN Connectivity in Western part of ASEAN



Source: ERIA Study Paper on ASEAN Connectivity (2011) p.24

In other words, part of the archipelagic South East Asia (Peninsular Malaysia, Sumatera, and Java) will be connected with the mainland South East Asia. The progress of land connectivity in the Western Part of ASEAN (GMS and IMT-GT), has also encourage progress in the development of maritime connectivity in the sub-region and its connection to the economic centers in the Northeast Asia. Figure 3-5 shows that even maritime connectivity is also heavily concentrated in the Western Part of ASEAN.

II.3. ASEAN Maritime Connectivity

An ADB studies indicated that the under-developed connectivity in BIMP-EAGA (Brunei, Indonesia, Malaysia, and Philippines-East ASEAN Growth Area), and thus the Eastern part of ASEAN, is among others due to the modest maritime infrastructure in the area. While the area is largely archipelagic in nature, it is only equipped with 33 designated secondary ports most of which, have poor facilities, are not well connected to the hinterland, and served by small and aging vessels. The weakest link in the connectivity in the Eastern Part of ASEAN is the Eastern Part of Indonesia, which thus deserves attention for improvement.

Table 3-3. Composition of Ferry Fleet in Indonesia

<i>Age of vessel</i>	<i>Commercial</i>	<i>Pioneer</i>	<i>Total</i>
0-5 years	7	1	8
5-10 years	6	2	8
10-15 years	5	5	10
15-20 years	18	9	27
20-25 years	5	8	13
25-30 years	8	10	18
>30 years	3	3	6

Age Group	Percentage
0-5 yrs	9%
5-10 yrs	9%
10-15 yrs	11%
15-20 yrs	30%
20-25 yrs	14%
25-30 yrs	20%
>30 yrs	7%

Source: PT. ASDP Indonesia Ferry (2012) p. 9

The above data reveals that, in Indonesia: (1) 71 per cent of the existing fleet has already passed the economic life span (20 to 30 years) in which the operation of the fleet will incur high maintenance and operating cost (law of diminishing return); (2) The majority of vessels that qualified as aging vessels are those which are servicing the pioneer routes (3) Since the maritime connectivity in the most part of Eastern Indonesia depends on pioneer fleet, this aging factor will affect the economic development in this part of the country.

Fleet condition aside, the following table reveals that in the last 6 years, the fleet only received an addition of 13 vessels, from 85 vessels in 2004 to 98 vessels in 2010. Even with such limited improvement, the number of vessels in the commercial line, from 2004 to 2011, is

moderately improving; while that of the pioneer lines is decreasing. The number of ports, both commercial and pioneer remains stagnant at ports. This capacity would hardly support the accelerated development program on maritime transport, in particular, in the Eastern Part of Indonesia.

Table 3-4. Number of Ro-Ro Vessel and Port

No.	Qualification	Year							
		2004	2005	2006	2007	2008	2009	2010	2011
1	Vessel	85	79	83	85	85	90	98	107
	Commercial	33	35	40	40	48	52	56	61
	Pioneer	52	44	43	45	37	38	42	46
2	Ports	34	34	34	34	34	34	34	34
	Commercial	17	17	17	17	17	17	17	17
	Pioneer	17	17	17	17	17	17	17	17

Source: PT. ASDP Indonesia Ferry (2012) p.12

III. ASEAN Connectivity Projects

III.1. Case Study: Bitung – General Santos Ro-Ro Project

The Asian Development Bank's studies indicated that the full development of BIMP-EAGA (see Figure III-6) is hampered by, among others, poor maritime infrastructure in the area. While the area is largely archipelagic in nature, it is only equipped with 33 designated secondary ports, most of which have poor facilities. The ports are not well connected to the hinterland and served by small and aging vessels.

Figure 3-6. Map of BIMP-EAGA



Source: BIMP-EAGA Data Sheet (2014) p.2

ADB’ s Technical Assistance Report in 2006 entitled “ Enhancement of Sub-regional Cooperation in BIMP–EAGA and IMT– GT”, reaffirms that the archipelagic countries of Southeast Asia, especially Indonesia and the Philippines, share common development challenges and opportunities reducing from their unique geographical context.

Many parts of the archipelago are sparsely populated, with local businesses facing high and often uncertain costs of transport to reach larger markets. Thus, the economics of scale and the associated low load factors are the main issues to be resolved. The other serious barriers to the sustainable growth of these island economies include high investment cost of infrastructure, poor communication, and scarcity of human and capital resources, remoteness, and susceptibility to natural disasters. Population scattered in peripheral and outlying islands are economically and

socially vulnerable. In this regard, maritime transport provides essential links that connect different parts of the country, thus, a nautical highway system or a multimodal transport-featuring highway and ferry network connectivity is essential to ease travel across the archipelago.

A study by the Economic Research Institute for ASEAN and East Asia (ERIA)⁴ concludes that the navigable inland waterways also play an active role in transport development in ASEAN member states. This is particularly true for Indonesia, which is endowed with the longest inland waterways transport (IWT), with navigable length of 20,456 km in 50 river systems. Over half of these rivers are in Kalimantan and the rest are in Sumatra and Papua.

The river system in Kalimantan, Sumatra, and Papua provides a lifeline to communities, which are poorly equipped with roads or railways. According to the ERIA’s study, the inland waterways system in Indonesia currently carries about 6 to 7 million tons of freight and 16 million passengers annually. Thus, rivers in Indonesia are important for their contribution to the national economy and people’s daily lives. In the absence of river and other forms of inland waterways transport, many remote underprivileged communities would be remaining inaccessible or too costly to be equipped with other means of service.

Table. 3-5. Navigable length of inland waterways transport in ASEAN member states

Country	Navigable Length (km)
Brunei Darussalam	N.A.
Cambodia	1,750
Indonesia	20,456
Lao PDR	4,600
Malaysia	3,300
Myanmar	6,650
Philippines	1,033
Singapore	NA
Thailand	1,750
Viet Nam	11,400

Source: ASEAN Transport and Communication Sectoral Report (2009) p.9

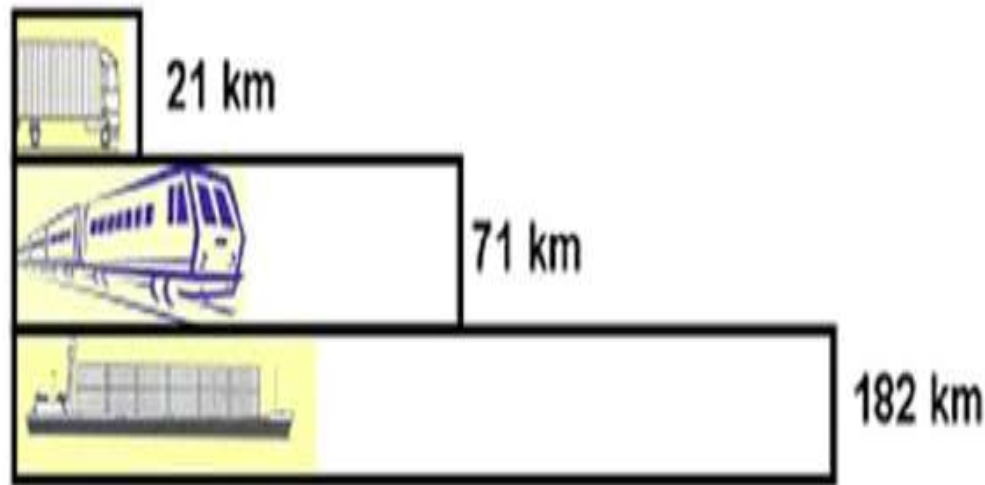
Inland waterways are well known for their cost effectiveness, relative fuel efficiency,

⁴ ERIA is an international organization established in Jakarta, Indonesia in 2008 by agreement of 16 leaders of East Asian countries. It aims to conduct research activities and make policy recommendations for further economic integration in the East Asia. ERIA works together with the ASEAN Secretariat and 16 Research Institutes to undertake and disseminate policy research under the three pillars, namely “Deepening Economic Integration”, “Narrowing Development Gaps”, and “Sustainable Development” and provide analytical policy recommendations to Leaders and Ministers at their regional meetings.

environment friendliness and their importance for mobility, welfare and development of remote communities in several countries of the region. Nevertheless, the development of inland waterways has suffered from lack of adequate investment and efforts for many years. Most of the vessels and terminals of the inland waterways system are owned and operated by the private sector.

Water transport represents the most efficient mode of transport in terms of energy. For vessel, 1 litre of fuel can move 1 ton of freight to a distance of 182 km; which for a truck is only 21 km and for train is 71 km (see Figure 3-7 below). Inland waterways aside, it is time for Indonesia to foresee the prospect of ferry network and short-sea shipping.

Figure 3-7. Energy Efficiency of Selected Mode of Transport



Source: ASEAN Transport and Communication Sectoral Report (2009) p.4

The presence of the two largest archipelagos, Indonesia and the Philippines as the members of BIMP-EAGA, has made this sub-regional cooperation unique compared to the GMS. In BIMP-EAGA, ferry network and short-sea shipping have been, and should be, the primary transport corridors. Learning from the GMS experience, the problem for BIMP-EAGA is how to transform this maritime transport corridor into full-fledged economic corridors, to speed up the development in the remote parts of the sub-region, and to make growth more inclusive. Thus, the task of the government is to build a physical connectivity that comprises of highway and ferry network, known as nautical highway system, in this sub-region. At the same time, it is important for the government to develop an integrated policy on the transportation of goods and people in the most effective and efficient manner. Efficient transport system is of paramount important in

the development of the border trading opportunity and people-to-people contacts that benefit all member countries, which includes states and provinces in the BIMP-EAGA.

The ADB study also confirmed that regional cooperation in BIMP-EAGA is significant because it is not just sub-regional cooperation but also sub-national one. Islands that make up BIMP-EAGA are mostly closer to one another than to their respective capitals, implying greater potential for trade amongst themselves, or directly with the external world, than to trade with other fellow provinces in their own countries. Therefore, different strategy is required to BIMP-EAGA Sub-regional cooperation, as compared to mainland ASEAN, in order to promote ASEAN regional cooperation and overall connectivity.

In 2006, BIMP-EAGA formulated its transport sector strategy and action plan, which emphasized the crucial role of cross-border air, sea and land transport connectivity in achieving BIMP-EAGA's objective of stimulating economic activity by encouraging intra and extra BIMP-EAGA trade, investment, and tourism movement in their sub-region. Furthermore, in 2007, the BIMP-EAGA Transport Ministers reached three transport agreements aimed at facilitating cross-border air, sea, and land connectivity. These include (i) the landmark "open skies" agreement, granting the fifth freedom of traffic rights to the selected major international airports in the sub-region; (ii) the memorandum of understanding in facilitating the cross border movement of buses and coaches; and (iii) the memorandum of understanding in strengthening cooperation on the expansion of sea linkages and the establishment of pioneer sea routes and gateway ports. The transport sector strategy also proposed the adoption of the economic corridor concept as a means for facilitating the development of transport networks within the sub-region, namely, the Western Borneo Economic Corridor (WBEC) and the Greater Sulu Sulawesi Corridor (GSSC).

The recent development on connectivity within the BIMP-EAGA was made in the 7th Summit on May 2011 in Jakarta, Indonesia, where leaders acknowledged that for the past 17 years, BIMP-EAGA has served as a vital mechanism in the process of actualizing BIMP-EAGA collective vision and confident of its continued significance in such crucial initiatives particularly in transport connectivity, and trade facilitation.⁵

In this connection, Coordinating Minister for Economic Affairs of Indonesia underlined that while on sea linkages, roll-on roll-off (Ro-Ro) services between Brunei Darussalam and Malaysia have already been commenced, a study to expand the Ro-Ro network in BIMP-EAGA will be carried out.⁶ The study seeks to align the Ro-Ro priorities of BIMP-EAGA with that of the ASEAN Ro-Ro network as part of the implementation of priority projects and key actions of the MPAC. Ultimately, it is expected that the ASEAN Ro-Ro network would link the intra-BIMP-EAGA shipping routes into one seamless connected region and therefore will support the

⁵ Opening statement by H.E. Benigno Simeon Aquino III, President of the Philippines at the 7th BIMP-EAGA Summit in Jakarta

⁶ Roll-on/Roll-off (Ro-Ro) is vessel designed to carry wheeled cargo such as automobiles, trucks, semi-trailer trucks, trailers, or railroad cars that are driven on and off the ship on their own wheels.

development of domestic connectivity, transportation, and infrastructure of the six economic corridors of Indonesia of which four are located in Eastern Part of Indonesia and part of BIMP-EAGA sub-region.

Japanese delegation at the First Japan – ASEAN Connectivity Coordinating Committee (ACCC) meeting proposed that ASEAN needs to foster a competitive and efficient interstate shipping service in ASEAN and take advantage of the full potential benefit of seamless integration with the global shipping system.

III.2.Bitung – General Santos Ro-Ro Project in the Philippines

The Government of the Philippines, who has to manage an archipelagic country comprising of 7,107 islands, finds it apprehensive to develop their islands' connectivity. The government is firm with the promotion of inter-island routes development, and in providing efficient transportation for people' s mobility. Improving the connectivity, from the Northern island of Luzon, to the Southern island of Mindanao, is a critical element for the government in its effort to promote an even economic growth and development as well as to reduce the poverty level while maintaining national integrity.⁷

In 1965, the Government of the Philippines initiated the Pan-Philippines Highway⁸, which began with the construction of 3,517 km long roads, bridges and ferry routes to connect islands. This Pan-Philippines Highway has successfully connected Luzon, Samar, Leyte and Mindanao. However, this corridor still lacks the effectiveness of inter-modal connectivity.

Challenged by political disintegration and economic disparity, the Government of the Philippines continued to seek comprehensive and sustainable solution to connect the islands. Through the Executive Order 170, the then Arroyo Administration in 2003 had successfully launched a special initiative to improve the country' s intra-island connectivity, by establishing the Strong Republic Nautical Highway (SRNH).

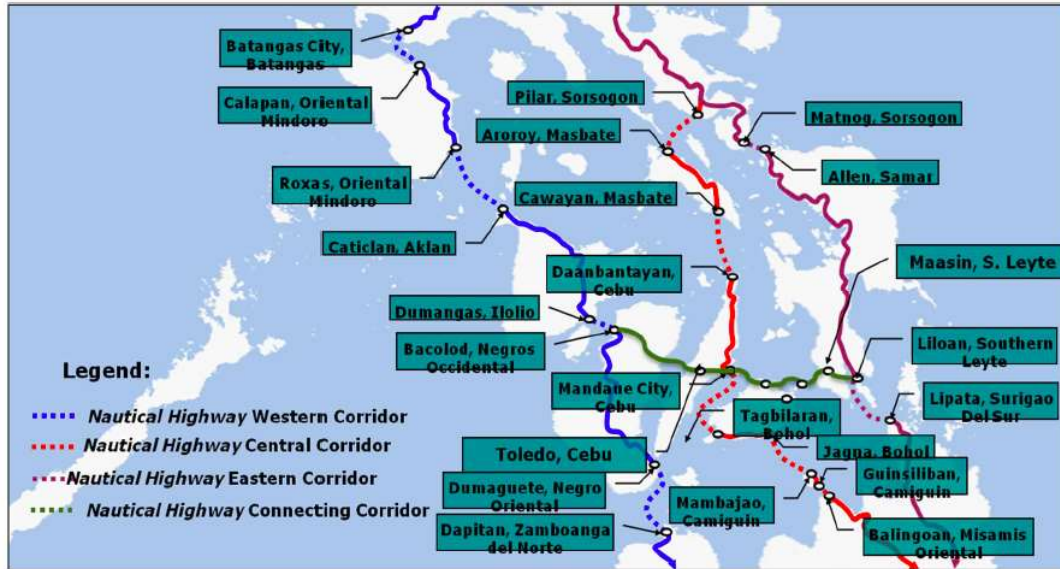
The Strong Republic Nautical Highway is an integrated inter-modal transportation system, which combines the land and sea transport. It consists of three main corridors and one connecting corridor. The SRNH promotes the usage of Roll-on Roll-off system (Ro-Ro) in an integrated manner with the provincial land roads. SRNH thus forms the backbone of a nationwide vehicle-accessible transport system, which is able to reduce travel time from northernmost point to the southernmost point of SRNH by up to 17 hours, and travel cost down to 40-60 per cent. It also

⁷ National Center for Transportation Studies, University of the Philippines, Report on Philippines SRNH 2011

⁸ The Pan-Philippine Highway was launched in 1965, also called as the Maharlika Highway. It was developed by the Philippines and was supported by the World Bank through loans and grants from foreign aid institutions. Again, in 1997, this highway was rehabilitated and improved in 1997 with assistance from Japan, and dubbed the Philippine-Japan Friendship Highway.

enhances trading activity and promotes tourist destinations in the hinterland.⁹

Figure 3-8. Philippines Strong Republic Nautical Highway (SRNH)



Source: The Philippines Port Authority (PPA) pamphlet (2011) p.3

The Strong Republic Nautical Highway (SRNH) consists of three corridors or routes, which are as follows¹⁰: (see Figure 3-8)

1. Western Nautical Highways,

This corridor was launched in 2003, consisted of 703 kilometres and 137 nautical miles, spanning in 10 provinces connecting Luzon to Mindanao. The corridor route is as follow: Batangas City – Calapan (Mindoro) – Roxas (Mindoro) – Caticlan (Panay Island) – Dumangas (Iloilo) – Bacolod (Negros) – Dumaguete (Negros) – Pulauan (Dapitan).

2. Central Nautical Highway,

Central Nautical Highway, which was launched later in 2008, connects Luzon to Mindanao. The corridor route is as follow: Pilar (Sorsogon) – Arroy (Masbate) – Cawayan (Masbate) – Daanbantayan (Cebu) - Mandanae City(Cebu) – Tagbilaran (Bohol) – Jagna (Bohol) – Guinsiliban (Gamiguin) - Balingoan (Misamis Oriental).

3. Eastern Nautical Highway,

Eastern Nautical Highway was opened in 2009, linking the Eastern Luzon to Eastern Mindanao. The corridor route is as follow: Masbate – Biliran – Leyte – Southern Leyte.

⁹Philippines Port Authority, “Strong Republic Nautical Highway Corridor” (Manila, PPA Pamphlets: 2011)

¹⁰ Philippines Port Authority

To connect these three corridors, the Government of the Philippines has created a connecting corridor which is currently still under construction, in particular projects relating to expansions of ports and Ro-Ro networks along the designated corridor.

The SRNH is managed under the coordination of the National Economic Development Authority (NEDA) and involving intra-departments and institutions arrangements. Those involved include the Department of Interior and Local Government, the Local Government Units (LGUs), the Department of Transportation and Communication (DoTC), the Department of Public Works and Highways (DPWH), the Department of Trade and Industry (DTI) and the Department of Agriculture. Sailing authorization and ports facilities of the SRNH are operated by Maritime Industry Authority (MARINA) and the Philippines Ports Authority (PPA), both are under the Department of Transportation and Communication (DoTC).

In developing the routes and the necessary infrastructures, the government engages national banks, with the main participation of the Development Bank of the Philippines (DPB) that actively funds the construction of ports and roads, including the procurement of the Ro-Ro ferries. The government also facilitates the cooperation between DPB with Japan International Bank, to fund SRNH infrastructures.

The respective institutions, as mentioned above, are mandated with the following functions and authorities:

- a. The National Economic Development Authority (NEDA) is to provide recommendation based on studies and analysis in preparing the 'blueprint' and monitor the further development of SRNH.
- b. The Department of Interior and Local Government is to ensure that there is no additional taxation and fees levied to passengers and Ro-Ro ferries passing through the 65 Local Government Units in the SRNH routes.
- c. The Department of Transportation and Communication (DoTC) is to regulate transportation tariffs, monitor public and private ports authorities, monitor public and private ferries and Ro-Ro service provider, formulate SRNH policies, and to assess possible development of new routes with Department of Public Works and Highways (DPWH).
- d. The Department of Public Works and Highways (DPWH) is to develop the land network of the SRNH, and to facilitate inter-modal connectivity.
- e. The Department of Trade and Industry is to provide incentive to companies to open-up new routes, and integrating the SRNH with industrial sites and networks.
- f. The Department of Agriculture is to integrate food distribution network into SRNH framework.
- g. The Maritime Industry Authority (MARINA) is to issue license for ferry and Ro-Ro services.
- h. The Philippines Ports Authority (PPA) is to manage and develop ports and its usage, in

order to maximize the outputs of the ports.

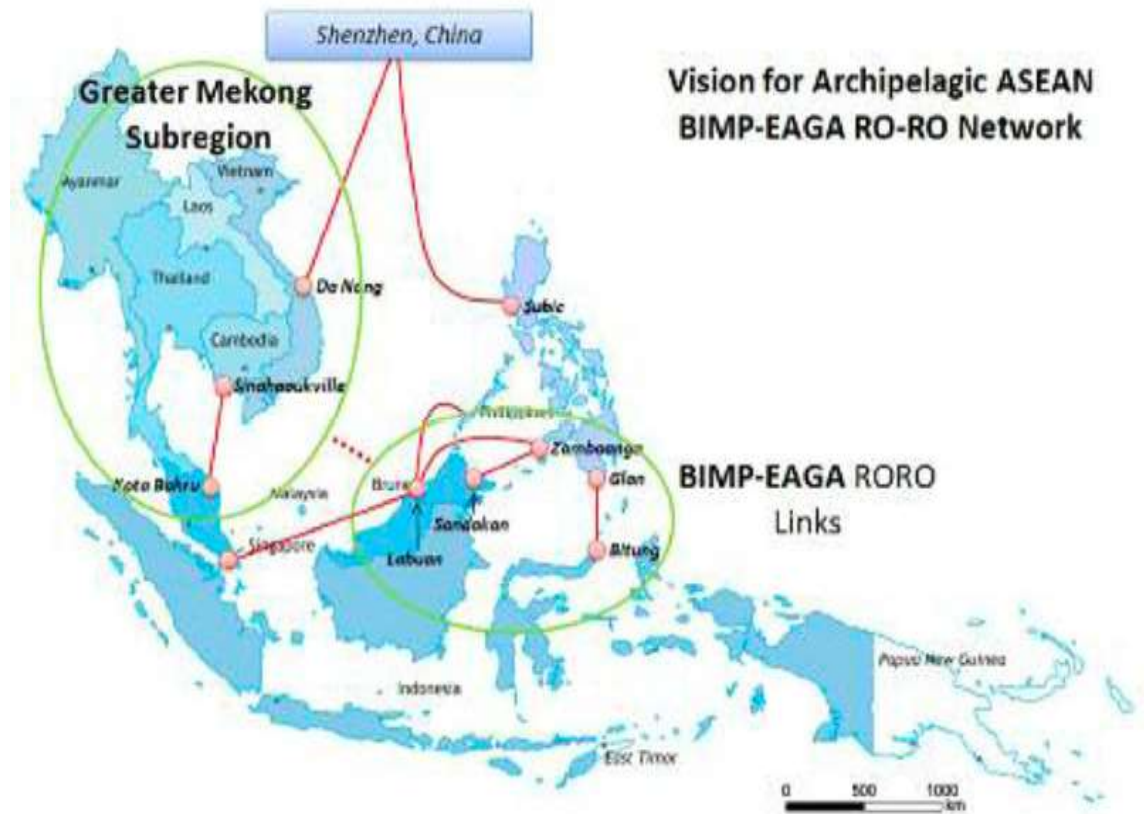
All of the above institutions are working closely together under the coordination of the National Economic Development Authority and guided directly by the President. The SRNH provides a good example of coordination among stakeholders to collaborate in a systematic way. The central government is able to manage a good teamwork, consisting of related department and institutions, as the regulator of the SRNH. Meanwhile, the local government, society as well as private sectors work together in a clear and systematic division of labour. These clear-cut of inter-sector division of labour create efficiency, and diminish the possibility of overlapping roles and functions amongst the regulators and operators.

The SRNH provides one among the best examples for those who figure out the way to build connectivity in the Eastern part of ASEAN, as well as between the Western part and Eastern part of ASEAN. As previously mentioned, the rapid development in the Greater Mekong Sub-region has produced connectivity disparity between 'mainland' region and 'archipelagic' region of ASEAN. The lags in development of the connectivity in the archipelagic area is a direct result of the geographical challenge, the economics of scale, as well as the lags of capital investment needed to promote connectivity.

Since its first implementation in 2003, the SRNH has successfully altered the archipelagic nature of the Philippines. Accessible and affordable transportation cost manages to improve people to people connectivity, strengthen political integration and, above all, boost up small and medium economic activities that eventually diminish poverty. The SRNH also has the potential in expanding its network beyond the Philippines; namely the possibility to extend the SRNH corridors into Brunei-Indonesia-Malaysia-Philippines East Asia Growth Area (BIMP-EAGA). The extension can be established through Mindanao-Tawau-Nunukan. The SRNH has also established connecting corridor to the Greater Mekong Sub-region (Batangas-Da Nang) and to China (Manila-Guangzhou).

As such, the SRNH is an example of a local (national) initiative that can contribute positively to the implementation of Master Plan on ASEAN Connectivity. To some extent, the SRNH has shown progress in combining the development of hard infrastructure (such as roads/highways and ports), and soft infrastructure (such as institutional connectivity). In a building block approach, and in the context of possible extension of SRNH beyond borders, in order to support the attainment of BIMP-EAGA as part of ASEAN' s single production base and economic network, one of the challenges that must be addressed is the custom reform to meet the requirement of ASEAN Single Window.

Figure 3-9. Vision for Archipelagic ASEAN BIMP-EAGA Ro-Ro Network

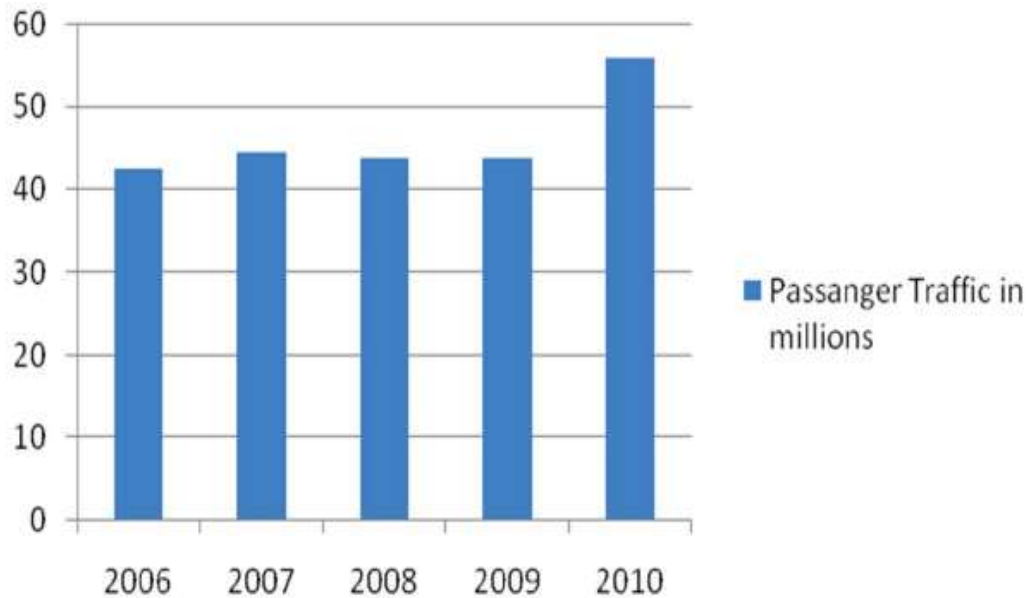


Source: ERIA Study Paper on ASEAN Connectivity (2011) p.8

In assessing its implementation, and in considering its future development, SRNH can be considered successful in providing positive impact on the people along the SRNH routes, as follows:

1. Increasing people to people connectivity within the Philippines archipelago, as reflected in the increasing trend of people's mobility using the SRNH, from 42.5 million in 2006 to 55.86 million in 2010, despite the tough competition from the cheaper airlines fare.

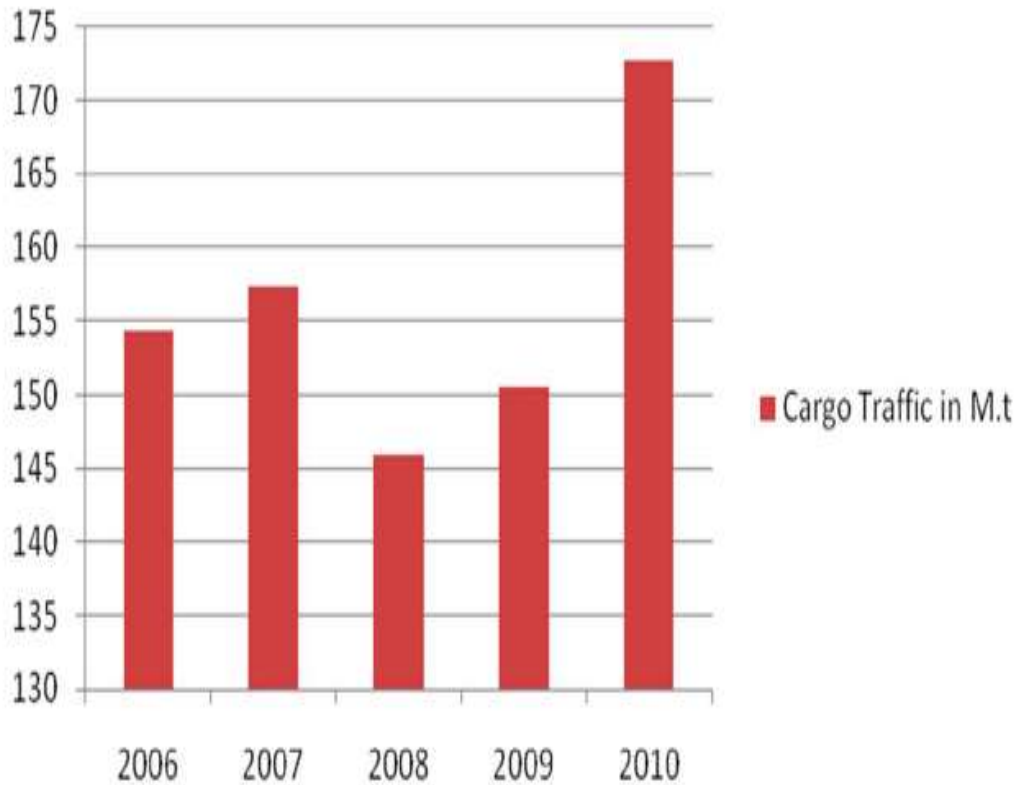
Figure 3-10. Passenger Traffic in millions



Source: Strong Republic Nautical Highway Corridor PPA Phamflet (2011) p.2

2. Developing rural and hinterland economic centers, as reflected, for instance, in the areas of Calapan and Roxas (Mindoro Oriental). The SRNH assumes the role of economic spine in these once underdeveloped rural areas in Mindoro Oriental. The growth of retail business and Small and Medium Enterprises (SMEs) in the area has also induced the growth of retail services and financial services.
3. Increasing trade and investment volume and promoting more equitable development, as economic growth is clearly visible along the corridors of SRNH. SMEs, are directly, and positively, promoted by the provision of an efficient transportation cost and safety, thus resulted in lower consumer price, increase in retail trade volume, and provide food security in the cities (urban areas) and the countryside (rural areas). The Investigating Team also discovered that price deviation from the economic centers in Luzon to the country side and small islands are not too significant (10-20 percent).

Figure 3-11. Cargo Traffic via SRNH in metric tons



Source: Strong Republic Nautical Highway Corridor PPA Phamflet (2011) p.4

4. Reducing transport cost, which is good for the local industry; the following table indicates that cost of transport can be reduced substantially when one use a Ro-Ro system instead of traditional shipping. For instance, as indicated in the table, the cost of transporting beer from Batangas to Calapan using traditional shipping is 30,400 pesos while using Ro-Ro shipping is only 13,000 pesos, so the company could save up to 57 per cent.
5. Increasing volume in domestic and international tourism; it is estimated that in 2010 the Philippines registered around 5.5 million domestic and international travellers, with annual growth of 9.8 per cent, and the creation of 3.5 million jobs in the tourism sector. Reliable transport with affordable cost gives a boost to the tourism sector.¹¹

¹¹ In the meeting of Indonesia-the Philippines Joint Commission on Bilateral Cooperation (JCBC), Manila, 14 December 2011, The JCBC noted, among others, that Indonesia and the Philippines of the view on the importance of Ro-Ro network in strengthening sea-linkages between Southern Philippines and Eastern Indonesia to facilitate tourism and business. In particular, the two countries will promote more connectivity between Mindanao and Sulawesi by involving private sectors. The Ro-Ro network is expected, not only to increase connectivity between the two countries, but also that of ASEAN regions, in particular the BIMP-EAGA. As such, Indonesia and the Philippines lend support for the commencement of the feasibility studies on the Ro-Ro network and short-sea shipping in 2012.

III.3. Bitung – General Santos Ro-Ro Project in Indonesia

A challenge for a vast archipelago such as Indonesia is the provision of infrastructure to support economic activities. Connectivity between regions should be developed to accelerate and expand economic development. Provision of infrastructure, which encourages connectivity, will reduce transportation and logistics costs in order to improve product competitiveness, and accelerate economic growth. Included in the connectivity infrastructure, is the construction of transportation routes.

For an archipelago of 17,508 islands, short-sea shipping, passenger ferry and Ro-Ro ferry have been the primary mode of transportation in Indonesia. Within the context of inter-islands connectivity, ferry transport mainly has three roles; Firstly, ferry transport serves as the country's main infrastructure that provide the public with inter-island transport, connecting the developed and the developing regions.

Secondly, ferry transport serves as the agent of development. It serves as a pioneer that provides public transport to the remote (isolated), and the outer (border) islands, in order to accelerate the development and to open the geographic isolation especially in the Eastern part of Indonesia. In economic context, the development of ferry shipping lines in the Eastern part of Indonesia are intended to narrow the development gap with the Western region, where the mode of land transport has been well established through the Trans Sumatera – Java highway, which is also an integral part of ASEAN – Highway Network projects. Ultimately, it is expected that all main islands in Indonesia would be interconnected. Lastly, the ferry service that is presently delivered by a state owned company, PT ASDP (Rivers, Lakes and Ferry Transport) Ferry Indonesia as the national ferry operator, is expected to contribute profits and dividend through ferry shipping and ports services. At the moment, PT ASDP Ferry Indonesia operates 98 ferries and Ro-Ro, and 34 ferry ports throughout Indonesia.

In geopolitical context, ferry in Indonesia plays a supporting role in promoting socio-political stability and defense to support the sovereignty, through its regular visits to the outer and border islands of Indonesia. In addition, ferry also plays role to support the emergency response in case of disaster or other calamity, by providing a cheap, but fast and reliable mass transportation.

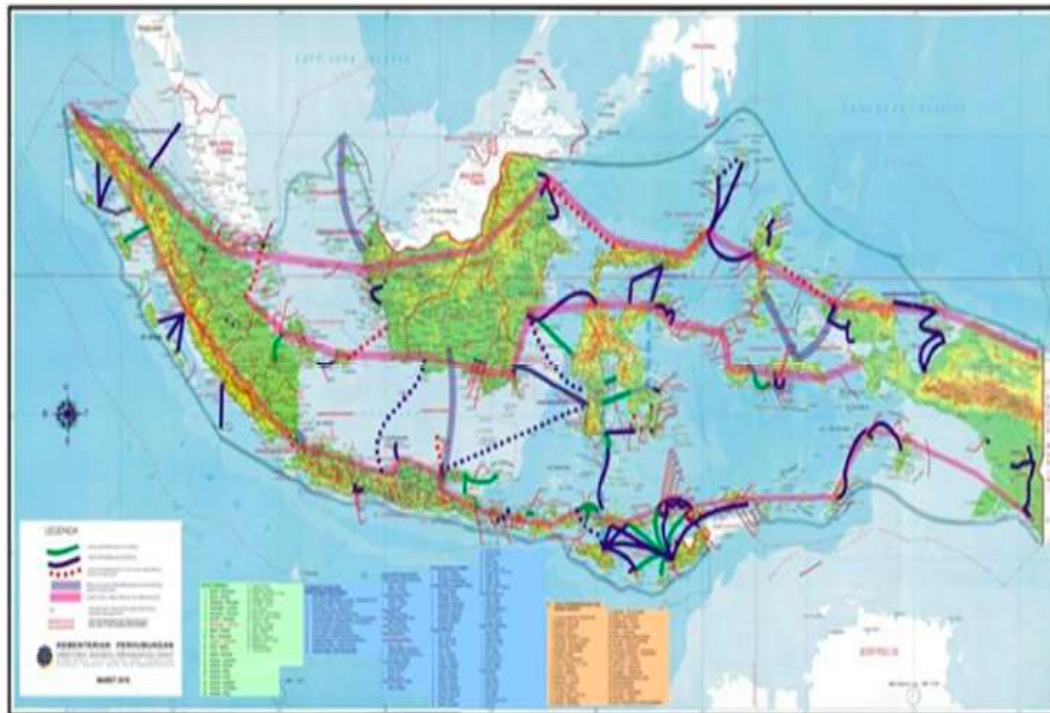
In general, the existing national ferry lines can be classified into three belts, namely: (i) Northern Belt; (ii) Central Belt; and (iii) Southern Belt. These belts form three horizontal shipping lines across the Indonesian Archipelago, from Sabang in Aceh to Merauke in Papua.

PT. ASDP Ferry Indonesia. The company has a fleet of 115 ferries that serve 151 shipping lines throughout the Indonesian archipelago. The commercial ferry network consists of 38 lines, served by 65 ferries; while the pioneer ferry network consists of 113 lines, served by 50 ferries. Therefore, the bulk of business activities run by PT ASDP Ferry Indonesia are mostly (75

per cent) pioneer ferries, while the rest 25 per cent is commercial. PT ASDP Ferry Indonesia also manages 34 ferry ports across Indonesia that provide facilities, service and infrastructures for connectivity by ferry.

The Figure 3-12 shows that ferry, as the main inter-islands mode of transportation in Indonesia, has played an important role as bridges connecting Western part (Sumatera, Java, Kalimantan, Bali) and Eastern part of Indonesia (Nusa Tenggara, Sulawesi, Maluku, Papua), thus contributes in narrowing the development gap between the two regions. With simple shipment procedure, Ro-Ro has comparative advantages compared to the complexity of containerized cargo. Distribution line of goods by Ro-Ro network that consists of warehouse – trucks – Ro-Ro – and directly to the customers or end users is still a preferably option for the people who live in remote islands. Therefore, the most feasible option to narrow the development gap between the Western part and the Eastern part of Indonesia is to develop an integrated multi-modal transport system in archipelagic Indonesia. Indeed, while in terms of the number of Ro-Ro lines, ferries, and ports, the government of Indonesia has already given priority to the Ro-Ro connectivity in the Eastern part of Indonesia, yet integrated inland-waterway connectivity is still yet to be developed.

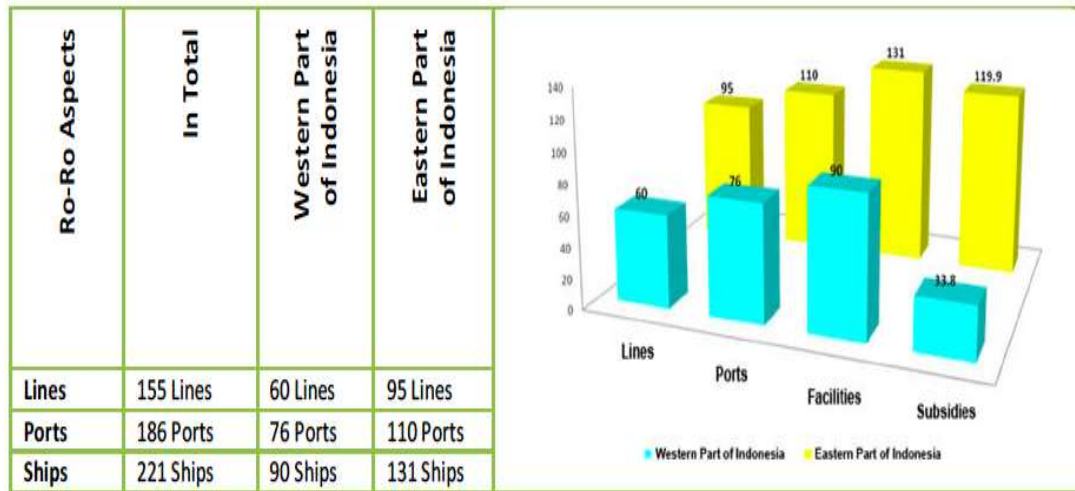
Figure 3-12. Indonesian Ferry Lines



Source: PT. ASDP Ferry Indonesia (2012) p.13

At present, the comparison of Ro-Ro network availability in the Eastern part and Western part of Indonesia is as follows:

Table 3-6. Comparison of Ro-Ro Network in the Eastern and Western Part of Indonesia



Source: PT. ASDP Ferry Indonesia (2012) p.12

The table above shows that the policy in the development of ferry or Ro-Ro network has made the Eastern part of Indonesia a priority, since maritime transport in this area represents the national as well as regional weakest link, both in the context of MP3EI and ASEAN Connectivity. Whereas, Ro-Ro connectivity in the Western part of Indonesia, as well as in the context of ASEAN Connectivity, is more advanced. The Ro-Ro service between Belawan, Dumai (Sumatra) and Penang (Peninsular Malaysia) is considered as the most mature regional cooperation in maritime transport, although the service were later suspended due to the institutional problems, in particular concerning the implementation of customs, tariffs and licensing for the vehicles and goods from Malaysia that enter Indonesia.

The lack of maritime transport facilities and infrastructure in the Eastern part of Indonesia in turn has caused the people to bear a more expensive price of goods compared to the people who live in the Western part of Indonesia, or Java Island in particular. In this regard, the development of national and intra sub-regional Ro-Ro services between Indonesia and Malaysia, Brunei, Singapore and the Philippines will promote border trade and people-to-people exchange that benefits people in the border areas. In this context, pioneer ferry transport has contributed to the acceleration and expansion of Indonesia economic development especially in the Eastern part of Indonesia.

In the Eastern part of Indonesia, where sea covers 83 per cent of the area and the waters host 11,056 islands (63 per cent of all islands of Indonesia), the main cities are mostly located on the coastal zones with a distant between 0-15 km from the coastline. Moreover, of 123 regencies,

which are categorized as the least developed, 62 per cent of them are located in the Eastern part of Indonesia. Thus, a maritime region approach is required as a strategy to develop the region. As a maritime region, the Eastern part of Indonesia share sea-borders with neighboring countries such as Malaysia and the Philippines to the North; PNG, and Pacific countries to the East, and with Timor Leste and Australia to the South.

The Master Plan for Acceleration and Expansion of Indonesia Economic Development (MP3EI) has identified the potentials and advantages inherent in each region throughout Indonesia, where each major island (or groups of major islands) has the potentials and strategic roles as an economic corridor. In this connection, the Eastern part of Indonesia, particularly Sulawesi, Bali and Nusa Tenggara, and Maluku Islands and Papua, have been identified, respectively, as the centre for production and processing of national agricultural, plantation, fishery, oil & gas, and mining (Coordinating Ministry for Economic Affairs 2011, 44-67); gateway for tourism and national food support; and centre for development of food, fisheries, energy, and national mining. Indeed, the development of these economic corridors needs connectivity routes connecting each corridor to support the flow of goods, natural persons and logistics between Western part and Eastern part of Indonesia.

As previously mentioned, the Ro-Ro network connectivity in Indonesia comprises of three belts namely the Southern Belt, Central Belt, and Northern Belt. Therefore, the potential to develop ASEAN Ro-Ro network, especially within the framework of BIMP-EAGA Cooperation is feasible. The prospect routes are: 1) the connection the Port of Bitung, North Sulawesi, through Sangihe and Talaud Islands, up to Davao and Zamboanga on the Mindanao Island of the Philippines with Ro-Ro service; 2) the connectivity between the Port of Kupang in the East Nusa Tenggara and Port of Darwin in the Northern Territory, Australia; 3) the Ro-Ro connectivity between the Port of Tarakan or Nunukan in East Kalimantan and the Port of Tawau in the State of Sabah, Malaysia.

Figure 3-13. ASEAN Connectivity in the Eastern Part of Indonesia



Source: Indonesia's Paper on ASEAN Connectivity (2010) p.21

The expansion of ferry/Ro-Ro connectivity to the neighboring countries could be an option to boost trade and investment. Direct Ro-Ro shipping from Darwin to Kupang and Dili, or from Davao to Bitung or Manado, for the people live in Nusa Tenggara or in North Sulawesi would serve as an alternative for export market of local commodities, as well as for imported goods to fulfil local demand. However, the effort to fulfil the primary and secondary needs for the communities in the outer islands through border trading with neighboring countries should not be prejudicial to the national security. Furthermore, the international ferry lines such as Kupang - Darwin, and Bitung - Davao, should lead to the enhanced border trade and reduce the smuggling or illegal trade, as recently happened in the case of foods smuggling from Malaysia to Indonesia via ferry at Tawau - Nunukan.

PT ASDP Indonesia Ferry has attempted to reconcile the Master Plan for the Acceleration and Expansion of Indonesia's Economic Development (MP3EI) with the Master Plan on ASEAN Connectivity (MPAC) so that the two can mutually strengthening. The initial study by PT ASDP Indonesia Ferry has been focused on some potential routes that is considered fit-in in both MP3EI and MPAC grand scenario. The research about relations between MPAC and MP3EI will be

discussed on the chapter 4.

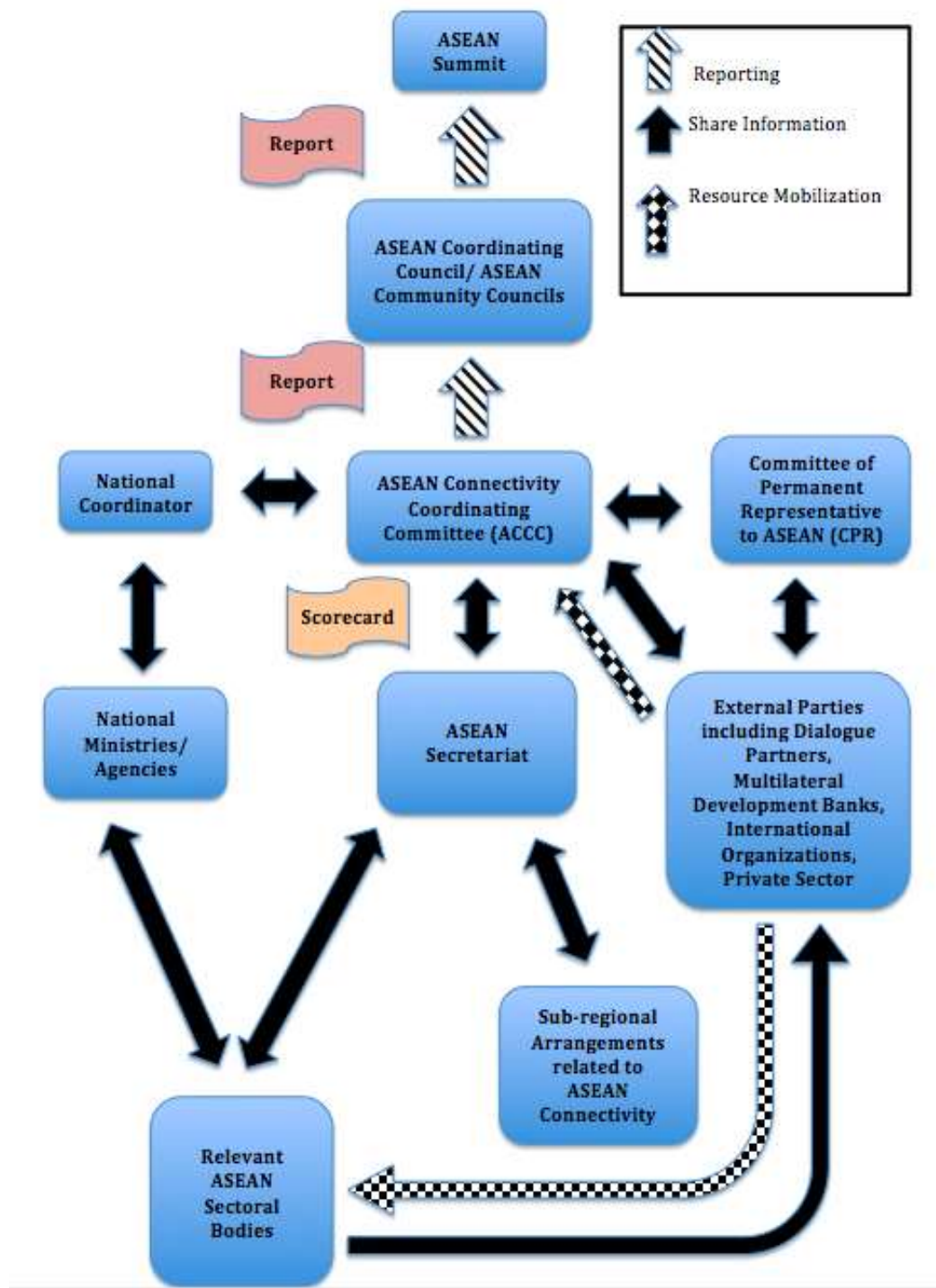
IV. Policy-making Process in ASEAN Connectivity

Chapter 5 of the Master Plan on ASEAN Connectivity envisages an appropriate mechanism for effective and efficient implementation of the Master Plan. However, the Master Plan does not specify in detail the implementation arrangements. It is thus essential to elaborate on the implementation arrangements by identifying the key implementing bodies, their respective roles and functions, and how they relate to other stakeholders. These implementing bodies will develop specific activities under each key action, where appropriate, and come up with details of projects or programmes in support of the relevant key actions. The reason is that some of the key actions may be aspirational in nature. In addition, as some of the key actions are cross-cutting in nature, joint undertakings involving more than one sectoral bodies would be necessary.

IV.1. The Actors and their Roles in MP3EI

In accordance with the mandate of MPAC, each member state appointed one person as a representative of the ASEAN Connectivity Coordinating Committee (ACCC) and one person as National Coordinator for ASEAN Connectivity. Furthermore, the two entities have a very important role in the policy-making process for ASEAN Connectivity. ACCC is located in Jakarta and meet at least 2 times a year to discuss progress on ASEAN Connectivity projects. The Permanent Representatives of ASEAN countries based in Jakarta usually also hold the ACCC representatives' positions. The ACCC has a Working Group that meets every month to discuss the technical development of the ASEAN Connectivity. ACCC WG is composed of senior officials at the Permanent Representative of ASEAN countries in Jakarta. The ACCC will make a report to the ASEAN leaders, two times a year through the ASEAN Community Council (ACC) which consists of the Ministers for Foreign Affairs. Figure 3-14 shows the coordination mechanism and the policy-making process in ASEAN Connectivity.

Figure 3-14. Coordination mechanism and Policy making process in ASEAN Connectivity



Source: Master Plan of ASEAN Connectivity (2011), modified by the author

The role and functions of the ASEAN Connectivity Coordinating Committee (ACCC) are provided in its Terms of Reference endorsed by the ASEAN Coordinating Council on January 17, 2011 in Lombok, Indonesia, as follows:

- (a) Monitor, evaluate and review on a regular basis, or as appropriate, the implementation of the strategies, actions and projects of the Master Plan on ASEAN Connectivity;
- (b) Coordinate with the National Coordinators, the Committee of Permanent Representatives to ASEAN, relevant ASEAN sectoral bodies and sub-regional arrangements to ensure that the implementation of the strategies, actions and projects are in line with the Master Plan on ASEAN Connectivity;
- (c) Identify issues and challenges, which arise from the implementation of the Master Plan on ASEAN Connectivity, and make appropriate recommendations to the ASEAN Summit through the ASEAN Coordinating Council;
- (d) Coordinate with ASEAN Dialogue Partners, multilateral development banks including various international and regional financial institutions, international organizations, private sector and other relevant stakeholders to promote the implementation of Master Plan on ASEAN Connectivity and mobilize all possible sources of funding;
- (e) Evaluate and recommend additional strategies, actions and prioritised projects to the ASEAN Summit through the ASEAN Coordinating Council;
- (f) Liaise with the National Coordinators to carry out outreach activities and consultations with stakeholders to raise awareness of ASEAN Connectivity; and
- (g) Explore strategies to strengthen connectivity between ASEAN and other regions including East Asia and beyond.

The Implementation Matrix/Scorecard will be used as a reference document for the monitoring, evaluation and review of the implementation of the Master Plan on ASEAN Connectivity. The Implementation Matrix/Scorecard will be reported to the ASEAN Coordinating Council and shared with the Community Councils twice a year. Executive Summary attaching the Implementation Matrix/Scorecard could be appended to the ACCC report to the ASEAN Coordinating Council.

The respective National Coordinator could hold consultative meetings with line ministries/agencies on the implementation of Master Plan on ASEAN Connectivity at the national level. The ACCC member or his/her representative could present the Implementation Matrix/Scorecard at the national consultative meeting. The ACCC could also hold consultation with the National Coordinators to discuss national implementation of ASEAN Connectivity initiative and chart ways to coordinate the work of the respective National Coordinator across borders.

The ACCC could consult the National Coordinators, the Committee of Permanent Representatives to ASEAN, relevant ASEAN sectoral bodies and sub-regional arrangements in

identifying issues and challenges, and making appropriate recommendations to the ASEAN Summit through the ASEAN Coordinating Council. The relevant ASEAN sectoral bodies and sub-regional arrangements could provide progress updates by highlighting issues, challenges and recommendations (including additional strategies, actions and prioritized projects) for specific key actions under their respective purview.

The ACCC could hold consultations with ASEAN Dialogue Partners, multilateral development banks including various international and regional financial institutions, international organizations, private sector and other relevant stakeholders. The ACCC would be preparing concise project information sheet for initiatives under the Master Plan on ASEAN Connectivity, which could be used as a tool for ASEAN to engage with Dialogue Partners and others who might be interested to take up the projects.

The ACCC could consult the National Coordinators, the Committee of Permanent Representatives to ASEAN, relevant ASEAN sectoral bodies and sub-regional arrangements in evaluating and recommending additional strategies, actions and prioritized projects to the ASEAN Summit through the ASEAN Coordinating Council.

The respective National Coordinator and ACCC member could hold outreach and advocacy activities at the national level to raise awareness and increase buy-in of ASEAN Connectivity. The ACCC member or his/her representative or the ASEAN Secretariat could be invited to present on the developments in the implementation of the Master Plan on ASEAN Connectivity at these national outreach and advocacy activities.

The ACCC could devise, deliberate and decide on the strategies to strengthen connectivity between ASEAN and other regions such as “ASEAN Connectivity Plus”. The ACCC could hold consultations with ASEAN Dialogue Partners, multilateral development banks including various international and regional financial institutions, international organizations, private sector and other relevant stakeholders.

Each ASEAN Member State shall appoint their respective National Coordinator. The National Coordinator for ASEAN Connectivity (NCAC) is a senior official in each state capital city of ASEAN members who responsible makes national development plans related to ASEAN connectivity. NCAC periodically report the development of national projects related to ASEAN connectivity to the ACCC. On the other hand, the ACCC will also report to NCAC on the development of ASEAN connectivity at the regional level. The NC has duties as follows:

- (a) Serve as the national focal point in liaising with their respective line ministries/agencies on the implementation of key actions, including priority projects, arising from the strategies in the Master Plan to further enhance ASEAN Connectivity;
- (b) Oversee and facilitate the implementation of the Master Plan on ASEAN Connectivity at the national level through the effective follow-up on the decisions taken in ASEAN;
- (c) Coordinate and support the national preparations of ASEAN Connectivity meetings;

- (d) Undertake regular communications or consultations with the ASEAN Connectivity Coordinating Committee on outreach and advocacy activities related to ASEAN Connectivity at the national level;
- (e) Act as a national advocate for ASEAN Connectivity; and
- (f) Serve as the repository of information on all ASEAN Connectivity matters at the national level.

In order to support the ASEAN Connectivity, an ASEAN Connectivity Division has been set up under the Office of the Secretary-General of ASEAN to undertake functions related to ASEAN Connectivity. This Division has commenced its operations and is initially staffed by one Assistant Director and two Technical Officers. The ASEAN Connectivity Division will work closely with other ASEAN Secretariat Divisions to strengthen coordination linkages in implementing the Master Plan. The ASEAN Connectivity Division has tasks to:

- (a) Support the ASEAN Connectivity Coordinating Committee, including servicing its meetings;
- (b) Work with the ASEAN Connectivity Coordinating Committee, and the ASEAN Sectoral Bodies through relevant Divisions at the ASEAN Secretariat to monitor, evaluate and review on a periodic basis (through a scorecard mechanism), as appropriate, the implementation of the Master Plan on ASEAN Connectivity to ensure effective implementation of the strategies and actions put forward in the Master Plan;
- (c) Work with the ASEAN Connectivity Coordinating Committee and the ASEAN Sectoral Bodies in formulating project proposals and undertaking detailed feasibility studies (especially for infrastructure related projects);
- (d) Liaise with the relevant Divisions of the ASEAN Secretariat which coordinate with the sub-regional arrangements, given the cross cutting nature for the some of the recommended key actions such as cross border measures and physical infrastructure projects; and
- (e) Work with other ASEAN Secretariat Divisions in liaising with the wider community including private sector, industry associations, scholars/academics/think tanks and external partners with the view to encourage greater participation on enhancing ASEAN Connectivity.

ASEAN Secretariat has Sectoral bodies those related to establishment ASEAN Community. Some of them also are in charge in ASEAN Connectivity, namely Division on Infrastructure, Service and Investment, Trade and facilitation, and Regional cooperation. Those ASEAN Sectoral Bodies have tasks to:

- (a) Coordinate the implementation of the specific strategies and actions under their respective purview as outlined in the Master Plan on ASEAN Connectivity, and related Agreements and Plans of Actions; and
- (b) Continue to strengthen cooperation in their respective fields within ASEAN and with external parties, including private sector and other ASEAN entities, in support of building the ASEAN Community and enhancing the ASEAN Connectivity.

Related to Adjustment Theory of Regionalism, the policymaking process at regional level of ASEAN shows the phase I (see Table 1-2) of the coordination and harmonization. The Phase I emphasis on formulating common interest. This phase shows there are three actors who have important roles, namely ASEAN Connectivity Division of ASEAN Secretariat, ACCC and NCAC. Establishment of Connectivity Division indicates that there is increasing role of ASEAN Secretariat in policymaking process. The division has significant role in implementation MPAC. If there is disagreement between member countries in implementation of MPAC, this division will find the solution.

ACCC has important roles in coordination and harmonization of national policy to regional policy. ACCC reports frequently the national policies to ASEAN meeting. This report aims to share information to all member countries to be cross assessed by all members (phase II). The result of cross assessment will be brought back to national level of policymaking process by NCAC. This process shows coordination and harmonization between regional level of ASEAN and national level of member countries. In the case of Indonesia, NCAC of Indonesia is involved in the meeting of Committee of MP3EI. The policymaking process at national level of Indonesia is further discussed in Chapter 4.

CHAPTER 4

INDONESIAN DEVELOPMENT PLAN UNDER MP3EI

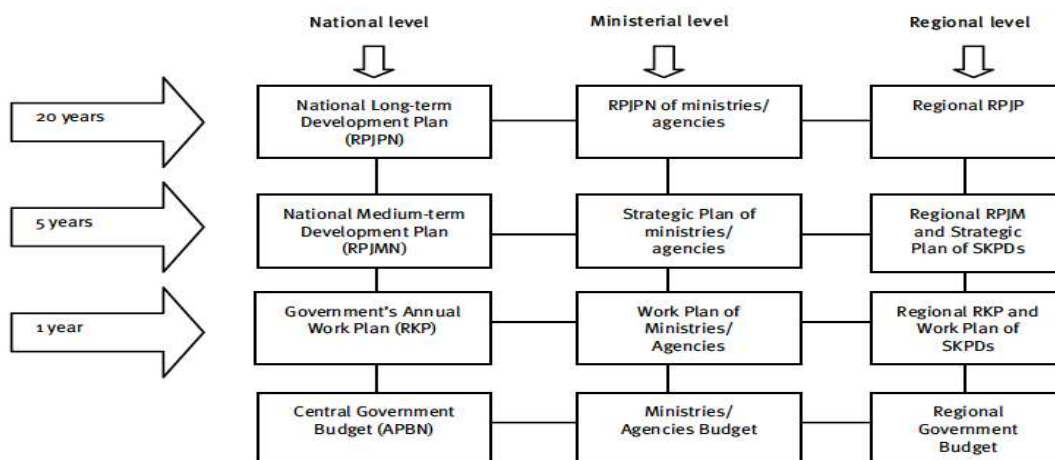
In the previous chapter the policy making process on the on ASEAN Connectivity projects at the ASEAN level was discussed. Implementation of MPAC is discussed in ASEAN in various meetings. Furthermore, the policy which was agreed had taken in ASEAN is brought to the National level to be synergized and harmonized to national development plan. This chapter discusses policy on development plan in Indonesia related to ASEAN Connectivity that implemented in Indonesia that harmonized with MP3EI.

I. Indonesian Development Plan

Indonesia implements its national development plan based on the National Development Planning System (Sistem Perencanaan Pembangunan Nasional, or SPPN), as being regulated by Law No. 25/2004 on National Development Planning and operationalized in Government Regulation No. 40/2006 and No. 8/2008, to formulate 20-year, long-term development plans (RPJPs); five-year, medium-term development plans (RPJMs); and annual development plans (RKPs) at the national, ministerial and regional levels.

The RPJP is implemented each year through the RKPs, with a purpose to inform the (annual) budgeting process. Figure 4-1 illustrates how long-term, medium-term and annual plans at the national, ministerial and regional levels interact with one another.

Figure.4.1 The Indonesian development planning hierarchy



Source: Law No. 25/2004 on National Development Planning

Formal rules governing the drafting of development plans suggest development planning should be (i) political: drawing on the agenda proposed by the president (or other democratically elected leaders); (ii) technocratic: based on data generated through scientific methods; (iii) participatory: incorporating the views of interest groups or stakeholders, including those from the executive, judiciary, legislature, society, private sector and non-governmental organizations (NGOs); (iv) top-down: centred on plans prepared by the president, ministries and agencies; and (v) bottom-up: founded on plans from the village, district and regional levels (Suzetta 2007).

I.1. Long Term Development Plan

In formulating the 20-year long-term plan, Bappenas, guided by the long-term vision (informed by the 1945 Constitution), follows a mainly technocratic process and considers an evaluation of the previous RPJPN. A draft is then presented to a stakeholder forum, or development planning deliberation (*Musyawahar Perencanaan Pembangunan Nasional*, or *Musrenbangnas*¹²) no later than one year prior to the end of the ongoing RPJPN. Based on feedback from the *Musrenbangnas*, the head of Bappenas will conclude the RPJPN and send it to the president for approval, who in turn will present it to the DPR. The final RPJPN guides the RPJMN, regional RJPJs and priorities for future presidential candidates.

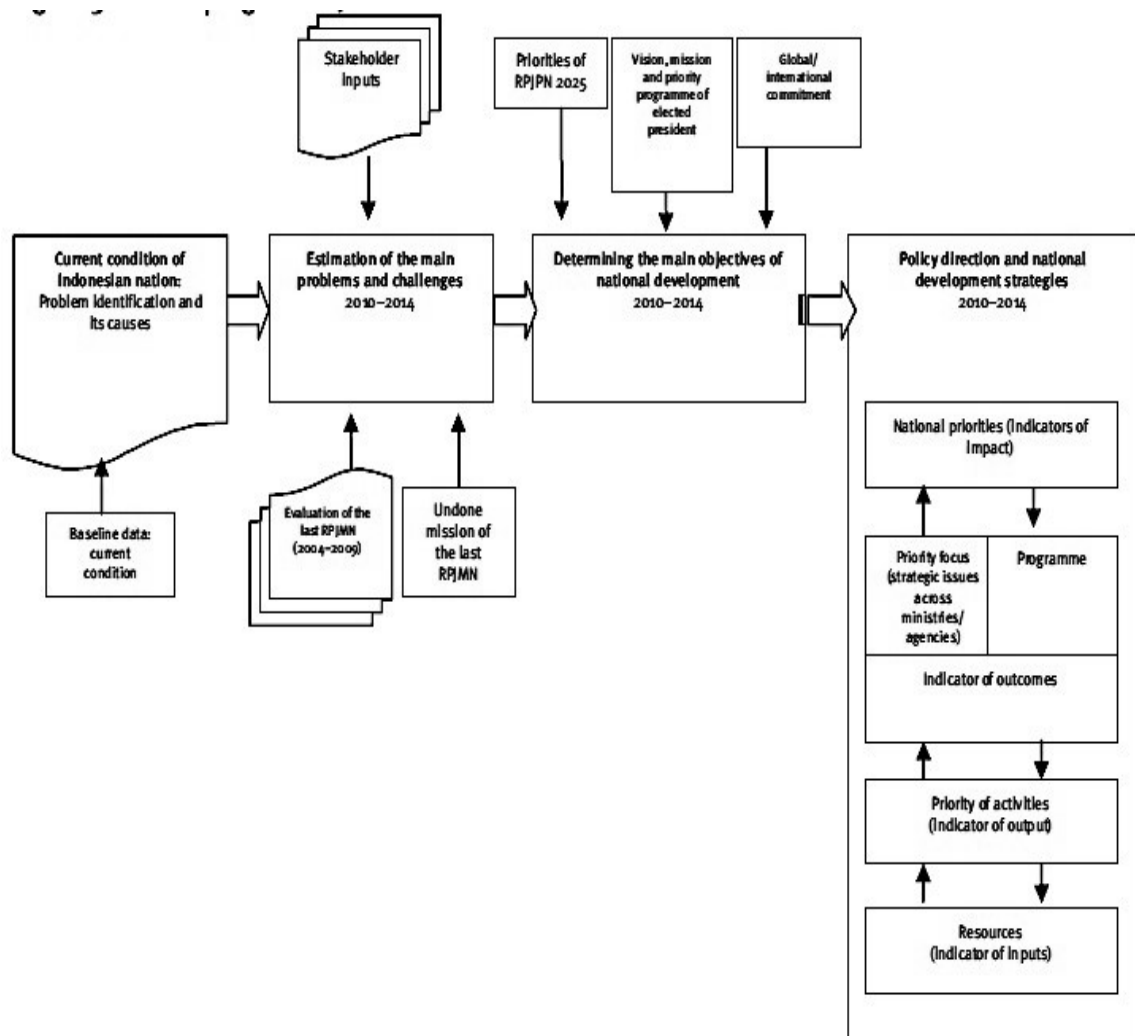
I.2. Mid Term Development Plan

The preparation of the RPJMN starts with a situational analysis of Indonesia's development context, to identify key problems and their causes. This is essentially a research study undertaken by Bappenas two years prior to issuing the five-year plan. The situational analysis is followed by an assessment of the main problems and challenges that are likely to unfold over the course of the five-year development plan, which in turn is informed by an evaluation of the last RPJMN and unaccomplished targets as well as by stakeholder input. The situational analysis and the assessment of problems over the five-year period, coupled with priorities of the 20-year plan, presidential priorities and international commitments, inform the objectives of the five-year plan. The objectives in turn inform overall policy direction and national development strategies, which comprise national priorities, specific programmes, activities and the macroeconomic framework and broad resource allocation. Figure 4-2. Illustrates the key components of the RPJMN.

¹²Musrenbang gather input for national and regional development plans and are held at various levels of the government, from village, sub-district, district, provincial to national level, to help synchronize development plans. Musrenbang are held for long-term, medium-term and annual work plans. They aim to undertake three of the five approaches that development-planning processes should: participatory, bottom-up and top-down.

In consultation with line ministries, the parliament, universities, local governments and the cabinet, Bappenas prepares a draft, one year prior to issuing the five-year plan, which is submitted to the president, who then approves this as a guideline for ministries to prepare their five-year strategic plans. Within the framework of the draft RPJMN, ministries and agencies similarly prepare their five-year strategic plans. These are also based on an evaluation of the previous plan and stakeholder input. Bappenas presents the draft RPJMN in a *Musrenbang* no later than two months after the president is inaugurated. Based on responses from the musrenbang, Bappenas finalizes the RPJMN and submits this to the president. The RPJMN is established by a presidential regulation no later than three months after the president's inauguration.

Figures 4-2. Developing the RPJMN



Source: Law No. 25/2004 on National Development Planning

I.3. Annual planning and budgeting

Blondal et al. (2009) describe the annual planning and budgeting process in some detail. It is important to note that, while long-term, medium-term and annual plans require approval only from the president; annual budgets on the other hand require approval from the parliament and are thus preserved in the law. The process for budgeting starts in February of every year when the Fiscal Policy Office (Badan Kebijakan Fiskal, or BKF) in the Ministry of Finance starts preparing the economic assumptions, such as projected economic growth, foreign exchange, interest, inflation and crude oil production. The BKF suggests a narrow range of assumptions, as the exact figures are subject to negotiations between the government and the parliament (2009).

Once the macroeconomic framework has been established, the Directorate-general for Budget divides the resulting available resources (less fuel subsidies, regional autonomy funds and interest payments) into those that are required for funding ongoing activities ('non-discretionary') and those that are available for new programmes ('discretionary'). For the first category, the Directorate-general for Budget will take the current year's budget and apply set norms and indices to arrive at a figure for the following year's budget.

After the Ministry of Finance has established the ceiling for resources available for new and discretionary programmes, Bappenas takes the lead responsibility (in cooperation with the Ministry of Finance) in allocating these funds. A government RKP elaborates on the national priorities specified in the five-year RPJMN. The RKP provides the framework for the preparation of the Ministry-/Agency-specific Work Plan (Renja-KL) and the Ministry-/Agency-specific Budget Plan (Rencana Kerja dan Anggaran Kementerian Negara/Lembaga, or RKA-KL).

In developing the RKP, Bappenas starts the year with a series of internal workshops identifying specific priorities and their funding needs. Once Bappenas receives the expenditure ceiling from the Ministry of Finance in early March, it fine-tunes the RKP. This process culminates in a March cabinet meeting to discuss the draft RKP and to approve its broad outlines. Bappenas also conducts a series of *Musrenbang* with regional governments, ministries and various CSOs before finalizing the RKP. These usually take place in late April or early May and enable Bappenas to outline the draft RKP and solicit feedback.

After the above-mentioned cabinet meeting in March, Bappenas and the Ministry of Finance issue guidelines on drawing up the Renja-KL. This includes indicative budget ceilings for each ministry, broken down by programmes and expenditure types. Each line ministry must then draw up its Renja-KL, which should be informed by an evaluation of the previous year's Renja-KL. During April, senior officials from line ministries meet with counterparts at Bappenas and the Ministry of Finance. While Bappenas focuses on substantive aspects of the Renja-KL, the

Ministry of Finance ensures robust costing of new initiatives. The final RKP is issued by the president following a cabinet meeting in May. The president then meets with ministers and heads of agencies to emphasize the importance of carrying out planned activities. The RKP will likely contain several programmes (in excess of a hundred), some of which cut across ministry boundaries. The programmes are in turn divided into smaller and more numerous activities.

The RKP, Renja-KL and fiscal policies and budget priorities (which include a description of the macroeconomic framework, fiscal policies and priorities, the deficit target, revenue projections and proposed expenditure ceilings for the upcoming year) are presented to the parliament. Table 4.1 provides the timetable for the DPR's role in reviewing the budget. Annual plans and budgets are discussed in two parallel spaces.

Table 4-1. Parliamentary budget approval timetable

Mid-May	Government submits pre-budget report
Mid-May to mid-June	<ul style="list-style-type: none"> • Discussions held by Ministry of Finance with Budget Committee on fiscal policy and overall ceilings • Discussions held by spending ministries and agencies with their respective sectoral commissions on detailed allocations
16 August	<ul style="list-style-type: none"> • Government submits budget proposal • President delivers budget speech
16 August to late October	Budget Committee and sectoral commissions review budget proposal
By 31 October	DPR approves annual budget
November–December	Finalization of detailed budget implementation guidance
1 January	Start of fiscal year

Source: Blondal (2009) p.21

Discussion with parliamentary committees: First, the Ministry of Finance and Bappenas have discussions with the Budget Committee and with Komisi (Commission)¹³ XI, focusing on

¹³The parliament consists of 17 commissions and committees, 11 of which refer to legislative issue areas and six to internal administration. Parliamentary factions distribute commission leadership posts on a proportional basis in accordance with party size. Those that are particularly influential are Komisi I (defense, foreign affairs and information), Komisi II (internal affairs and regional autonomy), Komisi III (law, human rights and internal security) and Komisi XI (finance and development planning). The Budget Committee is composed of selected members of 11 of the 17 sectoral commissions.

In addition to deliberating legislation, the commissions also serve as venues in which parliamentarians can express their

broad macroeconomic and fiscal policy objectives. Together, through deliberation and consensus-building, they will arrive at fixed points within the proposed ranges for key economic assumptions and revenue forecasts. Second, individual line ministries will have discussions with their respective sectoral commissions on their Renja-KL and proposed expenditures.

Once agreement is reached with the parliament in mid-June, the Ministry of Finance issues a ‘temporary’ or indicative budget. Ministries and agencies then prepare their RKA-KL, which have a different structure and format to the Renja-KL. They have to be submitted to Bappenas by mid-July. Bappenas reviews them to ensure conformity with the RKP and the Directorate-general for Budget reviews them for compliance with the preliminary budget ceilings, unit costs, and classification.

The Ministry of Finance finalizes the budget documentation and prepares the budget proposal and accompanying financial notes. The president delivers a budget speech to the parliament on 16 August. The parliament proceeds to hold two plenary sessions dedicated to an exchange of views on the government’s budget proposal, to which the Minister for Finance responds on behalf of the president. The budget is then referred to the Budget Committee, where the parliament’s scrutiny takes place. This meets frequently over the next two months to review macroeconomic assumptions and revenue forecasts. All ministers and directors-general are invited to give testimony during commission hearings. Several smaller working groups are usually formed to focus on specific subjects. Meetings of the Budget Committee are not open to the public and no record is made available of its proceedings. The Budget Committee invites sectoral commissions to submit advisory opinions on budget priorities and financial needs. The budget that is approved by the parliament by 31 October is at a very detailed level and is enacted by consensus rather than by majority voting. The approval of the budget two months before the start of the fiscal year is meant to give sub-national governments time to finalize their own budgets.

I.4. Policy Making Across the Government

I.4. 1. National development planning

In the Reformation era, President Abdurrahman Wahid administration rearranged the authority of Bappenas and shared part of it to Ministry of Finance and to local governments, whose powers and autonomy expanded under decentralization. The Ministry of Finance was seen as officially responsible for fiscal policy and the macroeconomic framework as well as for preparing the annual budget. The minister for finance was considered the chief financial officer of the Republic of Indonesia, while other ministers were viewed as chief operational officers for their own

views on topical issues, particularly with regard to the performance of the executive branch. Executive branch representatives make public presentations before parliamentary commissions on a regular basis. As for non-legislative commissions, these include committees governing ethics, budgeting, protocol, planning and legislative drafting. In addition, the parliament also sometimes forms special committees (panitia khusus, or pansus), or teams to conduct probes into the government or research special topics.

jurisdictions. The Ministry of Finance was seen to control a single consolidated budget (Booth, 2005).

However, as Indonesia recovered from the crisis, President Megawati Sukarnoputri ordered the head of Bappenas to support the president in formulating national development plans. In its new guise, Bappenas is both a bureaucratic think-tank and the agency in charge of developing long-term, medium-term and annual development plans. This is reflected in the competencies of staff at Bappenas, who have expertise in various sectors, such as economic development, social development, health care and education—while those at the Ministry of Finance generally have backgrounds in finance and economics.

Bappenas maintains close relationships with line ministries through, for instance, directors who parallel each line ministry and agency. In contrast, the Directorate-general for Budget in the Ministry of Finance has three directors who together parallel the rest of the government (Blondal 2009). Bappenas also tries to play an inter-ministerial coordination role. Attempting to coordinate line ministries seems to be an incentive for Bappenas to deflect undue donor influence, ensure independence from central line ministries and help push through important policy initiatives, which in turn could help establish and improve its credibility with the president.

However, the re-emergence of Bappenas has led to overlapping responsibilities with the Ministry of Finance. Although Bappenas is responsible for annual planning, the annual plan is in effect the annual budget—the responsibility of the Ministry of Finance. Moreover, the Ministry of Finance is responsible for drawing up a medium-term expenditure framework, with which the annual budget should be consistent. At the same time, Bappenas is responsible for drawing up five-year plans, which also have to include expenditure targets. It is thus crucial for both agencies to coordinate their work (A. Booth 2005).

I.4.2 Coordination among line ministries

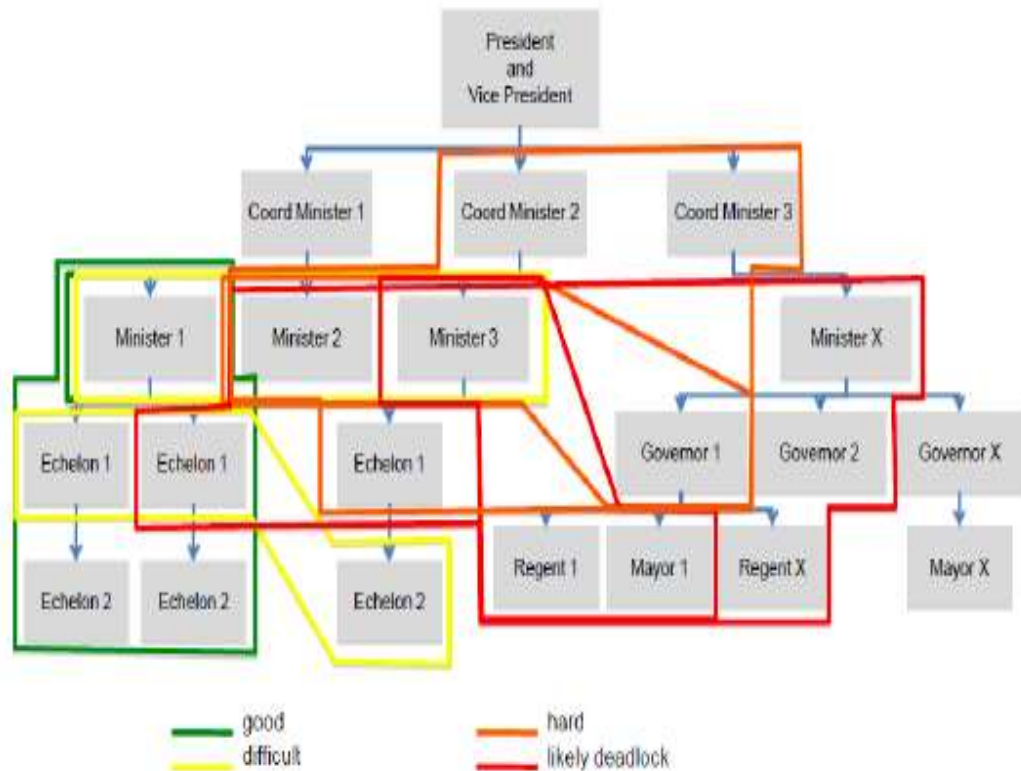
Several programmes require cross-ministry coordination. Sponsoring ministries often specify inputs required by others. For example, the Ministry of Agriculture—the sponsoring ministry in increasing rice production—has mapped out the assistance it requires from a number of ministries, including the Ministry of Public Works to develop irrigation facilities and dams and the Ministry of Industry to increase fertilizer supply. However, securing cooperation from other ministries seems challenging.

Coordinating ministries, whose responsibility is to provide ministries with strong directives, are now poorly funded and therefore forced to rely on small staff and limited resources. In practice, the authority of coordinating ministers depends largely on their relationships with the president and the support he gives them. Without the personal authority of the president or clear

lines of authority over the ministries they are charged with coordinating, their influence is often seen to be limited (Blondal 2009, CastleAsia 2010).

Coordination problems mean inter-ministerial consultation processes (to, for instance, draw up government regulations), as well as implementation processes, usually experience significant delays. Examples of the former include the civil service pension reform, where the Ministry of Finance led three other ministries: Labour and Transmigration; Social Affairs; and the Coordinating Ministry. However, respondents suggested that there had been little progress on the issue. While there is a technical working group to undertake the analytical work, getting key findings and results elevated to the political level in that environment has proved challenging. An example of the latter is the aftermath of the 2009 Padang earthquake, a situation which was beset by poor management, as multiple agencies with overlapping mandates and responsibilities competed for visibility and attention. Figure 4-3, shows UKP-PPP’s report on challenge of coordination.

Figure 4-3. The Challenge of Coordination



Source: Report of UKP4 IV-2 (2011) p.9

I.4. 3.Relations between central and district levels of government

Large-scale decentralization has given considerable power and resources to local government in many important areas of policy. Central government capacity has shared authority, with 35% of the APBN and 3 million civil servants transferred from central to local authority (World Bank, 2009a). Regional politicians are unlikely to cooperate with the centre in implementing reforms unless they see a direct personal benefit (A. Booth 2005). As such, line ministries now have to negotiate and bargain with local governments in the design and implementation of new programmes. But many line ministries were said to be struggling to come to terms with their new role as ‘facilitators’. Some officials (particularly those in Bappenas and line ministries) have refused to accept their powers to plan and implement projects have been severely curtailed (A. Booth 2005).

II. The Establishment of MP3EI

On 20 May 2008, when Indonesia commemorated one century of National Awakening, President Yudhoyono gave a nation-wide address concerning the future of Indonesia. He mentioned at the time that Indonesia can transform into a developed nation in the 21st Century. With the introduction of the main theme “Indonesia Can”, it intended to increase self-reliance, competitiveness, with a distinguished and proud nation as prerequisites to becoming a developed nation in the 21st Century.

Furthermore, in a gathering with the Indonesian Chamber of Commerce in Jakarta on 10 September 2009, President Yudhoyono stated the idea to synergize and improve Indonesia’s economy in related to the plan within 5 years (2010–2015) was to exercise “debottlenecking”, acceleration and expansion of Indonesia’s national development. This master plan has two key factors, i.e. acceleration and expansion. With the development of the master plan, it is hoped that Indonesia is able to accelerate the development of various existing development programs, especially in boosting value adding of the prime economic sectors, increasing infrastructure development and energy supply, as well as the development of human resources and science & technology. The acceleration of development is expected to boost Indonesia’s future economic growth. To accelerate the development need a special policy to be taken to solve the problem of coordination as shown as Figure 4-3. as the result of UKP4 assessment.

Besides acceleration, the government also pushes for the expansion of Indonesia’s economic development so that the positive effects of Indonesia’s economic development can be felt not only at each and every region in Indonesia, but also by all components of the community across Indonesia. The MP3EI is not intended to replace the National Mid Term Development Plan nor the national and regional development processes currently ongoing.

On the contrary, the MP3EI also functions as a complementary working document for the above-mentioned development plans.

To achieve tangible benefits and measurable impacts, acceleration and expansion measures were specifically formulated based on consultation with key stakeholders. Eight main programs and 22 main economic activities have been identified. In addition, 6 economic corridors are identified as growth centers and are expected to boost economic development throughout the nation. Investors and businesses can therefore clearly choose their desired sectors and preferred regions according to their business interest and specialization in accordance with the key economic drivers of the six corridors (Coordinating Ministry for Economic Affairs 2011).

The improvement of the investment climate is one of the main agendas in the MP3EI. Therefore, in the short term, improvement of the investment climate will be through debottlenecking, regulations, incentives and the acceleration of infrastructure development needed by all stakeholders. Debottlenecking efforts mentioned above will not be successful without the support of all parties, including the central and local governments. In the future, the local governments are expected to play a more active role in the debottlenecking efforts to improve investment climates. Economic corridors of provinces in MP3EI are shown in the Table 4-2. below:

Table 4-2. MP3EI Six Economic Corridors Provinces Division

Sumatra Economic Corridor	Java Economic Corridor	Kalimantan Economic Corridor	Sulawesi Economic Corridor	Bali-Nusa Tenggara Economic Corridor	Papua-Maluku Economic Corridor
Provinces	Provinces	Provinces	Provinces	Provinces	Provinces
Aceh	Jakarta	N.	N. Sulawesi	Bali	W. Papua
N. Sumatra	Banten	Kalimantan	Gorontalo	E. Nusa	Papua
Riau	W. Java	E. Kalimantan	C. Sulawesi	Tenggara	N. Maluku
Riau Islands	C. Java	W. Kalimantan	W. Sulawesi	W. Nusa	Maluku
Jambi	E. Java	C. Kalimantan	S. Sulawesi	Tenggara	
W. Sumatra	Yogyakarta	S. Kalimantan	SE. Sulawesi		
S. Sumatra					
Bengkulu					
Lampung					
Bangka-Belitung					
Lampung					

Source: Prepared by the author based on MP3EI (2011)

The formulation of MP3EI started on 30 December 2010, when President Yudhoyono requested to the cabinet to adjust the development programmes with regional and global economic

dynamics. With the geographic position of the country, that is located in the center of new economic gravitation, Indonesia should prepare itself to become a developed country with outcomes that are equally utilized among all societies. Considering the potentials and advantages embedded, as well as developmental challenges that are to be faced, Indonesia needs an economic transformation. This transformation will be executed by acceleration and expansion of Indonesian economic development towards a well-developed country thereby enhancing its competitiveness and prosperity among society.

Therefore, the ministers and National Economic Committee (Komite Ekonomi Nasional/KEN) and National Innovation Committee (Komite Inovasi Nasional/KIN) held several meetings on January and February 2011, starting with sector development aspiration hearings. These meetings aimed to identify challenges and obstacles faced by business society with regard to their efforts to develop related sectors, and thereby enhanced government's knowledge on various sector development strategies and prospects for the future. In these meetings, business associations had an important role to provide the main sources of information. More than 500 participants attended these meetings. Most of the participants were business association's representatives.

Based on these meetings, several follow up meetings were held in the form of Working Group (Gugus Tugas) forum. This forum simultaneously was divided into six Economic Corridor Working Groups. Each Working Group forum aimed to create sector development strategy, considering spatial dimension, so that a concrete and specific sector development strategy suitable for each sector's potencies and advantages can be achieved. Thus, corridor development strategy could be developed integrating both sectoral and regional aspects. This forum also discussed the need of infrastructure development to support connectivity required by developments in each sector. This forum also allowed government to identify the need of human resource development as well as innovation development to improve each sector's competitiveness. senior government officials who were competent in the field of regional economic development led each Economic Corridor Working Groups' discussion and attended by more than 600 participants comprising of CEOs, experts and academics, and also other senior government officials.

The result of MP3EI discussion was reported to President Yudhoyono through a meeting between Government, State Owned Enterprises (Badan Usaha Milik Negara/BUMN), and local government on February 21st – 22nd 2011 held at Bogor Presidential Palace. This meeting was lead by ~~The~~ President Yudhoyono and was attended by the Vice President, Ministers, and more than 400 participants consisting of directors and commissioners of State Owned Enterprises (SOEs), Chairman and the member of KEN and KIN, Governors of all provinces in Indonesia and senior government officials.

The result of this meeting was used as inputs to revise, sharpen, and to further improve the draft of MP3EI. Before the finalization of MP3EI document, the draft revision was completed and

reported to President Yudhoyono at Grand Meeting between Government and Business Society that was held on April 18th – 19th 2011 at Bogor Presidential Palace. This Grand Meeting was led by President Yudhoyono and was attended by Vice President, Ministers and Vice Ministers, High State Agency Officials, Chairman and the members of KEN and KIN, and more than 500 participants from competent stakeholders such as the chairmen of private enterprises, senior government officials, Governors from all provinces in Indonesia, local legislative, and SOEs.

MP3EI directive is aimed at implementing the 2005-2025 Long-term National Development Plan, which is stated in the Law No.17 Year 2007, the vision of the acceleration and expansion of Indonesia's economic development is to create a self-sufficient, advanced, just, and prosperous Indonesia. By utilizing the Master plan for Acceleration and Expansion of Indonesia's Economic Development (MP3EI), Indonesia aims to earn its place as one of the world's developed country by 2025 with expected per capita income of USD 14,250-USD 15,500 with total GDP of USD 4.0-4.5 Trillion. To achieve the above objectives, real economic growth of 6.4-7.5 percent is expected for the period of 2011-2014. This economic growth is expected to coincide with the decrease in the rate of inflation from 6.5 percent in 2011-2014 to 3.0 percent in 2025. The combined growth and inflation rates reflect the characteristics of a developed country.

MP3EI is a working document and as such it will be updated and refined progressively. It contains the main direction of development for specific economic activities, including infrastructure needs and recommendations for change/revision of regulations as well to initiate the need of new regulations to push for acceleration and expansion of investment. MP3EI is an integral part of the national development planning system. MP3EI is not meant for substituting the existing Long Term Development Plan 2005 – 2025 (Law No. 17 Year 2007) and the Medium-Term Development Plan 2004 – 2009 (Presidential Decree No. 7 Year 2009).

II.2. MP3EI Economic Corridors

Acceleration and expansion of Indonesia's economic development are based on the development of existing and creating new growth centers. This development strategy is essentially an integration of the sectoral and regional development approaches. The purpose of developing new growth centers is to optimize agglomeration advantages, to explore regional strengths, and to reduce spatial imbalance of economic development throughout the country. As part of this strategy, each region will develop their own specific local products.

The development of economic growth centers will be managed through the development of industrial clusters and special economic zones (SEZ). This will be accompanied with increased and improved connectivity between the centers of economic growth (major cities) and main industrial clusters supported by improved infrastructures including roads, seaports, airports,

power, water, and other related infrastructures. In all, growth centers and connectivity are the building blocks of Indonesia Economic Corridors. Increasing the economic potential of the region through the economic corridors has become one of the three main pillars of MP3EI.

In order to accelerate and expand economic development, it is necessary to create new economic regions outside of the existing economic growth centers. The government will provide special incentives to support the development of these centers, especially those located outside of Java, and particularly to businesses that are willing to finance the construction of supporting facilities and infrastructures.

The aim of providing such incentives is to encourage businesses to build long term perspectives in the development of the new economic growth centers. These Incentives shall include: favourable taxation and customs policies, labor regulations, and licensing developed in consultation with the private sector. In order to avoid enclaves in these growth centers, the central and local governments will encourage strong linkages between growth centers and its surrounding industrial areas. The new economic growth centers may be in the form of large scale Special Economic Zones (SEZs) expected to be developed in each economic corridor conforming to the local potentials and specializations of each region.

Development of economic corridors is similar to regional development aimed at creating an integrated and sustainable economic base. However, the development of the six economic corridors give greater emphasis to economic development as follows:

- a) Indonesia Economic Corridor will emphasize the increase of productivity and value-adding on natural resource management through the expansion and creation of a sustainable upstream and downstream activity chain;
- b) Indonesia Economic Corridor will focus on diverse and inclusive economic development, which connects corridors with other regions to develop opportunities based on local potential and specialization;
- c) Indonesia Economic Corridor emphasize sectoral and regional development synergies to enhance national, regional and global comparative and competitive advantages;
- d) Indonesia Economic Corridor emphasizes integrated economic development between transportation and logistics, as well as communications and information systems to open regional access;
- e) Indonesia Economic Corridor will be supported with fiscal and non-fiscal incentives, ease of regulation, licensing, and optimum public services from Central and Local Governments.

III. Indonesian National Connectivity

The success of the MP3EI highly depends on the strength of national and international economic connectivity (intra and inter region). With this consideration, the MP3EI has identified the strengthening of national connectivity as one of three main pillars. National connectivity consist of four national policy elements i.e. National Logistic System (Sistem Logistik Nasional/Sislognas), National Transportation System (Sistem Transportasi Nasional/Sistranas), Regional Development (RPJMN/RTRWN), and Information and Communication Technology (ICT). These policies were combined in order to create an effective, efficient, and integrated national connectivity.

Indonesia's national connectivity is part of the global connectivity. Therefore, the strengthening of the national connectivity has to consider Indonesia connectivity with regional and global economic growth centers in order to enhance national competitiveness and optimize advantages of Indonesia's regional and global connectivity.

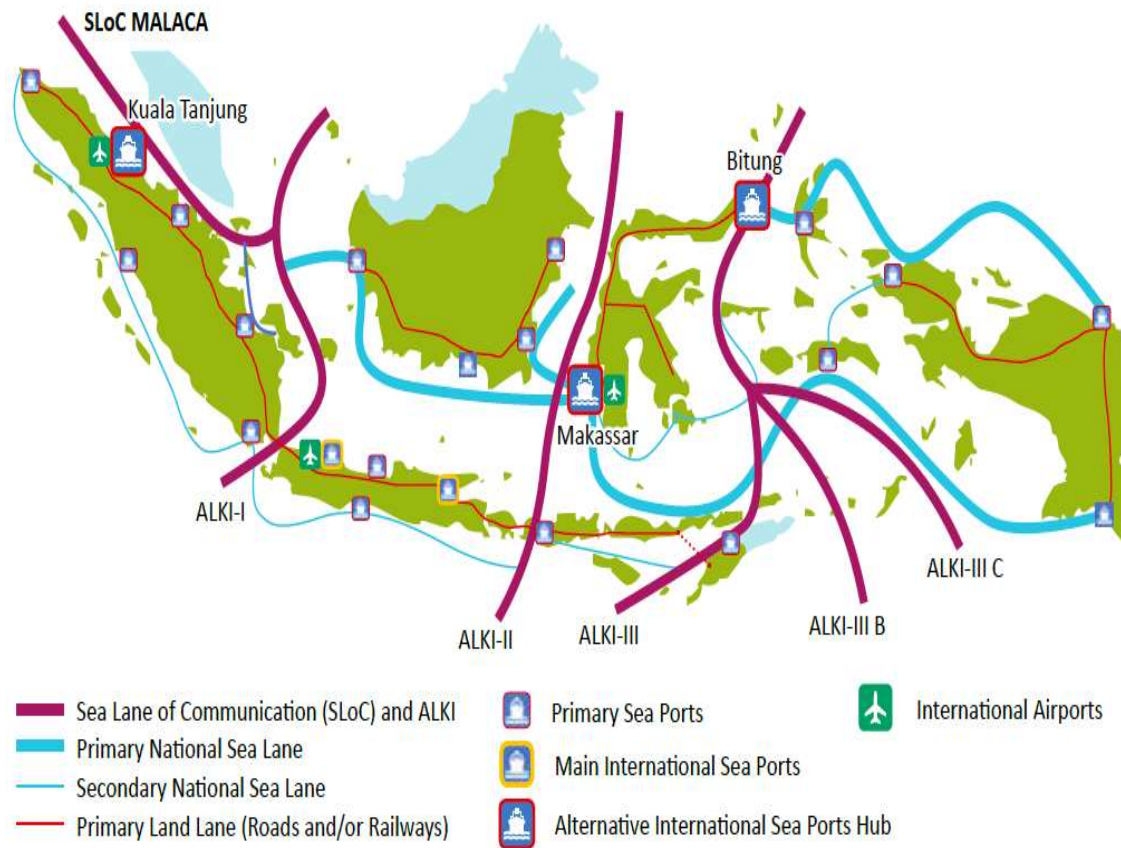
National Connectivity includes five elements as follows:

- a) Personnel/passengers, which covers the management of the mass movements of people travelling within, to and from the region;
- b) A biotic materials/goods (physical and chemical materials) which includes the movement of industry and industrial products;
- c) Biotic material/element/species, which includes the movement of live products, such as cattle, biotoxins, veral, serum, verum, seeds, bio-plasma, biogen, bioweapon;
- d) Services and Finance, which covers technology mobility, human resources and capital development for the region;
- e) Information, concerning the mobility of information for the benefit of regional development, which is strongly associated with the competency of information and communication technology.

The improvement of mobility management on five elements above will enhance national capacity to accelerate and expand development as well as to achieve quality growth as mandated by Law No. 17 Year 2007 on the National Long Term Development Plan 2005 - 2025. Indonesia, A Maritime Nation The total length of Indonesia coastline is 54,716 kilometers. It stretches along the Indian Ocean, the Strait of Malacca, South China Sea, Java Sea, Celebes Sea, Moluccas Sea, Pacific Ocean, Arafura Sea, Timor Sea, and in other small regions. Embedded within the Indonesian archipelago, there are several sea lines considered as economically strategic sea lines and global strategic military sea lines. These sea lines are the Straits of Malacca (which is the Sea Lane of Communication or SLoC), the Sunda Strait (ALKI 1), the Straits of Lombok and Makassar Straits (ALKI 2), and the Strait of Ombai Wetar(ALKI 3) as shown at Figure 4-4. Most

of the world's major shipping and cruise liners pass and use these sea lanes as part of their shipping routes. MP3EI priority is to maximize utilization of SLoC and Indonesia Archipelagic Sea Lanes (Alur Laut Kepulauan Indonesia/ALKI) mentioned above. Indonesia could take benefits from these maritime advantages. It can begin by accelerating growth in various regions in Indonesia (especially in eastern Indonesia), improve a maritime competitiveness, and enhance national security and economic sovereignty of Indonesia.

Figure 4-4. Indonesia Archipelagic Sea Lanes



Source: MP3EI (2011) p.32

The aims and objectives of the National Connectivity Strengthening are:

- a) Connecting the centers of major economic growth based on the principles of integration and not similarity, through “inter-modal supply chain systems”.
- b) Expanding economic growth through accessibility improvement from the centers of growth to the hinterland.
- c) Distribute the benefits of economic development by improving the quality of connectivity to the less developed areas, isolated areas, and border areas in order to achieve equitable economic development.

To achieve these objectives, some inter-related connectivity components need to be harmonized into a single integrated planning framework. Figure IV.6 includes the components for national connectivity: (a) National Logistics System (SISLOGNAS), (b) National Transportation Systems (SISTRANAS), (c) Regional Development (RPJMN and RTRWN); (d) Information and Communication Technology (ICT). The planning document of each component has been completed, however it was executed separately. Therefore, the strengthening of National Connectivity seeks to integrate the four components.

Figure 4-5. Components of Indonesian National Connectivity

Posture Forming Components of the National Connectivity			
SISLOGNAS	SISTRANAS	REGIONAL DEVELOPMENT (RPJMN and RTRWN)	ICT
1. Decide Key Commodities	1. Transportation Safety	1. Local Economy Improvement	1. Migration Toward Convergence
2. Strengthen Logistic Services	2. Transportation Procurement	2. Human Resource Capacity Building	2. Equitable Access and Services
3. Infrastructure Network	3. Transportation Network	3. Infrastructure Development	3. Broadband Network Development
4. Human Resources Capacity Building	4. Human Resource and Science and Technology	4. Institutional Capacity Building	4. Improving Network Security and Information System
5. ICT Improvement	5. Maintenance of Environment	5. Improvement of Access to Working Capital	5. Integration of Infrastructure Application, and National Data
6. Regulation Harmonization	6. Provision of Development Fund	6. Improving Basic Social Facilities	6. Increasing e-literacy, independent domestic ICT industry, ICT HR availability
7. National Logistic Board is Needed	7. Improvement of State Administration		7. Synergy of National ICT Activities and Investments

Strengthening National Connectivity Carried Out by Integrating and Synergizing Sislognas, Sistranas, Regional Development, and ICT Plans

Source: MP3EI (2011) p.37

At the regional and global level the cross-border cooperation has been developed, in which focus will be on cooperation commitment for development at the ASEAN and APEC level. Indonesia must prepare itself to reach ASEAN logistic integration by 2013 and ASEAN single market integration by 2015, whereas in the context of WTO global cooperation, Indonesia will prepare for global market integration by 2020. Based on Indonesia's current pace, the strengthening of national connectivity will ensure integration of the National Logistics System domestically and it will also create connection between national connectivity and regional economic centers, between national connectivity and ASEAN, as well as between national

connectivity and global society in order to enhance national competitiveness. This strategy is very important in order to maximize the benefits of regional and global connectivity.

One of the national connection efforts is the need to integrate national connectivity with development cooperation at the ASEAN level in order to:

- Facilitate economic agglomeration and the integration of production networks;
- Strengthen regional trade among ASEAN countries;
- Strengthen the attractiveness of investments and reduce the development gap among ASEAN members and between ASEAN with other countries in the world.

III.4. Posture of Indonesian Economic Corridors

The development of economic corridors in Indonesia is based on the potentials and advantages inherent in each region throughout Indonesia. As a country consisting of thousands of islands and located between two continents and two oceans, the Indonesian archipelago has a unique combination of economic potentials with specific major islands or regions having its own strategic future-role in achieving Indonesia's 2025 vision.

The development themes of each corridor in the acceleration and expansion of economic development are as follows:

- Sumatra Economic Corridor as a “Center for Production and Processing of Natural Resources and as Nation's Energy Reserves”
- Java Economic Corridor as a “Driver for National Industry and Service Provision”
- Kalimantan Economic Corridor as a “Center for Production and Processing of National Mining and Energy Reserves”
- Sulawesi Economic Corridor as a “Center for Production and Processing of National Agricultural,
- Bali – Nusa Tenggara Economic Corridor as a “Gateway for Tourism and National Food Support”
- Papua –Maluku Economic Corridor as a “Center for Development of Food, Fisheries, Energy, and National Mining” Plantation, Fishery, Oil & Gas, and Mining”

III.5. Policy Making Process in MP3EI

The center of the policy making process in MP3EI is a process run by Committee on Economic Development Acceleration and Expansion of Indonesia 2011-2025 (abbreviated KP3EI), the KP3EI is an institution which was established by President on May 20, 2011 to coordinate the implementation of MP3EI. The institute is established under Article 4 of Presidential Decree No. 32 Year 2011. The tasks of the KP3EI are as follows:

- a) to coordinate the planning and implementation MP3EI,

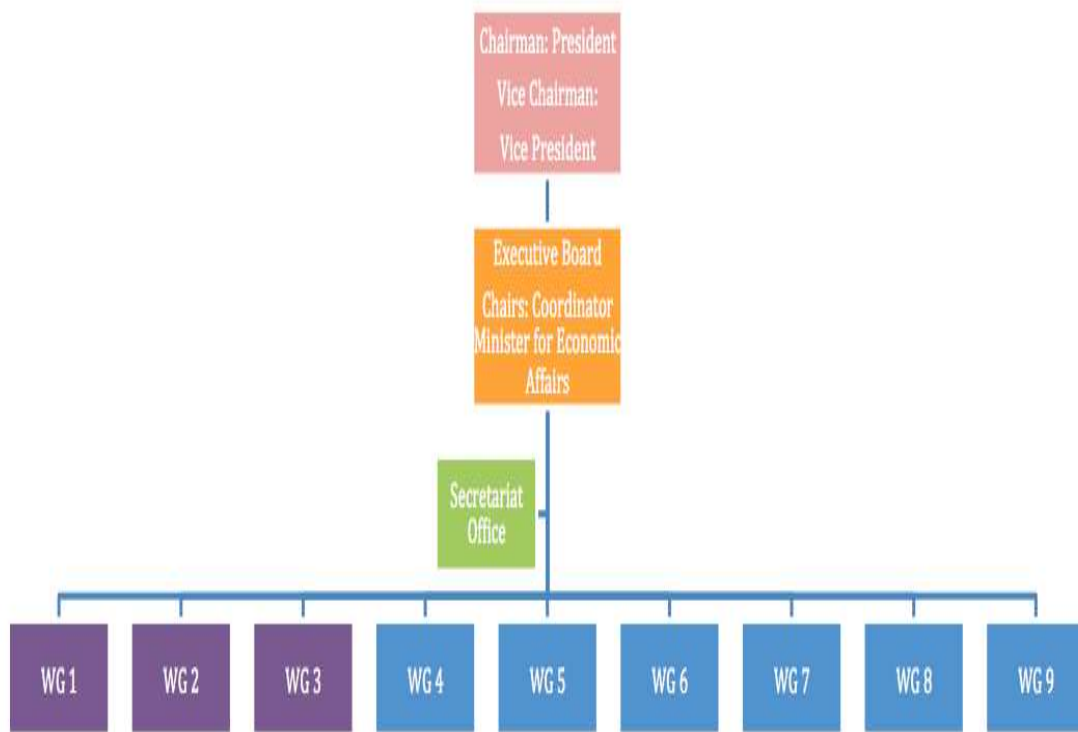
- b) to monitor and evaluate the implementation MP3EI,
- c) to outline the steps and policies in the context of solving problems and barriers to implementation MP3EI.

The structure of the MP3EI implementation committee consists of an Implementation Team, Working Team, and a dedicated and professional Secretariat with the following explanations:

- a) The Implementation Team consists of: Ministers, the Chairman of Non Ministerial Institutions, and representative agencies that shall contribute to the implementation of MP3EI. The Implementation Team is responsible for providing general guidance, approving strategic decisions, and solving strategic issues which may arise during the implementation of MP3EI.
- b) The Working Team shall consist of high ranking officials (echelon 1), and key officials from relevant agencies who will be involved in the implementation of MP3EI action plans. The Working Team is responsible for coordinating the implementation of investment projects and infrastructure projects. This team will act in collaboration with relevant agencies, and is also responsible for solving inter-ministerial problems and ensuring government support for the implementation of MP3EI.
- c) The Secretariat is a dedicated and full time supporting team that is responsible for developing a monitoring and coordinating system for progress of MP3EI's implementation. The secretariat will actively support the Implementation Team and Working Team by providing them with a clear analysis and technical proposal to overcome the problems arising from daily monitoring.

The fact that the KP3EI is chaired by the President of the Republic of Indonesia and the KP3EI Secretariat is chaired by the Coordinating Minister for Economic Affairs of the Republic of Indonesia shows that the national government has shown leadership and responsibility for the implementation of the MP3EI. KP3EI involves all stakeholder of development plan, namely; Ministries, Local Government, SOE to solve the problem of coordination that be mentioned previously. The Organizational Chart of KP3EI shown in Figure 4-6.

Figure 4-6. The Organizational Chart of KP3EI



Source: Komite Percepatan dan Perluasan Pembangunan Ekonomi Indonesia (2014) p.3

Notes: WG1: Regulation; WG2: Connectivity; WG3: Human Resources, Sciences and Technology; WG4: Sumatra EC; WG5: Java EC; WG6: Kalimantan EC; WG7: Sulawesi EC; WG8: Bali-Nusa Tenggara EC, WG9: Papua-Maluku EC

The figure above shows that MP3EI is involved many actors in simple way to enhance coordination among stakeholders. The committee is lead directly by President to make quick in policymaking process that need highest consideration. In daily task, Coordinator minister of Economic affairs runs the committee. The committee has nine Working Groups; Working Group 1 to 3 responsible to Infrastructure, Connectivity and Regulations respectively. Meanwhile, Working Group 4 to 9 responsible to each Economic Corridor in MP3EI.

Since MP3EI launched by the President on 27 May 2011 to by August 2014, KP3EI (Committee for the Acceleration and Expansion of Economic Development Indonesia) has

implemented a series of Coordination Meeting (Rakor) MP3EI level Minister of as many as 10 (ten) times, table 4-3 as follows:

Table 4-3. Coordinating Meetings of KP3EI

No.	Meetings	Time	Place
1	Coordinating Meeting	24 February 2012	Bappenas
2	Coordinating Meeting	10 May 2012	Bappenas
3	Coordinating Meeting	27 December 2012	Economic affairs Coordinating Ministry
4	Coordinating Meeting (Sumatra Corridor)	20 March 2013	Novotel Hotel, Bandar Lampung
5	Coordinating Meeting (Java and Bali-Nusa Tenggara Corridor)	19 April 2013	Nusa Dua Convention Center
6	Coordinating Meeting (Sulawesi and Papua-Maluku Corridor)	3 May 2013	Grand Kawanua Hotel, Manado
7	Coordinating Meeting (Kalimantan Corridor)	11 June 2013	Kapuas Palace Hotel, Pontianak
8	Coordinating Meeting	3 September 2013	Economic affairs Coordinating Ministry
9	Coordinating Meeting	8 May 2014	Economic affairs Coordinating Ministry
10	Coordinating Meeting for Infrastructure on Sulawesi and Papua-Maluku Corridor	12 August 2014	Hotel Aryadutta, Makassar

Source: Prepared by author based on Komite Percepatan dan Perluasan Pembangunan Ekonomi Indonesia (2014)

III.5.1. Coordinating Meeting, 24 February 2012

The main agenda of the coordination meetings is the Progress Report of Implementation of MP3EI, where some important points presented by the Secretary KP3EI are: (1) The value of investments in the real sector MP3EI until May 2012 still have not been validated as a whole; (2) In order to monitor and evaluate the implementation of MP3EI in every economic corridor done

with KPI approach (Investment Zone); (3) The Secretariat is preparing KP3EI Media Management Systems and Information Systems; and (4) problems and obstacles in the implementation of MP3EI dominated by issues related to forestry and land acquisition for infrastructure development.

From the results of the coordination meeting on 24 February 2012, drawn conclusions and follow-up as follows:

- a. Work Team KP3EI Secretariat and is expected to continue to take monitoring and validation of the implementation of MP3EI, either already or will be groundbreaking.
- b. It should be immediately implemented a special meeting to discuss issues MP3EI implementation related to land acquisition, completion of the RTRW Province, land and forestry, to invite the Minister of Forestry, Governor Indonesia, and representatives of businesses.
- c. Working Team and the Secretariat KP3EI possible to accommodate and do validating the various proposed addition of new projects (new initiative) in MP3EI of local government and businesses.
- d. Commemoration agenda of "One Year Launch MP3EI" proposed to hold Expo MP3EI on August 17 2012.
- e. Agenda next MP3EI coordinating meeting expected that the exposure of the private sector, Enterprises and entrepreneurs about the outlook for the future and things that need to be special attention and regulation that need to be repaired.

III.5.2. Coordinating Meeting, 27 December 2012

The main agenda of meetings held MP3EI on 27 December 2012 was about the "Progress Report MP3EI implementation of the End of the Year 2012 ". The work program 2013 was implemented by the Secretariat KP3EI among others:

- a. Completion Document MP3EI 2013 version which was distributed at the time APEC 2013 Session (October 2013). Some important issues to be incorporated in MP3EI document improvements include integrating concepts sustainable development (Sustainable Development), maritime aspect (blue economy), as well as integration with the National Spatial Plan document;
- b. Enhance the synergy to ASEAN Connectivity through ASEAN Connectivity Coordinator in implementation of connectivity projects
- c. MP3EI implementation of a number of meetings held in each economic corridor starting in March-May 2013 (1 month 2 economic corridor) the expected presence of the Minister as Chairman of the Working Team related economic corridors; and;

- d. Held Expo MP3EI two times, namely in 2nd anniversary of MP3EI and at the time APEC session in 2013 in Bali.
- e. In coordination meetings, respectively Work Team Leader KP3EI also expressed Reports Implementation Developments MP3EI, is as follows:
 - i. Connectivity Working Team (Deputy Minister of Planning / Bappenas) Based on data from the Working Team Connectivity, up to December 2012 has done groundbreaking 36 projects infrastructure (Rp. 85.6 trillion) and conducted groundbreaking 4 project (Rp. 7 trillion). A total of 16 power projects (Rp. 60 trillion) pending for groundbreaking and transferred in FY 2013, while 64 projects has been groundbreaking in 2011 some still constrained in land acquisition, regulation of commercial vs. public or multiyear, as well as technical implementation (construction). While the issues and problems related to connectivity among others concerning land acquisition, evaluation funding scheme for each project MP3EI, the development of broadband infrastructure (fixed) slow and not together with the potential utilization (demand), the limited space Budget for the construction of broadband, the use of non-tax revenues Operation Fee The frequency of which is still not optimal, as well as delays in network construction optical fiber backbone in eastern Indonesia.
 - ii. Work Team EC Sumatra (Minister of Forestry)
In Sumatra EC are 23 KPIs, with 15 KPI has been validated and 8 KPI others have not been validated. Various strategic issues related to the implementation of MP3EI in EC Sumatra among others, the proposal Pelalawan and Islands Anambas be KawasanPemerhatiInvestasi (KPI/ Investment Focus Zone) with each investment plan of Rp. 67 trillion and Rp. 12.5 trillion, Sei Industrial Area which has not ratified Mangkei in RTRW of North Sumatra Province, overlapping mining area with production forests and protected areas, as well as the negative response to Minister of Energy and Mineral Resources decree No. 7 of 2012 on the Prohibition of company with IUP (Izin Usaha Pertambangan/Mining License) to sell the raw material mining products.
 - iii. Work Team EC Java (Minister of Public Works)
EC Java has 33 KPI and 117 industrial projects (Rp. 319 088 billion), which everything has been validated. At EC Java has also been established 33 industrial projects priority in 2011-2012 (Rp. 178 165 billion). For the real sector and infrastructure which has been groundbreaking in 2011 and 2012, investment value each Rp. 49 363 billion and Rp. 160 459 billion. As for sector real and infrastructure that will be groundbreaking in 2013 and 2014 values each investment of Rp.27234.58 billion.
 - iv. Work Team EC Kalimantan

At EC Borneo there are 36 KPIs (222 projects) which consists of 16 KPI Priority (108 projects, Rp. 516,251.73 billion) and 20 Non-Priority KPI (114 projects, Rp. 224,102.41 billion). The number of groundbreaking projects in EC Borneo in 2013 were 6 projects with investment value of Rp. 88 242 billion.

v. Work Team EC Sulawesi

EC Sulawesi has 28 KPI consisting of 26 KPI and 2 KPI Priority and Potential. On Sulawesi KE 144 projects are the real sector (Rp. 219,662.2 billion), 121 projects infrastructure sector (Rp. 201 270 billion), and 427 HR-Science project (Rp. 421.15 billion). Until the year 2012, there were 26 projects in real sector (Rp. 142 267 billion) and 1 infrastructure project (Rp. 3,000 billion) that have been groundbreaking. While the groundbreaking project that will consist of 7 projects real sector (Rp. 1,500 billion), and one infrastructure project (Rp. 252 billion). Some of the problems encountered in the implementation of MP3EI EC Sulawesi is the overlapping region of production (mining) by region protected forest / conservation, the completion of land acquisition process PT. Vale Central Sulawesi is still high export duties fishery products, and the absence an agreement between the central government, local governments, and the private sector MP3EI program implementation.

vi. Work Team EC Bali-Nusa Tenggara

Based on the results of the validation project MP3EI EC Bali-NT, there are 136 centers project production (Rp. 210 314 billion), of which 52 projects (Rp. 122 684 billion) categorized ready, while 84 other projects (Rp. 87 630 Billion) categorized yet ready. Achievement of the implementation of the Work Team MP3EI EC Bali-NT by November 2012 among others related to the project that has been groundbreaking in Bali consists of highway construction Nusa Dua-Benoa-Ngurah Rai, construction of underpasses at Dewa Ruci maze, and the expansion of Ngurah Rai Airport. The project, which will groundbreaking in Bali consists of collecting business development 50-100 Gross Tonnage (GT) and 300-500 GT in Benoa Bali and construction of water treatment plants Peatnu; Operating Lombok International Airport (BIL); an increase in the value of investment in NTB to Rp. 1.6 Trillion; and has conducted groundbreaking Region development Mandalika Resort.

vii. Work Team EC Papua-Maluku Islands

EC Papua-Maluku Islands has 8 KPI with a total investment of Rp. 448 605 Trillion. The problem faced related to the implementation of MP3EI in EC Papua-Maluku Islands is a matter of accelerating the completion of the RTRW Which hit the province on the release of forest area in the Ministry of Forestry.

III.5.3. Coordinating Meeting Sulawesi and Papua-Maluku Economic Corridor, 3 May 2013

In coordination meetings, there some things that become directives Minister for Economic Affairs, namely: (1) The existence of multiple input about the potential area need to be considered for put in the corridor economics; (2) The Secretariat KP3EI should see the creative potential growth could KE developed in Sulawesi and Papua-Maluku Islands; (3) MP3EI focused downstream, but also must see creativity to reduce the gap between regions that have a rapid growth; (4) It should be related to the evaluation of regulation KE hamper the implementation of MP3EI in Sulawesi and Papua-Maluku Islands; (5) It takes the approach that the state funds can be increased, thereby reducing the IMR (Infant Mortality Rate) dependence on state funds; (6) It is necessary to re-examine the project will MP3EI groundbreaking; and (7) MP3EI should be able to complete that are quick win for maintain steady growth, increase employment, and reduce poverty.

In addition to referrals from the Minister for Economic Affairs, in coordination meetings also delivered Implementation Progress Report by the Secretary KP3EI MP3EI and Work Team Sulawesi EC and Papua-Maluku EC, as follows:

- a. Implementation Monitoring reports MP3EI by Secretary KP3EI on Sulawesi and Papua-Maluku EC based on the validation results until April 2013, total investment reached Rp. 4713 Billion (1,203 projects), consisting of infrastructure investment (Rp. 2417.4 billion) and the real sector (Rp. 2295.5 trillion), but not including science and technology human resource investment Rp. 18.6 Trillion. Groundbreaking realization up to 2012 Rp. 603,064.52 trillion (209 projects), while the groundbreaking plan in 2013 approximately Rp. S.d 550 600 Trillion. Number of infrastructure investments by 2014 on Sulawesi EC Rp. 185 573 Trillion and for Papua-Maluku EC Rp. 92 319 Trillion.
- b. Progress Report on Economic Corridor Implementation Working Team Papua-Maluku, after validation until April 2013, the value of investment in the real sector KE Papua- Maluku Rp. 433 380 billion (16 projects) and for infrastructure Rp. 121 364 billion (98 projects). Some strategic issues in Papua KE-Maluku is the renegotiation of the Contract of Work (COW) PT. Freeport, and PT. Wedabay Nickel, IPPKH (Izin Pinjam Pakai Kawasan Hutan/Permit to Borrow and Use of Forest Areas) Solway Group has not been able to filed because IUP overlap, yet the enactment of legislation RTRW Papua Province, difficulties in the provision of land on the ground customary, as well as the need for supporting infrastructure KPI (roads and ports MIFEE supporters, as well as the needs of the airport and the supply of electrical energy). Now, Work teams were to identify and process the proposed activity or project the new numbering 56 proposals (36 proposals and 20 proposals of the real sector infrastructure).

- c. Progress Report on the Implementation Working Team Sulawesi Economic Corridor, after validation by the end of June 2013, the number of projects in the real sector Sulawesi is the 65 projects (Rp. 103.113 trillion), while the total infrastructure 183 projects (Rp. 186.619 trillion). Total investment projects already groundbreaking in Sulawesi EC Rp. 28.113 trillion, consisting of project the real sector of Rp. 15.666 trillion and Rp infrastructure projects. 12.447 Trillion. Some strategic issues in Sulawesi EC is the regulatory issues regarding the IPPKH, IUP, and RTRW of Province / City / District; and issues infrastructure, which is an alternative way Palu-Parigi.¹⁴

III.5.1. Coordinating Meeting on Infrastructure Development in Sulawesi and Papua-Maluku EC, 12 August 2014

Coordination Meeting of Minister level and Governors in all Sulawesi corridor and Papua and Maluku corridor was held at Hotel Aryaduta- Makassar. The meeting chaired by Coordinating Minister for Economic Affairs is as Chief of Executive Board of the KP3EI. The main agenda was "Pushing Acceleration and Equitable Development Infrastructure and Acceleration Growth through Connectivity and System Reform Logistic in Eastern Indonesia".

Coordinating Minister hinted that the program should be able to create centers of MP3EI new economic growth in Eastern Indonesia that is connected with connectivity and logistics systems, which are integrated, reliable, efficient, and effective. Development of centers of economic growth based on resource potential owned by each region. Eastern region of Indonesia consists of over 9,000 islands and 5,000 Watershed, has the potential of oil and gas mining. The potential of the natural resources used as the underlying asset to accelerate the development of the eastern region of Indonesia in the future.

Economic growth centers that will be established in the area of Eastern Indonesia will be linked to the centers of economic growth in other regions, either through a system of land transport, maritime, air and rail, for example, with the construction of roads and bridges, ports, airports, and construction railway lines. The formation of the network system of integrated transportation and logistics will encourage efficiency in logistics costs. Through the arrangement of sea transportation by building the ports which is integrated with the main road network, rail network and airports is intended to allow logistics costs can be more efficient so that the price disparity staple commodities that occur over time between the eastern region to the western region of Indonesia can be minimized. In addition, increasing resource capacity human talent to provide logistics is also an important aspect considering the significant role, namely as a prime mover in the Indonesian logistics system.

¹⁴Interview to Office of Secretariat of KP3EI in October 2014

Progress of infrastructure development and economic growth in Corridor V and Corridor VI was delivered by each Governor and Government Representatives of Provincial, City / County. Based on the progress reports submitted, the meeting concluded that the main obstacle faced by most of the areas in the region eastern Indonesia is not the establishment of a system of inter-connectivity and integrated, reliable, efficient, and effective logistic. These issues need to be special attention of the Central Government, considering almost all areas in the eastern Indonesia region has the excellent potential of each region and have entered into stage to increase processed industries, such as agro-processing industry, mine (smelter), palm oil processing industry, fisheries processing industry and sugar industry.

However, the existing processing industry activities were not supported by integrated connectivity systems and logistics. As a result, the domestic need for sugar reach 600,000 tons per year, for example, cannot be fulfilled because not distributed to other areas and the emergence of commodity price gap that is too far from the origin of commodities due to inefficient logistics system.

Various problems related to infrastructure development and acceleration of economic growth in eastern Indonesia, among others:

- The needs of electrical energy as the economy supporting facilities has not been able to meet the needs of the energy required, e.g for smelter development, cement plants, and agro-industry;
- Development of better Internet connection networks in order the development of science and technology capable to compete in the local and regional level, will especially commencement of ASEAN Economic Community (AEC) in 2015;
- Condition of roads and bridges, especially in the provinces of Papua and West Papua is still not connected and integrated with existing centers of economic developments;
- The condition of dock and seaport facilities there are still not able for an integrated, reliable, efficient, and affordable passenger transport and logistic support;
- The condition of existing airports, especially in the interior of Papua and Maluku has not entirely plane can be landed by type of short distance regional passenger transport (aircraft types ATR);
- It should be immediately revitalized small and old age ships carrying goods and passengers;
- Interconnection inter and between regions through better land, marine, and air transportation to create an integrated, reliable, effective, and efficient connectivity and logistics system in order to create a domestic distribution network evenly distributed throughout eastern Indonesia;

- Acceleration of infrastructure development to improve accessibility to remote regions in eastern Indonesia in order to reduce high costs transportation and logistics, especially for the majority of the people of Papua who lives in mountainous regions, where the cost component of logistics and transport contributes most to poverty occurs.¹⁵

There are the most two scrutiny sectors related to infrastructure, namely; the of public works and transport sectors. The related Ministries have submitted a commitment to several things as follows:

a. Ministry of Public Works

Minister of Public Works is committed to provide supporting infrastructure immediately in order to accelerate growth and economic equality in Eastern Indonesia, by building irrigation infrastructure and water net to be able to meet the needs of society and food security, as well as the accelerated development of national roads, highways to improve accessibility to the centers of economic growth.

b. Ministry of Transportation

Minister of Transportation is committed to facilitate the needs the development of transport infrastructure, especially to encourage connectivity reform and integrated, reliable and efficient logistics system through development of strategic ports, procurement of large ships for freight and passengers, airport and railway development in eastern Indonesia. Meanwhile, local governments are expected to focus more on solving the provision of infrastructure in the regions, in particular land acquisition and spatial conflicts and forestry permission issues. In addition, the Local Government need to give attention and encourage the development of SEZs and IEDZ as centers of economic growth. Strengthening and development of human resources and science and technology in Eastern Indonesia.

IV. The Relations between MPAC and MP3EI

We discussed the policy-making process at the ASEAN level related to ASEAN connectivity in Chapter 3. In the relations to Chapter 4, Chapter 5 highlights the function of ASEAN Connectivity National Coordinator (NC) and ASEAN Connectivity Coordinating Committee (ACCC). Indonesian National Coordinator for ASEAN Connectivity is led by Vice Minister for National Development Plan¹⁶ and ACCC member from Indonesia is Indonesian Permanent Representative to ASEAN.

¹⁵Interview to Office of Secretariat of KP3EI in September 2014

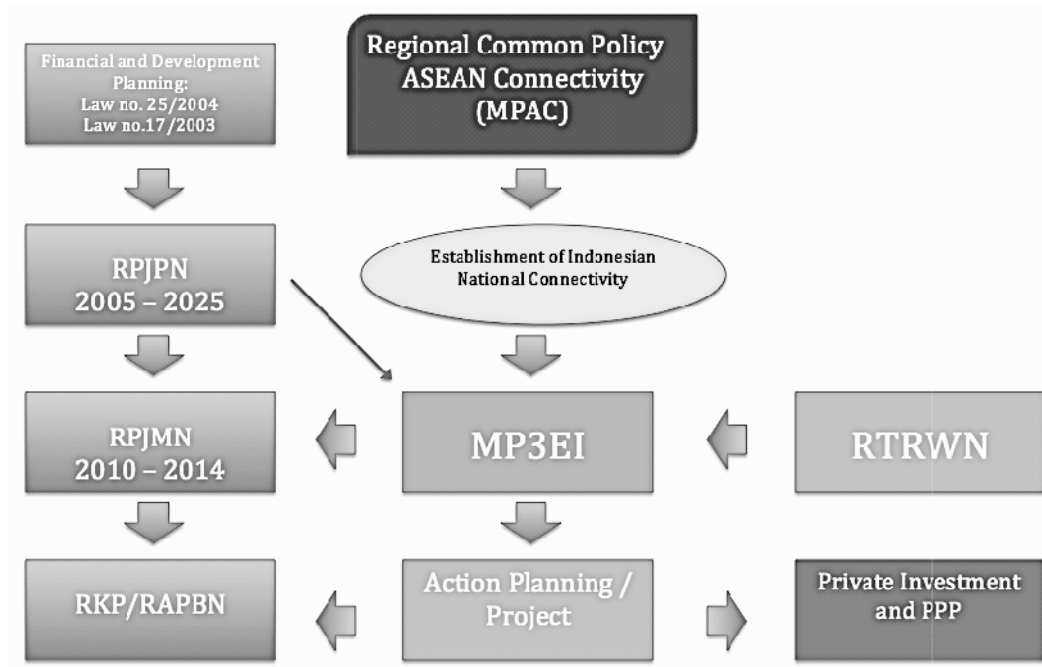
¹⁶Based on Decree of Coordinating Minister of Economic Affairs no.KEP-44/M.EKON/11/2011 date November 29, 2011. Coordinating Minister of Economic Affairs made this decree as his capacity as Chair of Executive Board of MP3EI.

Those two posts implement significant roles in the Phase II (Formulating of National Policies) of Coordination and Harmonization of Adjustment Theories of Regionalism. There are two most important points, first is Adjustment of National Policy (Coordination) and second is Cross Assessment of National Policies (Harmonization). NC implements the first point and (Indonesian) ACCC implements the second point.

NC brings the taken policy in the ASEAN to meetings of Development Plan in Bappenas. The meetings synergize the development plan of MP3EI (KP3EI), ASEAN Connectivity (NC) and Mid-term Development Plan and Annual Working Plan (Bappenas). The meeting holds at least once a year. In the first meeting on 10 July 2012, KP3EI brought the result of MP3EI Coordinating Meeting (24 February 2012), NC brought the result of ACCC meeting (28-29 June 2012) and Bappenas brought the result of Musrembangnas (26-28 March 2012). The meeting discuss on projects that can be synergized, including the ASEAN Connectivity's Bitung-Gen Santos Ro-Ro Project that be synergized by MP3EI's Manado-Bitung Toll Road and Expansion of Bitung Port, and North Sulawesi IEDC/Bitung SEZ.

Then the results of this meeting, brought by Indonesian PR to 3/2012 ACCC Meeting in Phnom Penh on 8-10 September 2012. The Indonesian PR report to the meeting on Indonesia national development plans that related to ASEAN Connectivity. Related to Bitung-Gen Santos Ro-Ro project, ACCC did assessment on Indonesia scorecard on development plan especially on Manado-Bitung Toll Road, and Expansion of Bitung Port. Expansion of Bitung Port project particularly should be accordant to the requirement as the result of Feasibilities Studies done by JICA.

Figure 4-7. Relations between MPAC, MP3EI and Development Plan



Source: Designed by the author

This chapter shows that Indonesia needs MP3EI to de-bottle-necking policy making process in development planning. On the other hand it also to answer the development that happen in regional of ASEAN. ASEAN is in the process of regionalism especially after establishment of ASEAN Economic Community in 2015. Indonesia uses the MP3EI to harmonize and coordinate its national development plan with ASEAN common policy in order to integrate Indonesia national connectivity with ASEAN Connectivity.

Indonesia keeps its ordinary mid-term development plan and annually development plan because the process to change those two documents is not simple. It should pass the consultation with parliaments that will take long time. It is way the government formulates MP3EI in order to accelerate development as well as to adjust with regional development in ASEAN. The mechanism of policy making process in MP3EI is involved regional actors (ACCC and NCAC), National (Ministries and Agencies) and also local actors (Heads of region). It aims to accommodate and synchronize the policies in regional, national and local levels.

CHAPTER 5

CONNECTIVITY PROJECTS AND NORTH SULAWESI DEVELOPMENT PLAN

The previous Chapters 3 and 4 discussed the policymaking process of the projects related to ASEAN Connectivity at the regional level of ASEAN and national level of Indonesia. Therefore, in this chapter, we discuss the policymaking process at the local level of North Sulawesi Province. It aims to support the argument that policy making process related to Bitung-Gen Santos Ro-Ro project at the regional level of ASEAN influences the policy making process at the national level of Indonesia and furthermore to local level of North Sulawesi Province.

ASEAN decided to have ASEAN Connectivity to support establishment of ASEAN Community. One of the important projects is Bitung – Gen Santos Ro-Ro project that connects Bitung of Indonesia and General Santos of the Philippines as part of ASEAN Maritime Connectivity. In order to support establishment of ASEAN Connectivity, Indonesia formulated Indonesian National Connectivity as an important part of MP3EI.

Related to the Bitung – Gen Santos Ro-Ro project, this chapter discusses the projects in North Sulawesi province, namely: Manado-Bitung Toll Road, Expansion of Bitung Port, and establishment of Bitung SEZ and North Sulawesi IEDZ.

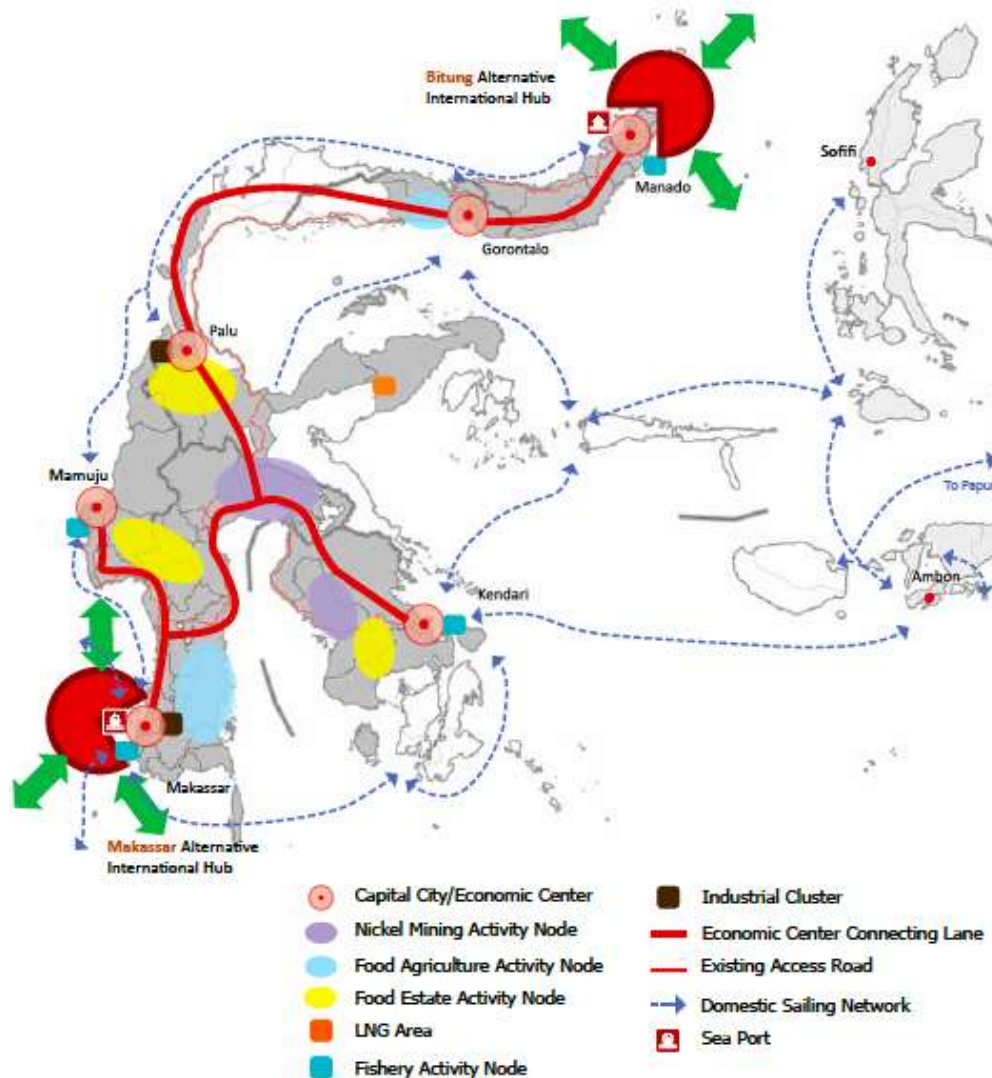
I. MP3EI Sulawesi Economic Corridor

The theme of Sulawesi Economic Corridor is to serve as the center for production and processing of national agricultural, plantation, fishery, oil & gas, and mining. This corridor is expected to be at the forefront of the national economy serving the markets of East Asia, Australia, Oceania and America. Sulawesi Economic Corridor has a high potential to achieve economic and social development with its main economic activities. Sulawesi Economic Corridor development focuses on the main economic activities of food agriculture, cocoa, fishery and nickel mining. In addition, the main economic activities of oil and gas can also be developed with the potential to drive economic growth in this corridor.

Sulawesi Economic Corridor consist of six Economic Centers, which will be connected by Trans-Sulawesi road, and two important ports, namely; Makassar Port and Bitung Port. Makassar as the largest city on Sulawesi, became the center of the implementation of MP3EI Sulawesi economic corridor. Makassar Port is an important port in the distribution of products from and to eastern Indonesia, while Bitung is an important port city in North Sulawesi. Bitung is

the center of the fishing industry, especially Tuna and it is one of the largest Tuna producers in the world. See Figure 5-1:

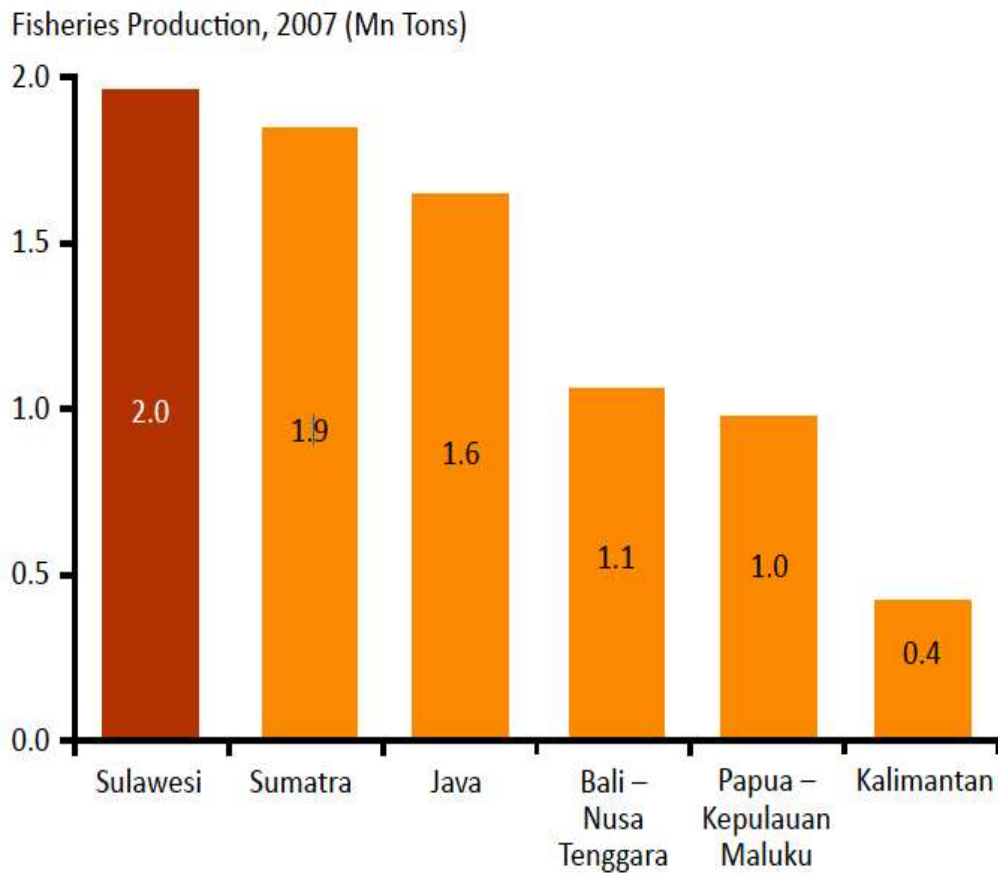
Figure 5-1 Map of Sulawesi Economic Corridor



Source: MP3EI (2011) p.21

Indonesia has an important position in the fishery sector. Fishery production growth reached 7 percent per year, placing Indonesia as the largest producer of fishery products in Southeast Asia. As illustrated in Figure 5-2, production from fishery activities in Indonesia is based on territory distribution. Sulawesi has the largest marine fish production in Indonesia. The fishery sector is one of the main economic activities for the corridor. In 2007, out of a total of 8 million tons, Sulawesi produces one quarter of the total by 2 million tons. It is the largest amount compared with Sumatra (1.9 million tons) and Java (1.6 million tons).

Figure 5-2. Chart of Fisheries Production in Indonesia (2007)



Source: Indonesia Fisheries Yearbook (2009) p.38

Therefore, according to Decree of Coordinating Minister of Economy Affairs, as Executive Chair of KP3EI, no. 60/2013 on 17 May 2013, Working Team for Sulawesi Economic Corridor is lead by Minister of Fisheries and Marine Affairs. It aims to emphasis that Fisheries is a important sector in the Sulawesi economic corridor. The team is expected to implement MP3EI projects in order to increase the economic potential in the Sulawesi, especially the fisheries sector. This national KP3EI works together with provincial KP3EI to implement MP3EI Projects in respective province.

In the case of North Sulawesi, the North Sulawesi provincial government established provincial KP3EI based on Governor Decree no.38/2012 on North Sulawesi KP3EI. This committee is lead by Governor, and consists of stakeholders including all mayors and regents, heads of provincial offices, provincial chambers of commerce, and academics. This committee has

Executive chair to run daily activities. Head of Provincial Development Plan Agency is the Chair of Executive who makes report to the Governor.

II. Manado – Bitung Toll Road Project

One of the most important projects in the province of North Sulawesi MP3EI is the construction of toll roads 39 km that connects the city of Bitung and Manado. This is the purpose of road construction connecting Bitung town as a port city with Manado, North Sulawesi provincial capital and economic center in North Sulawesi. In MPAC, Bitung has been designated as the liaison with the port city of General Santos in the Philippines.

Currently the city of Bitung is connected to the provincial road along 41.9 km of roads built since 1972; the available road now is inadequate because it can only load one lane each to and from Manado. Due to the narrow and poorly maintained roads, the distance from Manado to Bitung is 1.5-2 hours.

The Manado–Bitung road has no alternative way so it often experiences congestion. Moreover, there is more rapid development along the road, which adds to the volume of vehicles. Therefore, to support the Ro-Ro project between Bitung - Gen Santos, the construction of highways Manado - Bitung become part of the project MP3EI Sulawesi economic corridor.

When Ro-Ro lines Bitung-Manado and Bitung Port is already running into a global hub port then, the number of vehicles which will run through the Manado - Bitung will increase up to 3 times,¹⁷ therefore the construction of highway between Manado-Bitung is important and a priority in infrastructure development in the province of North Sulawesi. This toll road is expected to be completed in 2016 and will accelerate distance Manado - Bitung to 45 minutes.

Based on the study of Financial Interest Rate Ratio (FIRR) conducted in 2011 by Bappenas and Bappeda North Sulawesi produces two types of toll road development scenarios Manado - Bitung. The first scenario is the construction without government support, and scenarios with government support.

For the first scenario, ie, without government support, the value of investment for the construction of Toll Road Manado - Bitung to Rp. 4.405 trillion, the financial viability of 13.73% and private investment payback period of 15 years 2 months if no government support (construction and land acquisition carried out by the investor). As for the second scenario that with government support, investment value for the construction of Toll Road Manado - Bitung to Rp. 2.391 trillion, the financial viability of 17.01% and a payback period of private investment for

¹⁷Interview to official of BAPPEDA of North Sulawesi Province (October 2014)

12 years and 5 months, if the government has the support of Rp. 1,277 billion, consisting of Rp. 365 billion for land acquisition and Rp. 911 billion for partial construction.¹⁸

The Coordinating Meeting KP3EI Sulawesi and Papua-Maluku Economic Corridor, 3 May 2013, assigned to the implementation of highway projects Manado - Bitung, it was decided the project would be carried out by the scheme of Public-Private Partnership (PPP) with regional government of North Sulawesi is responsible for the land acquisition process, the central government builds a 600m toll road, while the highway construction will be done by the private sector. Furthermore, on further discussion in KP3EI province of North Sulawesi, it was determined that for the construction of each motorway exit doors will be borne by the respective districts or cities where the motorway exit was located. The toll road will have five toll gate in addition to the toll booth Manado and Bitung, namely in Sukur, Airmadidi, Kauditan, Sagerat, and Danowudu. (see Figure 5-3)

Figure 5-3. Map of Manado-Bitung Toll Road



Source: Rencana Pembangunan Provinsi Sulawesi Utara/ North Sulawesi Development Plan, Bappeda Sulawesi Utara (2014), appendix III-12

¹⁸ Interview to official of BAPPEDA of North Sulawesi Province (October 2014)

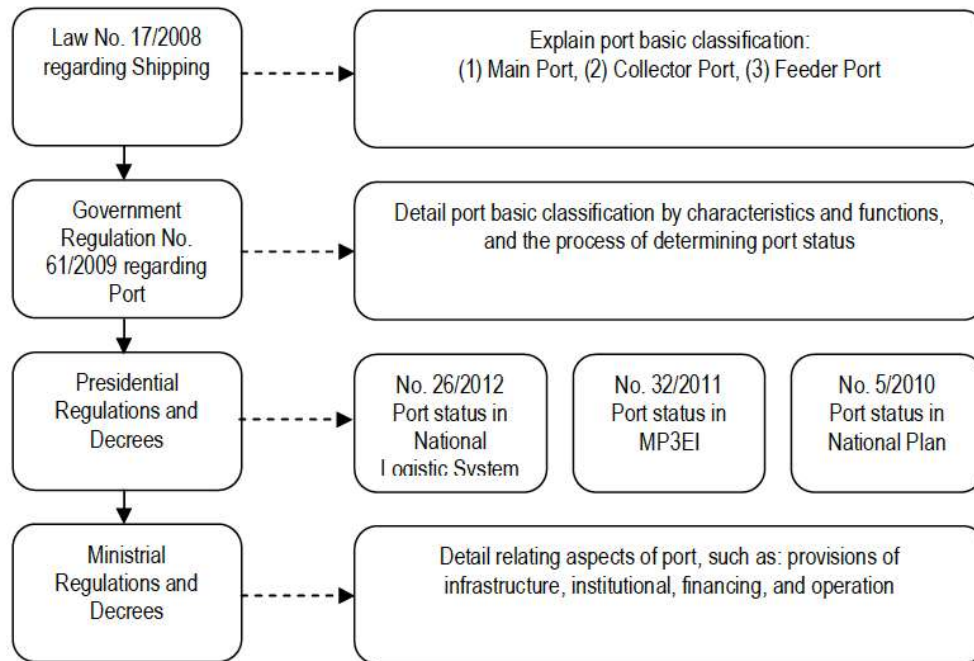
III. Expansion of Bitung Port

One of the important infrastructures for Bitung City related to ASEAN Connectivity is Bitung Port. The port is one of the largest in Sulawesi, which is supported by adequate infrastructure. At least, the Port is being used as a gateway of necessary goods distribution, and thus it become the economy stimulator by improving trades for North Sulawesi people. In international trade, Bitung Port supports Tanjung Priok and other three international ports to distribute export and import commodities from/to North Sulawesi.

Currently, the growing issue of Bitung Port is the status upgrade into international hub port. Once, it is upgraded, the port traffic would increase, especially from the export and import activities conducted by international vessels. As an international hub, Bitung Port may be able to conduct transshipment activities (including charges and discharges of containers and cargoes from other countries) and distribution of export commodities from Bitung Port directly to the North East Countries such as Philippines, China, Hong Kong, Japan, South Korea, or even United States without passing Singapore or Malaysia (the current nearest hub ports). These shipping patterns could be more efficient than the current pattern, especially for north-east trades. Therefore, the upgrading would be positive for Indonesian economy, because it encourages eastern Indonesian export and import activities, as being expected by Indonesian development vision.

In Indonesia, the highest general port regulation is Law No. 17/2008 regarding Shipping. Furthermore, the regulation specified by Government Regulations, which is Government Regulation No. 61 /2009 regarding Port, is one of the most connected. This government regulation set limits, criteria, classification and functions of ports in Indonesia. In addition, the regulation also describes the system and mechanisms of port and its activities. However, in more technical aspects, such as port logistics systems, urban systems, and institutional systems are described in Presidential Regulations. Especially the provisions relating to the status, delegations, and certain authorities, are mandated by Presidential Decrees. Meanwhile, detailed things to the port system are then regulated by Ministerial Regulations and Decrees.

Figure 5-4. Regulations on Port Development



Source: Prepared by the author

The highest regulation of shipping in Indonesia, Law No. 17/2008 regarding Shipping, arranges basic principle of port. It includes port definitions, general function, classification and status in Indonesian shipping. Article (1) from the regulation states whether port is one of the major parts of shipping system in Indonesia. It is divided into three basic classifications, which are:

- 1) Main port; this class of port is able to serve domestic and international shipping activities, large scale of domestic and international transshipments, as origin and destination of passengers and goods, as well as connecting inter-province crossing
- 2) Collector port; this class of port is able to serve domestic shipping activities, medium scale of domestic transshipments, as origin and destination of passengers and goods, as well as connecting inter-province crossing
- 3) Feeder port; this class of port is able to serve domestic shipping activities, limited domestic transshipments, feeder activities for collector port and main port, as well as connecting only inter-province crossing

The above classification is principal port status in Indonesia. The more detail regulation, especially the process to determine port classification as above-mentioned are derived by the Government Regulation. Government Regulation No. 61/2009 regarding Ports Instead of detailing

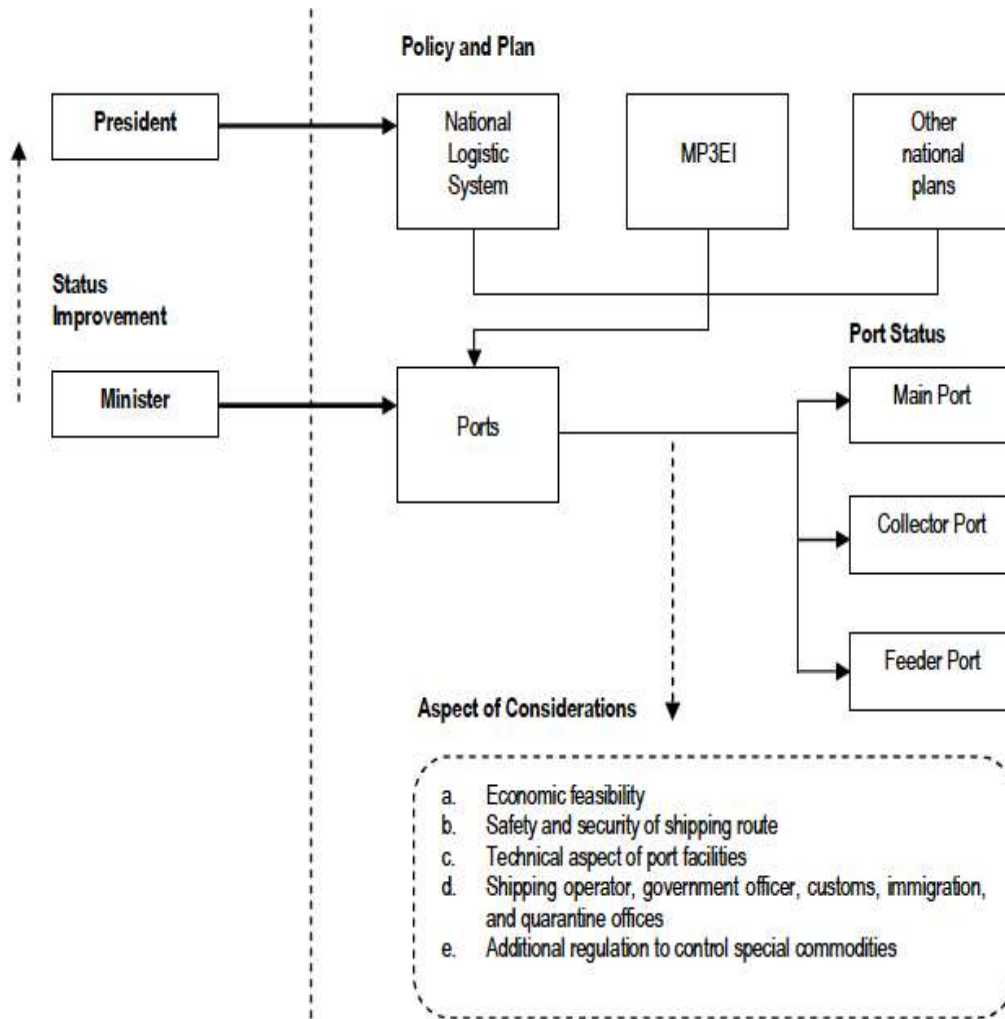
port classification, this regulation explains general legal standings, policy directions, and provisions to determine port classification relating to status. One of the most fundamental directions from this regulation is whether the port classification relating to status is determined by port physical condition and supporting infrastructure.

Basically, the determination of port classification is undertaken by Minister level referring to the consideration of official policy and planning documents. One of the official documents is National Spatial Plan (Rencana Tata Ruang Wilayah Nasional). It mentions national port hierarchy and status, the process of determining port location, development/expansion, operation, and planning programs. As above mentioned, port status is determined by physical conditions and availability of infrastructure. Therefore, increasing the port status is closely related to the improvement of port capacity and infrastructure. If the port improves its supporting infrastructure, hence its status can be considered for upgrading. This stipulation is stated in the article (99) to (100) of GR no 61/2009.

According to the article (100), port status is determined by the availability of permanent mooring facility, container terminal, adequate container cranes, container yard and warehouse, communication and information system, competent human resources, and the most important factor, adequate cargo volume. Furthermore, in case of international status, the provisions of special port and terminal for international trade are determined by president through minister's considerations. Several points to be considered in the process are as follows:

- a. Economic feasibility
- b. Safety and security of shipping route
- c. Technical aspect of port facilities
- d. Shipping operator, government officer, customs, immigration, and quarantine offices
- e. Additional regulation to control special commodities

Figure 5-5. Port Status Determination Process by Physical Condition



Source: prepared by the author

IV. Bitung SEZ and North Sulawesi IEDZ

In order to support the implementation of the Bitung-General Santos Ro-Ro Project, North Sulawesi province builds the Bitung SEZ. The aim is to provide economic added value to the Ro-Ro ferry lines between Bitung and General Santos. Bitung Special Economic Zones (SEZs) located in ALKI/ Ship lane III navigable by container ships and large capacity tankers. It has strategic location as a center of growth in the distribution of goods and the provision of logistical support in eastern Indonesia as well as having access to the International, in particular to the BIMP-EAGA, AIDA, East Asia and the Pacific.

Adjacent to the development of the Bitung Port as Hub International or Global Hub who has a natural harbor with a depth of 22-30m. Location KEK has the potential to be expanded. Bitung Special Economic Zones (SEZ) focus on the manufacturing and environmentally friendly logistics. Business sector: Industrial processing of fish (fresh fish processing, canning), the export processing industry, pharmaceutical industry (processing raw materials of drugs), and the logistics industry (packaging, inspection services, preparation of container services, warehousing, and engineering).

Global Hub Bitung port with a capacity of 500,000 TEUs (Twenty-foot Equivalent Units) / year and is increased to 1,000,000 TEUs / year at sea depths > 22m. Distance of the location of the port of Bitung with SEZ of about 5 km. Being on the national road Girian - Kema connected to the national road Manado - Bitung and Manado Toll Road - Bitung. Plan ahead both locations will be integrated.

Sam Ratulangi International Airport with a runway length of 2,650 m and is extended to 3000m, the distance to the location of the SEZ around 39km. The supply of electricity to the site of SEZ derived from GI Cape Red integrated with network interconnection Gorontalo - North Sulawesi with an installed power of 150 MW. The largest part of electricity uses renewable sources (Geothermal and Hydro).

Source of raw water from springs Tendeki which has a capacity of 40L / sec located about 7.2 km and the river Pinokalan which still has available capacity of 100L / sec at a distance of 4km, next to the source of raw water supplied from the dam Kuwil - Sawangan. Construction of fiber optic network to support telecommunications in the SEZ being built and ready for use in the near future. North Sulawesi Provincial Government will be represented by local enterprises. Furthermore, these enterprises will work with privately owned companies to build and manage SEZ. Private Companies selected are business entities that have an extensive network with investors at home and abroad.

Establishment of Bitung SEZ aims to give economy impact of the Ro-Ro project. Since the Ro-Ro lines between Bitung to General Santos takes about 20 hours, according to interview to official of BIMP-EAGA office in Manado, the government of North Sulawesi and Mindanao agree to build stronger economy ties between 2 regions therefore there are many people go and come between North Sulawesi and Mindanao.

Bitung KEK is established by President decree no 32/2014 dated Mei 21, 2014. Currently there are some companies starts the business to develop Industry complex in Bitung. One of them is join venture Company owned by North Sulawesi and Mindanao investors, PT International Alliance Food, who has business in canned fish. Table 5-1.shows companies in Bitung KEK and North Sulawesi IEDZ.

Table 5-1. Companies in Bitung SEZ and North Sulawesi IEDZ

No	Company's name	Business
Government/Public companies		
1	PT. Tristis Indonesia	Coconut Powder
Public-Private companies		
2	Joint companies	Processed food (fish)
3	Central and local government, CV. SumberRezeki, PT. Bina Terpadu, local companies	Seaweed
Private		
	PT. Jametro Mandala Utara	Processed food (fish)
	PT. RD Pacific International	Processed food (fish)
	PT. International Alliance Food Indonesia	Processed/canned food (fish)
	PT. Delta Pacific Indotuna	Processed food (fish)
	PT. Salim IvomasPratama	Vegetable oil
	PT. Conaka Indonesia	Vegetable oil
	PT. TelukKelapa International Manado	Tourism

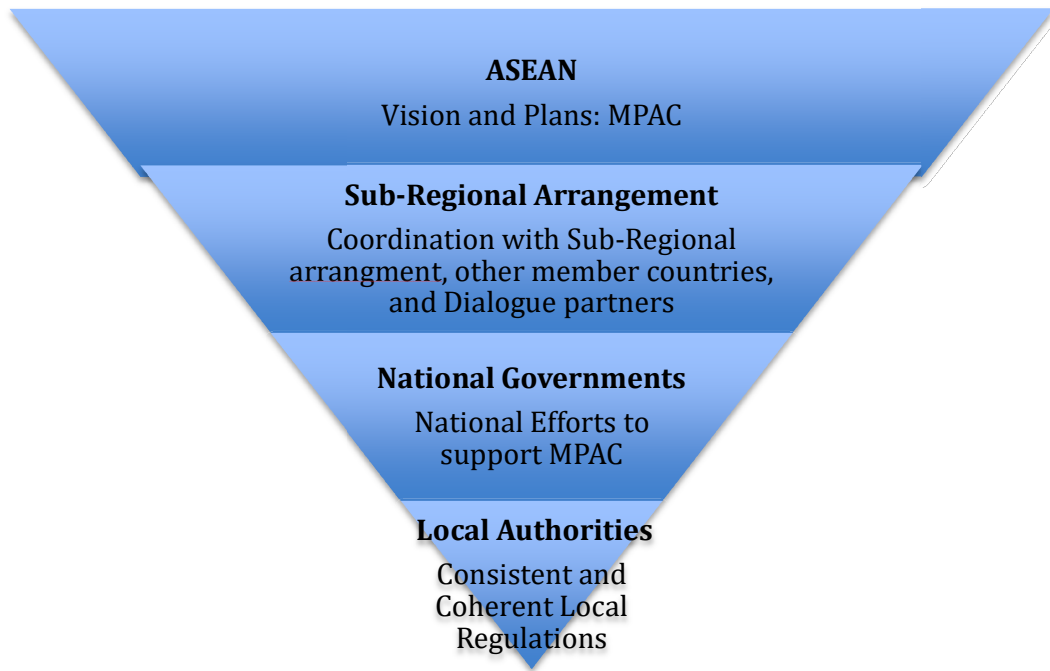
Source: Interview with Head of North Sulawesi KAPET (October 2014)

Bitung-Manado toll road, expansion of Bitung port, Bitung KEK and North Sulawesi KAPET are the projects that implemented to support implementation of Bitung-General Santos Ro-Ro Project. Those projects are the result of coordination and harmonization of the government of Indonesia and local government of North Sulawesi to the implementation of MPAC.

Bitung-Manado toll road and expansion of Bitung port projects directly related to infrastructure project of the Ro-Ro lines. Meanwhile Bitung KEK and North Sulawesi KAPET aim to give economic impacts to the Ro-Ro lines thus the implementation of MPAC can give economic advantages to the region, especially to North Sulawesi and Mindanao.

After the discussion in Chapter 3, 4, and 5, the researcher finds the relations between the development projects in the level of regional, national and local as shown in Figure 5-6.

Figure 5-6. The Influences between level of Regional, National and Local



Source: designed by Author

The figure shows the processes have been taken at every level of policy making in order to harmonize and coordinate with other levels. This confirms that there are efforts in national level of Indonesia to adjust in order to support MPAC. Moreover, in the local level of North Sulawesi, there are also adjustments to support national development project in the area. In detail we can see in the Table 5-2, how the adjustment has been taken in order to harmonize and coordinate between regional level of ASEAN, national level of Indonesia and local level of North Sulawesi Province.

Table 5-2. Adjustment between the Regional- National and National-Local levels

	Regional level of ASEAN	National level of Indonesia	Local level of North Sulawesi
Document	Master Plan of ASEAN Connectivity (MPAC)	Master Plan of Acceleration and Expansion of Indonesian Economic Development (MP3EI)	Plan of Regional Layout (RTRW) and Provincial Mid-term Development Plan (RPJMD)
Institution	ACCC, NC, and ASEAN Secretariat	Committee of MP3EI	Provincial Committee of MP3EI
Projects	Bitung-GenSan Ro-Ro Project	Manado-Bitung toll Road and Expansion of Bitung Port	SEZ and IEDZ (KEK and KAPET)
Ro-Ro Project	Connecting archipelagic part of ASEAN	Set Bitung as Global hub port	Proposed Bitung as SEZ
Quality of the port	Set the standard of Ro-Ro port based on FS of ERIA	Follow the standard of Ro-Ro port based on FS of ERIA	Set SEZ and IEDZ to support Bitung port
Institutional Connectivity	Set standard of CIQS of Ro-Ro Port	Follow the set of standard of CIQS	Local offices support the standard

Source: Designed by the author

The table shows how the projects in 3 levels can influence each other. As like as the relations which shown at figure 1-7, this table verifies the connections between the projects implemented in ASEAN, Indonesia and North Sulawesi. It also shows the main actors in the projects, these main actors coordinate to each others in order to harmonize the policies.

CHAPTER 6

ASEAN DIALOGUE PARTNERS IN ASEAN CONNECTIVITY

I. ASEAN Dialogue Partnerships

The Bangkok Declaration, signed on 8 August 1967, stated that the purpose of the establishment of ASEAN is to bring peace, progress and prosperity in Southeast Asia. Moreover, in Paragraph VII of the Bangkok Declaration, ASEAN also aims to maintain a close and beneficial cooperation with regional and international organizations that have a common purpose. Thus, it is clear that since the beginning of establishment, ASEAN has shown outward-looking attitude and willingness to actively establish relations with parties outside ASEAN, particularly in order to achieve prosperity in the region.

Related to the spirit, ASEAN has established good relations with many countries in Asia, the Pacific and Europe. Meanwhile development in ASEAN entered a new phase with the signing of the ASEAN Charter at the 13th ASEAN Summit in Singapore in 2007. After going through the ratification process in each Member State, the ASEAN Charter enters into force since 15 December 2008.

In the ASEAN Charter, ASEAN dialogue partnership with countries or regional and international organizations (external parties) set out in article XLI. The basic principle in cooperation with external parties in accordance with Article XLI of the ASEAN Charter, inter alia by promoting ASEAN as the driving force which aimed to establish the ASEAN Community in 2015 as well as ASEAN's central role in promoting regional cooperation and community development.

Until now, ASEAN has had 11 Full Dialogue Partners and one Sectoral Dialogue Partner. Full Dialogue Partner of ASEAN consists of the United States, Australia, China, India, Japan, Canada, Republic of Korea, Russia, New Zealand, the EU and UNDP. Sectoral Dialogue Partner of ASEAN is Pakistan. In addition, ASEAN also has a framework of cooperation with China, Japan and Republic of Korea through the ASEAN Plus Three. Meanwhile since 2005 it develops a forum East Asia Summit (EAS) with participants from 16 countries, namely the 10 ASEAN countries, Australia, China, India, Japan, Republic of Korea and New Zealand. This dissertation focuses on the role of Japan as ASEAN Dialogue Partner, particularly its role in ASEAN Connectivity projects.

II. ASEAN Dialogue Partner's Roles in ASEAN Connectivity

II.1. Japan's Role in ASEAN

ASEAN and Japan began informal dialogue relations in 1973 and elevated the level to a formal relationship with the formation mechanism of the ASEAN-Japan Forum in March 1977. On 25 May 1981 the Promotion Centre on Trade, Investment and Tourism was set by agreement between ASEAN countries and Japan. Currently referred to as the ASEAN-Japan Centre (AJC) and is in the process of reform to expand the functions and activities according to the direction of the ASEAN-Japan Commemorative Summit in 2003. Based on the recommendation of AJC Eminent Persons Committee agreement then underwent a process of amendment and endorsed by the Council on the AJC Director on 20 November 2007.

The strengthening of ASEAN-Japan cooperation marked by the implementation of the ASEAN-Japan Commemorative Summit, 11-12 December 2003 in Tokyo and the signing of the "Tokyo Declaration for the Dynamic and Enduring ASEAN-Japan Partnership in the New Millennium" and the ratification of the ASEAN-Japan Plan of Action, a blueprint for the ASEAN-Japan cooperation in a comprehensive manner at the Commemorative Summit. Japan had acceded to the Treaty of Amity and Cooperation (TAC) on 2 July 2004 in Jakarta.

At the 10th ASEAN-Japan in Cebu on 14 January 2007, the proposal of Japan to establish the Eminent Persons' Group (EPG) was approved to elaborate on the 9th ASEAN-Japan Summit Joint Statement on Deepening and broadening of ASEAN-Japan Strategic Partnership to be realized in the form of cooperation and practical actions. EPG recommendations in the form of the Report of the ASEAN-Japan Eminent Persons Group have reported to the leaders at the 12th ASEAN-Japan in Hua Hin, Thailand on 24 October 2009. Furthermore, the Ministers concerned and other senior officials can follow up on a recommendation in the report.

At the 11th ASEAN-Japan Summit 21 November 2007 the Joint Statement on the Conclusion of the Negotiations for the ASEAN-Japan Economic Partnership Agreement was announced. AJCEP covers trade in goods, trade in services, investment and economic cooperation. AJCEP Agreement negotiations were completed and signed in early 2008, and the parties conducted a ratification process for entry into force. As part of AJCEP, Japan and ASEAN should start negotiations for services and investment one year after entry AJCEP into force. Japan at the 12th ASEAN-Japan in Hua Hin, in Thailand on 24 October 2009 that Indonesia, the Philippines and Cambodia to ratify AJCEP.

Within the framework of cooperation the East Asia Summit (EAS), ASEAN-Japan considers it important people-to-people exchange. At the 10th ASEAN-Japan Summit, Japan was committed to implement a program to invite 6,000 youths from countries of the East Asia Summit

per year for five years to visit Japan through the Japan-East Asia Network of Exchange for Students and Youths (JENESYS).

Japan is the initiator of the study of the Economic Research Institute for ASEAN and East Asia (ERIA). As a follow up to the 3rd EAS, the leaders agreed on the establishment of ERIA to be accommodated temporarily at the ASEAN Secretariat in Jakarta. ERIA activities will be carried out based on the three pillars of research policy namely deepening economic integration, narrowing development gaps, and sustainable economic development. ERIA is currently under the umbrella of cooperation EAS and has a focus on strategic studies to promote regional integration and strengthen partnership in East Asia.

Japan is also the initiator of the study of the Comprehensive Economic Partnership in East Asia (CEPEA) to explore the possibility of cooperative frameworks for economic integration in East Asia, to review the status of economic integration among member countries of EAS and analyzing the economic impact CEPEA against countries EAS. The reviewer group has carried out meetings four times and has handed over the final report of recommendations to the Minister of Economy at the 4th East Asia Summit in 2009.

At the 11th ASEAN-Japan in Singapore in 2007 Japan has proposed the establishment of the ASEAN-Japan Dialogue on Environmental Cooperation (AJDEC) which aims among others to exchange views in the field of environment, identify and promote specific projects between ASEAN and Japan in the field of environment, AJDEC third meeting was held on 6 August 2009 in Hua Hin Thailand.

EPA Language Training programs are more bilateral and sub regional for ASEAN countries that already have EPA and is intended for Japanese language training for nurses and care worker. Indonesia receives a package of EPA Language Training, followed by the Philippines. Emergency Economic Assistance Program will be allocated to the ASEAN Plus Three cooperation. While Disaster Management will support the facility ASEAN Humanitarian Assistance Center (AHA) Centre in Jakarta and the Asian Disaster Reduction Centre (ADRC) in Kobe.

Japan is committed to support the establishment of ASEAN Community in 2015 with ASEAN as the driving force. ASEAN welcomed the "Fukuda Doctrine" then which Prime Minister Yasuo Fukuda said "ASEAN is a partner that shares the vision of Japan" especially in the context of the evolving regional architecture. The commitment is reinforced by the appointment of Yoshinori Katori as the first Japan's Ambassador to ASEAN on 17 October 2008, which is based in Tokyo.

In the field of politics and security, the leaders of ASEAN and Japan reaffirmed its commitment in the face of the threat of terrorism through the mechanism of the ASEAN-Japan Counter-Terrorism Dialogue. Japan also welcomed the establishment of the ASEAN Inter-Governmental Commission on Human Rights (AICHR) and the implementation plan of the 2nd

Bali Democracy Forum in December 2009 in Indonesia as an effort to spread the values of democracy and respect for human rights. On the issue of the Korean Peninsula, Japan expects ASEAN cooperation in resolving the nuclear issue through the mechanism of Six-party Talks and the settlement of abduction issue.

Japan also asked ASEAN to take advantage of Japan's assistance Emergency Assistance Related to the Financial Crisis in the ASEAN Region amounted to USD 61.9 million in an effort to deal with economic and financial crisis. The meeting also agreed on the need to ensure the success of the Copenhagen Conference and effectiveness of the Post-Kyoto Protocol Regime.

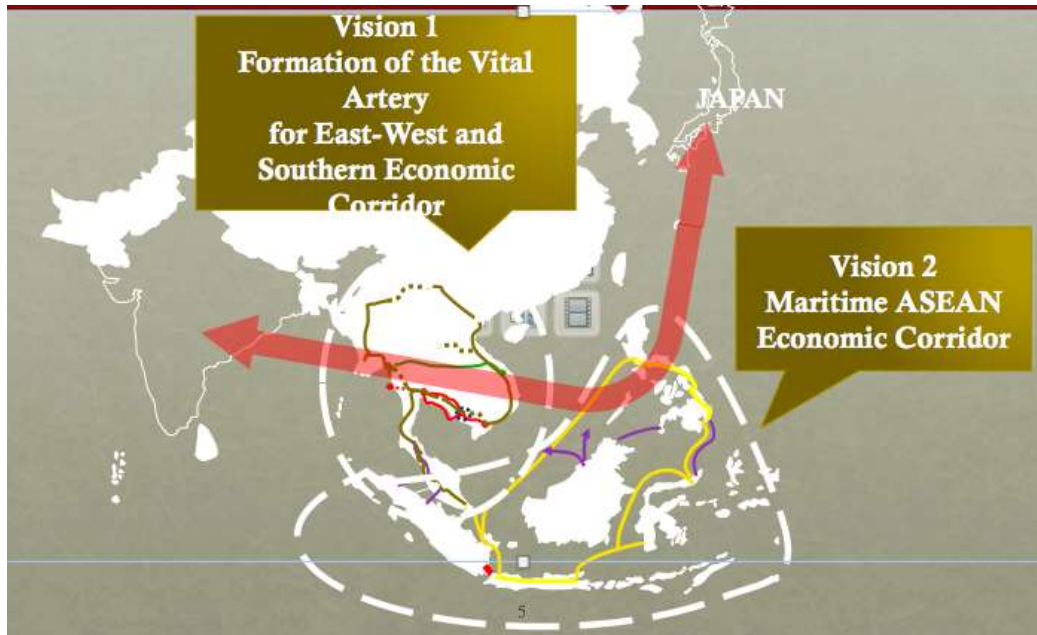
The 40 years ASEAN-Japan Commemorative Summit was held in Tokyo on 14 December 2013. Leaders of ASEAN and Japan adopted Vision Statement on ASEAN-Japan Friendship and Cooperation. ASEAN and Japan reaffirm that they strengthen cooperation on the four areas of partnership, namely: partners for peace and stability, partners for prosperity, partners for quality of life and heart-to-heart partners. Leaders of ASEAN and Japan also agreed to strengthen cooperation in areas of mutual interest related to trade in goods, trade in service and investment, to support effort to enhance ASEAN Connectivity and to strengthen cooperation in air and maritime linkage between ASEAN and Japan, ensuring freedom and safety navigation.

II.2. Japan Task Force on ASEAN Connectivity

Japan established Japan Task Force on ASEAN Connectivity (JT FAC) in November 2010, just after the adoption of MPAC. Japan was the first dialogue partner of ASEAN who showed its interest to support ASEAN in implementation of MPAC. JT FAC is led by Japan's Ministry of Foreign Affairs and consists of several ministries and institutions, namely: Ministry of Communications, Ministry of Finance, Ministry of Economy Trade and Industry, Ministry of Land, Infrastructure, Transportation and Tourism, Japan International Cooperation Agency, Japan Bank for International Cooperation, Keidanren, Japan Chamber of Commerce and Industry.

In general Japan has two visions in order to support ASEAN Connectivity, namely: Formation of Vital Artery for East-West and Southern Economic Corridor; and Maritime ASEAN Economic Corridor. This thesis focuses on the second vision, supporting Maritime ASEAN Economic Corridor. Japan is also archipelagic country as well as Indonesia and Philippines, it is way Japan want to share its experiment in development of Maritime Connectivity.

Figure 6-1. Japan's Vision for Supporting ASEAN Connectivity



Source: ERIA Study Paper on ASEAN Connectivity (2011) p.20

III. Policy Making Process in ASEAN and Japan related to ASEAN Connectivity

III.1. The Meetings of ACCC and Japan

Japan's MOFA is the leader and coordinator for JTFAC. MOFA is responsible to hold the meetings. JTFAC always hold the internal coordination meeting before they have meeting with their ASEAN counterpart, ACCC. The 1st meeting of JTFAC was held in Tokyo in November 2010. It was just a month after adoption of MPAC at the 17th ASEAN Summit in Hanoi in October 2010. The 1st meeting decided that Japan would actively support ASEAN in implementation of MPAC. The 2nd and 3rd meetings were held in Tokyo in December 2010 and March 2011, respectively and decided the list of possible projects that Japan can support. The list is known as Japan-ASEAN Flagship projects. Initially, Japan offered 31 projects.

The 4th meeting was held in June 2011. It was the preparation meeting of the 1st ACCC+Japan that was held in Medan in July 2011. The 4th meeting of JTFAC decided to list of projects and also the possible mechanism of meeting of ACCC+ Japan. ACCC+ Japan is the first meeting of ACCC with dialogue partner of ASEAN.

Another important meeting was the 7th ACCC-Japan Meeting was held in Surabaya in June 2014. The meeting is important because it was held after the meeting of ASEAN-Japan Commemorative Summit that was held in Tokyo in December 2013. The Summit was held to celebrate 40th anniversary of the ASEAN-Japan dialogue partnership. In the Summit, Japan

reaffirmed its commitment to support ASEAN in implementation of MPAC. Japan also launched development assistance for Infrastructure developments related to ASEAN Connectivity in amount of USD.20 billion. Even the development assistant is in the frame of ASEAN, but in the practice, the assistance will be given bilaterally under the framework of Japan Overseas Development Assistance (ODA).

Table.6-1.Meeting Mechanism Japan-ASEAN in ASEAN Connectivity

Name	Date	Place
1st Japan Task Force Meeting	10 November 2010	Tokyo
2nd Japan Task Force Meeting	13 December 2010	Tokyo
3rd Japan Task Force Meeting	23 March 2011	Tokyo
4th Japan Task Force Meeting	22 June 2011	Tokyo
1st ACCC-Japan TF	1-2 July 2011	Medan
5th Japan Task Force Meeting	19 August 2011	Tokyo
Ro-Ro Ship Network Exposure Program	13-14 September 2011	Tokyo and Fukuoka
2nd ACCC-Japan TF	22-23 November 2011	Bali
3rd ACCC-Japan TF	11 March 2012	Jakarta
6th Japan Task Force Meeting	4-5 August 2012	Tokyo
4th ACCC-Japan TF	12 September 2012	Phnom Penh
7th Japan Task Force Meeting	3 March 2013	Tokyo
5th ACCC-Japan TF	16-17 April 2013	Jakarta
8th Japan Task Force Meeting	8 July 2013	Tokyo
6th ACCC-Japan TF	30-31 Aug 2013	Brunei
7th ACCC-Japan TF	8-9 June 2014	Surabaya

Source: prepared by Author

III.2. Ro-Ro Ship Network Exposure Program in Japan

On 13 and 14 September 2011 held Ro-Ro Ship Network Exposure Program in Tokyo and the port of Hakata in Fukuoka, facilitated by the Government of Japan namely; Ministry of Foreign Affairs, Ministry of Infrastructure, Land and Tourism, and the Japan International Cooperation Agency (JICA). This event was attended by representatives from Indonesia and the Philippines, as the lead coordinators network system development study project RORO (Roll on-Roll off) and Short Sea Shipping, which is one of the priority projects Master Plan on ASEAN Connectivity (MPAC).

On this occasion, they also discussed the Terms of Reference (TOR) "Feasibility Study on the Establishment of an ASEAN Roll-On / Roll-Off (RO-RO) Shipping Network and Short Sea Shipping" between Indonesia and the Philippines with the Japanese (JICA and MILT). Referring to the results of consultations with the ACCC Japan in Medan, on 1-2 July 2011, Japan agreed to fund the study.

The Indonesian delegation headed by the Permanent Representative of Indonesia / Ambassador for ASEAN as the ASEAN Connectivity Coordinating Committee was accompanied by representatives from the Ministry of Transportation (Director and Head of Sub Sea Traffic), Indonesian Permanent Representative to ASEAN officials and Ministry of Foreign Affairs. Meanwhile, Philippines delegation led by the Permanent Representative / Ambassador to the Philippines for ASEAN.

Port of Hakata is one of the largest ports transporting goods in Japan where serves these routes domestic and international. Hakata was chosen because it has a system RO-RO / Short Sea Shipping which is quite advanced and one of the best in the world. RO-RO ship at the port of Hakata serving Japan-Korea and vice versa. As Indonesia and the Philippine are Archipelagic states that should draw experience and knowledge of Japan to increase intra-ASEAN connectivity as well as with external parties (outside the region), especially for regions spread across the archipelago.

One of the basic principles of MPAC is to build a reliable connectivity between the archipelago within the mainland ASEAN, so that the traffic of goods, services and capital is able to encourage economic growth in the region. Competitive ASEAN Economic Community is expected to enhance ASEAN's ability to integrate with the global economy. As a condition the implementation of the study, TOR "Feasibility Study on the Establishment of an ASEAN Roll-On / Roll-Off (RO-RO) Shipping Network and Short Sea Shipping" organized by the Philippines and Indonesia discussed jointly with JICA and MILT in Tokyo on September 14, 2011. Some of the things under discussion were as follows:

- a. Associated route (route), described by Indonesia and the Philippines that the lines proposed in the TOR studies contained in MPAC and Brunei Plan of Action, and agreed upon by sectoral bodies, among others Marine Transportation Working Group (MTWG) and Senior Transportation Officials Meeting (STOM). Japan wanted the routes that will be the object of study are discussed together, and involving various parties including the private sector. This is important in Japan given the RORO network development is driven by market factors (market driven).
- b. Support of ASEAN to the success of the study are expected, the Japanese government wanted ASEAN, especially the lead coordinators (Indonesia and the Philippines established a Secretariat in mid October 2011). The functions of the Secretariat among others, is to facilitate the JICA during the study and as a center for coordination, and organize meetings and

workshops. In addition, the Japanese side also requires a contact person to decide on the route, operator (forwarders / ship company and local government), helps manage the studies in particular for site survey activities and gathering input on the report prepared by the study team of JICA.

- c. JICA proposed study include regulatory and institutional framework, including evaluating the port and road infrastructure.
- d. ASEAN discussed the Stakeholder Consultative Meeting, which Japan proposed that meeting of Study Team is limited to the Marine Transportation and the ASEAN Working Group (MTWG) and Workshop. Indonesia and the Philippines in the TOR proposed that the study team report to the parties, among others, the ACCC, the National Coordinator and other relevant parties.

Meeting and working visit to Tokyo and Fukuoka, initiated by Japan to strengthen the commitment of Japan as ASEAN Dialogue Partners to support MPAC, and in accordance with the mandate of MPAC, the 17th ASEAN Summit and the 18th ASEAN Summit. Accordingly, the Government of Indonesia especially relevant ministries need to be actively involved in the course of study, in order to obtain the maximum benefit and in accordance with national interests.

Japan has become ASEAN Dialogue Partner for more than 4 decades. Related to ASEAN Connectivity, Japan has interest to develop Maritime Connectivity since Japan is archipelagic state and has advanced technology and experiences in maritime connectivity. Indonesia and Philippines have similarity with Japan as archipelagic states but does not have advanced technology and experience in inter-states maritime connectivity.

Government of Japan committed to assist ASEAN in implementation of MPAC. Therefore, Japan established Japan Task Force for ASEAN Connectivity. This task force held meetings and joint meeting with ACCC to discuss implementation of MPAC. Japan has special intension to assist ASEAN in Maritime connectivity because Japan concerns in maritime connectivity especially the safety and the freedom of navigation.

Related to the Adjustment theory, Japan assists ASEAN countries especially Indonesia to adjust its development plan to implementation of MPAC. It shows in Japan's Feasibility Studies on Ro-Ro projects, which then was adopted in Indonesia MP3EI, especially in the project of expansion of Bitung port in order to meet standardization of Ro-Ro port.

CHAPTER 7

CONCLUSION

The aim of this research is to evaluate the policymaking process in ASEAN Connectivity. This dissertation argues that policymaking process in ASEAN Connectivity shows a changing in policymaking process in ASEAN. After ASEAN adopted its ASEAN Charter in 2007, ASEAN shows development toward institutionalization in association. It emerged in increasing roles of ASEAN Secretariat. The phenomena that happens in ASEAN in the post-ASEAN Charter era are similar to what happened in EU between the Rome Treaty (1952) and the Maastricht Treaty (1997) when it was still known as European Economic Community. This research clarifies that regionalism process has only focused on the process in Europe but also can be applied in other region, in this research in Southeast Asia region.

Establishment of Committee of Permanent Representative of ASEAN also shows that ASEAN now is going to be further institutionalized and having more intensive diplomacy to discuss common policies. The policymaking process in ASEAN Connectivity has also become more special after establishment of two other institutions, namely National Coordinator for ASEAN Connectivity and ASEAN Connectivity Division, which is directly under office of Secretary General. This Dissertation argues that there is increasing in the roles of Secretariat in the policy making process in ASEAN.

The dynamism that this research shows that, the regionalism process in ASEAN is not only can be explained by the integration theory of regionalism that focuses on the interaction between member states as the main actors. But, in the case of ASEAN Connectivity, the regionalism process is also can be explained by Adjustment Theory of regionalism. It gives comprehensive understanding on the research of ASEAN Regionalism. The policy making process in ASEAN Connectivity as discussed in Chapters 3, 4 and 5 shows that the common policy as a result of policymaking process at the regional level of ASEAN can influence to the policy that has been taken at the national level, even more in this research has also shown that the policy also influences to local level. The relations between MPAC, MP3EI and Provincial Development plan of North Sulawesi show the evidence of the existence of two components of Adjustment theory of Regionalism, namely; Harmonization and Coordination.

This research started with two main questions, First, how have the ASEAN and Indonesian Connectivity projects affected policy making process at the regional, national, and local levels? Second, how are the relations in regional level of ASEAN can influence actors in Bitung-Gen Santos Ro-Ro Project? To answer the first question, the author explains by using Adjustment

theories from Regionalism theories. The author uses two of five of Adjustment theories to explain the phenomenon that occur in Bitung – General Santos Ro-Ro Project.

As explained in Chapter 1 of this dissertation, author focuses on the process of coordination and harmonization of adjustment theories of regionalism, which explained the initial conditions when the European integration process was still formed as the European Economic Community or the period between Rome Treaty (1957) and the Maastricht Treaty (1992). The same phenomenon is now happening in ASEAN, the author applies this theory in ASEAN case, especially in the phase before the formation of the ASEAN community. Policy-making process in the ASEAN connectivity can be used as an example in the integration process. This process involves regional organizations, countries, local level of member country and even other parties who are partners of the regional organization.

As appeared in Table 1-2, the author divided Coordination and Harmonization into three phases of application. In Phase I, as explained in Chapter 3, explicated the process of formulating common policy that took place at the regional level of ASEAN. There are three points of coordination in phase I, namely: Formulated by authorized actor (government), Collective Agreement and Common Interest. The policy of ASEAN Connectivity was a collective agreement taken by ASEAN leaders to boost regional economy and to increase connectivity among ASEAN countries to face ASEAN Economic Community that officially launched on 31 December 2015. Related to the theory, facing AEC is the common interest of ASEAN countries.

Whereas, Harmonization has three points as well, namely: Understanding Common Policies, Understanding on Interdependence and National interest synergize to Common interest. The first two points were explained in Chapter 3, and the third points, part of it was also explained in Chapter 4. This theory explained how member countries of ASEAN understood that they should take common policies to face a common goal, namely establishment ASEAN Community. Member countries also believe that as countries in one region they have interdependence among others. There are three agencies that have significant roles in formulation common policy in ASEAN Connectivity, namely: ASEAN Connectivity Coordinating Committee (ACCC), National Coordinator for ASEAN Connectivity (NC) and ASEAN Secretariat. ACCC is in charge to coordinate and harmonize policies that have been taken at the national level of member countries to the regional level of ASEAN. ACCC has a meeting at least twice a year and there is also ACCC Working Group meeting which discusses technical subjects of ASEAN Connectivity. While, NC is in charge to coordinate and harmonize policies have been taken in regional level of ASEAN to national level of member countries. These two processes bring strong coordination between policymaking process at the regional and national levels. This kind of process is still new in the building process of ASEAN Community.

The new phenomenon occurs in ASEAN related to ASEAN Connectivity is the increasing role of ASEAN Secretariat. ASEAN Secretariat in the post-ASEAN Charter era has significant changes in the increasing their role. For dealing to ASEAN Connectivity issues, Secretariat established ASEAN Connectivity Division that is directly under supervision of Secretary General Office. Unfortunately, this phenomenon was not well explained by the Adjustment theories of Regionalism. The author would like to add the role of secretariat, which has important impact in the policy adjustment in regionalism process. In the ASEAN Connectivity issues, the role of Secretariat is still limited as coordinator that manages meetings and negotiation process among members and also to ASEAN Dialogue partners. In some aspects, secretariat also conducted research to set basic rules in ASEAN Connectivity. Unlike the office of European Union who has authority to be super state organization, ASEAN Secretariat has role of coordinator in formulation of common policies.

Furthermore, in the phase II of the process, in the coordination, there are two points, namely: Confrontation of Policies and Adjustment of National Policies. The two processes were explained in Chapters 3, 4, and 5 of the dissertation. ACCC do confrontation of policies in the ACCC Meetings. ACCC of every member country will present their countries policies respectively. This presentation aims to coordinate and harmonize with other countries' related policies. As if there is something is not suitable to other country's policy thus it need negotiation process by coordination of Secretariat. This process is important, that is a way the ACCC meetings are held at least twice a year and there are also some ACCC WG meetings. On the contrary, NC has the processes of adjustment of national policies. In the case of Indonesia, Indonesia NC are always involved in MP3EI and National Development Plan meetings. Phase II in Harmonization consists of three points namely: Research/Examination of National Policies, Review on National Policies and Cross Assessment of National Policies. Similar with explanation of Coordination, Harmonization also puts Cross Assessment as important as Confrontation of Policies. The author concludes that the process of Confrontation of Policies and Cross Assessment are the most important process in Adjustment theories. Because these two processes make national policies are relevant to regional policies. This is also new in ASEAN, in the sense that member countries should report the national policies respectively and open to be discussed by all members. As previously discussed in Chapters 3 and 4, Indonesia actively coordinates and harmonizes the project in ASEAN Connectivity with MP3EI's projects of Indonesian connectivity.

The Phase III in Coordination and Harmonization process are Reporting of Development and Forum Discussion respectively. Secretariat actively request to all member countries to submit report every ACCC meeting. This report will be further report to ASEAN Leaders through ASEAN Coordinating Committee every year in ASEAN Summit. The report also will be released to public. This report intends to be used to understand the development of ASEAN Connectivity.

The Adjustment theory is not applicable well in the discussion in Chapter 5 in the process at the local level of North Sulawesi province. But generally, the projects in North Sulawesi are considered as part of national level of Indonesia since they are also part of MP3EI projects and Provincial government of North Sulawesi also list the projects to National Development Plan Agency.

For answering the second question, author uses the table 1.8 from Chapter 1. as explained in Chapters 3, 4, 5, and 6 to each side of table, the author concludes that there are two important meetings to relate all parties involved in Bitung-General Santos Ro-Ro Project¹⁹. First is the meeting in National Development Plan Agency. This meeting aims to coordinate and harmonize projects of ASEAN Connectivity at the regional level of ASEAN, national level of Indonesia and local level of North Sulawesi. The meetings consist of several meeting, namely: national development plan meetings, MP3EI Coordinating meetings and NC-Bappenas meetings. The second one is ACCC plus Dialogue partners meeting, related to Ro-Ro project that Japan played a role in the project, meeting of ACCC plus Japan Task Force for Connectivity meeting is held at least once a year since its first meeting in July 2011 in Medan. This meeting aims to coordinate between ACCC and Japan task force on the implementation of the applicable to other fields of cooperation in ASEAN, particularly in the following two points.

First, the project adjustment process, nevertheless, there are limitations in this research to be is more possible to be applied primarily in economic cooperation than in political-security or socio-cultural cooperation. The positive impact of economic cooperation can be directly perceived by member states than other two fields of cooperation. In the case of ASEAN connectivity, all member states realized that connectivity within the region is important for each of them and also the region itself.

Second, in the case of ASEAN Connectivity it is also clear that the processes of harmonization and coordination require active efforts from the member states. Indonesia actively harmonizes and coordinates its national policy in MP3EI to integrate its national connectivity to ASEAN Connectivity. ASEAN has designed the mechanism to guide ASEAN Connectivity to achieve its goal by establishing ACCC, NCAC and ASEAN Connectivity division. On the other hand, Indonesia actively integrates its national connectivity to ASEAN Connectivity, which shows these two processes are both important. What Indonesia has done can be a good example to other member states in order to materialize harmonization and coordination with its individual national

¹⁹The Bitung– General Santos Ro-Ro Project was launched officially by President of the Republic of Indonesia, Joko Widodo and President of the Republic of the Philippines, Rodrigo Duterte on 30 April 2017 at Kudos Port, Davao City. Mr. Widodo said that because of the Ro-Ro line between General Santos and Bitung, the trade between two countries increases 30% in 2016 compared to 2015. The Ro-Ro line uses 145-meter-long, 15, 375 tonnes M/V Super Shuttle Ro-Ro 12 vessel.

policy to achieve common goals in the region.

Finally, the author concludes that this dissertation has clarified that the process in ASEAN Connectivity has slightly changed the decision-making process of ASEAN, which had been based on the consensus and consultation and consensus for five decades from the beginning. The process in ASEAN Connectivity, on the other hand, is more focused on the goal of the region that should be followed by the member states by adjusting and harmonizing its domestic policy with the regional process. This small but essential changes will be a new trend in the policy making process by strengthening the role of ASEAN Secretariat and its bodies.

Appendix A. List of Interviewees

No	Interviewees	Date
Jakarta		
1	Director General ASEAN-Indonesia H.E. Mr. I Gusti Agung Wesaka Puja	11 March 2014
2	Director for Dialogue Partners and Inter Regional Affairs ASEAN-Indonesia Mr. M.I. Derry Aman	11 March 2014 12 August 2014
3	Director for ASEAN Economic Cooperation ASEAN-Indonesia Mr. Iwan Suyudi Amri	11 March 2014 12 August 2014
4	Indonesian Permanent Representative to ASEAN/ACCC/CPR-Indonesia H.E. Mr. Rahmat Pramono	12 March 2014 18 August 2014
5	Head of ASEAN Connectivity Division ASEAN Secretariat Mr. Lim Chze Cheen	12 March 2014 19 August 2014
6	Senior Officer for External Relations II ASEAN Secretariat Mr. Bala Kumar Palaniappan	19 August 2014
7	Philippines Permanent Representative to ASEAN/ACCC/CPR-Philippines H.E.Ms. Elizabeth Buensuceso	20 August 2014
8	Secretary of Office of KP3EI Mr. Bambang Sugiyanto	20 March 2014 22 September 2014
9	Official of Japan Mission to ASEAN Mr. Katsufumi Sato	23 September 2014
Manado-Bitung		
10.	Head of ASEAN Studies Center Sam Ratulangi University Mr. Laurentius Rumokoy	17 March 2014
11	Head of Secretariat Office of BIMP-EAGA Manado Ms. Shelly Sondakh	17 March 2014 9 September 2014
12	Head of North Sulawesi BAPPEDA Mr. Herman Kandaou	18 March 2014 10 September 2014
13	Head of North Sulawesi KAPET Mr. Noldy Taurah	18 March 2014 11 September 2014
14	Head of North Sulawesi KADINDA Mr. M. Taufik Mustafa	19 March 2014
15	Head of Bitung BAPPEDA Mr. J.P.A Rompas	13 September 2014
16	Head of Authority office of Bitung Port Mr. Bay Hasani	13 September 2014
Tokyo		
17	Official of Japan's Ministry of Foreign Affairs Mr. Kentaro Yamane	20 November 2014 18 June 2015
Davao		
18.	Official of Philippines Port Authority	13 September 2011

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- Government Regulation No. 40/2006 and No. 8/2008 on National Development Planning
- Law No. 17/2007 on Long Term Development Plan 2005 – 2025
- Law No. 17/2008 on Shipping
- Government Regulations No. 61/2009 regarding Ports
- Presidential Decree No. 7/2009 on the Medium-Term Development Plan 2004 – 2009
- Presidential Decree No. 5/2010 on the Medium-Term Development Plan 2010 – 2014
- Presidential Decree No. 32/2011 on Establishment of the MP3EI and KP3EI
- Decree of Coordinating Minister of Economy Affairs, as Executive Chair of KP3EI, no. 60/2013 on Working Team for Sulawesi Economic Corridor
- Decree of Coordinating Minister of Economy Affairs no.KEP44/M.EKON/11/2011 on Establishment of National Coordinator of ASEAN Connectivity
- Governor Decree No.38/2012 on North Sulawesi KP3EI.
- Presidential Decree No. 32/2014 on the Bitung SEZ.
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