Foreword

Asia is huge and has vast natural and human resources. It is the largest region in the world in population and size, being home to more than half of the world's people, and occupying more than a quarter of the world's land area. Over the last decade, Asian economies have grown rapidly and have become increasingly connected, to each other and to the rest of the world, through greater integration.

The competitiveness of Asia's trade—and of its increasingly sophisticated production networks in particular—depends on efficient, fast, reliable, and seamless infrastructure connections. Vast parts of Asia—inland and remote areas, landlocked countries, and distant islands—are isolated economically as well as geographically; so much of the region's huge potential remains untapped. While some of the existing infrastructure in the region is world class, most of it is below average. Rapid economic growth in recent years has put enormous pressure on Asia's infrastructure, particularly in transport and energy, but also in communications. Unless it can be significantly improved, infrastructure will continue to be a bottleneck to growth, a threat to competitiveness, and an obstacle to poverty reduction. Better connectivity with inland areas, for instance, would boost trade and economic growth in coastal areas, as well as inland ones. These issues present an opportunity for the region to take collective action to further enhance regional cooperation, particularly in environmentally sustainable and greener infrastructure development. The challenge is to build better and seamless connections across Asia and thus to the rest of the world.

In view of the region's diversity, wherein countries differ in size, income levels, population, natural resources, and access to both regional and global markets, connectivity is being enhanced through several subregional infrastructure programs begun in the last few

decades. Now is the time to move even further toward a vision of a seamless Asia by building pan-Asian connectivity.

The current global financial and economic crisis may have major repercussions on Asian economies. Following the 1997–1998 Asian crisis, countries with significant investment in infrastructure recovered faster than others. If the current crisis is prolonged, demand from advanced economies for Asian exports will decelerate in a marked fashion, thus slowing down Asia's production. To mitigate the medium-term consequences of the ongoing crisis, Asia will need to put greater emphasis on increasing regional demand. This will have strong implications for regional infrastructure, which will need to be geared more toward supporting Asian production networks and regional supply chains for intraregional trade to meet the rising regional demand.

Amid weak global demand, Asian economies need to rely more on regional demand to sustain growth. Several Asian countries have been making efforts to stimulate domestic demand, and to alleviate the further impact of the spiraling crisis, by setting aside resources for infrastructure investment under their stimulus packages. At this stage, enhanced regional cooperation has the potential to be an important platform that could complement these country-level efforts. By working together, countries in Asia can unlock their vast economic potential; achieve sustained, rapid, and inclusive growth; and reduce poverty. The need for regional collective action in developing Asia-wide physical connectivity is becoming increasingly important, particularly in this time of global financial and economic crisis.

This study looks at regional infrastructure in Asia up to 2020 by presenting the major issues and challenges in developing regional infrastructure through the fostering of regional cooperation. It evaluates the existing infrastructure programs, policies, and institutions, and makes recommendations on how to develop and increase their effectiveness. It looks at broad, pan-Asian initiatives, as well as sector-specific subregional efforts, particularly in transport and energy. It discusses both hard infrastructure (i.e., the long-term physical structures, equipment, and facilities [including maintenance], and the economic services they provide) and soft infrastructure (i.e., the policy,

regulatory, and institutional frameworks that support the development and operation of physical infrastructure). Quite obviously, the book will serve as a definitive knowledge product for researchers, policymakers, business leaders, and other stakeholders in the region and beyond.

This study, led by the Asian Development Bank Institute (ADBI), is a joint flagship project conducted by the Asian Development Bank (ADB) and ADBI. Many individuals contributed to the study. I greatly appreciate the efforts of the excellent team of authors, advisers, reviewers, editors, and researchers, from both outside and within ADB and ADBI. ADBI Dean Masahiro Kawai and ADB Managing Director General Rajat M. Nag provided overall guidance. The task manager, Biswa Nath Bhattacharyay, Special Advisor to the Dean, ADBI, coordinated, managed, and finalized the study.

Connecting the diversity of Asia through seamless infrastructure will help in sustaining an integrated, poverty-free, prosperous, and peaceful Asia. This will require exemplary and visionary leadership as well as firm and unflinching commitment, which I am confident Asia is eminently capable of providing.

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