

Bottlenecks Threaten Asia's Infrastructure Spending

12 June 2011

Fon Mathuros, Director, Communications Department, Tel.: +62 811 910 8768; E-mail: fma@weforum.org

- Asia will require more than US\$ 8 trillion to upgrade infrastructure in the next 10 years
- While the region has the money, it is not being mobilized effectively
- Asia's government must also create a level playing field and consistent rules

Jakarta, Indonesia, 12 June 2011 – The cost of building power plants, transportation hubs, telecom facilities, water systems and other infrastructure across Asia will exceed US\$ 8 trillion over the next 10 years, participants in the World Economic Forum on East Asia in Jakarta heard today.

The region actually has enough money in private savings, sovereign wealth funds and central bank reserves to fund the infrastructure upgrades. The problem is that bottlenecks threaten to hold back the projects, including regulatory complexity, land use and the failure to funnel those funds into long-duration financial instruments.

Still, governments in Indonesia, India and elsewhere in Asia are determined to build the required infrastructure to continue economic growth. "Jakarta will have a mass transit railway system before I die," vowed Gita Wirjawan, Chairman of the Investment Coordinating Board (BKPM), Indonesia.

Admitting that infrastructure projects in the past had been excessively delayed, Wirjawan said that "game-changers" are being introduced to speed up the process, including a new land-use law that may be passed in the third or fourth quarter of 2011. A large power plant in Java was recently announced, and a water treatment plant that was first planned during the presidency of Sukarno, Indonesia's first leader, has garnered 29 expressions of interest.

In India, 11 kilometres of roads used to be constructed every year. Today, 10 kilometres are being built every day after the creation of the National Highways Authority. But a new mass transit system in Mumbai, on the drawing board for the past 20 years, has not been started.

"India is a mixed story," said Ajit Gulabchand, Chairman and Managing Director, Hindustan Construction Company. "There are grand successes, but also utter failures." One problem is that the central and state governments are very strong, while city and other local governments do not have enough authority and autonomy – and they are the ones that implement infrastructure projects.

Stuart T. Gulliver, Group Chief Executive, HSBC Holdings, United Kingdom and a Co-Chair of the World Economic Forum on East Asia, said that a mandatory provident fund scheme must be formed along with a mature insurance industry to build pools of long-term money. In Asia ex-Japan, two jurisdictions "that have done well in infrastructure are Hong Kong and Singapore," he noted, "both of which had created mandatory provident funds ... and cleared red tape to enable construction of world-class infrastructure."

Some countries have not done as well because they do not know how to tender big projects, said John Rice, Vice-Chairman, GE, General Electric Company, Hong Kong SAR. "There's a lot of money around the world interested in investing in infrastructure," he said. "Governments have the

responsibility to create a level playing field and establish rules that are consistent and allow you to look forward a couple of decades.”

“I would hope we can get a reference case to show how a country can actually go from the idea to the [public-private] cooperation to the implementation over a period of time,” said Dominic Barton, Worldwide Managing Director, McKinsey & Company, United Kingdom, a Co-Chair of the World Economic Forum on East Asia. “That could accelerate what we could do in the region and also in that country.”

“Yes, it is messy, but there is hope,” concluded Indonesia’s Wirjawan. “We have to continue thinking big.” The Chinese came to Indonesia in 1992 to learn how to build toll roads, he recalled, and now they have surpassed Indonesia in road-making. But Indonesia and the rest of Asia are now moving to catch up and upgrade their own infrastructure.

Notes to Editors

To learn more about the World Economic Forum on East Asia, go to <http://wef.ch/EAES2011>
Download photos from the 2011 World Economic Forum on East Asia at <http://wef.ch/EA2011>
Download photos from the previous World Economic Forum on East Asia on Flickr at <http://wef.ch/EA2010>
Watch sessions live during the meeting at <http://www.livestream.com/worldeconomicforum>
Watch sessions on YouTube at <http://wef.ch/youtube> or <http://wef.ch/youku>
Become a fan of the Forum on Facebook at <http://wef.ch/facebook>
Follow the Forum on Twitter at <http://wef.ch/twitter> and <http://wef.ch/livetweet>
Check in with the Forum on Foursquare at <http://wef.ch/foursquare>
Read the Forum Blog at <http://wef.ch/blog>
Read Forum reports on Scribd at <http://wef.ch/scribd>
Follow the meeting on iPhone at <http://wef.ch/iPhone>
Upcoming Forum events at <http://wef.ch/events>
Subscribe to Forum news releases at <http://wef.ch/news>

SCTV is the Host Broadcaster of the 2011 World Economic Forum on East Asia.

The World Economic Forum is an independent international organization committed to improving the state of the world by engaging leaders in partnerships to shape global, regional and industry agendas.

Incorporated as a foundation in 1971 and headquartered in Geneva, Switzerland, the World Economic Forum is impartial and not-for-profit; it is tied to no political, partisan or national interests (<http://www.weforum.org>).



World Economic Forum, 91-93 route de la Capite, CH-1223 Cologny/Geneva
Tel. +41 (0)22 869 1212, Fax +41 (0)22 786 2744, <http://www.weforum.org>