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SUB-REGIONAL CO-OPERATION IN ASEAN AND ROLE OF PRIVATE SECTOR : RELEVANCE FOR SAARC

Abstract

The paper addresses the subject of ASEAN growth triangles (GTs) focusing on the role of the private sector in the process. The GTs have already generated very important "demonstration effect" on the future of subregional economic co-operation. serving as a crucial lesson for economic development. specially of the benefits of complementarity and proximity. The paper also considers the challenges confronting the GTs as a growth model and how the process may be replicated in a region such as South Asia. It is argued that a subregional structure. as is being experimented in East and Southeast Asia. has the potential to expand and stand replication. It is viewed that the engine of growth in subregional co-operation and the leading player is the private sector. The task of the member states by and large is one of ensuring sustained growith throuth political commitment and co-ordination of policies,

1. Introduction

In an age of economic striving and co-operative security, a sustained growth for a country like Bangladesh is certainly the most desired goal. This is true also for all countries of the South Asian Association for Regional Co-operation (SAARC). As a regional entity, the accomplishment of the Associa-tion of Southeast Asian Nations (ASEAN) in growth endea-vour has been proverbial. Despite the more recent setback in the financial market and consequent economic meltdown in the

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region, the success of the ASEAN countries has come to be perceived in South Asia as one of envy and inspiration. Co-operative endeavour in the region has taken multiple form. A significant example concerns what is known as subregional co-operation/"growth triangles" (GTs),[1] uniting three or perhaps more geographically close regions of member-countries to derive economic benefits through complementarity.

The successful subregional initiatives include the Southern Growth Triangle or Indonesia-Malaysia-Singapore Growth Triangle (IMS-GT, set up in 1989-90), the Northern Growth Triangle or Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT, set up in 1991), the Eastern Growth Triangle or Brunei-Indonesia - Malaysia - Philippines - East ASEAN Growth Area (BIMP-EAGA, set up in 1994), and the Greater Mekong Subregion (GMS, with a new Mekong River Commission set up in 1992). These efforts have been predated since the 1980s by quite successful growth effort involving the subregions of the South China Sea, popularly known as Southern China Growth Triangle (SCGT, 1980s). Other Growth Triangles include Trumen River Economic Development Area (TREDA, set up in 1990-91), Northeast Asia Economic Zone (set up in 1991), Yellow Sea Economic Zone (set up in 1992),

1. The terms 'subregional co-operation' and 'growth triangles' have been used in the paper interchangeably in order to convey the co-operative endeavors for growth activity involving three or member states of the Asian regions. The term "growth triangles" continues to remain more in popular usage as a growth notion, perhaps because of the origin of growth endeavor involving the Chinese triad and its apparent replication in the IMS-GT later, even though not all the angles of the GT have enjoyed growth activity in effective harmony, and more lately the number of growth participants are being drawn into larger numbers (see also the main text).

The Golden/Economic Quadrangle (set up in 1992), and a proposed Growth Triangle in Central Asia.

There is a prevailing view that the SAARC countries can also prosper by replicating these East Asian and ASEAN experiences of subregional co-operation. As a result a number of subregional organisations came into being. They include the SAGQ (South Asian Growth Quadrangle), launched in 1996 by Bangladesh, Bhutan, India and Nepal; and the BIMSTEC (Bangladesh, India, Myanmar, Sri Lanka, Thailand Economic Co-operation, launched in June 1997) . The concerned governments have also been discussing common agenda for multisectoral growth such as transportation, environmental and infrastructural projects, common energy grids, and optimum use of the region's water resources for the increased benefit of the member states. The new transnational structures of co-operation in South Asia, as well as those encompassing states of both South Asia and/or Southeast Asia seemingly are ordered to replicate the East Asian and ASEAN experiences.

Given a serious resource constraint in South Asia, donor agencies like the World Bank (WB) and the Asian Development Bank (ADB), Japan International Co-operation Agency (JICA) impressed with the East Asian and ASEAN experiences of growth triangle, came up with plans of their own and offered support to the SAARC member states in the fruition of subregional growth in South Asia.

There is also the possible role of the private sectors, including the multinational corporations (MNCs),[2] that may be drawn into it. Already sectors are designated for co-operation involving the four states where the private sectors may play a role. Through a Trilateral Business Summit, held in Dhaka in 1998, the region's private sectors have also been brought together, though it is yet unknown what specific roles the concerned member states, the donor agencies, and the private sectors, including the MNCs, may have in the growth endeavour. In this context, the ASEAN experiences in subregional co-operation may be appraised, as it may provide useful insight into role model and practice of those involved in the growth endeavour, including the member states, the multilateral donor agencies and the private sector.

Analytical Questions and Objectives

Subregional co-operation has taken root in southern China in the later part of the 1980s and eventually took the shape of SCGT. Since then there has been a mounting interest both among the policy makers and the analysts in the innovative effort for economic co-operation in East Asia; but towards the end of the 1980s, when the IMS-GT came into being, an intense international interest has been generated on the issue both at the multilevel mechanisms of international decision making, as well as at the intellectual level. Consequently, the notion of GT was almost spreading like a

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2. Multinational Corporations (MNCs) are defined as "companies that are run by an international team of managers, have research and production facilities in many countries, use parts and components from the cheapest source around the world, and sell their products, finance their operations, and are owned by stockholders throughout the world." Nestle, Switzerland's largest company and world's second largest food company, has production facilities in 59 countries, and US Gillette in 22 and Ford in 26, the latter employing more people abroad (201,000) than in the US (188,000). (Salvatore, 98: 5).

"wild-fire," with an Asia-wide attempt to replicate the experiences in East and Southeast Asia.

The paper analyses the functional mechanisms of ASEAN's subregional co-operation, focusing on the role of the private sectors in such co-operation, keeping in perspective also the comparative nature of the part played by the member states and the donor agencies. It also explores its relevance for South Asia, keeping the overall Bangladesh concerns in perspective.

The paper views that a replication of the co-operative effort at the subregional level in South Asia would require a policy vision, coupled with appropriate strategy and policy measures at both regional and subregional levels by the concerned member states and others, but in an age of market economy growth itself has to be driven by private sector initiative along natural economic territories so that integrative endeavour at local levels beyond nation-state boundaries can have durable systemic impact.[3]

To the above ends, the paper begins, in section 2, with an appraisal of the ASEAN growth model in its conceptual inputs, processes and manifestations, and discusses the typology of ASEAN subregional co-operation and touches also on the distinguishing features of the GTs. Section 3 examines the role of the private sector, which is preceded by a brief appraisal of the comparative role perception of member states and that of the multilateral funding agencies in the existing schemes of subregional co-operation. Section 4 considers the issue of

3. Acharya (September 1995), for instance, addresses the security-enhancing as well as security-diminishing concerns of GTs, following from their transnational linkages, and how they are likely to influence the subsystemic relations in Southeast Asia.

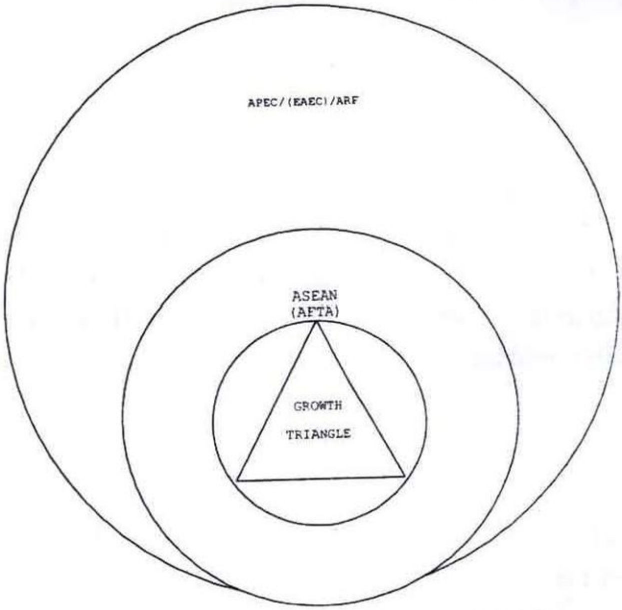
relevance and problem of replication in South Asia in the light of ASEAN experiences. The concluding section summarises and places in perspective the overall findings.

2. The ASEAN Growth Model : Conceptualisation, Factor Inputs, Typology and Distinguishing Features

An appraisal is made in the section of the ASEAN and East Asian growth model, with an eye on the conceptualisation process in all its various inputs and manifestations, touching also on the emerging typology of subregional growth zones. The ASEAN growth model can best be described in a figure of concentric circles. At the wider regional level in both Asia and the Pacific, the Asia-Pacific Economic Co-operation (APEC) has been emerging as the dominant force of economic co-operation, with members from either side of the Pacific. This first tier of the vision of a new structure of co-operative relationships, as is highlighted in Figure (1) of the concentric circles that the ASEAN has envisaged, propelling the concept of 'open regionalism' into global prominence (C.W. Kwan, 97: 175).

The second tier is symbolised by the ASEAN, established in 1967 with Indonesia, Malaysia, the Philippines, Singapore and Thailand. However, the ASEAN remain in a course of expansion in terms of membership becoming 6 in 1984 with Brunei's inclusion, 7 in 1995 with Vietnam's inclusion, and nine in 1998 with the inclusion of Laos and Myanmar, and likely to be 10 soon with the inclusion of Cambodia. An expansion programme has also been underway in terms of sphere of activity. By 2003, Southeast Asia is set to establish an ASEAN Free Trade Area (AFTA), with a commitment effort to promote trade liberalisation as well as to encourage a horizontal division of labour both in building production networks and attracting investment (Kwan, 97: 175-76). This forms the second, though the most reckoning, part of the new structure of co-operative relationship that has been taking root in Southeast Asia (Figure 1).

Figure 1: A Schematic Representation of ASEAN's Structural Model of Growth



Source : Modified schematic representation by the author of a multilateral economic co-operation figure in C H Kwan, 97: 175 on the basis of information in ASEAN Secretariat, 97: 137-156. The model currently represents a bottom-up approach of modified structuralism in the international system (as against the top-down approach of EU-type of federalist integration. It places both the Malaysian proposed East Asian Economic caucus (EAEC) and the AFTA within parenthesis, as the author feels that both the structures are still prospective: while the former is intended to have deterrent effect, such as signalling the strength of Asian co-operation and offsetting or balancing the negative effects of protective policies of the EU and NAFTA, the latter represents the symbolic outcome of the ASEAN's growth endeavours at the GT level.

The ASEAN's new structure at a lower level is the new geo-economic model of growth, a new structure of co-operative, localised economic co-operation. It is christened as "subregional economic co-operationi and sometimes as "borderless economy," (K.Y. Chen and C H Kwan, 97). Popularly known in Southeast Asia as "growth triangles" (GTs), the localised areas of economically integrative activities have in some cases been designated in geometric fashion, considering the number of participants, such quadrilateral/ quadrangle, hexagonal, and even polygon (Weatherbee, 95: 421). Their emergence have to be seen in that light; for they represent a regional 'geo-economic mind-set'--"a living experiment in subregional integration," (Lee Yuan, 91: 1; Kumar and Lee Yuan, 91: 29), embracing the way the ASEAN think and operate, building "a tighter web of economic interdependence," with an outward growth structure being built from below, "a building bloc" of ASEAN and AFTA (Siddique, 98:71; ASEAN Secretariat, 97:155), working towards a common economic regime and drawing the region closer together (Akrasanee and Stifel, 94:1:13; Zainuddin, 97b: 9).

The GTs in Southeast Asia, as evolved so far, are projected as "model for successful intra-ASEAN economic co-operation which involved both the private sector and the governments of several ASEAN countries." There is no governing rule that all ASEAN member-states have to participate in forming such a sub-grouping (Pangestu, 91: 77). Yet their motivation and incentives have to be clearly perceptible, perhaps even be defined: "As with the idea of ASEAN economic co-operation, the basis of the benefits of a Growth Triangle is to draw on complementarity between "each" side of the Triangle and to gain from resource pooling and economies of scale" (Pangestu, 91: 77).

The subject of conceptualisation of subregional co-operation and its possible replication has drawn academic controversy. One may feel little baffled by the sharply driven empirical evidence of a conflicting nature of systemic evolution of supranational nature in which there seems a growing tension between state sovereignty, new nationalism and subnationalism; there is then operation of market forces and transborder entrepreneurial activity of different nature, on the other.

The GTs entail an alliance of economic logic, vision and political will. Economic reasoning find its way through in a logical sequence; yet it may be said that the private sector commits resources, transfer technology, and provide employment opportunities; conceivably at least, the multilateral agencies contribute to vision as well as funding-support; while the role of the member states is to facilitate and manage the spread of such zones, to assist the private sector to maximise the opportunities, and to reduce the political, social, equity, and federal versus state problems which may sometimes be encountered (Sandhu and Tommy Koh, 91: x; Kumar and Lee Yuan, 91: 30).

In terms of factor endowments i.e. comparative advantages in terms of availability of land, labour and capital (King-Akerele, 98:1), there may perhaps be a combination of reinforcing influences, such as vertical metropolitian spillover into the hinterland, as well as horizontal interests such as joint development of infrastructure and natural resources, and geographical proximity and geo-political interests (Than, 97: 41; S. Chia and Lee, 93). But the key idea is to exploit the factor inputs fully so as to gain a comparative edge in promoting external trade and investment for the mutual benefit of the participatory countries (King-Akerele, 98: 1).

However, it is, in essence, the economic logic of complementarity between areas in the GTs which are geographically close (Pangestu, 91: 77) seem to make the concept more both effective and functional than otherwise might have been the case.

There are also socio-psychological and even political motivating factors explaining the emergence of subregional cooperation, often described as "pull factors and push factors": the latter include end of the Cold War, trend of globalisation and regionalisation and the consequent fear of protectionism, the looming threat of US and European trade embargo and competition for FDI, in particular, the formation of large continental trading blocs such as the EU, NAFTA that allowed a new vertical division of labour in the manufacturing and service industries in the western industrialised countries, as well as to an increasingly protectionist international trading system (Than, 97: 43; Naidu, 95: 227-28). The pull factors include geographical proximity, the existence of old trade routes, historical links, cultural and ethnic ties, language affinities, thawing of Cold War political tensions, speedy liberalisation and economic reforms in the erstwhile centrally planned economies, emerging regional and subregional groupings and an increasingly expansion of ASEAN membership (Than, 97: 43). The pull factors thus tend to draw the people and areas still closer together, so as to identify and widen the area of common interests, to ease political tensions and enhance cohesion, and to energise common effort towards growth and development.

A related issue is the phenomenon of globalisation of production by the MNCs. This has led to a regional distribution and redistribution of production processes in accordance with the comparative advantages of different regions and subregions. A regional/subregional production system such as that which has been made possible by the GTs "allows investors to improve their competitiveness through the exploitation of economies of scale and agglomeration economies" (Naidu, 95: 228).

There has also been a question of retaining entrepreneurial excellence. The formation of the GTs is commonly based on spontaneous market forces led by mutual economic interest; the desire to attract export-oriented foreign capital; the lack of technology and capital but possession of potential areas of co-operation through resource complementarities in either location, labour and natural resources; and the development policy of their respective central governments (Peralta and Padua, 97: 78). The etymology may thus be widened to metropolitan regions, including trade development zones (TDZs), export processing zones (EPZs), special economic zones (SEZs), bonded areas and even science and technology parks, varying in types of incentives provided to achieve specific goals (Linda Low, 97b: 1), but all promoting co-operation at subregional level.

The combined horizontal influences and vertical spillover process, exploit comparative advantages of cost differentials and export promotion, entail an alliance of economic logic of complementarity, vision and political will for augmenting transborder free economic and trade activity.

As for typology and distinguishing features of the GTs, they found manifestations in three forms: metropolitan spillover and market force operation; government-driven effort; and the outcome of joint effort of the multilateral bodies, the governments of member states and the private sectors. The first category includes the SCGT and the IMS-GT; the second concerns the IMT-GT and the EAGA, while the GMS seems to represent the last category. Yet, it may be difficult to offer very strict delimitation of initiatives, as there have been overlapping efforts from all sides involved in the process; yet such a categorisation would represent the overall nature of initiatives and interests by the participants concerned.

Not all the GTs, however, had the same type of beginnings. Each of them has its unique context and each its own manifestations. The GTs in ASEAN represent "an attempt to foster development by facilitating investment and growth and production networking among proximate ASEAN subregions in a rapidly changing international economic environment" Therefore, their formation is often seen not only as a response to a more protectionist world trading system but also as a fast track strategy for development and, thus, to be globally competitive as organic units of Greater ASEAN within a larger Asian economy (Peralta and Padua, 97: 78-79). Following the formation of the IMS-GT by Singapore with Malaysia's Johor and Indonesia's Riau province (Fukagawa, 97: 59), the momentum toward the formation of GTs elsewhere in Southeast Asia has been gathering steam (Lee Yuan, 97: 89).

The IMS-GT is suggested as "a growth spillover phenomenon" (Lee Yuan, 97: 92), an extended metropolis region (McGee and MacLeod, 92) --led and promoted by Singapore; the latter forms the nexus of the IMS-GT, with a vibrant and developed economy (Kumar and Lee Yuan, 91: 4). Basically, a trading state, Singapore's conception of security is very much in the realist tradition, the prime security concern being "its political and economic survival in an uncertain and hostile environment" and its strategy has been self-help and power balancing so as to preserve and enhance its security. There were pressures, in the short-term, on manufacturing firms to relocate some of their activities to other lower-cost locations in order to stay competitive. In the longer term, there was a need for Singapore firms to have greater forward linkages and to gain control over key activities to retain its competitive advantage.

Indeed, the geo-economic complementarity proved to be the most critical point for Singapore. Singapore wanted to overcome the constraints to its growth owing to the smallness of its size and to enjoy the economic benefits of having Johor and Riau function as its "hinterland" (Pangestu, 91: 106). But the core issue was always one of functional complementarity. It is Singapore that initially mooted the idea in 1989. The aim was to combine the various advantages of each member: Singapore's own sophisticated financial, marketing, and service industries, and excellent infrastructure; Johor's availability of land, skilled and semi-skilled labour, and physical infrastructure; and Batam's low cost land and labour (Kamil et al., 91: 39).

Being well-placed as one of "the current-world cities" within a system of world economy (Peralta, 97: 79), thus twin themes of survival and vulnerability have loomed in the minds of the Singapore policy makers (Ganesan, 98: 586). Singapore has always had its concern *vis-à-vis* its larger neighbours about its recent economic growth and stability. An intricate mix of security, politics and economics motivated Singapore to the GT endeavour. While an idea of "enlightened self-interest" pushed Singapore to work for the GT arrangement, there has also been a sense that there are clear national benefits to be gained by all participants and region as a whole (Kamil et al., 91: 71, 73; (Pangestu, 91: 106)). Hence, there was an element of sensitiveness towards the fears of its neighbours as well as sympathy towards their ambitions. There has also been an effort to emphasise the mutuality of benefit, flowing from such co-operation, the need to emphasise the concept of partnership rather than the division of labour, responding positively to requests from the neighbours to help them upgrade their human skills, to "scramble up the technology ladder" as quickly as they can (Sandhu and Tommy Koh, 91: x).

This means that if Singapore, Johor and Batam were more intricately related with Singapore in their economic development, the two neighbouring countries, Malaysia and Indonesia would have greater incentive to remain on "friendly" terms with Singapore. But the idea of "enlightened self-interestî is also linked to a wider vision: for closer interaction and GT level of developmental benefits would have spillover effects, leading to greater intra-ASEAN co-operation and giving rise "to more and perhaps even more effective forms of economic co-operation between the ASEAN members" (Kamil et al., 91: 71).

In fact, the synergetic effects of the IMS-GT based on proximity and economic complementarity have brought about net economic gains for all parties concerned--Batam Island in Riau, Johor and Singapore. This is particularly the case in terms of the benefits of investment and tourism (Lee Yuan, 97: 117). While the Singapore government projected its role as a "business architect" that is plugged into the regional economies, the Singaporean businessmen and its 4,000 MNCs have contributed to overall complementarity of the GT, being "highly embedded" in Johor and moderately embedded in Batam (Savage, 98: 144). Singapore accounts for more than half of IMS-GT's total population and approximately 90 per cent of its aggregate income, it comprises only 3 per cent of the GTs total land area. This underscores Singapore's importance as the GT's industrial base, as well as its relative scarcity of land and labour, which provide the primary stimulus for IMS-GT's interaction. Although the benefits accruing to Singapore from this arrangement are obviously of considerable magnitude, the benefits enjoyed by both Johor and Riau are substantial. Singapore is the largest investor in Batam. It made major contribution in the US $ 964 million development of the Batamindo Industrial Park and Bintan Industrial Estate, both of which have 113 operating manufacturing projects as of February 1999 Savage, 98: 142). Until 1997, Singapore government had spent US$1,513 million for investment in Batam alone (Barelang, Batam, 97: 23). As for Johor, even prior to the inception of the GT, it accounted for 61 per cent of total Singapore investments in Malaysia, a pattern that continued in the 1990s. Thus in 1996, Singapore was the largest investor in Malaysia, pouring US$2.4 billion, of which 60 per cent went to Johor, while in the first 5 months of 1997 it invested US$2.7 billion, of which 61 per cent went to Johor. Overall, until May 1997, Singapore invested M$10 billion in Malaysia, while Malaysia invested M$1.7 billion in Singapore (Savage, 98: 143). By virtue of its proximity to Singapore and taking advantage of the latter's technical capabilities and global networking, Johor Bahru City has now become "a window to the world" (Awang, 98: 161). All this speaks strongly of both synergies that existed as well as Singapore's leading role in the IMS-GT.

Thus concept of IMS-GT is, in essence, Singaporean, and it is Singapore that has been playing a leading role by providing the infrastructure and management know-how, as well other supporting services. Investors can optimise factor utilisation by setting up their regional headquarters in

Singapore and locating different manufacturing processes in the three areas according to their land and labour requirements. As subregional co-operation expands, Singapore thus has the potential to emerge as business service centre for a "Maritime Southeast Asia Economic Zone." It appears that the key features of the IMS-GT are concerns against global protectionism, economic complementarity, geographical proximity, political-security concerns of Singapore and its metropolitan spillovers into the neighbouring territories.

In all the foregoing features, both the IMT-GT and EAGA-BIMP, the second type of ASEAN subregional co-operation scheme, seem different than the IMS-GT. For in either case, political motivations, personal preferences of the concerned policy makers and/or local conditions influenced their decisions to advance the new subregional groupings. In both cases, while the efforts are spurred by the success of the IMS-GT, the initiatives came directly from the governments of the concerned member states, with support from the multilateral donor agencies, in particular from the ADB but with little consideration as to whether the economic complementarities and the necessary factor endowments existed at all, at least in the short-run, so that the market forces would readily get drawn in.

The third type of subregional co-operation is the GMS Programme, promoted largely by the multilateral donor agencies, more recently by the ADB. The GMS co-operation is deemed to be "the reverse domino effect" of the post-Cold war era, with the disappearance of the political barriers that separated nations in the past. The Mekong intersects through China's Yunan, Myanmar, Thailand and the Indochinese countries.

Back in 1957 subregional co-operation effort began in the Mekong zone. A Mekong Committee (MC) was then formed by Thailand and the countries of Indochina under the initiative of the United Nations (UN). Dams and electricity plants were then built with aid from the industrial countries. In 1973, shortly after the US-Vietnamese armistice, the initiative focused on the development of communications and infrastructure, water management and agriculture; but that could not make much headway because of the continuing turmoil in the subregion and the post-1975 events in Indochina brought subregional co-operation effort almost to halt. The GMS idea resurfaced itself, with ADB's support, only after the ending of the Cold war and return of peace to Cambodia (Yasuda and C H Kwan, 97: 143-145). The renewal of the effort to enhance economic co-operation in the subregion in the early 1990s followed the conclusion of the Cambodian conflict. There was renewed focus on communications, infrastructure and energy production. Political issues were to be avoided; hence the ADB launched informal consultations with the GMS governments, found positive response and eventually, prepared a framework report.

Objective-wise, the GMS does appear much wider than either of the types, both politically and from the geo-economic point of view. It criss-crosses into a wider geographic area. It seeks to strengthen peace and co-operation in a quite wider subregion, facilitate sustainable economic growth and improve living standard of a larger population. These objectives are to be attained through realising and enhancing development opportunities in the subregion, encouraging cross-border trade and investment, resolving and mitigating cross-border problems, and meeting common resource or policy needs (*Tables 6-8*). Subregional co-operation is an important tool in guiding the GMS economies-in-transition towards the export-oriented, open market economy model, and in integrating them into the regional and global markets. The participation of both the private sector and international donors in funding the development projects is pivotal, as they require massive amounts of funds, the resources of the GMS countries themselves being too limited to provide all the necessary financing required for any real momentum towards growth.

Thus the GTs have their own unique traits and typology; each has its singular context, with varying ramifications which are different from the existing structure of trade blocs. The IMS-GT is more akin to the SCGT, a metropolitan spillover effect, largely attributed to the dynamism of Singapore, while the IMT-GT and the EAGA-BIMP are primarily government initiated. The GMS is a re-surfaced entity, perceived as a "reverse domino" phenomenon of the post-Cold War era. The common feature that binds them together is their efforts from the "bottom up," all operating within the broad set of ASEAN's co-operation activities as a "top down" process (ASEAN Secretariat, 97: 156) in terms of objectives and vision.

3. Role of the Private Sector in Comparative Perspective

The perspective on GTs is simply its economic-oriented nature: the forces leading to their emergence are seen as economic forces, akin to forces of nature, the so-called 'natural economic territories'. Yet the GTs seem unique in the sense that they invoke role perception of participating member governments, that of the developmental financial institutions (DFIs), and most importantly, involve the private sectors in a major way. While individual governments can make political commitments and endeavour to implement policy decisions, the multilateral donor agencies are expected to render supportive policies, alleviating some of the pressing problems confronting policy makers in the GTs so that the private sectors feel attracted to be drawn into subregional growth schemes.

But the GTs are popularly viewed either as "production bloc" or as the manifestation of "market-driven regionalism" at a lower level (Acharya, 95: 174-176), as opposed to "regional integration" of the EU-type. However, the precise role of the private sector in the development of GTs, like in any measure of subregional co-operation, provoke debate when public sector's role is measured in comparative terms. Some analysts (Myo Thant, 94: 11; Linda Low, 94: 15) emphasise upon public sector role, while perspectives from others highlight the importance of the role of the private sector "increasingly central" or "key to the dynamism" in infrastructural development, finance, expertise, management skills, and technology (Abonyi, 94: 6; ADB, 96b: 203). While projecting the role played by the private sectors for sustained growth activity at the subregional level, the current section seeks also to offer a comparative perspective of the role perception of the member states in subregional co-operation, which together with that of the donor agencies seem to provide a necessary condition for creating and sustaining growth efforts in the form of the GTs.

A. Role of the Member States : Five areas may be suggested where the governments of the participating states may play very useful role in promoting subregional co-operation. These include (i) political commitment; (ii) rendering hardware-software development; (iii) consensus building; (iv) policy co-ordination; and (v) finally, ensuring success of GTs by providing both political motivations as well as ensuring economic complementarities.

The development of some of the GTs has been made possible due to the political commitment of the participating member states, but political commitment alone is not good enough; there has to be a shared sense of reciprocity. The IMS-GT itself has largely been a result of the political decision made by the Singapore leadership to 'regionalise' the country's economy. Its success is also largely due to the consistent political commitment of Singapore to sustain the GT co-operation. It has been the primary source of capital, technology, and managerial expertise. The other partners have been somewhat less enthusiastic because of the relatively small role of the GT in their national economies and the seemingly unfair distribution of costs and benefits among the three countries (Naseem, 96: 32-35). Nevertheless, there is a shared sense of reciprocity, despite the differences in their outlook; both the other two governments were also drawn into the process and made the necessary political commitment to sustain the efforts for growth by the IMS-GT.

The concerned governments, having made formal commitments, also encouraged their private sector to participate in the development of basic infrastructure (Kumar, 95: 209-210; Min Tang and Myo Thant, 95: 13; The Straits Times, 18 January 99: 1). In the TREDA as well as in the IMT-GT and BIMP-EAGA countries involved from the very start of the GT have had assured political commitment, but could not make much headway. However, the GTs do not necessarily require political or perceptual convergence and they can be made functional even with a prevailing enemy image. The obvious case is the SCGT, where both the PRC and Taiwan found mechanisms ro work towards common economic well-being. However, from the perspective of the foreign investors, political commitment is perceived as one of the most important consideration in the selection of a location for investment. In the GT this translates to the need for strong political commitment by all the governments concerned (Pangestu, 91: 106).

Secondly, role of the governments in subregional co-operation has best been stressed "both as a participant (e.g. a source of key investment for `hardware' or infrastructural development), and in defining the institutional frameworks, the `software', required to anchor and sustain regional co-operation, including the legal, regulatory and policy frameworks and transborder agreements relating to areas such as customs, immigration, repatriation of capital, foreign exchange transactions, fiscal incentives, investment guarantees" (Abonyi, 94: 6).

At the early stage of implementation, `hardware' may be more important than `software' and it is here that the concerned member states have to play a vital role. Infrastructure development is perceived as the single most important factor in the creation of an economic environment conducive to the development of a GT. Direct public sector cost include those associated with the development and maintenance of the GT. Key development costs include site preparation, installation of roads, provision of power and water supplies, and construction of residential facilities for the labourers. The total costs incurred for these activities are likely to be substantial even in areas that are not physically remote. Where port facilities already exist within a GT area, development cost may be considerably reduced (Min Tang and Myo Thant, 95: 19).

The IMS-GT, Singapore played a particularly key role in the joint development of `hardware' in both Johor and Batam (Kumar, 95: 192-196). Government investment mainly went into infrastructure development (Kumar, 95: 195-196), but private sector involvement, international funding, as well as commitments from the member states concerned seem also necessary.

Of equally great importance, in the long run, may be even more difficult, are 'software' issues, such as transborder agreements on customs, immigration, repatriation of capital, and investment guarantees. Dealing with these also requires role of the concerned member states. Therefore, it is also felt that active support is needed, especially in the beginning to lure FDI to the GTs (Jokinen, 98: 13) and hence removal of the government-created obstacles in the form of trade barriers should be given priority, as it could be achieved quickly, while hardware projects, such as infrastructure improvements would take decades.

The third area requiring subregional growth is consensus-building, In case of ASEAN the operating principle of consensus has been adherence to the two key concepts, *musyawarah dan muafakat*, which requires that a given decision is arrived at only after consensus, both internally and externally – often reaching following much discussion. Consensus also guarantees that each member state is afforded the opportunity to air its views and be heard. Internally, consensus may involve the national political processes over 'hardware' and 'software' development, as well as the central and the local government which is to be earmarked or included in subregional grouping (Kurus, 97: 25-26). All such policy directives and initiatives must be strongly supported and implemented by both central and local governments (Min Tang and Myo Thant, 95: 12-13). The agreed framework must be attractive enough to the private sectors that would put their money in.

Fourthly, policy co-ordination is viewed as a key component for the successful development of a GT. The development of GT has hinged not only on the commitments made by the different governments, but also on their supportive policies. What seems expected is a workable track of some sort involving the relevant government ministries and departments, providing the necessary leadership through joint consultations and co-ordination of joint policy measures (Kumar, 95: 214) so at to generate investors' confidence about the seriousness of the member states and national commitments to the GTs and willingness to resolve any operational problems that might arise.

Bilateral co-operation has been the hallmark of development in the southern axis of the GT. The best example of this is the joint development of the Bintan Industrial Estate and Batam Industrial Park (BIP), costing respectively S$202 million and S$752 million by Singapore and Indonesia. Other industrial parks being built include the Kuang Hua Industrial Park (with Taiwanese investment) and the Kabil Industrial Estate for the oil industry, and six more industrial estates as well as scores of infrastructural facilities are also planned in the neighbouring islands of Natuna, Bulan, Rempang, Galang and Galang Baru (Batam, 97).

Finally, apart from purely economic or developmental concern, the GTs may have purely political concerns such as development of `backward' areas and/or `pacification' of troublesome regions of Thailand, the Philippines, and Indonesia (Jokinen, 98: 14). However, it has to be kept in mind that the GT is primarily an economic, and not political, concept: without economic complementarities "politically motivated GTs simply will not fly" (Lee Yuan, 97: 92-93).

Neither the IMT-GT nor the BIMP-EAGA, are yet to show substantial signs of progress, simply because the economic complementarities are missing, political motivation notwithstanding. Indeed, the IMS-GT still remains the best known "success" story of a GTs in Southeast Asia, while others remain still in the sidelines.

The key to the long-term economic integration and growth of either of the GTs is to maintain a focus on measures that promote synergy among the three subregions of the area. Such measures include a creation of policy environment that greatly expands investment and maximises its benefits by encouraging productive activities that create forward and backward linkages as well as transfer of technology, identify possible negative environmental and social impacts stemming from the interactions resulting from formation of the IMS-GT. (Naseem, 96: 66). All this requires both complementarities as well as policy inputs.

Thus, it seems that the GTs require less political commitment from the member states than the traditional trading blocs; yet it is a congenial tool for ensuring reciprocity and consensus-building, policy co-ordination and problem-solving, promote "hardware" and "software" development in which the leading roles are assigned to the concerned government ministries and departments. However, the GTs are unlikely to fly even with political commitments in the absence of economic complementarities. In all this the GTs are little different than the functional sphere of the trading blocs.

B : Role of the Donor Agencies : There are four areas in which the multilateral donor agencies may provide assistance in the fruition of subregional co-operation. These include funding infrastructural development, normally requiring larger sums and involve a willingness to sustain initially lower rates of return. Here what is needed is preferential financing and technical know-how on a model such as to facilitate build, own, operate (BOO), build, own and transfer (BOT), build, own, operate and transfer (BOOT) schemes so that the private sector involvement in infrastructure development can be enhanced. The second task for the DFIs is the formulation of an appropriate property rights regime in the areas being jointly developed. What is needed here is the unbiased support for a framework that would take into account environmental standards, pollution abatement, land regulations, investment incentives, and labour market policies, training and orientating public servants, and playing an adjudication role, helping avoidance of monopolies and protection of public interest. Third role for the DFIs as anticipated is in the provision of basic services such as health care, fertility control, and vocational training. Finally, the DFIs can also play a key role in promoting support for small and medium enterprises, see to the working capital requirements of small firms that provide subcontracting services to large companies and MNCs, assist in the building of workshops and factories, and help with the development of secondary transport networks (Kumar, 95: 214-16).

The multilateral funding/donor agencies, including the United Nations Economic Commission for Asia and the Far East (ECAFE), now renamed as Economic and Social (Commission for Asia and the Pacific (ESCAP), the United Nations Development Program (UNDP) etc. have been showing very keen interest, and even played a substantial role, in the formation and/or evolution of subregional co-operation in East and Southeast Asia. Among the DFIs, there is the World Bank, which did signal its interest in SADT. There is then the

Asian Development Bank (ADB), which have taken continuous and persistent interest in the development of co-operative endeavours in the Asian subregions, including East, Southeast and South Asia. Keen to support the export-led, growth-oriented, open market economy model in Asia, the cornerstone of ADB strategy has been the promotion of the private sector (Domestic Corporation and multinationals) as an engine of growth. It is, therefore, natural that ADB's role has been an active one in the creation of most of the four existing or proposed GTs in Southeast Asia and played the role of "midwife." It views the public sector not unfavourably either, as it has to invest in infrastructure and people, and creates a favourable business environment, and hence acts as the facilitator. The ADB's role in each case has been one of a 'third party facilitator' or 'honest broker.' The idea has been to bring about closer cross-border interaction, help facilitate consultative process among the participating countries and avoid areas of disagreement in preparation of specific projects for joint implementation, assist the individual countries in identifying mutually acceptable programmes, projects and initiatives, mobilise the resources, both private sector investment and donor agency support, required for priority projects, and finally, reduce the perceived risks for potential investors by sponsoring priority projects through co-financing and loan guarantees (Abonyi, 96: 9). Steadily but surely the ADB has assumed the image of promoter of "Growth Triangles, Quadrangles and Circles" (Hinton, 95:4).

C. Private Sector and Subregional Co-operation: Perceived as natural economic territories,' the GTs in their most basic form, exploit complementarities between geographically contiguous areas of different countries to gain a competitive edge in production and export promotion. Here the private sectors' role appears vital, as they act as market force determinant. Indeed, the success of the GTs is often attributed to the dynamic involvement of the private sectors; they actually ought to emerge out of existing complementarities as perceived by the private sector (Nasim, 96: 32). Looked at from a comparative perspective, both the participating member states and the DFIs place a great deal of importance to the role of the private sector and the role perception may explained under the following headings.

(i) Public and Private Sector Alliance : Subregional co-operation does require an alliance between the public and private sector, in both conceptualisation and in development process. First, while the GTs may largely be perceived private sector-driven, their functions are not exclusive of the roles of the members states; rather, the governments and government-linked companies are also seen as catalysts, and the importance of this catalytic role can hardly be overlooked. The governments' efforts are, and should be, intended to bring about co-operation and arouse private sector interests (Naidu, 95: 228). The roles of the government and of the private sector thus become co-operative and need not be mutually exclusive. The efforts of the member states are intended to bring about co-operation and arouse private sector interests.

On the other hand, the true entrepreneurial functions of spotting market opportunities, organising factors and taking the risks, is best left to private sector companies. Ultimately, the engine of growth--investment--is best generated, by the private sector, both national as well as multinational. However, the public sector or the GLCs, it is suggested, can equally propel growth and industrialisation, if they operate like private sector companies, and operate according to market principles (Kumar and Lee Yuan, 91: 30-31).

As the GT evolves, the role of the private sector in investment and the creation of a self-sustaining economy is likely to become relatively more important. Over time, the role of the government should diminish and be confined only to the provision and enforcement of property rights, the management of public infrastructure, and the provision of basic services (Kumar, 95: 212).

(ii) *<u>The Private Sector as Engine of Growth:</u>* Subregional co-operation, to be effective, does require close co-operation between the private and public sectors of each of the countries involved; yet, in general, the private sector provides the capital for investment (Min Tang and Myo Thant, 95: 1) and it is the private sector which served as the engine of growth in the GTs. Indeed, should the private sector be made responsible for the development of the GTs, political conflicts are less likely to impede its progress. The GT concept is thus presented as a policy-biased doctrine of economic liberalism, an example of market-driven, open regionalism, which is more efficient than the state-centred integration structure represented by the EU (Acharya, 96: 28).

Institutionalised co-operation in subregional co-operation is shunned as too constricting and too bureaucratic. Governments, it is viewed, should not interfere with the market forces in running GTs. The positive experiences from such 'free zones' are expected to educate political leaders on the benefits of economic liberalisation and global integration and convince them to open up the national economies (ADB, 95: 40).

The engine of growth in integrated development has been investment, with an involvement of the MNCs, who have been willing to commit resources, transfer of technology, and provide employment opportunities if the political will and consistency in policy making are clearly visible. The signalling effect of such FDI filtering through to local enterprises which then became actively involved in development. This process of fostering both domestic and foreign investment ensures economic anchoring and security (Kumar and Lee Yuan, 91: 30).

The ideal way to develop the GT from the investor's vantagepoint is that it would become one integrated area, so that the investors can think about investing in one location rather than in three separate or more areas. At one extreme this would mean the free movement of goods, services, and people. The Singapore and Indonesian governments seem to support the idea, as in the Benelux countries. But then to allow for the free movement of goods the whole area has to be duty-free and there has to be harmonisation of customs procedures. In order for the entire region to be considered as one of investment location there also has to be harmonisation and simplification of investment, tax, and land and other regulations. Finally, the free movement of people calls for the harmonisation and simplification of immigrant regulations (Pangestu, 91: 100-101).

(iii) International Mobility of Capital : In theory, GTs exploit the international mobility of capital and combine it with existing labour resources to produce traded goods which are then exported elsewhere. Capital-abundant countries would generally hope to realise a high rate of return on the export of their capital, while labour-abundant or land-abundant countries might opt for capital importation to realise high

returns on manufacturing exports. For a capital-exporting member, the abundance of low-cost labour in a nearby area allows economic restructuring, and the relocation of "sunset" industries and rationalisation of the use of production and distribution through vertical integration (Min Tang and Myo Thant, 95: 16).

In fact, each GT has a group of investing countries and a group of receiving countries. The countries in the investing group provide capital, technology, and management skills to the receiving group. Hong Kong, Republic of Korea, Japan, Singapore, and Taipei, China are all investors in growth triangles. In contrast to the investing countries, members of the receiving group provide skilled and non-skilled labour, land, and other natural resources. Countries in the receiving group are usually at an earlier stage of economic development than those are in the investing group. Of course, some countries are both investors and recipients of investment. For example, in the SCGT, the PRC has large investments in Hong Kong, whose investments have supported the emergence of the GT. Similarly, Malaysia receives investment as a participant in the IMS-GT, but is likely to be an investor in the IMT-GT (Min Tang and Myo Thant, 95: 6).

FDI is a well-established feature of development in much of Asia. Investment flows starting in the 1960s became more oriented toward the export of manufactured goods. Investment decisions were based on such factors as the availability of low wage labour and the existence of favourable business and investment policies. Gradually, the relative importance of investment from outside Asia diminished, first as a result of Japanese investment in Northeast and Southeast Asia and later as a result of the rapid growth in investment from the region's NIEs, viz., Taiwan, Hong Kong, Republic of Korea and

Singapore. Investment to relocate labour-intensive manufacturing in low wage economies grew sharply after the currency realignments following the Plaza Accord of 1985. Japanese investment in other Asian economies grew again in the late 1980s, when the rising yen reduced the cost effectiveness of Japanese exporters and forced them to move to new offshore production (Min Tang and Myo Thant, 95: 4-5).

Their motives for investment range from high domestic labour costs to a desire to obtain reliable sources of strategic raw materials. However, not all activities within triangle have a manufacturing basis and not all are export-oriented. The inclusion of service sector industries such as tourism, however, does not seriously diminish a triangle's major reason for being, which is its function as an extended manufacturing and export platform (Min Tang and Myo Thant, 95: 7).

First of all, one has to look to the conditions and reasons for the investment flows, and then examine the economic consequences of this investment. As the GT develops and there is momentum towards an investment boom, there would be an underlying need for speeding up the development of infrastructure. The increased role of the private sector should be viewed in the light of a nation-wide tendency to increase the role of the private sector, including infrastructure development such as roads, ports, and telecommunications. The government because of resource constraint even may allow the private sector to step into areas nominally viewed as the public sector subjects. For instance, private industrial estates may fill the gap and investors can overcome the infrastructural problem by locating and investing in industrial estates (Pangestu, 91: 101-102).

In the GMS, for instance, where the participating countries are poor, the governments cannot provide the capital of about $9 billion required for transport and communication projects alone. Hence it is the private sector that would have to provide capital, technology, training, and marketing channels. Considering the need and significant investor interest, financial mechanism such as 'BOO', 'BOOT' and 'BOT' have been put forward for involving the private sector in infrastructure projects. The result has been quite positive: a number of projects, such as hydro-power, airport construction, road and railway, telecommunication etc. have generated an increasing interest of private sectors, domestic and/or multinational, in the GMS subregion. While private sector now covers only some 10 per cent of infrastructure projects, their role has been assuming greater importance, as international consortium and joint ventures, comprising the local firms with MNCs, some with support from the multilateral donor agency and country support, have come forward to funding of projects of their choice, and all riparian countries are seeking private sector involvement and accordingly establishing contacts with prospective foreign investors, regional and/or overseas.

(iv) Complementarities of Production and Development : It has to be kept in mind that private investment and investors have their logic for investment that again can be explained in terms of 'pull' factors and `push' factors. In conventional theory, the primary motives for FDI include expanding the market, avoiding trade barriers, utilising the host country's resources, taking advantage of differences in government regulations and tax systems, enhancing or realising monopoly of power, and obtaining a higher rate of return of capital. Within a GT an additional benefit of FDI comes from possible vertical

"complementarity in production" among the regions concerned. Regions/subregions that have varying international comparative advantages, and that are close to each other both geographically and culturally, tend to co-operate vertically in production. FDI can strengthen the relationships between firms, further reducing transaction costs and enhancing co-operation. Since vertical comple-mentarity in production can increase the international competitiveness of the products being produced, areas co-operating in this way may develop faster than other areas provided there is sufficient demand for their products. Thus vertical complementarity in production, bolstered by FDI, has been an important factor for a GT (Pochin Chen, 95: 74-75).

Another form of vertical complementarity, "complementarity in development," involves the continuous movement of comparative advantage in products or production processes from one region to another, accompanied by a movement of capital, technology, expertise, and other factors of production. In fact, complementarity in development is as important as, if not more important than, complementarity in production. Due to the changes in international comparative advantage over time, industries tend to be phased out as a country becomes more developed. Operations in these industries are often shifted to less developed countries (LDCs), and then to even less developed countries-- a process that has been referred to as the "flying geese" phenomenon. In the SCGT, these two kinds of complementarities were perceived as important and interrelated . Here China has made tremendous efforts and also offered major incentives. In addition, there were the ample supply of land and labour, low transportation costs, the absence of a language barrier, and the large potential domestic market in the PRC, which served as `pull' factors. Thus South

China succeeded in attracting investments from Hong Kong, Taiwan and other countries. There were then 'push' factors for outward investment (e.g. labour shortages, rising wages, high land costs etc.) from Hong Kong and Taiwan and other investing countries (Pochin Chen, 95: 74-75, 77).

However, in the IMS-GT economic complementarities worked in almost natural fashion. It is the Singapore-based companies and Singaporean tourists who significantly contributed to the development of Batam since the late 1980s, more so for the rest of Indonesia. The short ferry ride and the 'neighbourhood effect' have undoubtedly been major reasons for the close economic relations between the two islands (Lee Yuan, 97: 105).

FDI has been largely responsible for the rapid rate of industrialisation undertaken in Johor, and Johor has been able to attract many types of industries, thus contributing to the broadening of its industrial base and promoting overall economic growth in Johor (Kamil *et al*, 91: 62). Similarly, there is a "twinning" factor in the economy of Johor and Singapore in operation. Singaporeans comprise the largest group of tourists in Malaysia, and Singapore has been traditionally the largest home country investor in Johor. Indeed, the proximity of Johor, together with developed infrastructure and economic liberalisation policies, does make the concept of twinning sound economic sense (Lee Yuan, 97: 106-111).[4]

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4. The term "growth triangle" came into common usage after Goh Chok Tong, the then Deputy prime Minister of Singapore used it in December 1989 to describe the evolving subregional economic cooperation between Singapore, southern Johor, and Batam Island in Indonesia. (Myo Thant, 96:1-3).

In the IMS-GT the private sector development of infrastructure in Batam and Bintan has been remarkable, with joint ventures from both the Singapore's Government-linked Companies (GLCs) such as Singapore Technologies Industrial Corporation and Jurong Environmental Engineering and Indonesia's largest conglomerates, the Salim group. Apart from the Batam Industrial park, with its hassle-free one-stop business centre, the joint consortium also spearheaded development on Bintam Island, including its Integrated Development Project, Bintan Beach International resort and the Bintan Industrial Estate (Lee Yuan, 97: 100-101).

However, in terms of spillover effects, all three benefited: nationally, Malaysia and Indonesia gained from the development of their respective territory of Johor and Riau; at the bilateral level Johor-Riau relations and Johor-Singapore relations; and multilaterally the ASEAN economic co-operation have been enhanced (Lee Yuan, 97: 117).

(v) *Forms of Investment* : Experiences vary from one subregion to another in the form of investment by the private sector. Those subregional zones like Batam in Riau and the GMS, required greater investment in institutional and infrastructural development, transport and communication projects, or projects such as hydro-power, airport construction, road and railway, telecommunication etc. In all this, it is the private sector that may provide capital, technology, training, and marketing channels. Considering the need and significant investor interest, in the GMS, as already mentioned, financial mechanism and incentives in the form of BOOT and BOT have been put forward for involving the private sector in infrastructure projects. The result has been quite

positive, generating an increasing interest of private sectors for investing in such projects.

Private investment, however, has been particularly noticeable in industrial and other growth endeavours. Investment in a few countries in Southeast Asia and parts of the PRC has accounted for much of the phenomenal growth in the overall investment in the last few years. Rapid exchange rate appreciation (about 40% in two years) has led to an outflow of investment from Taiwan to the PRC and Southeast Asia. Since 1987, more than 4,000 companies have set up operations in Southeast Asia, pouring an estimated $12 billion into the region. Despite longstanding political problems and worries about US trade policy, about 7,000 companies have set up operations in the PRC alone, with total investments of at least $6 billion (Min Tang and Myo Thant, 95: 5).

These high investment growth rates have been accompanied by rapid increases in wages, which have eroded much of the initial cost advantage that host countries possessed. GTs are therefore a sensible solution for countries which still rely on massive inflows of foreign investment but which face rising labour costs. By removing barriers to the flows of inputs and capital, and by co-operating with one another in other ways, geographically contiguous countries are still able to maintain their export competitiveness (Min Tang and Myo Thant, 95: 5).

Foreign investment has been particularly the driving force of the SCGT. The success of this GT may be attributed to the dynamic growth of the participants, and to the involvement of the private sectors in all three areas of the GT. Investments from Hong Kong to South China have not been limited to the transfer of declining labour-intensive industries. Expanding offshore assembly operations and other kinds of vertical co-operation are also major sources of investment. Similar investments from Taiwan also increased tremendously (Pochin Chen, 95: 77-80).

Hong Kong has long been the top investor in the PRC, providing more than half the FDI in the country. Because of non-economic barriers and the greater distance from the PRC, Taiwan's investments there are much smaller. In general, Taiwan's comparative advantage is greater in products utilising less labour and more capital, including human capital. The products include intermediate goods, machinery, heavy chemical products, and high-technology products. The same pattern is found in the exports of these countries to the EU. Given these significant differences in comparative advantage, both Taiwanese and Hong Kong investors are strongly attracted to labour-intensive industries in the PRC (Pochin Chen, 95: 80-83).

Investments in subregional co-operation programs such as the IMT-GT, EAGA-BIMP and the GMS involve large sums for `hardwarei development, but the Asian economic crisis has created a cash crunch situation. The optimal functioning of a GT, such as the IMT-GT, will require that the private sector remain the engine of growth within the area, with the public sector playing a facilitating role. However, the failure to remove the existing 'software' hurdles, especially ceilings on the holding of equity by foreigners, restrictions on the entry into particular industries or activities, limitations on ownership of land by foreign nationals, and extensive bureaucratic red-tapes in obtaining work permits by foreigners working within the IMT-GT area etc. led to a retarded private sector involvement in the area (Naseem, 96: 58-59).

Unlike the old structure of trading blocs, thus in the GTs the private sector has a major role to play as an engine of growth. It finds its way through the complementarities of production and development, resulting in international mobility of capital. But the private sector on its own can scarcely contribute to growth, unless there is an alliance with the public sector which can facilitate the desired forms of investment by initiating both 'hardware' and 'software' development. However, both the public and private sectors have to keep in perspective the transparency and 'social softwareí needs (i.e. quality of education, scientific and technological skills, health and home as well as increasing the democratisation of the polities) if there is to be sustained momentum in growth endeavours.

5. Relevance and Replication in South Asia

Localised economic zones, such as the GTs are perceived "as organic reinforcing units, silently expanding and reinforcing the ASEAN economyî in particular (Johari et al. 97: 107). But it is in South Asia that a vast majority still live behind poverty lines and there is a natural aspiration to get away from their poverty trap. There are, however, a number of challenges which have to be overcome if the effort towards subregional co-operation may have sustained impacts and conceivably become the model which countries such as those in South Asia or in other regions of Asia may successfully replicate. This section considers the challenges confronting the GTs in sustained implementation and also in their possible replication elsewhere in the Asian continent.

The GTs are known as investment-led and not merely trade-led, and hence are likely to contribute to both growth and employment. Moreover, if planned as part of a shared vision, the GTs should eventually facilitate regional co-operation and integration (Naidu, 239). Indeed, in the early and mid-1990s GTs seemed to be spreading in Asia and the Pacific like wildfires. Currently, however, it seems that their progress has been slower than expected. What are the reasons for the loss of momentum? To date, only the IMS-GT and the SCGT are well established and functioning. In case of the SCGT, all the three participants, the PRC, Hong Kong, and Taiwan have developed a permanent stake to keep its momentum. Singapore is generally perceived as the largest beneficiary from the IMS-GT (Naidu, 95 : 238), and it has been its own sustained drive that has kept its pace.

The GTs proposed by the ADB-funded studies in other parts of the Asia-Pacific region are yet to take off in any significant indicator of growth. Most of the projects in IMT-GT, EAGA and even in the GMS have either failed to cross the level of official folders or to demonstrate results in development; in many cases government projects slowed or have been suspended because of a crash crunch. In case of EAGA, some multilateral and bilateral aid promised in the wake of the 3-year old peace agreement seem unavailable since the fighting in Mindanao between the government forces and the Moro Islamic Liberation Front has intensified (Ghosh, 99: 21).

There are challenges of a multiple nature, which have to be overcome if the GTs were to take firm root and expand on a sustained basis. A number of critics have pointed out that co-operation at subregional level, as at regional level, is not separate from political and security considerations (Acharya, 95: 28; Bridges, 97: 56). The emergence of GTs and the expansion of subregional co-operation in general, especially in Southeast Asia, have taken place only after the Indochinese conflicts and other Cold War related conflicts had receded. This is a reminder that the inter-state political relations and domestic political considerations create the framework within which GTs operate. As some keen observers of the GTs have pointed out, where the development of transnational economic co-operation has not been consistent with a participating state's political and security objectives, the latter has acted to circumscribe the former (Jokinen, 98: 15).

As is already explained, GTs may emerge only as a result of close interaction or relationship of three forces: political commitment at the national level, regional economic co-operation and large flows of FDI. The emergence of GTs has been driven particularly by private sector agents seeking to exploit the existence of factor price differentials. The processing of investment applications and facilities offered have to be proactive, as they ought to be promoting and facilitating investments, the bureaucratic hold-ups must not be perceived high. Perhaps there has an overemphasis on the independent leadership role of the private sector, ignoring the political role perception and interests of national governments and other stakeholders, disregarding the political concerns and social effects of GTs.

It is known that the success of the IMS-GT, in particular, had been influenced by the continuing political support given by national leaders, as much as explained by the political consensus and convergence of interests of the countries concerned. First of all, there was high-profile political endorsement of the arrangement in all three countries, as well as in the ASEAN. This was perceived as "crucial as it set the tone for, and facilitated, co-operation at all levels of the government bureaucracy" (Lee Yuan, 97: 99). Indeed, the role of the government has been to provide a conducive environment, including creating the right political climate and building infrastructure, and providing economic and tax incentives (Lee Yuan, 97: 100).

Even though IMS-GT was largely the result of market forces, particularly those arising from the Singapore-Johor link, its success has also depended on massive public investments in infrastructure in Riau. A significant portion of these investments has been underwritten by Singapore and other countries, which has led to massive inflows of capital into Riau and more rapid industrialisation and development of tourism and other service-based exports there. The fact that IMS-GT rests on just one dynamic partner has caused its economic relationships to assume a distinctly bilateral nature compared to those that take place under the SCGT (Naseem, 96: 33-34).

As already mentioned, the location of certain proposed GTs has more to do with the particular interests of political leaders and/or the interests of individual businessmen close to them (such as Salim Group, in case of Indonesia), than with the political viability of the schemes. Getting foreign investments into one's home constituency does increase one's popularity. On the other hand, the lack of national leaders seems to have prevented some other schemes from getting started. Also lack of local interest, political resistance and even insurgency can cause the schemes of GT to fail, as in the case of Mindanao. Particular or segmental interests may prompt the concept in certain area, but they do not necessarily lead to the complementarities required for successful development of a GT.

There is also the question of harmonising relations between the centre and the local government and others concerned. Even in the IMS-GT, competition between central and provincial governments, as well as among local communities, has hampered the development of the GT. Co-ordination of policies has been difficult both within the triangle and between areas belonging to the GT and rest of the member countries. Within Malaysia and Indonesia, the special position of Johor and the Riau Islands has given rise to a certain amount of jealousy. Some discontent has also focused on the role of the ethnic Chinese in the GT, as it is suggested that the latter have benefited more from the GT than others. Within the GT, the influx of immigrants seeking work has created social problems. Infrastructure development has not been able to keep up with the speed of immigration. Johor and Riau would like to have Singapore shoulder more of the social and environmental costs of development (Jokinen, 98: 15).

There were other issues, too. One has been the issue of benefit surrounding the development of Batam-Riau *vis-a-vis* the rest of Indonesia, the issue that is of distributional in nature. The first is the perception that only a few will benefit from the development of the GT, with very limited number of domestic participants. The second relates to the resource constraints and priority attached to infrastructural development of a particular area such as Batam, for instance, at the expense of the rest of Indonesia. The third relates to the traditionally strong nationalist sentiment in Indonesia, with strong nationalist or rather anti-foreign (anti-Indian, in case of SAGQ) sentiments expressed (Pangestu, 91: 104-05). A strengthening of the existing subregional bond on a sustained basis would presage a serious reckoning with all these issues in all their manifestation.

In the IMS-GT, also, there has been some reluctance on the part of some member states, especially Malaysia, to institutionalise the management of the GT. There may be some fear for the resulting loss of political power. This, in course of time, may retard further growth of the GT. Curiously, political decision-makers seem fond of speaking about the need to let the private sector take the lead in organising the GT, and use this as an excuse to avoid the use of institutionalisation. This rhetorical emphasis based on the role of the private sector is echoed by many economists, and also by donor agency like the ADB. However, the lack of formal management structures makes GTs vulnerable to setbacks in inter-state relations and shifts in domestic politics (Jokinen, 98: 15).

Returning to the role of the private sector, there are some problems with the overemphasis laid on it. To begin with, in certain cases it can be quite difficult to separate the private sector from the public sector. This is especially of the economies-in-transition i.e. the erstwhile centrally planned economies such as the PRC and those of Indochina. This is largely true also of the Singapore-GLCs.

The second problem that is discernible, in particular, within the GMS, only in Thailand and in the PRC are these non-state owned companies that have the necessary resources to handle large-scale projects as those included in the GMS. A number of these companies, mostly from Thailand, have indeed made investments in projects included the GMS. Some MNCs have also made investments, particularly in the energy and telecommunication sectors (see Table 6). Despite the increasing interest among private interests in subregional projects, their attitude towards the GMS has been lukewarm at best. Although some projects included in the GMS are economically viable and offer lucrative financial returns, most of them appear quite risky and problematic. The initial investments required are huge, and the gestation periods are very long. Political conditions are not stable in some GMS countries. Natural conditions are also quite challenging. Neither subregional, regional nor international investors want to tie their funds into projects, which may never prove viable, or be able to provide adequate returns (Jokinen, 98: 21).

The third challenge relates to the ongoing Asian economic crisis. Partly because of the reliance on private capital, the Asian economic crisis has been a severe blow to some of the GTs, such as the IMT-GT, EAGA, and the GMS. Indeed, the economic crisis has been a severe test for the GMS. The role of the Thai companies, for instance, has been pivotal in the construction and operation of communications and energy production infrastructure. Thai companies have also been the most active promoters of tourism in the subregion. The economic crisis came at the moment when the GMS and other ASEAN GT programs such as the IMT-GT and the EAGA were expected to move on to the implementation phase. The crisis has wiped out a number of companies in both Thailand and in Indonesia, which were either already implementing growth projects or about to commence their implementation. The collapse of banks has had dried up private sources of funding. For instance, the GMS states themselves (Thailand in particular) have been forced to reserve public funds for saving their currencies and national economies. Attention has moved away from sustained subregional/regional co-operation to national survival. Foreign investors on their part have been reluctant to commit to projects before economies in the region have re-established stable conditions (Jokinen, 98: 21).

Thus, the process of economic meltdown in the whole region, together with political tumult in the two largest ASEAN countries as well as ethnic and even sectarian violence in Indonesia, has their ramifications in synchronised growth of subregional co-operation. One can now hear complaints about the high prices of commodities in Johor Baru, the capital of Johor state, compared to Kuala Lumpur, because of the influx of Singaporean shoppers (The Straits Times, 11 Feb, 99: 24). Similarly, the bilateral disputes between Singapore and Malaysia over the railway Customs, Immigration and Quarantine (CIQ) check-point, the related question of Singapore sovereignty over the Tanjong Pagar, alleged intrusion of Singapore Air Force aircraft into Malaysian airspace and Singaporeís withdrawal of central Provident Fund contributions of West Malaysians etc. may have dampening effect on co-operative relationships between the GT partners (*The Straits Times*, 20 February 1999: 16; *The Straits Times*, 22 February 1999: 24) There has also been an upsurge of debate involving the Indonesian leadership, the debate that has both ethnic as well as geopolitical content in it,[5] a debate

5. The Indonesian President, B. J. Habibie, in a series of interviews on Singapore, suggested that there is a great deal of ethnic discrimination in Singapore, which he called a country of "real racists", where "if you are a Malay, you can never become a military officer." He also referred to Singapore as "just a little red dot on the map" and claimed himself as "a realist" when suggested Singapore as in fact "an island with a population of three million," whereas the "distance between eastern and western Indonesia is even longer than that between San Francisco and New York. We have to face a population of 200 million." Habibie's comments brought sharp reaction even from his cabinet colleague, Education Minister Juwono Sudarsono, who said that President Habibiė "has a lot of learning and unlearning to do about Singapore", while a Malayan Minister-in charge of Muslim Affairs Abdullah Tarmugi termed the remarks as 'baseless' and said that Singapore should not be used as a bogeyman (The Straits Times, 11 February 1999: 3; The Straits Times, 11 February 1999: 3).

that is not only likely to vitiate intra-ASEAN relations, prove to be contrary to the ASEAN Way, but also debase the vision and the model of growth endeavours. In fact, it is known that the pace of GTs has already slowed down, and even Singapore's private sector investment in the GTs is being diverted to other convenient locations. Singapore itself may feel worried that its relative prosperity is making it a target of the politics of envy (Richardson, 99: 4). While Indonesia is saddled with US$70 billion in foreign debts, Singapore sits on a comfortable currency reserve. Indeed, as the policy makers of the previously high growth economies of Southeast Asia remain battle the effects of recessions which plague their politics, they also easily feel tempted to find external scapegoats for their internal problems, even at the cost of friendly regional relations and subregional growth structure (Richardson, 99: 4).

In this context, one is likely to be drawn back to the theoretical ramifications of such a slowdown process, whether the GTs have indeed played a security enhancing role or whether there is security diminishing impact of transnational production, as represented in the GTs (Acharya, 95). One can only surmise that all this would prove to be temporary setback. as the concerned policy makers in the region have already expressed a clear desire for better bilateral ties among the neighbours and reassured quite diplomacy on sensitive issues so that points of contention can be resolved speedily and reduce tension (*The Straits Times*, 22 February 1999: 2, 24).

As for the multilateral funding institutions, it is true that the future of subregional co-operation in Asia will not only be determined by the continued flow of FDI to the region, and the willingness of neighbouring countries to co-operate economically (Min Tang and Myo Thant, 95: 22), but also by the support they get from the multilateral donor agencies, like the ABD, UNDP and the WB, given the resource constraints and lack of driving initiatives in regions like South Asia. However, role of these agencies is not without challenge. The ADBis promotion of subregional co-operation is of particular interest. Being a bank and owning a development ideology of techno-economic nature, it often leaves out historical, political and cultural factors. In fact, "freedom from politics" has been presented as a motto of the ADB-supported process of subregional co-operation and was perceived to be especially suitable for Asia, where political and cultural divisions are known to be deeper than in Europe and North America. Ignoring the political aspects of subregional co-operation, and the historical and cultural framework within which it takes place, seems to be the characteristic of ADB-led growth initiatives (Jokinen, 98: 16). Bilateral political tensions in South Asia can hardly be ignored.

One also has to keep in perspective the projection of the WB itself on the economic crisis that has gripped the global system and the effects unleashed by the crisis in both Thailand and Indonesia, which by WB's own accounts, "the worst since the 1980s debt crisis" (Stiglitz, 99: ix). Indeed the economic meltdown that affected Southeast and East Asia is likely to affect the rest of Asia and economic growth projection for 1999-2000 is about the same as 1998 (1.9 per cent as against 1.8 per cent last year). There is also the strong likelihood of a large shortfall in private investment and consumption (The World Bank, 99: xvi-xvii), as against the surging capital inflows in the last decade that contributed to the development of the GTs.

According to WB, "new challenges are clouding South Asia's prospects, from the effects of economic sanctions to wavering attention to reform and worrisome dangers that the trade fallout of the East Asian crisis will impact South Asia." Moreover, as the WB report suggests, "the global economic downturn will exert some drag on regional growth as a slackening in export markets pull growth down to 4.6 percent in 1998 and holds it below 5 percent in 1999" (The World Bank, 99: 175). South Asian policy makers will have to keep all these into perspective while rushing towards new growth endeavour.

The foregoing analysis points to a number of areas of policy implications on GT: first, policies needed for the realisation of the concept of the GT; second, whether the concept can be expanded or replicated as part of wider regional co-operation; and third, policies needed to ensure that countries like Bangladesh and others in South Asia can and are in a position to maximise the benefits from their participation in subregional co-operation.

Relevant in this context, of course, is the issue whether the GT can be expanded or replicated? It certainly can and should be replicated and/or expanded as a model for intra-regional economic co-operation. In the IMS-GT itself, there has already been an expansion beyond Batam, to include all the Riau islands and four other provinces. But in any such expansion the causation is akin to a "chicken-and-egg problem": any replication require strong complementarity, which of course might be enhanced by government-created facilities incentives and/or those supported by the multilateral donor agencies so as to attract private sector involvement. In other words, it might be very difficult to replicate the concept without very strong complementarity between and the areas concerned. Hence, a generalisation of the GT as a replicable model for enhancing intra-regional economic co-operation seems unlikely or can hardly be guaranteed, at least for the time-being unless the factor endowments are already present (for similar views see Pangestu, 91: 112-113).

For any kind of replication of the concept in a region such as South Asia, one has to return to subject of the policies needed for realisation of the subregional concept, the process of conceptualisation and factor endowments for subregional co-operation. The basic premise of the GT concept is economic complementarity, geographical proximity in location, and export orientation in development strategy. These are essential conditions for the emergence of subregional economic zones. In South Asian context the existence of basic premises is subject to question, except for the proximity in location. The critical factor is the existing synergies, a 'twining' between the prospective growth zones. Johor, for instance, has had excellent infrastructural links with Singapore even before the IMS-GT came into being and its level of industrialisation has been close to Singapore's. Hence, even without the GT there has already been a "twining" between Johor and Singapore, given the close infrastructural links both have. In case of Batam, even before the IMS-GT was formalized, already it was a bonded area or duty-free zone and a logistics base, planned by the Indonesian government to be a "high-tech centre," a free trade zone to compete with Singapore (Pangestu, 91: 78). In South Asia, even if the concerned political leadership do decide to work towards creating or enhancing the complementarities such as building 'hardware'/'software' network, moving further from their current paper work, it would be expensive and quite time-consuming, and the synergies would be harder to come without a change in respective strategies (see below).

It must also be pointed out that complementarities can not be thrust upon a presumed growth zone where synergies do not exist. It is the business and the private sector that may help locate the synergies that may exist, should the factor endowments be present. The IMS-GT remains the classic example. The fact that Singapore has been investing in Johor before the concept came about and the quick response that the private sector exhibited in investing in Batam/Riau attest to the synergies that existed, that it does make business sense and attested to the highest degree of complementarity that existed between them. As a result, private sector response and government support has contributed to a quicker realisation of economic co-operation between Singapore/Johor and Singapore/Riau than otherwise would have occurred (Pangestu, 91: 110).

The establishment of GTs facilitates the subregional division of labour, which is crucial for the positive-sum export orientation phenomenon in Asia. There is a prevailing view that the SAGQ countries have negative-sum export competitiveness, rather than complementarity that would promote subregional divisional of labour. The formation of subregional economic zones also enhances intra-regional trade and investment, and the role of FDI as a vehicle of economic growth (Pangestu, 91: 180-182). However, whole of South Asia remains as one of the lowest in the global category for attracting FDI.

Obviously, the realisation of the concept clearly hinges on the need for a stronger political commitment by all the concerned governments. Despite the belief that the GT is largely a market-driven response, the crucial factor in investor's decision is political stability, with a concomitant requirement of strong political commitment by all the governments concerned, whether bilaterally, trilaterally or quadrilaterally. This would signal the investors of the seriousness of all the governments (Pangestu, 91: 111). Both the SAGQ and the BIMSTEC did indicate the political commitment of the member states included in them, but sustained political stability is the missing link in all these countries, especially in those of South Asia and in Myanmar.

Coming to specifics, once the accord such as the SAGQ is reached, comes the issue of giving practical shape to it or implementation of the concept in a region such as South Asia, requiring full harmonisation, whereby there would be freedom of movement of goods, services and people. That is always a very difficult proposition in South Asia, given IMS-GT experiences involving Indonesia or prevalence of similar fear of influx in the other GTs. None of the South Asian countries seem yet prepared for free movement of goods, services and people. India, the largest stakeholder in the subregion, bases its strategy not on co-operative security but on expediency, with a strong reliance on indirect tactical means so as to fend off free movement of people (Bajpai, 98: 158, 168). To be more precise, in the SAGQ, there is a prevailing fear especially in New Delhi that there would be a potential influx of Bangladeshi or Nepalese labour, posing a tremendous problem of harmonisation of interests of the concerned member states.

Then comes the question of providing incentives that might prove to be bonus for investors, in addition to the hardware and software requirements. Harmonisation of both institutions and interests may prove critical in this context. Institutional-wise, perhaps some functional committees and/or joint development agency for the management and development of the GT area, as well as to meet on a regular basis to discuss problems, identify projects, promote the area, and so on (Pangestu, 91: 112) may prove helpful. But a GT is likely to be successful if it does not entail the sharing of markets; rather, "it is a pooling of resources to attract investors who intend to market their products outside of the region" (Pangestu, 91: 110). Some goods may indeed enter the local market, but that should not be the primary target. In other words, a GT to be successful, should be export-linked, and not target each other as market. This point may be of critical importance in the context of asymmetrical nature of SAGQ economies.

Thus, there has to be a stimuli-response linkage between the government policy and the private sector involvement. A quick response in terms of policy changes and the clear lead taken by the private sector may be seen as indicative of a strong political commitment to start the development quickly and *vice versa* (Pangestu, 91: 106). The private sectors in South Asia still lack the kind of dynamism needed for seizing upon the opportunities offered for cross-border investments.

Finally, at the national level, what a country like Bangladesh can and must do--learn from the ASEAN experiences, think carefully about the policy set-up to maximise the benefits from the GT. This will entail multidisciplinary appraisals, careful policy re-appraisals and eventually formulating policies, keeping in perspective three broad areas of national/regional interest: economic, socio-political and security concerns.

In order to create economic complementarity, the country must take a proactive view so as to increase the amount of investments by initiating accelerated measures for improving the investment climate, attract the most beneficial type of investments, and maximise the benefits from foreign investors such as by creating backward linkages, transfer of technology, and so on. There may be accord on joint development of 'hardware' projects, infrastructural/service sector development or development of water/energy resources; in each case proper appraisals and studies be made so that the benefits be maximised and "best deal" is agreed upon.[6] It cannot hope to become a Singapore, given the current state of its economy and technology, but it can work towards a role assumed by Johor or Batam.

The country also needs to carefully appraise the spillover effects at the socio-political level. A particular effort may be made to identify the potential or already existing negative costs and effects (arising either from political miss-mess or from distributional issues) that may prove potentially damaging to subvert the process of subregional and/or regional integration. It may perhaps be true that "negativism is often based on perception than on fact" (Pangestu, 91: 113),

6. The private sectors always tend to be secretive and try to manipulate to get the ibest dealsî that, from their point of view, would serve their business interest better. Therefore, the concerned member states, such as Bangladesh, facing the legacy of a iworst dealî in the private sector investment in the multi-party Karnaphuly Fertilizer Company (KAFCO) project, should attempt to come to any deal that would be transparent and, as well, serve national interest (for an appraisal of KAFCO deal, see Kalam, 96). The author contacted the Singapore private sector management to have their views on certain issues covered by the study, but they seem overly protective and unwilling to be transparent, beyond what is provided in their published fact-sheet (see Appendices 1 and 2).

but perception itself remains critically important until it is irrevocably proved to be a case of misperception. Thus it seems crucial to get the facts first in right earnest and then evaluate policy measures to minimise, offset, and even eliminate any perceptible negative consequences.

To be more specific, it is important that the country's overall security concerns are also identified and be placed in their proper perspective. Security concerns again involve national psychological fear, often based on misperception, but given the asymmetry, history and geopolitics of the region, does deserve critical appraisal. Indeed, as is well written, the GTs may be a growth pole but they are not without problems, which need to be handled with greater sensitivity, so as not to reinforce long-held psychological anxieties (Lee Yuan (c), 91: 118). If the case is one of security misperception, as is perceived by the countryís political opposition, it has to be allayed, with a clear effort towards consensus building. It is also important to keep in perspective the critical loss of progress in EAGA, despite an enormous amount of push from the governments concerned and support of the donor agencies, due partly to the ongoing insecurity situation in some of the parts of the subregion.

To sum-up, the country, as well as concerned policy makers in the subregion/region, must have a vision and the vision must include, as in the case of ASEAN, to create and/or enhance complementarities, to contribute to socio-political cohesion, to allay or minimise the insecurity concerns, and last but not least, to contribute to wider regional integration. In order to facilitate the success of subregional growth zones created, it is important that the furtherance of economic co-operation and liberalisation (trade and investment) in the region be carried forward, with both greater regional co-operation as well as greater cross-border opening. It is also essential that members of a zone derive mutual benefits from the co-operative activities and that distribution of benefits is equal and does not perceived to be too lopsided. However, as is rightly viewed, the economic potential of subregional co-operation on the whole could well be greater than the sum of its individual national parts, but, of course, such a venture requires a sustained display of political will by the concerned member states at different levels (Than, 97: 53-54)

At the national level, the important issue is one of political geography and constitutional status of a part of a country, and how that can be harmonised with national sovereignty and developmental aspirations of the nation as a whole. In case of IMS-GT, there was that constitutional problem, Singapore being a sovereign country, while both Batam and Johor are parts of sovereign states. For obvious reasons of economic benefits, the state governments naturally inclined towards the advantages arising from a spillover of Singaporean growth activity and hence accorded priority to the GT, but this has been source of difference, if not tension, between the federal and state governments, especially in Malaysia over allocation and management of resources, distribution of benefits and potential socio-economic problems.[7] However, it

7. Possible rupture of federal-state relations, problems of political loyalties and ethnic alliances between the Chinese business houses, loss of property rights and discomfort with the concept of division of labour, the implications of shifting pollutative more labour-intensive and "sunset" industries to the less developed areas or any assigned role simply as supplier of raw materials--all these elements were identified as the sources of misgivings between Malaysia and Singapore, and also perhaps between Singapore and Indonesia. Creation of an investment climate, attracting foreign investors and encouraging more medium-and high -technology investments have been part of some of the common effort to strengthen the GT (Kamil *et al.*, 91: 67-71).

was the positive spillover effects that were taken into account while accommodating the federal government sensitivities (Kamil et al, 91: 62-67). In the SAGQ there are potential problems of similar nature between the Indian federal and state governments, especially because the latter have strong insurgencies to cope with, and then have poor infrastructural facilities. On both counts they would require both federal attention and allocation. But in a democracy like India that itself undergoing a transitional phase of modified structuralism (Bajpai, 98), tension may easily crop up involving issues of fund allocation, autonomy and distribution of benefits country-wide, issues that are likely to hinder any effort towards modified structuralism at the subregional level. All such challenges need careful consideration.

Secondly, since the GT does require governmental-to-government level agreement, the formalisation of the concept has to be done at the national-federal level, but its implementation and promotion have to be done at the state level. Again that dichotomy has been overcome in IMS-GT in a measured manner, with official endorsement and action from the federal government, especially in case of Malaysia's case, coming on a case by case basis, sensitive about federal control. In case of Indiaís north-eastern states where its control is already tenuous, because of distance, communication hazard and the ongoing pace of insurgency, for which neighbouring countries such as Bangladesh get blame (Bajpai, 98), it may be difficult, as in the case of Malaysia, to work out federal-state relationship and at the same time work for growth with neighbour that is suspect. Yet the Malaysian-Singaporean relations may be a useful referent to proceed towards both mutual gains and growth effort. The bilateral relations between the two IMS-GT countries were not without problems and occasional upswing of misperceptions; but, not quite unmindful of problems, their economic relationship has been quite mature and developing rapidly even without the GT and both made a conscious effort to adjust relations "based mutual needs and gains" whenever problems recurred.

Some of the problems in South Asia can be taken care of at the multilateral level, keeping the IMS-GT experiences in perspective. Should there be true mindset on the historic and geo-economic contours bringing them together in subregional co-operation, and an undoubted willingness to work towards creating the necessary economic complementarities and factor inputs, efforts can and should be made to work effectively; but it has to be ensured that the mutuality of interests find recognition from all sides as a form of co-operation between member countries, whether at the regional or subregional level, and not be viewed as co-operation between their local entities. Secondly, all sides should have transparent and feasible objectives for the short, medium, and long-term (identifiable in somewhat equivalent ASEAN terms as `building blocks' working towards a common economic regime linking the SAARC preferential trade arrangements, SAARC Free Trade Area moving toward the growth endeavours of the Indian Ocean Rim Association for Regional Co-operation (IORARC), perhaps also combining with the ASEAN vision of APEC, as both BIMSTEC and IORARC have overlapping ASEAN membership), with an equitable adjustment of benefits for all the participants. Thirdly, co-operation must be based on consensus building without the dominance, perceived or real, of any one nation. It has to be ensured that co-operation in whatever form is likely to succeed only if the benefits are clear and balanced between and among the participants (for similar views see Siddique, 98: 65-70; Kamil et al., 91: 67-71). With all such conditions fulfilled, there is no reason why the multilateral funding agencies should not be forthcoming with support for 'hardware' and 'software' development in the fruition of the subregional schemes of SAGQ and the BIMSTEC. As a natural corollary of growth endeavour the private sectors, including the MNCs, would also then be easily drawn into the process. In South Asia, it is only India, which can play the role of a catalyst, like Singapore in the IMS-GT, so that subregionalism may have its true beginning in SAGQ or BIMSTEC.

The ASEAN model of growth provides the mere vision of a structure of growth for policy makers and others concerned, but growth itself is a tenuous process. The ASEAN itself took almost quarter of a century to agree on AFTA, and there is a long journey ahead before the mission of an APEC Free Trade Area could be attained. Conflicts of national interest and regional priorities, unequal distribution of benefits among the countries, environmental and cross-border problems etc. continue to dampen the hope for growth. Are the South Asian policy makers after all these wasted years likely to work toward a common destiny with a vision so that the building of bloc towards growth may indeed begin through subregional entities like SAGQ and BIMSTEC, catching up the fast track of development of the neighbours eastward, before their polities enter the next millennium?

6. Conclusions

The paper addressed the subject of ASEAN growth triangles focusing on the role of the private sectors. The ASEAN experiences in this context convey a sense of replication of the old structures in their functional spirit of co-operation and integration and in an expanded sphere of transboundary development activity, though 'as natural economic territories' at a local level (for similar analytical perspective on the GMS, see Curry, Jr., 98: 212). It also considered the challenges confronting the GTs as a sustained growth structure and placed in perspective how the process may be replicated in a region such as South Asia. It is argued that a subregional structure, as is being experimented in East and Southeast Asia, has the potential to expand and being replicated, should there be the necessary complementarities and factor inputs for their successful replication. The constraints and impediments in their sustained growth, implementation, and replication have also been brought forward for consideration of the policy makers concerned. It is viewed that the engine of growth in subregional co-operation and the leading player is the private sector, and the task of the member states by and large is one of ensuring sustained growth through political commitment and co-ordination of policies, while that of the DFIs is to act as `honest broker' or facilitator.

Some prognosis will now be offered so that there may be further reckoning of the issues by those involved with co-operative endeavours at the subregional level. The issues touched upon include some aspects of systemic change, the sustainability of subregional co-operation in the form of the GTs, and its replication in a region like South Asia.

The international system in recent years has been swiftly shifting from bipolar rivalry to a total "hyperpower" dominance, marked by a breadth of unipolar strength, extending beyond economics, technology or military-might to domination of attitudes, concepts, and modes of life at all different levels. The aspiration world-wide has been one of "counterbalancing" through a combination of multilateralism against unilateralism, for balanced multipolarism against unipolarism, for cultural diversity against uniformity, for horizontal economic growth against vertical trade bloc system (Vedrine, 99: 13). The experiences in growth triangles in East and Southeast Asia may be seen as part of the same process of global change towards building a new structure of co-operation and hence may feature as a replicable model. However, when attention is narrowed down to a regional level such as in South Asia the same logic of dominance and subordination may feature and hence may serve to constrain the process of replication. Therefore, the process needs both care and sensitive handling.

In the ASEAN region, as in SAARC, the primary responsibility of the governments is still to their own nations, and not to the region as a whole. Yet, national leaders concerned themselves with regional vision not necessarily because of an intrinsic commitment to the region as such but because political stability and economic welfare of each state depends in part on continuing stability and welfare in the neighbouring states, while political upheaval and economic decline in one state or in its part can threaten the well-being and security of the other states in the region. But in the final analysis, the balance sheet remains national rather than regional (Crouch, 84, 2). Nevertheless, development or growth by part may eventually contribute to both national growth as well as regional stability. That precisely is the reason why subregional growth model is perceived as a positive and replicable model for SAARC as much as for ASEAN.

The GTs, as new experiments for ASEAN, have already generated very important "demonstration effect" on the future of subregional economic co-operation, serving as a crucial lesson for economic development--for testing the importance of political commitment and of the benefits of complementarity and proximity" (Lee Yuan(c), 91: 119). That appears the reason that from East Asia through South Asia to Central Asia there has been a perceptible attempt to replicate them. Indeed, currently the GTs seem to have a life of their own and that such "growth poles will inevitably generate spillovers to contiguous regions when complementarity exists" whether governments facilitate it or not (Lee Yuan(c), 91: 118).

For the moment, also, it does seem that the ASEAN scheme of subregional co-operation provides an alternative method of growth, combining both economic logic and political will, together with the additional requirement of complementarities at work, and representing a bottom-up approach, with no visibly well-designed or coherent and no assertive structure of authority (Sandhu and Tommy Koh, 91: ix-x); yet there seems a "universal phenomenon" at work, a phenomenon that is functionally observable in the spread of economic growth from Singapore into the contiguous territories of Johor and Riau, in the "process of Hong Kong investments going across the border into Shenzhen and then into Guandong province, Taiwanese investments flowing across the Straits of Formosa into Fujian province, and South Korean investments flowing across the Yellow Sea to Shandong province" (Sandhu and Tommy Koh, 91: ix).

While contemplating a replication of the model in specific reference to South Asia, one has to fall back to the model itself. Subregional economic growth has been linked to two "virtuous circles of economic growth" among the ASEAN nations, a domestic virtuous circle and a regional virtuous circle. The domestic virtuous circle entails policy reforms so as to attract inflow of FDI, technology and managerial skills; this, with its knock-off effects, increase the competitiveness of domestic production, ensure openness to foreign trade and investment, giving rise to further increase in FDI and an FDI-trade nexus on the basis of the networking of firms and industries in particular, and eventually to a sustained high rates of growth (Edward Chen, 97: 179-80). The regional virtuous circle explains "the diffusion of economic growth from one group of economies to another" and is related to the subregional division of labour emerging in the Asian Pacific region in the context of an export-oriented 'flying geese' models of industrialisation, a process that began in Japan, rippling out to the Asian NIEs and later to the ASEAN economies and China; such a model, needless to say, results in a harmonious trade and industrial development with more complementarity than competition, leading to more intra-regional investment and intra-regional trade and a greater self-sufficiency within the region (Edward Chen, 97: 179-80).

There is, as yet, no virtuous circle in function in South Asia as such; rather the South Asian countries are still experiencing "vicious circles" of economic growth, mutual rigidity, and political confrontation, internally (nationally), bilaterally and regionally. In framing their national strategies, the South Asian policy makers are still surrounded by ithe baggage of history. They must overcome this kind of mental mould if any growth model is to be replicated subregionally. The issues and problems at all three different levels have to be addressed in right earnest if the realisation of growth objectives in South Asia can be materialised and the GTs can be translated into reality.

The GTs offer an opportunity and a challenge for the South Asian neighbours: to get away from the historical baggage, and to test the political will and economic commitment to a greater transnational economic zone. The GTs for their sustained success not only require commitment but also a vision for the future. To get off the ground and to ensure longer-term possibilities they requir many political consensuses at national and bilateral level as well as subregional and regional levels. The GTs can only be replicated if complementarity in factor endowments exists, and certain basic parameters such as political stability, co-ordinated planning, and joint investment promotion are set in place (for similar view see, Kumar and Lee Yuan, 91: 24-25). All this requires commitment, adjustment of interests, hard work and planning with vision. Like the ASEAN structural model of growth, there is a critically missing link of a comparable SAARC structural model of growth, involving the subregional schemes of co-operation in a SAARC Free Trade Area and a similar arrangement in the whole of Indian Ocean Rim, such as the IORARC, in which India is a leading player, but major Indian Ocean countries like Bangladesh and Pakistan are excluded, though Bangladesh, at least, has always been a great proponent of the idea and happens to be a `growth partnerí with India in both SAGQ and the BIMSTEC. While Dhakaís entry is now positively viewed, Pakistan is still left out, even after the pursuit of ìbus diplomacyî and the Lahore Declaration.

From the conceptual point of view, what has been said of Southeast Asia seems equally applicable in case of South Asia, the idea of the GT is appealing because there are potential economic gains, "both of a static and dynamic nature, to be captured by all ... participating countries" (Kamil et al., 91: 62). However, in experimenting with such structure, the objectives must be quite transparent and as a process it is "...better to be practical and start small", as in the IMS-GT, "rather than conceive mega-projects and then fail. Once successful, extension of the growth triangle concept to other adjacent areas is entirely possible, even constituting the natural course of events." (Lee Yuan, 97: 118). In South Asia the very objectives of subregional co-operation, not being quite transparent, are subject to question, and the scope of activity is proposed to be multi-sectoral, that may prove to be unrealisable, unless pursued as a step-by-step approach. There may, however, be a regional vision that may even be complemented by inter-regional vision of Asia-Pacific co-operation involving both ASEAN and SAARC.

Moreover, to make any collective growth structure effectively work, nationalistic sentiments have to take a back seat. Unfortunately for South Asia, as a recent survey indicated, while regionally nationalism in Asia is on the wane, it has been on the rise in India, the largest stakeholder in SAGQ, BIMSTEC and Trilateral Business Summit, as India has featured as the number two most nationalistic country in the continent, next to South Korea (Leon, 99: 1). It does not augur well for the future of subregional co-operation involving India in any of these 'growth' entities.

While strengthening subregional economic ties among the ASEAN countries have until now been achieved mainly driven by the private sector initiatives, co-operation at the government levels has also been gaining momentum (Edward Chen and C. H. Kwan, 97: 1). But in South Asia it is the governments, spurred by the success of the ASEAN experiences, have taken subregional growth initiatives, with the private sectors still by and large remaining on the sidelines. The private sectors in the region, getting drawn in each other's territory, especially those from India, have greater interest in marketing their products than making investments in any export-oriented growth endeavours in a country like Bangladesh. The governments may indeed contribute to the synergies or economic complementarities; but the private sectors of both India and Bangladesh, for instance, be encouraged and fully supported in building blocs of subregional co-operation or production zones.

From the point of view of the multilateral support, there has been much hope pinned on the ADB's support, in particular, for South Asian growth zone initiatives. Asian economic crisis itself has been a severe test for regional/subregional co-operation in the whole of Asia; in particular, it challenged the way these multilateral funding agencies have been functioning. For the ADB, it has been particularly challenging: the one Asian institution dedicated to fostering economic growth and co-operation seemed almost irrelevant in finding solutions to the crisis.

However, the crisis itself provides an opportunity for the ADB to redefine itself, and for deepening co-operation among Asian countries. It is clear that regional integration has reached a point where stability can only be achieved through joint action, and the ADB can continue to play a role here. It already has made a start through the adoption of new policies, and through its support for subregional co-operation in the form of GTs and GMS Program. It should continue the effort and look for Asian solutions to the problem of both co-operation and development, not being blind to any sensitive issue that may need to be addressed (for similar views see Jokinen, 98: 25). A conventional techno-economic prescription may doom the prospect of any growth endeavour in future in the Asian subregions.

In the context of capital inflow, the GTs have an international perspective, especially in the post-Cold war era, when economic growth is paramount and the government around the world are competing for scarce investible resources, offering attractive packages to prospective investors. The shift and process itself speak of the uncertainty awaiting GT model based largely on both private sector investments in the form of FDI and government policy, while the multilateral funding agencies playing largely a facilitating role. How the South Asian/Southeast Asian growth aspirants intend to overcome the constraints of such uncertainty by policies that may serve as magnets to draw the private sectors to fulfil their subregional growth vision is yet to be seen.

Having spoken of some uncertain alternative scenarios, one may still prescribe subregional entities as emerging benign actors.[8] For such a structure of togetherness or integration at subregional level serve as positive magnets of co-operation beyond territories of traditional state; they are also likely to contribute to a more convergent international system that will be peaceable and prosperous, should the member states and others concerned such as the private sector entrepreneurs and the funding agencies project their role perception and initiate growth endeavours accordingly.

8. For an appraisal of evolutionary, benign, and malign-- the three kinds of alternative projected future worlds (Khalizad and Shlapak, with Flanagan, 98:25-33).

At the private sector or business-to-business level involving Bangladesh businessmen and those of the neighbouring Indian states, there is indeed a tremendous potential for an expansion of `natural economic territory.' Beyond the political frontier of the current entities, there exists a great scope for expanded business interests as growth zones between and among geographical proximate areas, which historically formed part of the same political entity. There has also been a renewal of contacts in recent years as a result of improved contacts between the neighbouring countries, a process facilitated by the post-Cold War climate of relaxation tension and a renewal of geo-economic interests. The governments of the two countries should on a mutual and reciprocal basis enable their private sectors towards creation of those synergies and economic complementarities that would promote integration at subregional level. Politically motivated schemes, with no mutuality or visible beneficial gains for either side, may in the long run stall the process of subregional co-operation

At the national level, the projected `Sonar Bangla' or 'emerging tiger' can hardly be realised without major private sector involvement. For a long time now Bangladesh has also the self image of a private sector-led and export-oriented growth strategy, "geared towards creating an environment where the private sector would play its role effectively as the engine of growth." Consistent with this growth strategy, policy initiatives meant to ensure macro-economic stability and liberalisation, or measures such BOO, BOT, BOOT for infrastructure development, power generation, gas exploration and toll highways including in bridge, parks and EPZs are already in place (Tofail Ahmed quoted in *The Daily Star*, 23 April 1999: 1, 12). Yet there is little to celebrate either in macro-economic stability or growth. The issue of priority in Bangladesh thus appears no longer to be one of subregional growth, but of national survival. While the ASEAN countries have been trying hard to get away from their predicament of Asian economic crisis, we in Bangladesh seem to be moving deeper into it. The business community of Bangladesh, seeking a respite from misgovernance and political confrontation, has merely found themselves crying in the wilderness (Kamaluddin, *Holiday*, 16 April 1999: 1).

Similarly, between Bangladesh and India, especially with the latter's northeastern states, supposed partners in growth zones there has been little movement toward realization of growth except hopes expressed "to look at each other in terms of extending business transactions to maximize business opportunities" (*The Bangladesh Observer*, 7 April 1999: 12). There is very little in it of subregional growth or promotion of private sector role in it. The SAGQ and BIMSTEC have either become prisoners of official file or at best may be seen as political exhibition Bazaars. Indeed, despite the euphoria of ìbus diplomacyî now on this side of South Asia, New Delhi seems merely bent on seeking asymmetrical advantage at the expense of Bangladesh in the guise of subregionalism to establish strategic links between its heartland and the turbulent northeastern rimland states. Governments do change in New Delhi, but Indiaís subservient security policies affecting neighbors--be it transit, water diplomacy, insurgency and/or counterinsurgency--are cushioned on a national consensus. Such a commodity seems hard to get in Bangladesh where political vicious circles reign supreme. In the backdrop of such a reality there seems very little prospect of any renewal of momentum towards growth in a subregional frame. A businessman-like approach built on national and regional consensus, sans narrowness of politics or single-minded pursuit of asymmetrical interests, seems essential if the atmosphere of subregional momentum is to be in place.

A borderless economy or free economic zone between Bangladesh and India's northeast on the one hand, and Bhutan-Nepal and Bangladesh albeit via India, on the other, may still be promoted if the concerned governments do decide to commit themselves to the end, behave in a well-meaning manner, allowing their respective private sectors to play the lead role in a market economy fashion in the creation and development of special economic/technological/trade zones or 'open areas' which would serve as 'windows' for growth and become multifunctional economic entities. The governments concerned, in such a scenario, should assume for themselves the role of catalysts or play a supportive role in 'hardware' and 'software' development. The economic logic itself will then serve as contour in furthering and cementing of quadrilateral growth relations in eastern South Asia.

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