

MEDIA SYNOPSIS

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Will lack of funding halt ASEAN rail projects on their tracks?

With ASEAN rail infrastructure expenditure projected at USD8 to 10 trillion from 2010 to 2020, lack of funding could put the brakes on growth. Despite an ASEAN railway development policy – albeit a non-formal agreement – member states are under no obligation to comply and not all countries have financial capacity to pay. Is there an alternative for funding of stalled multi-billion projects? Leon Perera, Chief Executive Officer of Spire Research and Consulting, shared his insights in China Daily – Asia Weekly.

Inadequate funding of rail projects at the regional level mean regional connectivity is yet to be established. Projects such as the construction of the planned high-speed Singapore to Kuala Lumpur rail line is yet to begin mainly due to negotiations on cost sharing.

At the same time, China's USD9.7 billion rail agreement with Thai Government (in December 2015) and an USD5.5 billion deal with Indonesian state-owned companies (in October 2015) are among many that have been stalled over insufficient cash flow.

Perera highlighted that rail networks still need modernization. An upgrade to rail connectivity will provide additional benefits such as increase in trade, tourism and Gross Domestic Product (GDP).

On the other hand, the manufacturing sector will get a boost from better rail infrastructure, with low-cost locations such as Indonesia, Myanmar and Vietnam benefitting.

However, since the establishment of the China-backed Asian Infrastructure Investment Bank or AIIB in 2015, ASEAN members can now gain some respite from funding pressures as the AIIB will act as an alternative source for loans to invest in large-scale rail projects.

About Spire Research and Consulting

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