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HANIZAH Idris
CHONG Wu Ling
Universiti Malaya

MALAYSIA AND INDONESIA MARITIME CONNECTIVITY AND DOMESTIC POLITICAL ECONOMIC DEVELOPMENT AMID PANDEMIC COVID-19

Southeast Asia is a vast economic region with a total population more than 600 million. The region provides a huge market and opportunity for countries in the region to achieve economic growth. The Belt and Road Initiative (BRI) has been proposed by China PDR in 2013 where some of Southeast Asian countries are the recipient of the investment projects including Malaysia and Indonesia. Together with Master Plan on ASEAN Connectivity (MPAC), both BRI and MPAC projects aim to improve physical connectivity, institutional connectivity and empowered people-to-people connectivity. This study examines how Malaysia and Indonesia have responded and participated in the BRI and MPAC in the aspect of their maritime connectivity and the development of related infrastructure. The early findings indicated that in comparison with Malaysia, Indonesia has been slow and cautious in embracing the BRI due to inefficiency in infrastructure development, various red tape and long-time anti-Chinese sentiments. The outbreak of coronavirus disease (COVID-19) that has been going back since December 2019 has severely hindered the progress of the maritime connectivity projects in both countries.

Keywords: *Maritime connectivity, Belt and Road Initiative (BRI), Master Plan on ASEAN Connectivity (MPAC), politics, economy, COVID-19*

Introduction

Malaysia and Indonesia maritime connectivity is heavily dependent on investment in infrastructure and domestic political economy development to narrow down the gap between countries and to enhance socio-economic development in the region. Both countries are rich with natural resources and strategically located near the Straits of Malacca, the busiest shipping route where more than 90,000 vessels pass through the strait every year.[1] Hence, it is crucial for both countries to improve their maritime connectivity including ports and shipping as well as land and rail connectivity that will certainly contribute to the socio-economic growth of the region. Parallel, there are various investment projects that involve both physical and soft infrastructure in the region such as from the Asia Development Bank (ADB), World Bank

(WB), Japan International Cooperation Agency (JICA) and recently the China's Belt and Road Initiatives (BRI). Thus, this study is very significant in analyzing the importance of investment in infrastructure development in order to strengthen the maritime connectivity in the region as well as globally amid pandemic COVID-19.

China's BRI was launched in 2013, where it provides loans to partner countries to build roads, railways, ports, energy pipelines, and telecommunications.[2] As Hong Yu noted, "BRI serves as the key driver to advance China's interests overseas and demonstrates China's growing confidence and aspirations to be a rule-shaper in the economic governance of the region and beyond". [3] Now, that it is almost a decade since its first launch, it has received many critics and also admiration at the same time whether it will proceed as scheduled or facing more challenges due to massive operations that involved both land and maritime route in more than 80 countries including in the Southeast Asian region. Chinese interests in developing these infrastructures in various countries are mainly commercial, although some say that China has military desires.[4] Moreover, almost 80% of Chinese trade mostly oil and gas passes through the Southeast Asian region especially through the Straits of Malacca.

Asian region continued to dominate the container-handling business. Port volumes handled at Asian ports increased by 7.2% in 2017. The region continued to account for nearly two thirds of the global container port throughput where some 240 million TEUs were recorded in China, including Hong Kong, China and Taiwan Province of China.[5] China's supply chain connectivity has risen across BRI regions over the past decade, but ASEAN economies remain the most connected. Today, supply chain connectivity has also deepened across other BRI regions including the former Soviet Union and South Asia regions are almost as connected to Chinese suppliers as ASEAN economies in 2005.[6] In regard to trade relations among ASEAN countries, it is clear that Malaysia, Singapore and Thailand are the most connected to China in terms of trade, followed by Vietnam, Cambodia and Myanmar. It is estimated that ASEAN-China trade will double between 2017 and 2025, riding on a further deepening of trade ties and the establishment of manufacturing center in Southeast Asia.[7]

Although intra-ASEAN trade has grown only modesty over the past last five years, many efforts has been established through vehicles such as the ASEAN Economic Community (AEC) as well as efforts to eliminate tariff protection. Both the intra-ASEAN and Sino-ASEAN trade will create growing demand for transportation infrastructure and services including to improve connectivity. However, the recent pandemic COVID-19 has deeply impacted all sectors globally and also in the region. China's economy had badly impacted by the current crisis and Beijing already started to address the situation including China's investment across the globe where China's Foreign Minister, Wang Yi reaffirmed China's position "to get China's key Belt and

Road infrastructure projects restarted as early as possible, keep industrial and supply chain secure to provide a solid underpinning for the economic recovery for all countries".[8]

The Master Plan on ASEAN Connectivity (MPAC) was launched earlier in 2010 under the AEC. It is a five-year plan to improve physical connectivity between countries in the region and beyond.[9] The MPAC has been reviewed, followed by the formation of MPAC 2025. MPAC 2025 seeks to add value by complementing and synergizing the ASEAN Community Blueprint 2025, ASEAN sectoral work plans, and the Initiative for ASEAN Integration (AI) Work Plan II.[10] The MPAC aims to develop physical infrastructure including ports, rails and roads, highways and airports to facilitate economic growth and trade development between countries in the region and also beyond due to its huge potential in terms of resources.

Improving physical connectivity in ASEAN is always a major concern of ASEAN countries. This has been part of ASEAN vision to build ASEAN community in 2015 where the ASEAN leaders called for a well-connected ASEAN that will contribute to more competitive and resilient ASEAN.[11] There are three key elements of the MPAC, first, physical connectivity; second, institutional connectivity; and third, people-to-people connectivity. These three key elements are complements to the China's BRI five points including joint economic cooperation, strengthening of overland and maritime connections, elimination of trade barriers and reduction of expenses, and to reinforcement of monetary cooperation and also strengthening of "people-to-people relations".

Research Methodology

The methodology used in carried out this study is quantitative based on report analysis from various reports, which provides empirical evidence related to maritime development and connectivity in general. Data collections were extracted from ASEAN Annual Reports, Master Plans on ASEAN Connectivity, United Nation Conference on Trade and Development (UNCTAD), Asian Development Bank (ADB), the World Bank as well as news reports and commentaries on the BRI in Malaysia and Indonesia.

Theoretical Framework

The exogenous theory usually referred to as a neo-classical growth model or the Solow-Swan growth model, which has been introduced by Solow in 1956. The theory assumes that economic growth is generated through the accumulation by exogenous factors of productions such as the stock of capital and labour.[12] By using the exogenous or neo-classical growth, it has shown that foreign direct investment (FDI) can impact the economic growth directly through capital accumulation and the inclusion of new inputs and foreign

technologies in the production function of the host of the countries in this case Malaysia and Indonesia. But there are challenges in terms of government decisions on the implementation of the projects, resulting in the decrease in the local authorities' autonomy and sovereignty and influence in the political decisions of the host country government.

Discussion and Analysis

China's Belt and Road Initiative

President Xi Jinping's speeches at the 13th Shanghai Cooperation Organization (SCO) summit in Bishek and at the G20 summit in St. Petersburg, both in 2013, presented a proposal with five points to create a New Silk Road Economic Belt to enhance relations with the regions encompassed by the route (Figure 1). Basically, as mentioned above, there are five points that has been highlighted through BRI. China continues to deepen trading relations with partner economies in Southeast Asia. The Free Trade Agreement (FTA) with ASEAN was the first of its kind, between China and ASEAN, and was upgraded in 2014 as part of BRI.[13] Trade and investments flow have accelerated since this upgraded agreement came into effect in 2016. Higher income economies in the region act as key inputs to China's manufacturing itself. For example, Malaysia's position at the cutting edge of microchip production means it supplied China with US$16 billion worth of integrated circuits in 2016, second only to Korea.[14] Both Malaysia and Singapore will likely important as China's manufacturing shifts into higher value-added sectors. For low-cost economies, outsourcing from China has been fundamental.

Figure 1: China's Belt and Road Initiative, 2013

(Source: "One belt - one road" [2016].)

For example, growth in Chinese trade with Vietnam has been driven by outsourcing the most cost-sensitive parts of electrical and machinery assembly, while food processing is a key sector for Cambodian trade with China, and Myanmar is cooperating with Chinese clothing manufacturers.

In terms of capital flow, in more recent years, capital connectivity with higher value-added economies has become more important where recently China is increasingly focusing on accessing technology. China has been exporter of capital since 2016 and this is not necessarily entirely triggered by the BRI, but driven by China's current stage of economic cycle. The transport and logistics sector have by far the highest concentration of BRI investments, with roughly US$330 billion of tracked projects in the 88 countries.[15] This is followed by the energy and utilities sector that has attracted a total investment of US$266 billion since 2013. These two sectors together represent more than three quarters of the tracked total and are what typically considered as the mainstay of the BRI.[16] In the perspective of investors, Singapore remains as the highest ranked country in the BRI in term of business environment followed by Malaysia.

While other ASEAN countries such as Laos and Myanmar, remain extremely problematic climates for investors, together with many countries across Central and South Asia mainly in terms of their tax and regulatory regimes. Investments in railways have attracted the highest value of China's investment with US$190 billion, followed by road and automotive projects with a total investment of US$39 billion and finally ports and shipping category at US$39 billion, with majority investment in new or expanded harbors and port facilities (see Table 1). Among ASEAN countries, Indonesia seeing the largest capital flows with a total of US$171 billion, Vietnam (US$152 billion), Cambodia (US$104 billion), Malaysia (US$98 billion and Singapore (US$70 billion). [17]

Table 1: Top 10 Largest BRI projects in ASEAN

Rank	Year	Chines Entity/ Project	Cost US$	Sector	Subsector (where applicable)	Country of investments
1.	2017	Kuala Lumpur-Kota Bharu Rail	14,300,000,000	Transport	Rail	Malaysia
2.	2013	Preah Vihear-Kaoh Kong Railway	9,600,000,000	Transport	Rail	Cambodia
3.	2017	Vanke, Hopu, Hillhouse, Bank of China	9,060,000,000	Logistics		Singapore
4.	Unclear	Kyaukpyu Deep Sea Port (Construction)	7,300,000,000	Transport	Ports /Shipping	Myanmar
5.	2015	China General Nuclear	5,960,000,000	Energy		Malaysia
6.	2016	Vientiane-Boten Railway Project	5,800,000,000	Transport	Post/ Shipping	Myanmar

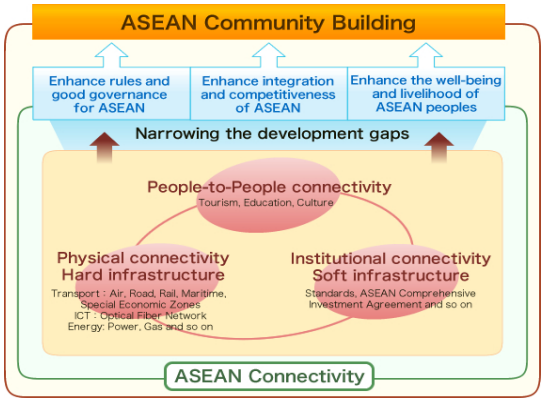
7.	2017	Bangkok to Nakhon Ratchisima High-Speed Railway (Phase 1)	5,352,905,500	Transport	Rail	Thailand
8.	2013	Zhejiang Hengyi	3,440,000,000	Energy	Oil	Brunei
9.	2017	China Railway Engineering	3,190,000,000	Transport	Rail	Indonesia[18]
10.	2017	China Railway Construction, China Railway Engineering	2,690,000,000	Transport	Rail	Thailand

Source: Yan[19]

Master Plan on ASEAN Connectivity

The MPAC 2025 focus on five strategies relates to different aspects of the three dimensions of ASEAN (i.e. physical, institutional, and people-to-people connectivity) as shown in Figure 2. Southeast Asia is blessed with geographic disposition favourable to maritime trade, encompasses the Straits of Malacca, which provides connectivity to the world market. The region possesses a natural opportunity for port development and operations, ship building, and sea transport. Indonesia alone possesses a long coastline, followed by the Philippines, providing favourable conditions for maritime activities, but these potentials have not been fully optimized. The region is also a place where several major ports are located namely Port of Singapore, Port Klang and Port of Tanjung Pelepas (PTP), Malaysia, Port of Laem Chabang, Thailand, Port of Tanjong Priok and Surabaya, Indonesia, Port of Ho Chi Minh, Vietnam and Manila Port, the Philippines.[20] Port of Singapore, Port Klang and PTP remain the best connected ports in the region

Figure 2: ASEAN Community Building



(Source: ASEAN Community 2015 [2015].)

with state-of-the-arts facilities and infrastructure and listed in the top 20 container ports in the world. The increasing in the container throughput is driven to a large extent by developments in the world economy and global demand.[21] Overall, the increased in port activity reflected the recovery of the world economy and growth in seaborne trade since the global economic crisis that hit the world in 2008/2009. Transshipment is a major area of container activity and in this case Singapore and Malaysia's ports act as a hub-and-spoke container networks in the region and able to accommodate ultra large container vessels. Overall, the Southeast Asian countries are further investing in new ports and expanding existing ones to sustain growth.[22]

Apart from China, Japan also is one of the most active investment partners in Southeast Asia. Like China, the interests of Japan basically because of the energy provision from the area, which is vital for its economy. Japan plans to strengthen its economic relations and investments with ASEAN through The Japan International Cooperation Agency (JICA) by providing new strategies for maritime connectivity (URGSMUN, 2014).[23] JICA has being an active investor of many important projects of infrastructure in the region mainly in developing Southeast Asian ports, including Yangoon Port in Myanmar, Laem Chabang Port in Thailand, Sihanouk Ville Port, Cai Mep-Thi Vai Port, Hai Phong Port in Vietnam.

Greater collaboration between the private and public sector has become necessary and between 2000 and 2016 some $68.8 billion of private investment was committed across 292 port projects including port infrastructure, superstructures, terminals, channel for container, dry bulk, liquid bulk and multipurpose terminal.[24] In terms of intra-ASEAN trade, all trade relations inside ASEAN are very dynamic except Lao PDR and Myanmar which do not have close ties with their neighbours because they do not have much opened economy and are still trying to develop their commercial ties.[25]

Maritime connectivity development in Malaysia and Indonesia based on China' BRI and MPAC investment projects

1. Malaysia – Overview on Maritime Development

Malaysia is a vast growing economy in Southeast Asia with an average GDP of 4.7% in 2018 despite the gloomy global economy scenario. Malaysia's trade policy is always to pursue efforts towards create more liberalizing and fair global trading environment. While Malaysia continues to accord high priority to the rule-based multilateral trading system under the World Trading Organization (WTO), Malaysia is also pursuing regional and bilateral trading arrangements to complement the multilateral approach to trade liberalization.[26] The government has long giving emphasis on maritime development since almost 90% of import and export of the country are handled by ports.

Therefore, it is crucial for Malaysia to develop its maritime sector mainly ports and shipping services in order to enhance further economic growth. Malaysia's premier port of Port Klang handled almost 70% of the import and export of the country. There are seven major ports in Malaysia namely Port Klang, Penang Port, Kuantan Port, Johor Port, PTP, Bintulu Port and Kemaman Port.[27]

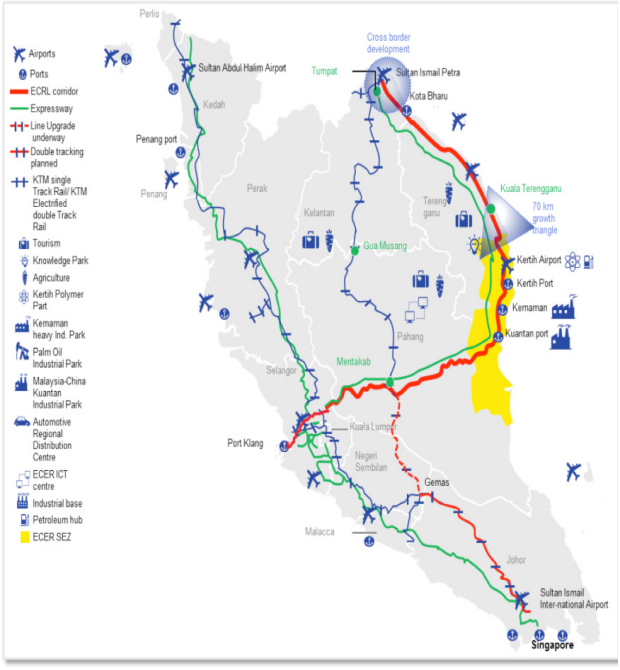
In the 6th Malaysia Development Plan, the government had announced Malaysia to become a maritime nation and since then more emphasize have been given to develop the maritime sector mainly the port and shipping sector. This is including building a new port such as PTP in Johor to cater to the growing global container trade at that time and also to reduce Malaysia's dependency on Singapore for exporting goods to the global market.[28] Since then, PTP has emerged as the fastest growing port in the region and continue to handle a more than 8 million Twenty Equivalent Unit (TEUs) throughput containers annually and emerged as the second important seaport after Port Klang and rank at 18 under 20 top container ports in the world.[29] The successful privatization of Malaysian major ports has contributed significantly to the overall performance and efficiency of the ports mainly Port Klang and PTP.

These important developments had successfully attracted mega shipping lines and alliances such as Maersk, Evergreen and COSCO, to collaborate with Malaysian ports. These collaborations are important since most of the container trade were handled by global shipping companies that successfully formed alliances to cater to the changing in the global environment. Malaysia like other trading nations need to quickly response towards the development of the recent mergers and alliances among container carriers to improve container handling section and overall performance levels that extent beyond the optimization of operations, cost reduction, time efficiency and trade promotion objectives.[30] Therefore, it is crucial for Malaysia to improve its domestic infrastructure to enhance connectivity with the direct link to major ports namely Port Klang and Kuantan port that will further contribute to the country's economic growth.

The East Coast Railway Link (ECRL) was initiated by former Prime Minister Datuk Seri Najib Tun Abdul Razak during his tenure as a Prime Minister of Malaysia (2008- April 2018) before new coalition Pakatan Harapan (PH) took over the government after the 14th General Election in April 2018. The project forms part of China BRI. ECRL is the part of the East Coast Economic Plan to achieve equitable growth between east and west coast of Peninsular Malaysia. The ECRL is expected to benefit freight transport because it would link key economic and industrial areas within the East Economic Region such as Malaysia-China Kuantan Industrial Park, Gambang Halal Park, Kertih Biopolymer Park and Tok Bali Integrated Fisheries Park to both Kuantan Port and Port Klang (see Figure 3). It is expected that the gross domestic product (GDP) of the three east coast states was projected to grow by 1.5% with the implementation of ECRL.

The former Prime Minister called it "another milestone in the country's land public transport history".[31] It is a seven years project that will be built in stages. China's state-owned China Communications Construction Company (CCCC) has been appointed for the construction of ECRL at the cost of RM55 billion for the total 688 km long (see Figure 4). However, there are questions whether the cost of the 688 km rail venture at RM55 billion is financially feasible.[32] The plan construction of the rail link, slated to start in July 2017 and end in June 2024, is expected to bring improved connectivity and mobility to the people of Kelantan, Terengganu, Pahang and the Klang Valley. During the PH administration (April 2018-April 2020), ECRL project was reevaluated by the government and a new ECRL alignment is shortened by 40 km from 688 km to 648 km, as it is no longer tunnels through Titiwangsa Main Range that borders of Selangor and Pahang (see Figure 5). According to Anthony Loke, former Minister of Transport, the new ECRL

Figure 3: The East Coast Rail Link during former Prime Minister Datuk Seri Najib Tun Abdul Razak



(Source: Railway Gazette.com.)

Figure 4: Some China's projects and investments in Malaysia

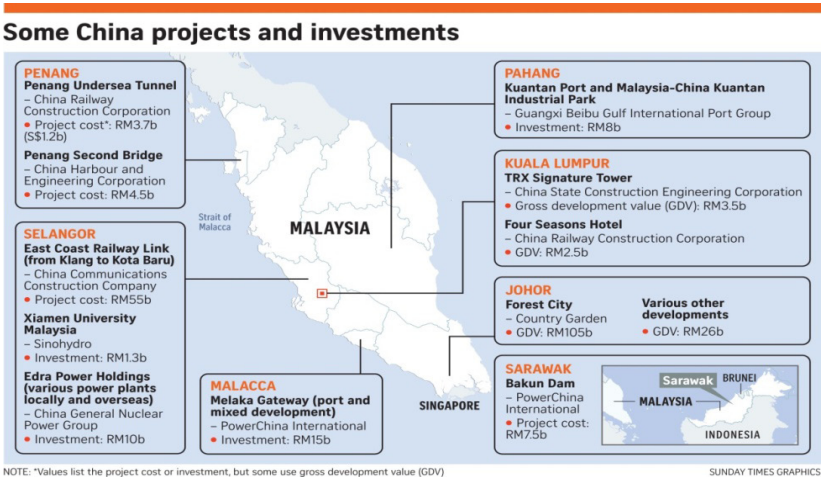
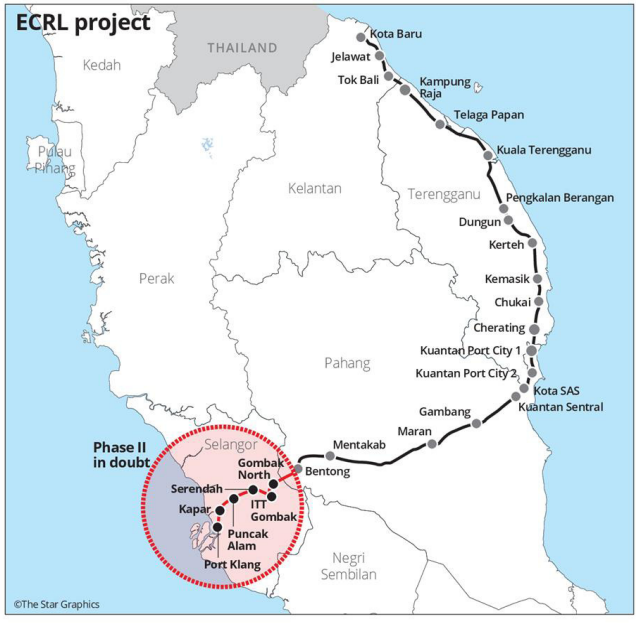


Figure 5: Proposed alignment under new Pakatan Harapan Government, 2018

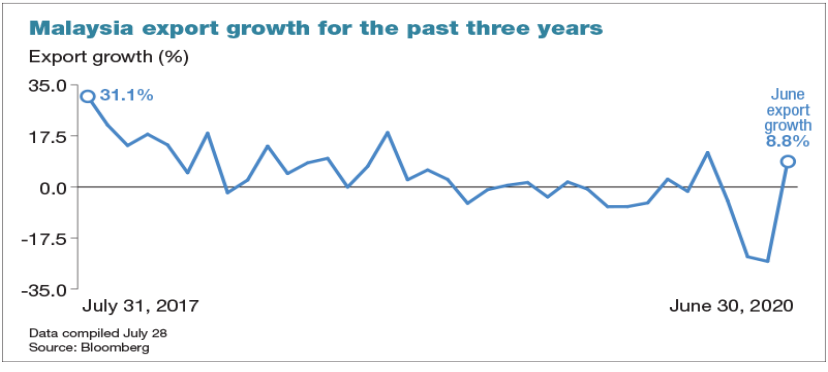


(Source: Shanmugam & Singh Sidhu [2018].)

will connect two ports in Port Klang- West Port and Carey Island Port to build in the future.[33] The shortened ECRL has been launched in 2019 has reached a progress rate of 15% and is expected to be fully completed by mid-2026 and fully operational by early 2027 a delay of 3 years from the original project time frame.

Malaysia imposed MCO or partial lockdown on 18 March 2018, where the economy is operating at 45% capacity. This was eventually eased to Conditional MCO in 4th May and Recovery MCO effective from 10 June to 31 August 2020 where the economy gradually opened up.[34] Although port operations continue, the movement of cargo is rather limited due to the closure of factories, warehouses and even transporters. Many activities have been reduced due to ports being part of the supply chain. Malaysia's economy contracted 17.1% in the second quarter of 2020, the worst double-digit quarterly decline since 1998 due to unprecedented lockdown that was imposed to stem the spread of COVID-19 that brought the economy to almost a complete standstill. Regionally, Singapore registered a decline of 12.6% growth to the GDP followed by the Philippines with 16.5% and Indonesia recorded a 5.3% decline. However, the global environment remains highly uncertain in the near term but Malaysia's export performance seems to recover for the impact of the COVID-19 pandemic as shown in Figure 6.

Figure 6: Malaysia Export Growth, 2017-2020



(Source: Shafiqah Salim, The Edge Markets, July 28, 2020)

2. Indonesia

a) China's BRI in Indonesia: An Overview

When examining the response and participation of Indonesia in China's BRI,

it is important to clarify a few misconceptions related to the issue. Although Chinese media and some Western media as well as observers have been labelling a few infrastructure projects in Indonesia that involved Chinese investment as BRI projects,[35] from the Indonesian government's point of view, these projects are not BRI projects because the government has not called them ones. For instance, on 29 July 2019, *The Jakarta Post* reported that according to Yose Rizal Damuri, chief economist at the Center for Strategic and International Studies (CSIS), which is a think tank based in Jakarta, the Jakarta-Bandung high-speed railway project, a joint venture between state-owned enterprises of Indonesia and China, was not a BRI project.[36]

The same news report also quoted Agus Djoko Ismanto, senior adviser on environment and sustainability at the North Sumatra Hydro Energy (NSHE), on the ownership of a hydropower project in the Batang Toru rainforest funded by Chinese banks as follows, "The Batang Toru Hydro Energy Power Plant is not part of the Belt and Road Initiative of the Chinese Government [*sic*]. The PLTA [Hydro Energy Power Plant] Batang Toru is part of [the] national project and NSHE as the developer is [a] national company".[37] In fact, Atmadji Sumarkidjo, special staff to the coordinating maritime affairs minister of Indonesia, frankly revealed that as on 29 July 2019, "there is [not] yet [any] program under the Belt and Road Initiative [that] is done or started in Indonesia".[38]

These were despite the fact that Indonesia's president Joko Widodo, or better known by his affectionate nickname 'Jokowi', already announced 30 infrastructure projects worth US$91.1 billion for China's BRI investment at the second Belt and Road Forum in April 2019.[39] Later on 3 July 2019, President Jokowi requested China to provide a special fund within the BRI for investment in Indonesia. Luhut Pandjaitan, coordinating minister for maritime affairs, emphasised that the fund should provide low-interest loans for investments in the country.[40] But as on 29 July 2019, the list of the 30 projects was still not yet finalized.[41] Later in December 2019, Indonesia's Investment Coordinating Board (BKPM)'s Investment Planning Deputy Ikmal Lukman clarified that the government offered 28 infrastructure projects worth US$91.1 billion to Chinese investors under the BRI. The projects were located in North Sumatra, North Sulawesi, North Kalimantan and Bali.[42] There were eight other projects that have not been mentioned at the time of writing.[43] But at the time of writing, the complete list of the projects is still not yet available. Not long after the announcement, China was hit by the outbreak of COVID-19 and Indonesia's temporary ban on flights to and from China would certainly hinder the progress of the BRI projects in Indonesia.

The following sections will give an overview of Indonesia's infrastructure policy and development since independence, focusing on shipping and port infrastructure as well as rails and roads, and examine the domestic challenges behind the Indonesian government's slow and cautious response as well as

participation in the BRI.

b) Policy and Regulations

Indonesia is the largest country in Southeast Asia as well as the largest archipelago country in the world. Despite global volatility, the quarterly GDP growth of the country has been remaining between 4.9% to 5.3%, since 2016.[44] As the world's largest archipelago country, marine shipping is the main transportation mode for Indonesia. However, according to Ningwen Tu, Dimas Adiputranto, Xiaowen Fu and Zhi-Chun Li, despite President Jokowi's declaration "to transform the country into a strong maritime nation...Indonesia is still relying on neighboring countries for the distribution and logistics services of international trades".[45] Moreover, according to Peter McCawley, the actual development of infrastructure in the country has been insufficient.[46]

There are a few factors behind under-development in infrastructure in Indonesia. One is due to indifferent policy and mismanagement of post-independence governments. During the early period of independence, the economic conditions in Indonesia were poor, thanks to "the stresses of the Japanese occupation and the subsequent struggle against the Dutch".[47] These were worsened by a series of regional rebellions and political chaos in the 1950s-1960s. As a result, the development in most infrastructures throughout the country had been neglected.[48] There is also a lack of systematic coordination between various sectors within infrastructure such as transport and water. In addition, policy-making circles are always dominated by engineers and officials who neglected economic principles.[49]

After Suharto came to power in 1966, the government became more open to foreign investment and imports. The government was also able to maintain political stability in the country for three decades until the breakout of the Asian financial crisis in 1997-1998. Thus, Indonesia saw a remarkable development in infrastructure during the 1970s-1980s. But the financial crisis in 1997-1998 brought a severe impact on the infrastructure development. A resurgence of the infrastructure industry only emerged around mid-2000s after the Indonesian economy returned to higher rates of growth.[50]

In 2014, President Jokowi announced his maritime-axis doctrine, which later developed into the Global Maritime Axis (Poros Maritim Dunia) (also known as the Global Maritime Fulcrum). This doctrine aimed to turn Indonesia into the Global Maritime Axis, "a force between the Indian and Pacific Oceans".[51] Under the doctrine, the government was committed to prioritise the development of maritime infrastructure and connectivity.[52] The government later codified and expanded the doctrine through a Presidential Regulation on National Sea Policy.[53] The details of this policy will be elaborated in the next section.

c) Shipping and Port infrastructure

Indonesia's connectivity includes the shipping industry, in which ports and port facilities play a crucial role. However, as mentioned earlier, in the 1950s-1960s, most infrastructure across the country, including port infrastructure, were neglected due to unstable political environment. This situation only improved after Suharto came to power. The use of shipping services gradually recovered and strengthened after 1970.[54] But the 1997-1998 Asian financial crisis brought severe impact on the overall level of activity in the shipping industry. The development of the industry only recovered significantly after 2007.[55]

Nevertheless, there are a few major problems in the shipping industry. One of them is the higher domestic shipping costs compared to international shipping costs. For instance, according to McCawley, "the cost of shipping cement by sea from Gresik (near Surabaya) to Jakarta...was higher than from Tokyo to Jakarta".[56] This is due to the higher value of time when shipping goods within Indonesia. Value of time refers to "the costs incurred in organizing logistics and the time taken for the goods to reach their destination". [57] Other problems include unfair competition from non-commercial vessels such as ships owned by the government, poor management of the ports.[58] These resulted in fluctuating sea cargo volume handled in ports from 2008 to 2018, as shown in Table 2.

As mentioned earlier, the Jokowi government was committed to prioritise the development of maritime infrastructure and connectivity under the Global Maritime Axis doctrine which was later codified and expanded through a Presidential Regulation No. 16/2017 on National Sea Policy. The National Sea Policy rests on the following pillars:[59]

1. Marine and human resource development;
2. Naval defense, maritime security, and safety at sea;
3. Ocean governance institutionalisation;
4. Maritime economy, infrastructure, and welfare;
5. Environmental protection and ocean space management;
6. Nautical culture; and
7. Maritime diplomacy.

These pillars are further broken down into 76 programmes spread across several ministries and agencies.[60] The long-term framework and short-term scheme of the policy are detailed in the two appendices of the Presidential Regulation No. 16/2017. In order to resolve the major problems in the shipping industry, the government had built 27 new ports during Jokowi's first term. These included the Kuala Tanjung Port in North Sumatra and Makassar Port in South Sulawesi.[61] The government also introduced the Sea Toll (*Tol Laut*) project under the National Sea Policy in 2015.

The project aims to improve interisland connectivity and commerce by increasing the transfer of goods through the sea.[62] Nevertheless, as Tiola pointed out, these efforts have not brought significant impacts improving the conditions of the shipping industry because the port development projects are not accompanied by the reduction of red tape and inefficient bureaucracy. Moreover, as in 2019, the Sea Toll project was still not successful in achieving its goal "due to a lack of economic development outside Java".[63] Hence, the government needs to put in more effort in addressing these issues.

Table 2: Sea Cargo Handled In Ports, 2008-2018 (Thousand Tonnes)

Year	Loaded		Unloaded	
	Interisland	Foreign	Interisland	Foreign
2008	170,895	145,120	243,312	44,925
2009	242,110	223,555	249,052	61,260
2010	182,486	233,222	221,675	65,641
2011	238,940	376,652	284,292	78,836
2012	312,599	488,264	327,715	69,645
2013	303,881	510,699	336,063	89,512
2014	328,743	417,155	381,602	100,570
2015	296,169	342,659	318,681	98,527
2016	324,788	313,175	361,584	92,941
2017	334 109	272,404	409,335	105,491
2018	365,154	310,202	410,136	95,267

Source: Badan Pusat Statistik (2020a).[64]

d) Rails and Roads

According to McCawley, the road network in Indonesia grew significantly in the 1970s after the government made important policy decisions that liberalized the economy and promoted foreign investment as well as imports.[65] Furthermore, the rise of oil prices in the 1970s brought significant increase in government revenue. Hence, government's investment in roads grew significantly. This had improved the cost and convenience of intercity journeys. Subsequently, many workers from remote rural areas in Java moved to Jakarta or even South Sumatra to take up construction jobs.[66] After Jokowi came to power in 2014, the government carried out a series of major highway projects. The most significant project is the construction of the Trans-Java toll roads that eases the movement of vehicles between the furthest west and furthest east of the Java island. The total length of roads across the country between 2008 and 2018 had grown by about 24%, as shown in Table 3. As in April 2019, around 964 km of the highway had been completed. In Jokowi's second term (2019-2024), the government plans to complete the final section of the highway connecting Probolinggo and Banyuwangi in East Java. [67] The Trans-Sumatra toll roads and Trans-Papua highway are two other important

projects. The former links Aceh in the north and Lampung in the south of Sumatra while the latter connects remote areas in Papua and West Papua, the poorest provinces in the country. The government is committed to complete these projects by 2024.[68]

In regard to the rail industry, it had likewise suffered from years of neglect in the 1950s and 1960s. The trains were badly maintained and most train stations were chaotic.[69] It was not until the early 1970s that the government decided to electrify the rail system in parts of Java. This resulted in better maintenance in main railway stations in Java. Nevertheless, due to "cut-throat competition from operators of high-risk bus and truck transport", state-owned Indonesian Railway Company (PT Kereta Api Indonesia, KAI) had to keep prices for railway services very low and therefore rely on uncertain state subsidies.

Table 3: Length of roads, 2008-2018 (km)

Year	Asphalt road	Non-asphalt road	Total
2008	258,744	179,015	437,759
2009	271,230	205,107	476,337
2010	277,755	209,559	487,314
2011	279,351	213,047	492,398
2012	285,252	216,717	501,969
2013	287,926	220,074	508,000
2014	296,476	221,772	518,248
2015	317,119	211,954	529,073
2016	326,629	211,209	537,838
2017	321,093	218,260	539,353
2018	329,926	212,384	542,310

Source: Badan Pusat Statistik (n.d.).[70]

Besides that, at the time of writing, across the country, only Java and Sumatra have railway networks. As shown in Table 4, the number of passengers and volume of freight has generally been increasing from 2008 to 2018, implying the high demand for the railway service in the country. Two new networks are still being developed in Kalimantan and Sulawesi. There is no railway network in other parts of Indonesia. After Jokowi came to power, one of his ambitious infrastructure development plans is the Jakarta-Bandung high-speed railway project. It aims to reduce travel time between Jakarta and Bandung, two big cities in West Java. Funded by Indonesian and Chinese state-owned enterprises, the project was initially scheduled for completion in 2019. However, it had been delayed due to land acquisition problems.[71] As in early September 2019, the progress of the project had only reached 32.8%. The operational target date had been shifted to 2021.[72]

Nevertheless, the Jokowi government had made a breakthrough in the development of rapid transit system. The government had completed the

first phase of the Jakarta Mass Rapid Transit (MRT) that aimed to address heavy congestion in the city. The second and third phases were expected to be completed in 2024 and 2025 or 2026 respectively.[73] Besides that, the government had also completed the first light rapid transit (LRT) line in Palembang, the capital of South Sumatra province, just before the commencement of the Asian Games held in the city in 2018.[74]

d) Anti-Chinese Sentiment in Indonesia

Long-time anti-Chinese sentiment in Indonesia is also another factor behind the country's slow embrace of the BRI.[75] Such a sentiment "has [even] acquired a new xenophobic undertone since Chinese investment and the Chinese workers that accompany it began increasing in 2016".[76] In December 2016, several social media accounts spread rumours of Chinese migrant workers entering Indonesia illegally. President Jokowi denied the rumours immediately and claimed that there were only around 21,000 Chinese migrant workers in the country, which was "a very small number".[77] In addition, Jokowi himself also encountered smear campaigns alleging that he had an ethnic Chinese grandfather when he ran for president in 2014.[78] Hence, the government has no choice but to be very cautious in embracing China's BRI.

Table 4: Number of passengers and volume of freight, 2008-2018

Year	Passenger (million)	Freight (million tones)
2008	194	19,443
2009	207	18,923
2010	203	19,114
2011	199	20,438
2012	202	23,619
2013	216	26,755
2014	278	33,461
2015	326	32,034
2016	352	35,304
2017	393	43,367
2018	422	49,396

Source: Badan Pusat Statistik (2020b).[79]

Summary of the Discussion and Analysis

Domestic connectivity is still a big issue in Indonesia as well as Malaysia especially in Sabah and Sarawak as the nation has experienced changing of government within the past three years (2018-2020). This new political development somehow has impacted the continuity of projects that has been approved mainly related to connectivity projects such as ECRL in Malaysia. For MPAC, the targets are clear following the four pillars of ASEAN Economic

Community that is developing a single market and production base, raising competitiveness, supporting equitable development and integrating ASEAN into global economy. Countries like Malaysia and Indonesia have a huge potential to further develop their maritime connectivity giving their strategic location near the Strait of Malacca, the busiest international trade and shipping route.

As shown in Table 5, Indonesia generally faced more challenges than Malaysia in the infrastructure development. For Indonesia, many areas need to be improved in terms of priority and conflict between agencies and lack of coordination that Malaysia is also facing and the most important is in terms of regulatory that need to be updated in line with the current global environment. Table 6 shows various stage of readiness of both countries in terms of technology "readiness" and "usage" where Malaysia ranks at 35 while Indonesia ranks at 73 for technology "readiness" and "usage".

Nevertheless, both countries should take the opportunity to enhance their regional cooperation through various initiatives taken by ASEAN in improving maritime connectivity within the region and also beyond. Through MPAC, close cooperation between countries in the region is important to ensure success in overall socioeconomic development in the region. For Indonesia the domestic connectivity is still a priority or at least between sub regions (western, central, eastern and with the Philippines and Sarawak, Malaysia) in line with MPAC plan and other investment projects. Specific goals and actions for maritime transportation has been identified including realizing the ASEAN Single Shipping Market through the implementation of the agreed strategies and ensures realizing the RO-RO shipping network operation in ASEAN and formulate necessary policy initiatives and recommendations to develop strategic maritime transport logistics between ASEAN and Dialogue Partners. To date, 47 regional ports are targeted to improve performance and capacity of their international terminal/calls where most of them are located in Indonesia. All together the total of 14 ports involved in Indonesia including Port of Belawan, Dumai and Palembang in Sumatra, Port of Tanjong Priok, Tanjung Emas Port, Tanjong Perak Port in Java Island, Balikpapan Port and Banjaramasin port in Kalimantan and Bitung Port and Makassar port in Sulawesi.

Table 5: Summary Of Challenges Faced By Malaysia And Indonesia In The Development Of Maritime Connectivity

	Return on InvesMent	Fiscal Capability	Capital availabilit y	Priority Issues	Agency Issues	Information failure	Capacity	Coordination	Regulatory
Malaysia	N	N	N	N	Y	N	N	Y	N
Indonesia	Y	N	N	Y	Y	Y	Y	Y	Y

N= No
Y= Ye

Source: Authors' evaluation on current situation of maritime connectivity

development in Malaysia and Indonesia

Table 6: Technology "readiness" and "usage" of Malaysia and Indonesia

		Readiness		Usage			
Rank	Country	Infrastructure Readiness	Affordability	Skills	Individual	Business	Government
31	Malaysia*	71	91	46	47	26	6
73	Indonesia*	105	38	65	92	34	65

Source: Baller, Dutta, and Lanvin (2016).

As many BRI countries face difficulties and are affected by the COVID-19, many countries have also fallen into debt trap struggle to repay loans owed to China, other countries and also investors. Over the past months, many ongoing BRI projects were halted and workers unable to travel to the BRI countries to continue construction on infrastructure projects for example, Myanmar, Pakistan and Malaysia. Also, some contract signing was delayed such as the Bangkok-Nakhon-Ratchasima section of Thailand high-speed rail. At the same time, projects continue to be signed such as the USD3 billion-Budapest Belgrade high-speed rail financed by China Exim Bank. According to Diya Hermi, Secretaray-General of the Egyptian-China Chamber of Commerce, "China has gained unique experience in epidemic prevention and control, which makes it particularly important to strengthen health cooperation under the 'One Belt One Road' framework". [80]

Conclusion

Malaysia and Indonesia have all the potential to further develop their maritime connectivity to enhance socio-economic growth of the region. Both countries are very much dependent on foreign investment and domestic political economy development to ensure that priority is given to develop the maritime connectivity including hard infrastructure, rails and roads that can have direct link to ports which will have significant impact on the overall cost on the supply chain including transportation to the global market. Major economies such as Japan and China will continue to support ASEAN maritime connectivity by providing investments to develop the hard infrastructure including ports, railways and roads to connect the region and also with their neighbors. Future success depends on the dynamism of policy especially for Indonesia in targeted to engage both the public and private sectors to enhance economic connectivity with China whether through China's BRI or other form of investment. At the regional level the MPAC will continue steering the member states including Malaysia and Indonesia in order to improve physical connectivity, institutional connectivity and people-to-people connectivity by 2030. ASEAN is already conducted several symposiums to address current impact of COVID-19

which is crucial for the region's recovery effort and strategic investments in sustainable infrastructure. ASEAN Connectivity Symposium is a flagship annual event that brings together the key stakeholders to identify areas of collaboration to enhance the implementation of MPAC 2025. On the positive note, as the world move into recession, transshipment hubs like Singapore and Malaysia had maintained connectivity and up until the end of the first quarter were broadly maintain volumes, while they are likely to lose volume, they are probably going to be least impacted by COVID-19.[81] With the impact of COVID-19 most of the investment has moved towards health and foods to ensure people-to-people safety and security. Finally, more studies need to be conducted on the impact of the current crisis in all sectors including maritime sector globally as well as in the region to identify recovery plans and actions that need to be taken immediately to boost back economy and welfare of the people.

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Biografi Notes

Hanizah Idris **(**wafa@um.edu.my**)** is an Associate Professor at the Department of Southeast Asian Studies, Universiti Malaya, Malaysia. Her area of expertise includes maritime ports and shipping development in Southeast Asia and her research interest covers maritime tourism and sustainable development in Southeast Asia. She is the author of several books, book chapters and article journals on maritime development in the region and her chapter on the potential of Blue Economy in the maritime sector in Malaysia will be published in 2022 (forthcoming) by Routledge, New York, USA.

Chong Wu Ling (chong.wu.ling@um.edu.my) is a senior lecturer at the Department of Southeast Asian Studies, Universiti Malaya, Malaysia. Her areas of expertise include ethnic Chinese studies and Southeast Asian politics. She is the author of *Chinese Indonesians in Post-Suharto Indonesia: Democratisation and Ethnic Minorities* (Hong Kong: Hong Kong University Press, 2018). The book explores the role of ethnic Chinese Indonesians in shaping the democratisation process as well as their position in post-Suharto Indonesia across business, politics and civil society. She is also the co-author of of *Kaedah Penyelidikan dan Panduan Penulisan* [Research Methods and Guidance for Writing, in Malay] (Kuala Lumpur: University of Malaya Press, 2016) (with Sivachandralingam Sundara Raja and Noraini Mohamed Hassan). Wu Ling has published articles and book reviews in *Asian Ethnicity*, *Pacific Affairs*, *Southeast Asian Studies*, *Journal of Southeast Asian Studies* (*JSEAS*), *JATI—Journal of Southeast Asian Studies*, *Sejarah*, *Sarjana*, and *Borneo Research Journal* (*BRJ*).

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