

Timor-Leste and Indonesia Regional Cooperation & Integration

Session 4: Developing CBEZ and Economic Corridors

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27 November 2017



Outline

- I. Background: Rationale, Model
- II. Scope and Components: Map, Key Components
- III. Way Forward: Milestones, Challenges



Background



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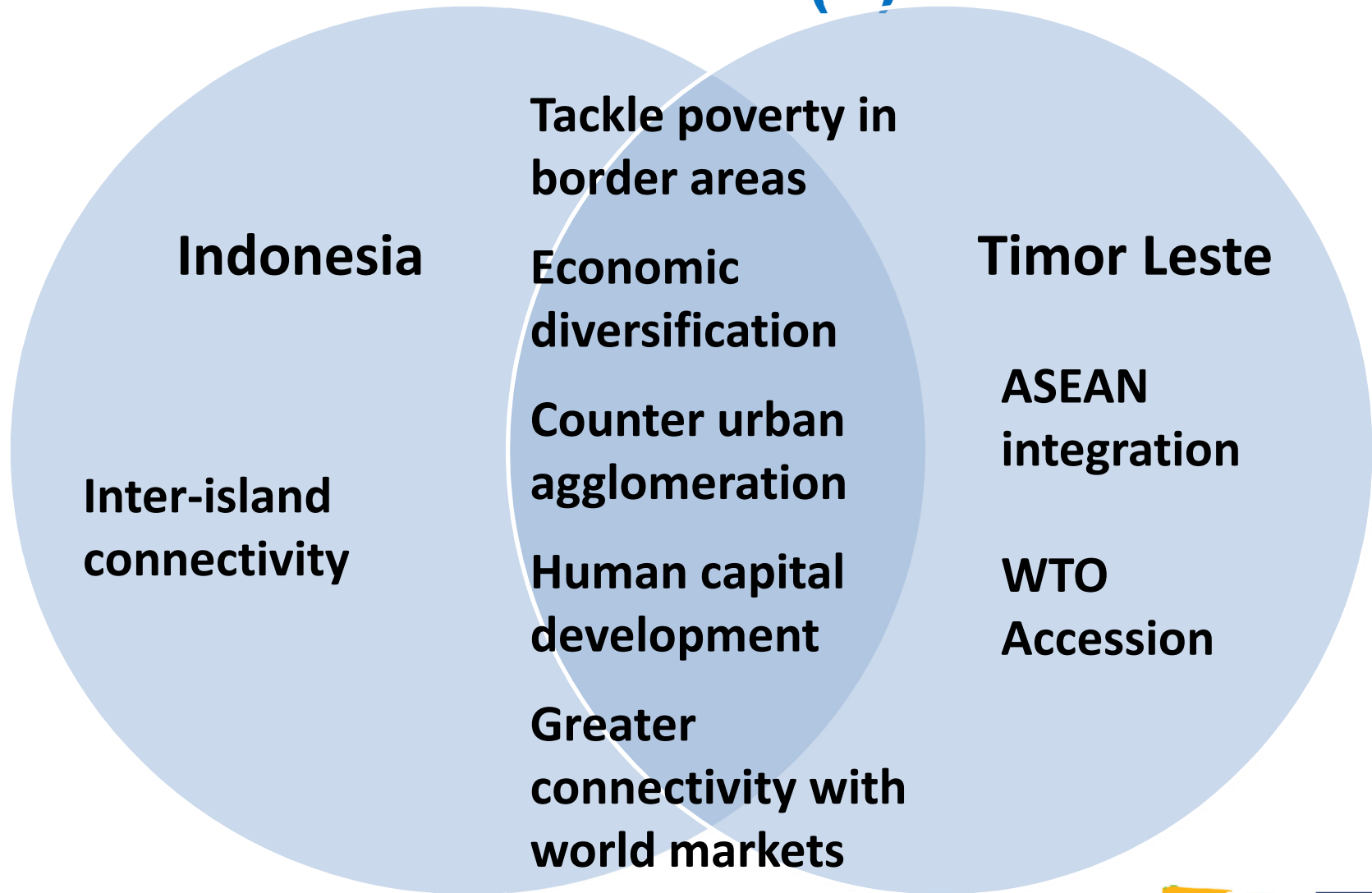


Rationale

- **Objective:** Feasibility of CBEZ + corridor (Timor-Leste, Indonesia, ASEAN) for border area development
- **Request from Government of Indonesia and Timor-Leste- February 2017**
- **RCI Operational Plan (2016-2020)**
 - Promote connectivity, competitiveness and regional public goods.
 - Intersubregional project: Timor-Leste specifically identified



Rationale (2)



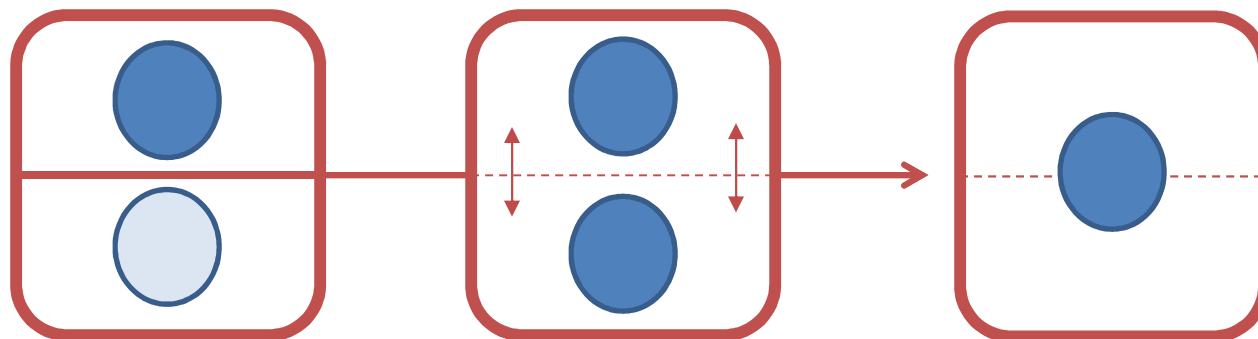
Model of CBEZs in economic corridors

- **SEZ's:**
 - Anchor for private investment to develop economic corridors
- **CBEZ's:**
 - link lagging border areas to economic corridors to mitigate rising inequalities
 - promote cross-border cooperation, contribute to peace and stability

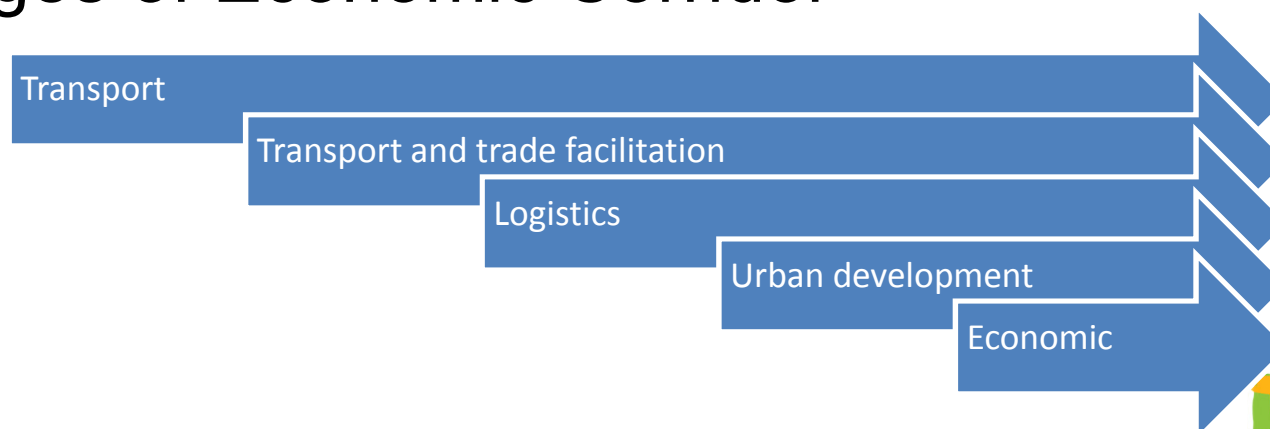


Sequencing of Model

- Stages of CBEZ



- Stages of Economic Corridor



CBEZ Model for Timor-Leste and Indonesia Corridor

- **Improve business environment:**
 - Attract foreign and domestic investment
 - Increase existing economic activity
 - Enable new product and services- employment and skills development
- **Connectivity:**
 - Act as growth node for ASEAN corridor: Timor-Leste-Indonesia-Malaysia
- **Partnership:**
 - Platform for stronger cross border relationships
 - Mechanism for coordination on security concerns



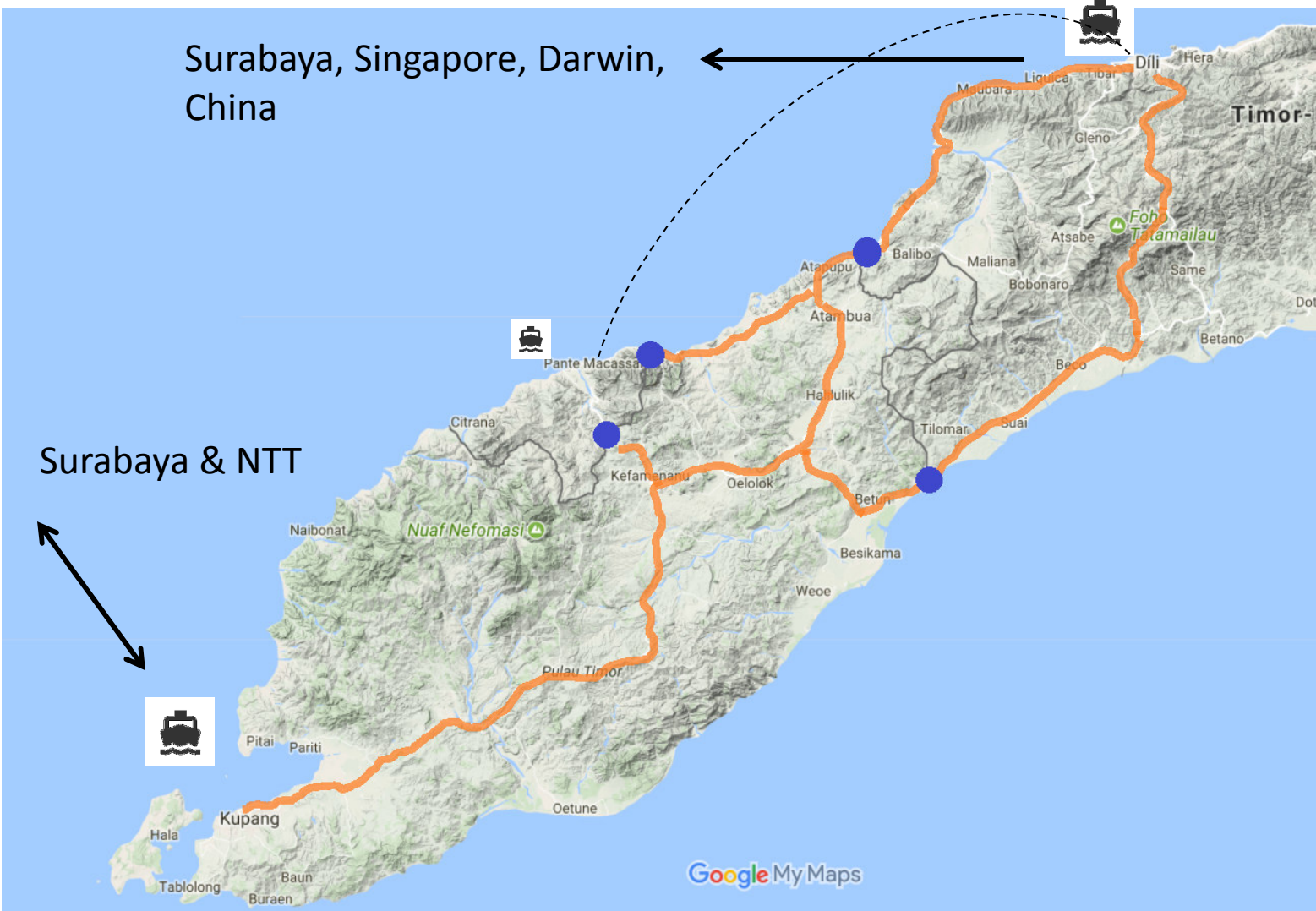
Scope and key components



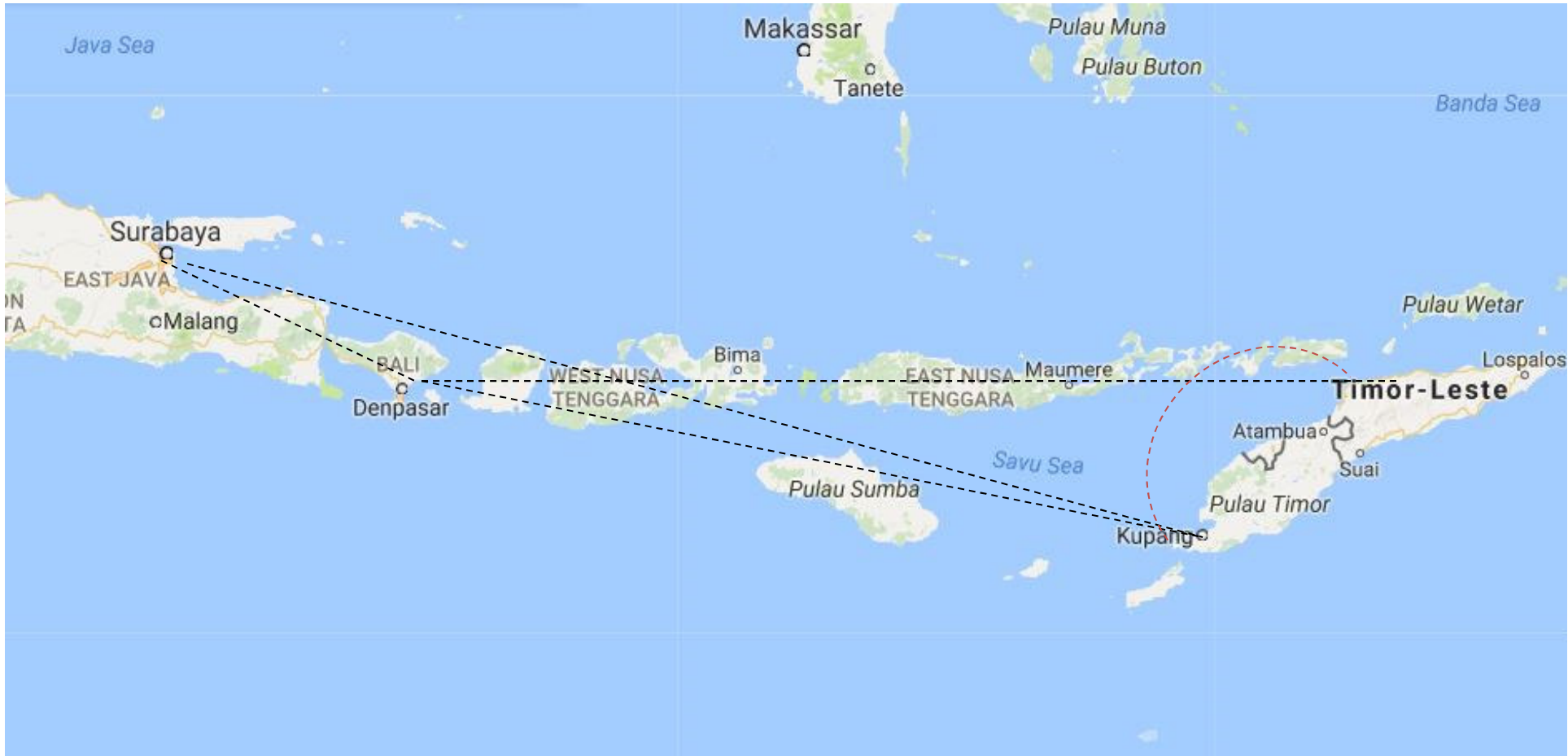
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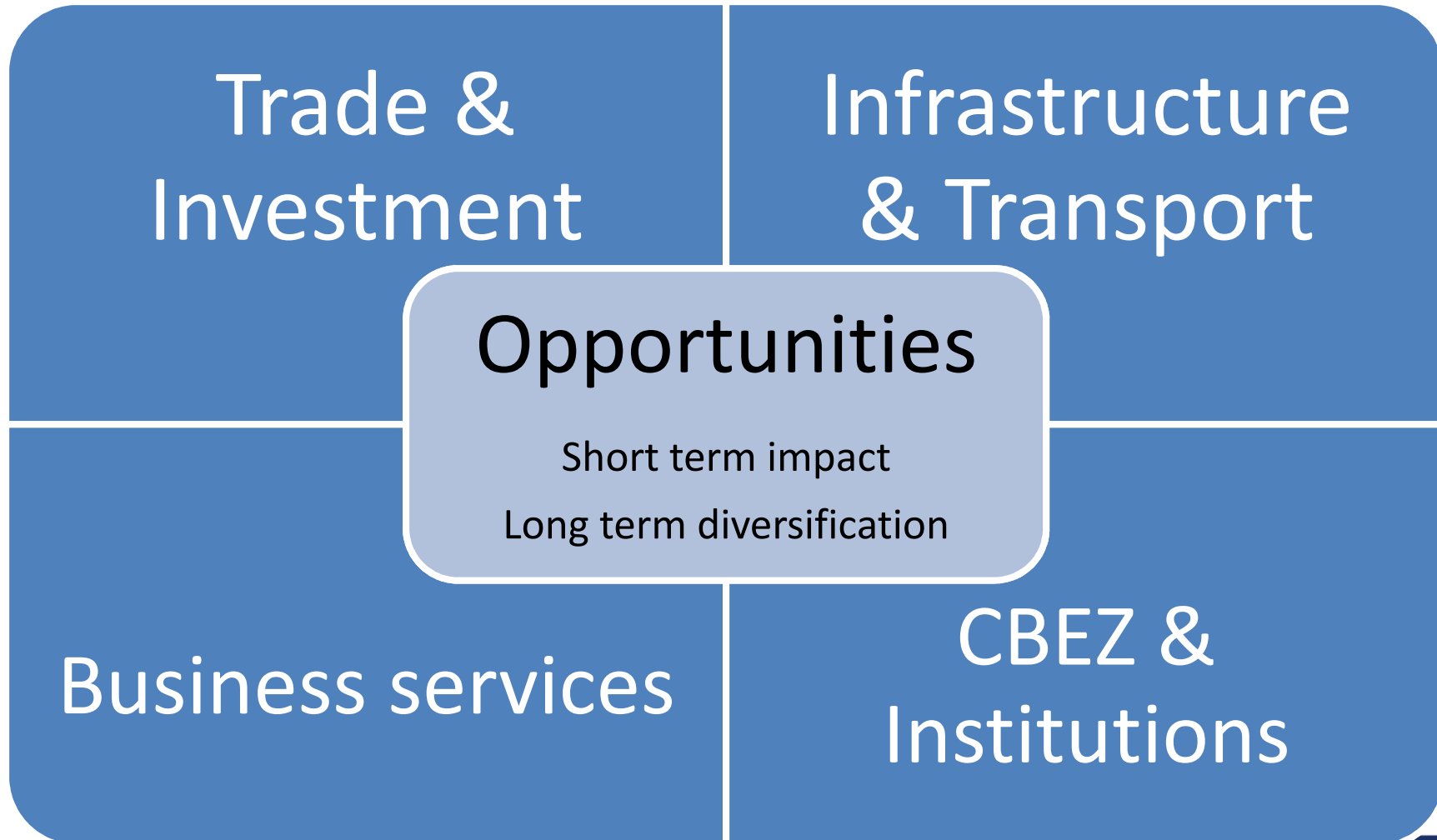
Sea routes



Air routes



Key Components



Trade and Investment

- **Baseline:**
 - Bilateral border trade
 - Trade between Indonesia (NTT) and Timor-Leste with ASEAN and ROW
 - Investment flows into and between Timor-Leste & NTT
- **Identify:**
 - Competitive and comparative advantages
 - Trade barriers
 - Investment opportunities
- **Recommend:**
 - Key value chains
 - Industries with potential for growth



Transport & Infrastructure

- **Baseline:**
 - Existing & planned transport infrastructure
 - Regulatory & legislative environment for corridor
- **Identify:**
 - Major bottlenecks (soft & hard)
 - Most viable routes
- **Recommend:**
 - Priority physical investments
 - Regulatory & legislative reform for trade facilitation



Business Development and Financial Services

- **Baseline:**
 - Existing and planned provision of SME services
- **Identify:**
 - Major barriers to SME growth
 - Needs of SMEs for cross-border opportunities
- **Recommend:**
 - New or improved services to improve business enabling environment



CBEZ and Corridor Management

- **Analysis:**
 - Existing SEZ functioning & national legislation
 - Existing institutions for cross-border cooperation
- **Identify:**
 - Value of CBEZ to support cross border value chains
 - Areas for institutional strengthening
- **Recommend**
 - Characteristics of required CBEZ
 - Options for stronger joint border & corridor institutions



Way Forward



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Milestones

Consultations

Interim Report

Final Report

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Conference

Joint Consultations



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Challenges

- Data gaps, demanding on time & capacity
- Justification of policy harmonization costs of CBEZ vis-à-vis benefits requires:
 - (1) cost-benefit analysis/growth model,
 - (2) pilot studies on sector potential/complementarity
- Translating integrated designs of CBEZ studies into potential investment requires:
 - (1) soft and hard infrastructure package,
 - (2) policy and regulatory reforms
- Replication in post-conflict border areas



Thank you!

