Infrastructure in Asia: The reality, the challenge, the opportunity

Philip Charles ZERRILLO
Singapore Management University, pzerrillo@smu.edu.sg

INFRASTRUCTURE: THE REALITY, THE CHALLENGE, THE OPPORTUNITY

To have and to have not.

By Philip Zerrillo

In my travels across Southeast Asia, I notice the stark differences in the levels of infrastructure across nations–from the seamless connectivity in Singapore to the traffic deadlock in Jakarta, Indonesia. During my recent visit to Manila, after an extended period of time negotiating customs and immigration at the airport, we took the Skyway to Makati. Despite it being a toll road, it took us one hour and forty minutes to travel the 11 kilometres distance! My meeting host commented, "This is like Armageddon every day." Along the way, he also said that the average office worker in Manila now spends over four hours a day commuting to work.

The experience set me thinking about the impact of infrastructure development on motivation, productivity, work-life balance, family structure and, of course, the environment.

Access and efficiency

Unsurprisingly, infrastructure development varies greatly across Asia. The region as a whole, with the exception of some pockets, suffers from chronic underinvestment in critical infrastructure. Country-to-country, port-to-port, city-to-city–the differences are stark and the gap, in many ways, is widening between the haves and the have-nots.

Meanwhile, the challenges are different for the developed and the developing nations in the region. Many of the developing nations remain largely rural, and are confronted with the problem of infrastructure deficit, hindering efficient and effective connectivity between markets, land masses and international neighbours. Limited road networks result in some of the worst traffic jams globally. Unreliable power supply prevents rural populations from benefitting from technological advances. While the world is touting the benefits of 5G, many regional pockets are still stuck in 0G, with limited or no Internet access. Water supply and sanitation facilities have yet to reach all; the inadequate construction of schools and hospitals excludes chunks of the population from a better quality of life and there is severe paucity of resources for the elderly.

The consequence of a lack of diverse transportation infrastructure can be startling, especially to Western visitors. Last year, I visited a logistics company in Yangon, Myanmar and they explained the variability in their supply chain due to the seasonal unpredictability of truck transport from the Thai border to Yangon, a distance of about 480 kilometres. During the dry season, a truck takes about a day to travel the distance, but when it is raining, it can take up to five days! Similarly, in the absence of railways and a navigable river in Laos, the rural route between Pakse and Vientiane, the nation's two largest cities, is traversed at an average speed of below 30 miles per hour. Hence, farming and manufacturing alike remain fragmented and inefficient.

Efficiency seems a distant goal when the primary question for many developing countries is whether they even have access to dependable infrastructure. In 2016, the farmers at Dà Lạt, the capital of Lâm Dồng province in Vietnam, had a bumper crop of tomatoes. The oversupply in the home market was so extreme that the price fell to 2.5 cents per kilogram while prices in Ho Chi Minh, just over 300 kilometres away, were roughly 35 times as high. Even the attraction of such high profit margins could not overcome the lack of structured connectivity to either Ho Chi Minh City or international markets, leading farmers to dump their harvest on the streets.

Infrastructural challenges also impact the delivery of social services. At a recent conference, I listened to an expert from Singapore speak about how telemedicine could enhance scheduling efficiencies and consumer experience, and optimise the deployment and use of heavy assets needed to deliver healthcare. The next speaker, who was from the Philippines, focused on the ability of telemedicine to provide access to treatment for remote populations in distant, sparsely populated and poorly connected provinces to make up for a lack of doctors.

The rush to the cities

Most nations in Asia have experienced rapid urbanisation in the last half-century. What took 60 years to happen in the U.S. and Europe has been happening much more quickly in Asia. For instance, from the early 1960s to the late 1980s, South Korea transformed from a developing country with a 75 percent rural population to a newly industrialised country with an urban population of more than 75 percent, with over 15 million people living in Seoul-Incheon. Rural-urban migration in India, Vietnam and Thailand is also happening at an alarming pace, putting even more pressure on their governments to provide infrastructure in the form of power, roads, sanitation, education and medical services–and to do it quickly.

Unfortunately, fragile national and local budgets in these countries make a rapid and comprehensive response to the migration impossible. Infrastructure spending requires long-term planning and is usually a lower priority than other immediate needs, and the decision to invest in it keeps getting put off. Lack of political stability, lack of political will, corruption and neglect often result in the failure of even the best-planned projects.

Is outside help really helpful?

While the urgency to build and improve infrastructure is always imminent, investing in it is a high-stakes game for emerging countries. It is essential that the investments these countries make are well-prioritised to maximise the economic winds that fill their sails. Unfortunately, large infrastructure projects tend to be among the most difficult to execute as they are often dependent on funding from international donors or tripartite arrangements, and these typically involve multiple stakeholders with their respective agendas. Possibly of greatest concern is that the terms for many of the projects are dictated by external, supposedly well-meaning collaborators who pay scant attention to national interests. While such projects provide a short-term economic stimulus for the host nation, the longer-term pay-offs are more questionable and can lead to disjointed infrastructure ecosystems characterised by low yields.

The 'Belt and Road Initiative', along with other infrastructure investment funds and public-private partnership models that are sweeping through Asia, are seemingly beneficial as they help build new structures.

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However, the bureaucrats involved are usually new to such opportunities and are at a disadvantage when conducting negotiations as they have few choices at hand. Wanting to take advantage of the investment opportunity, they jump at the chance. However, the tough questions will arise when these need to be paid for. The impact of these infrastructure projects on emerging economies can be extreme as most of these economies are hyper-cyclical. They also have limited tax-collecting capabilities and the resulting debt can create a crowding-out effect that strangles strategic initiatives for a long time to come. Such periods can seem endless in the life of a developing economy as they try to put their domestic businesses and population on an even footing with their new trading partners and funders.

Infrastructure is an essential building block and accelerator for a healthy economy, and a happy society. It is a critical factor that supports competitive advantage in trade. It creates greater access to markets for businesses and customers by enhancing efficiency and reducing costs of transaction and delivery. Infrastructure provides the basic fabric of social and economic welfare upon which basic needs and wants are accessed and fulfilled. While governments need to prioritise these investments, the scale, budget and efficiency requirements make it challenging for emerging economies to keep up with the demand. That said, my travel experiences in the region will continue to provide a good ice-breaker for my meetings!

Dr Philip Zerrillo
is the Deputy Dean of the Indian School of Business, Hyderabad