SUBREGIONAL CO-OPERATION WITHIN ASEAN AND SAARC: ROLE OF THE INTERNATIONAL FUNDING AGENCIES

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Introduction

'Subregional co-operation' conveys a sense of uniting three or more territories of countries in a subregion in the fashion of a borderless economy in 'growth triangles' (GTs) for augmenting interdependent development and/or co-operative growth. It promotes co-operative growth between and among states or parts, thereof, through lower levels of transaction within state entities. It had initially taken shape in East Asia embracing the southern provinces of the People's Republic of China (PRC), Hong Kong and Taiwan in the mid-1980s. Eventually, the concept found expression in the so-called Southern China Growth Triangle (SCGT). The idea later expanded to the neighbouring region, resulting to the birth of a number of GTs within Association of Southeast Asian Nations (ASEAN). These include IMS-GT (Indonesia, Malaysia and

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. However, the words "growth triangles" continue 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.
Singapore growth triangle); IMT-GT (Indonesia, Malaysia and Thailand growth triangle); EAGA-BIMP (Eastern Growth Area that includes Brunei-Darussalam, Indonesia, Malaysia and the Philippines), and finally, the GMS (the Greater Mekong Subregion).

The success stories of such initiatives caught imagination of policymakers in other regions, including South Asia and in 1997 found an organisational expression in the South Asian Growth Quadrangle (SAGQ). The subregional idea focused from its very inception on associating non-governmental or private sectors for building a momentum towards growth, though initially it was the concerned governments that floated such ideas for co-operation at the subregional level. Following fruition of subregional schemes in both East and Southeast Asia the international funding agencies (IFAs), such as the World Bank (WB) and the Asian Development Bank (ADB) and a number of donor agencies also had shown active interest in promoting similar idea in other regions of the world, though most of the IFAs, especially the ADB echoed the role of the private sector in subregional growth emphasised by many economists and growth specialists (Jokinen, 98: 15).

In this particular aspect of international interest, subregional co-operation seems different from the prevailing federalist/structural evolution in Europe and elsewhere. The Charter of the United Nations (UN)

2. For an extended analysis see Kalam, 2001: part I.
4. The word 'International Funding Agencies' is used loosely to include both the developing financial institutions (DFIs) and the multilateral donor agencies such as the American and Japanese aid agencies.
includes provisions for regional evolution in a co-operative framework, but neither the UN itself nor any of its existing specialised agencies have had any role to play in the evolving pattern of regional integration entities like the European Union (EU) or North American Free Trade Area (NAFTA). In contrast, the IFAs have been showing very keen interest, and even played a substantial role in the formation and/or evolution of subregional co-operation or growth endeavours in the form of GTs, especially in the ASEAN region. Among the multilateral agencies, the IFAs, such as the WB, more especially the ADB, have taken continuous interest in the development of co-operative endeavours in the Asian subregions, including East, Southeast and South Asia, while the UN agencies, like the United Nations Development Program (UNDP) played a supportive, though a more innocuous role.

The paper looks at the context, rationale and pattern of the involvement of the IFAs in subregional co-operation in Southeast Asia and also places in perspective the comparative nature of their association in South Asia. It focuses on the IFAs as role players in supportive policies towards strengthening subregional co-operation, as the private sectors gear up their roles as the engine of growth while the governments concerned make both political commitments and endeavour to implement policy decisions towards fruition of growth zones. In support of such a line of reasoning the paper highlights the role of the IFAs in subregional co-operation in the ASEAN region, and analyses the same in the SAARC region. The conclusion places the findings in comparative perspective and reflects how best the IFAs may be drawn into subregional growth schemes in South Asia.
IFAs and Subregional Co-operation in the ASEAN Region

The IFAs that are identified for their role in subregional development schemes in Southeast Asia include the UN agencies, the WB, and the ADB. An appraisal of each of their role is now in order.

A. The UN Agencies

The UN had played a positive role in the late 1950s in promoting subregional co-operation in the Mekong River through the Mekong Committee (MC). The first among the UN agencies was 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), which pioneered the establishment of the MC with four riparian countries of the Lower Mekong Basin, viz., Cambodia, Laos, Thailand and South Vietnam. The MC in essence operated under American tutelage for nearly two decades of conflict and violence in the area; it carried out only a few co-operation and co-ordination projects, though the objective included promotion, co-ordination, supervision and control of the Lower Mekong Basin (Than, 97: 41). Since 1995, the UNDP continues to be associated with the Mekong River Commission (MRC), with the objective of development and management of Mekong River water and resources and ensuring well being of the Mekong basin countries (Than, 97: 47, 55).

The UNDP also surfaced as promoter of the GTs in areas where the ADB has had problems of sponsorship (Griffin, 98; Bertrand and Flatters, 98). It has particularly shown interest in Trumen River Economic Development Area (TREDA), launched in Northeast Asia, and also in 'Economic Circles' in Indochina and Thailand. Originally, it was the ADB that was supposed to create a co-operative
framework for the TREDAs; but it refused to do so, as two participating countries Russia and the Democratic People's Republic of Korea (DPRK) are not ADB members. While the ADB maintains close contacts with the TREDAs, it was launched under the auspices of the UNDP (ADB, 93: vi). Indeed, TREDAs is a unique case where the UNDP has demonstrated that it can play the role of a catalyst by providing financing for project study and design while maintaining a non-partisan role (Min Tang and Myo Thant, 95: 13).

B. The World Bank

The World Bank's interest in programmes of subregional co-operation is more recent, and perhaps has been spurred by the success of some of the existing East Asian and ASEAN GTs. But in the ASEAN region, the WB has not been particularly an active participant in any of the existing scheme of subregional co-operation, except for the granting of a loan for the construction of the Trans-Asian railway that also received funds from the ADB, the European and Japanese sources.

C. The Asian Development Bank

The ADB has been more actively associated with promotion of subregional co-operation in Asia. Its increasing interest in such co-operation featured in the late 1980s and in the early 1990s, as it funded a series of studies and workshops on the GT model. Such a model was perceived as appropriate for many Asian countries (ADB, 94: 15-16). The inspiration for this work was derived from both the IMS-GT and the SCGT. As these GTs were geared towards export production and were typically presented as private-sector driven, promoting them fitted well with the ADB's development strategy that
laid increasing emphasis on the role of non-state actors or private sectors in regional co-operation. Somewhat replicating WB experiences, the ADB promotes the export-led/growth-oriented and open market economy model in Asia. While emphasising regional co-operation and development strategy as one of fundamental elements, the ADB has outlined objectives such as facilitate trade and investment; capital and technology transfer; achieve complementary environment strategies and policies; and finally, co-ordinate institutional capacity building (ADB, 98: 5). The cornerstone of its strategy is the promotion of the private sector (both domestic and multinationals) as an engine of growth. The U.S. aggressively promoted such a shift in focus from co-operation with state agencies to more interactions with the private sector within the ADB during the Reagan Administration in the 1980s (Clad, 90: 211).

However, the ADB views the public sector not unfavourably either, as it has to invest in infrastructure and people, creating and facilitating a favourable business environment, though the private interests from within the subregion and from outside are expected to both finance and implement the subregional projects. To the foregoing objectives, it has helped develop large-scale infrastructure construction, supporting in the process of preparing, implementing and evaluating projects, offering resources towards both ‘hardware’ as well as ‘software’ projects ensuring socio-environmental development (Jokinen, 98: 2-3, 24). A two-track development strategy seemed evident: one was to render support to the GTs as transborder production zones, once the IMS-GT took shape, after driving efforts made by Singapore to regionalise its economy. The second was to foster regional economic co-operation for sectoral developments of
telecommunication, transportation and tourism in the GMS, as reformulated in the early 1990s. The ADB's role in the new ASEAN GTs and the GMS needs greater analytical attention.

(i) ADB and the New ASEAN GTs

The ADB's role as promoter of the GTs in Southeast Asia was pivotal. It has sponsored workshops and commissioned conferences, studies and research on GTs and the benefits of regional co-operation in general. With the success of the SCGT and IMS-GT as proof of the model's success, the ADB seemed able to convince the leadership about subregional co-operation being the best way to facilitate sustainable development. The GTs were deemed within the ADB as tool for providing a "strategic boost" to aspirations for wider co-operation. Similarly, at a lower level provincial/state governments and private interests sought to convince national leaders of the appropriateness of their areas for cross-border special economic zones (Edward Chen and C.H. Kwan, 97: 18). Steadily the ADB, thus, has assumed the image of promoter of "Growth Triangles, Quadrangles and Circles" (Hinton, 95: 4).

The ADB-funded studies endorsed the new GTs such as IMT-GT (carried out in 1993-94) and the EAGA (carried out in 1994-95), playing "midwife" to both the GTs. The first study considered the IMT-GT "a viable concept" identified nearly 100 projects, policies, programmes and institutions. It recommended a focus on promoting subregional trade and investment in the primary, industrial and tourist sectors, and improvements to labour mobility and infrastructure; the second projected co-operation involving the primary sector, especially fishing, logging and tourism (Jokinen, 98: 11).
The ADB studies placed particular emphasis on the role of the private sector as engine of growth, as "dynamic and responsive". It has been involved in the creation of the IMT-GT from its very beginning (Sato, 96: xiv-xv). It also paid attention to the development of key public sector policies that were required to create an enabling environment for the private sector. Membership in the GTs was seen by the ADB as facilitating new types of multilateral interaction, as the habit of consultation and co-operation with neighbouring countries, as already established within the ASEAN framework. However, despite initial enthusiasm generated the IMT-GT and the EAGA simply failed to take off, largely because of the ongoing political contentions. Even the development of the IMS-GT has faced problems, though an enabling environment prevailed due to the persistent efforts by the participants.

(ii) ADB and the GMS

The second subregional growth model the ADB promoted in Southeast Asia is the GMS. Though an old concept, the GMS 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 GMS countries were perceived as the 'last frontier', as a number of them lived in communist isolation for a long time, but the region has rich historical and cultural heritage, with varied ethnic composition and varied natural geography. Subregionalism was viewed as a key tool in guiding the GMS economies-in-transition towards the export-oriented, open global market economy model. The ADB has invested a lot in them in both financial resources and prestige, in changing them "from battlefield to a market place." As a result, a decade ago countries
that were sworn enemies have had a changed perception of subregional co-operation as preferable means for national development (Jokinen, 98: 20).

The GMS, unlike the GTs, is fully owned by the member states, with major decisions based on subregional consultations at ministerial and senior official level. While lack of institutionalisation is as one of the strengths of the GMS, as the GMS process progressed, however, institutional framework (including Ministerial Level Conference, National Co-ordinating Committee, Working Group, Sectoral Forum, each having National Co-ordinators) became necessary so as to ensure effective project implementation, and to sustain co-operation. Consequently, by 1995 the member countries at the Fourth GMS Conference in Chiangmai, Thailand established such a framework (see Kalam, 2001: 71-92).

The ADB views its own role in the GMS as one of a facilitator, playing only a co-ordinating role as the 'secretariat' of the GMS. Its role does extend beyond that. For example, ADB grants were used to assist in identifying programmes and projects most in need of a regional approach. Grants were also provided for reinforcing the subregional consultative process, and in mobilising funding from international investors, both public and private, financing feasibility studies in individual projects. ADB staffs have in some cases carried them out. ADB experts have also been engaged in creating regional master plans for the various sectors. It has provided several hundred millions of US dollars in loans for the most important projects, usually through co-financing with private sector partners and international donors. It also organised several investment forums and fairs for private investors in the GMS countries, as well as in Japan, Republic of Korea, the US, and in Europe. Its role
in policy reforms in the member countries, and in the harmonisation of rules and procedures within the GMS is considerable, although it has been overshadowed by the activities of the IMF and the World Bank (Jokinen, 98: 20). The ADB's special efforts to promote subregional co-operation in the GMS countries include support to tourist industry in the subregion. The strategies include promoting the subregion as a tourist destination, training in basic craft skills of tourism and a planning study on Mekong River tourism. (Jokinen, 98: 14).

The ADB takes pride in the success of the GMS. Since 1992, the GMS countries have demonstrated their growing commitment to economic co-operation. They established mutual trust that resulted in a highly favourable climate for co-operation well beyond the tentative beginnings of the GMS programme. The programme has displayed a catalytic role in prompting co-operative actions — both unilateral and bilateral — by the participating governments, in attracting donor support, and in promoting the GMS as a viable entity for trade, investment, tourism, and other forms of private sector enterprise in the subregion (Jokinen, 98: 20). The most concrete achievement of the GMS so far has been the listing of over 100 priority projects from the seven sectors, 88 of which were at some stage of development in the year 1998. Of the 100 projects in the ADB's master plan in seven priority sectors, endorsed by the participating countries, 34 are in transport, 12 in energy, 11 in environment, 11 in human resource development, 8 in trade and investment, 5 in tourism, and 18 in telecommunications (Than, 97: 48). To date, aside from the GMS, there are at least six such schemes, which include some or all GMS states. The GMS countries have agreed to implement these projects first because they are
deemed to be particularly important for the subregion as a whole.

However, the GMS suffers from a number of weaknesses. Its resources are limited. Even with the help of the ADB it faces difficulties in mobilising funds for the implementation of projects. Other problems include political obstacles and the lack of co-ordination with other subregional co-operation schemes underway in the GMS (Jokinen, 98: 20).

Much of the ADB supported projects are still in the planning stage, but they may indeed help the riparian countries to improve the industry. While the facilities are still inadequate, the prospects for the future of the industry seem good. Indeed, intra-GMS trade, investment and tourism are growing, but economic co-operation is still tenuous (Than, 97: 53). As a result, the dependence of the GMS on the ADB has become even more apparent than before. It is only the projects, which are directly supported by the ADB or in national interest that have reached the implementation phase. The majority of these projects are located in China’s Yunan province and in Thailand. Some of the projects that are of direct benefit to Thai (and Chinese) and funded by the MNCs are also under construction in Laos, Myanmar and Vietnam. Others have remained on paper, no matter how important for the development of the subregion as a whole (Stensholt, 96a; ADB, 97; Griffin, 98). The ADB itself has been unable to expand its support to the GMS and its prestige was also lost because it failed to predict the Asian economic crisis of the late 1990s. It has had to devote much of its resources to countering the effects of the crisis in individual countries (Jokinen, 98: 22).

Thus, the ADB has had problem in making GMS projects appear more interesting and less risky. The ADB
and the member governments have been criticised for giving such high priority to economically nonviable and politically risky projects, such as the Bangkok-Phnom Penh-Ho Chi Minh City-Vung Tau Road Project. The ADB's active promotion of the GMS, the feasibility studies it has funded and carried out, the guarantees it has given to investments, and even engaging in the co-financing of projects have not changed the fact to potential investors, the GMS appear unappealing (Jokinen, 98: 21).

At the moment, the co-ordination among the various subregional and bilateral development schemes is weak. There is also a certain amount of suspicion between the ADB and some other agencies because it is still unclear who will assume the necessary task of overseeing development activities in the GMS. The ADB has the greatest resources but it is not uniformly popular in the subregion. The existing political and economic rivalries among and within the GMS countries themselves contribute to the difficulty of creating sustainable development, which will effectively improve the lot of the people living in the subregion (Jokinen, 98: 23).

(iii) The IFAs and Co-operative Balance-Sheet in Southeast Asia

The ADB, it seems, played an active role either as a 'third party facilitator' or 'honest broker' in the creation and sustenance of most of the subregional schemes, both GTs and the GMS, in Southeast Asia. It has deemed both the models as successes, but such a claim is challenged (Jokinen, 98: 9). The only GTs functioning reasonably well at present is the IMS-GT, centered on Singapore. The IMS-GT has emerged under special circumstances as part of a political and business process, the ADB sought to project the GT model as an apolitical, private sector-driven mode
of co-operation that is applicable everywhere in Asia. The success story of the SCGT may be attributed to the unique situation of Chinese ethno-political and economic contexts that may not lend itself to imitation elsewhere. The GMS has suffered from difficulties in mobilising sufficient funding for its massive infrastructure projects, lack of genuine commitment to regionalism in the member states, and ignoring the considerable political obstacles to implementing individual projects. Finally, the Asian economic and political crises, including new nationalist trends have put most regional development activities on hold. In the backdrop of economic meltdown in Asia since the latter half of 1990s, the ADB has been planning a monetary and financial early warning system, as part of its regional financial co-operation. It has also been prominent in giving advice to several Asian governments on the financial sector management (Godement, 99: 191).

No doubt, the ADB's role as Asia's development partner and a participant in the two-track model of development at the subregional level is appreciable, as it offered a window of opportunity for all the Asian countries. Yet, the ADB faces blame for ignoring the historical, cultural, social and political realities on the ground where it is being applied, and the likely results that the GT will produce both within its territory and in the surrounding areas. The participating countries and the companies benefiting from the GT turn away from sharing equitably the responsibility for its costs just as they enjoy its benefits. It is, therefore, viewed that the ADB as the Asian development banking institution has an important role in finding solutions for the problems in the GT model, a role not yet perceptible in its development strategy (Jokinen, 98: 2425).
The GMS model also suffers from the same economic distortions as the GT model. There are at least five other international initiatives to help enhance economic cooperation in the Mekong subregion, apart from the MRC (1957/95) and ADB-funded GMS Program (1992). Naturally, there were criticisms over overlapping coordinating bodies (Stensholt, 96b: 145), or for one patient 'having too many doctors' (Than, 97: 48); yet the task of co-ordinating should not be that difficult, given the clearly identified scope and transparent nature of their objectives. The ADB's concentration on individual, concrete projects allowed the programme to take off swiftly no doubt, and new ones could be prepared with ADB support. However, as the programme has moved away from its initial phases, it has run into problems such as over 'software' issues, lack of commitment or discordant legal systems and administrative practices as well as rent seeking and corruption. Such problems cannot be solved without reforming the programme itself. The ADB has recognised this but has not been able to, or perhaps cannot, find solutions to these problems. Reforming the legal systems and making a stronger commitment to subregionalism is the responsibility of the GMS countries themselves, and the ADB can only play a supporting role in this (Jokinen, 98: 25). Moreover, the ADB itself has been following a model of 'technical and banker' tradition in project planning, management and evaluation in overseeing development activities involving more than one decision making country. That kind of approach provoked a lot of criticisms (Jokinen, 98: 4-6).

Obviously, 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 in Southeast Asia. Neither the WB nor the UN agencies such as the UNDP
has maintained any sustained interest in promoting subregional/regional co-operation in the region. The ADB seems to be an exception, even though it confronts a number of challenges. The GTs proposed by the ADB-funded studies in other parts of Asia 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).

Subregional co-operation entails problem that have political and security overtones. 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 Indochina conflicts and other Cold War related conflicts had receded. Similarly, the private sector has been playing a pivotal role in financing and implementing projects, but politically controversial projects have been excluded, avoiding at the same time formal structures. This is a reminder that the inter-state political relations and domestic political considerations create the framework within which GTs operate.
Role of the IFAs in Subregional Co-operation in the SAARC Region

The new approaches of subregional growth that gained some measurable success in East and Southeast Asia can conceivably be tested in a region like South Asia. Special areas may be designated where conditions are right for cross-border economic integration on a local scale. As in Southeast Asia, such areas may prove as fertile ground for domestic companies to grow and begin to regionalise their activities, drawing support from the IFAs as well as investment from the MNCs. However, conceptualisation process towards subregional co-operation in SAARC region was of different order than in ASEAN. It featured at 3-track levels: track I or the official level of diplomacy; track II or the non-official level of communication; and finally, track III or the transnational level of communication over subregional co-operation.

A. The Track II or Non-official Diplomacy

The track II diplomacy in SAARC region includes the role assumed by the NGOs, like the Dhaka-based Bangladesh Unnayan Parishad (BUP) and the Centre for Policy Dialogue (CPD), New Delhi's Centre for Policy Research, and Nepal's The Institute for Integrated Development Studies (IIDS). They have been working with international funding for half a decade "to promote mutual understanding among the three countries." These organisations were carrying out active intellectual campaign through the 1990s in favour of their notions for developmental co-operation in the subregion. Through conferences, seminars and studies, they sought to mobilise support for environmental management and water resource development in the region, having
perceived regional water-streams as sources of 'hope' and of 'life' (Verghese, 93; Verghese and Iyer, 93; Ahmad, Verghese, Iyer, Pradhan, Malla, 94; Ahmad, Ahmad, and Rasheed, 94). Such campaign gained new momentum in 1996 following government changes in Dhaka and New Delhi, resulting in a number of seminars in Dhaka, New Delhi and Kathmandu before and after the agreement on floating the South Asian Growth Quadrangle (SAGQ). Experts of the three concerned countries were drawn from interdisciplinary fields, including serving and retired practitioners, policy makers and public opinion builders, as well as a host of donor agencies. Deliberations covered a number of critical issue areas such as flood control and irrigation, environment and energy generation, soil, erosion and land degradation etc (Ahmed, Dixit, and Nandy, 97).

B. The Track III or Transnational Initiatives

The track III or transnational initiatives came from the donor agencies, viz., the WB, ADB, the Ford Foundation and the Japanese agencies such as the Global Infrastructure Fund (GIF) and the Japan International Cooperation Agency (JICA). They provided much of the funds for the intellectual campaign initiated by the NGOs.

(i) The GIF, JICA, The Ford Foundation: Dialogue Series and Fellowship

The very famed U.S. based donor agency, Ford Foundation, is possibly one of the international funding agencies that maintained a sustained interest in the area. Ford supported two such initiatives. One was by the 'Bangladesh Institute of International and Strategic Studies' (BIISS) under the Dialogue Series or Interactions with the Bordering Indian States to help mutual
appreciation across the borders through in-depth studies and interaction between academicians, professionals, journalists and opinion-builders. The second programme with Ford support was under the banner Fellowship in South Asian Alternatives (FISAA), in which some selected scholars from Bangladesh, India and Nepal travelled to each other's country, conducted collaborative field visits and interviews, shared source materials, had panel discussions with participation of experts, professionals and concerned officials of each of these countries.

The outcome in each case has been modest. The Dialogue series supplemented the ongoing argument about subregional co-operation, raised questions about the prospects of such co-operation, discussed issues such as population movement, cross-trade and transport etc. The Fellowship offered a booklet captioned 'Water, Power and People: A South Asian Manifesto' (Ahmed, Dixit, and Nandy, 97). The Fellowship study suggests water and water resources as a priority area for subregional co-operation ensuring lower level participation.

The GIF has funnelled aid to some of the NGOs, mentioned above, for studies under its comprehensive programme for analysis and evaluation of different transborder infrastructure related projects, including those in the water sector. A JICA study also came up with a specific concept of a "Bay of Bengal Growth Triangle." This was to run down the Myanmar-Malaysian coast to Singapore in the east and along the Bangladesh and Indian coast to Sri Lanka in the west, with the ports of Chittagong and Haldia at the apex. Such a regional development triangle could provide facilities, cheap labour, infrastructure and natural resources that would attract international investment. India's northeast would give depth and huge natural resource base to such growth
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triangle (Verghese cit. in Khan, Abdur Rob, 98: 10; Kalam, 96: 523-25).

(ii) The World Bank and SADT

The World Bank's known interest in the area of subregional co-operation has come in the form of policy vision for a framework of South Asian subregional co-operation, with a holistic approach toward development, the idea being to complement the WB's current assistance programme and to help develop a vision of wider regional development opportunities combining coherent strategic investment plans, supportive policy measures and greater energy of local action programmes across borders (Shakoor, 97: 1. 8). The framework itself is quite interesting, in the sense that it seeks to integrate subregional measure of co-operation with regional and wider international structure of transaction and communication. The WB's policy paper in this context has generated tremendous interests, both among the analysts and policy makers, but to what extent the WB would seek to translate its policy vision into reality is hardly known.

The WB's subregional scheme for the eastern Himalayan region comprising the Ganges, Brahmaputra and Meghna was officially publicised in April 1997, called the South Asian Development Triangle (SADT). The plan was co-ordinated in its Asia Technical Environment and Natural Resources Division, Asia Technical Department (ASTEN), an effort that sought to build on the in-country and regional efforts. Encompassing a stretch of territory of 1.2 million sq. kms with a population of 500 million, the scheme included Bangladesh, Bhutan, Nepal and India (the territories of Bihar, Madhya Pradesh, Orissa, Uttar Pradesh, West Bengal and the states of northeast). As it stands, the WB sees a rather grim future for the
subregion, as two-third of its population live on less than US$1 a day. It also projected that by the year 2025, the population of the SADT will become one billion that will exacerbate the problems of poverty, social tensions and environmental degradation. But it is richly endowed with natural resources—land, water, flora, fauna and minerals, with the highest water-land ratio after the Amazon area. It has a tremendous under-utilised potential of hydro-electricity. It also has the potential to serve as a gateway to the Far East and Southeast Asia, and may also serve as a link between South Asia and West Asia. The WB document, therefore, saw tremendous opportunities for development of the SADT, a region that “once flourished as a world center of civilization.” The aim has been one of promoting a “vision of regional development opportunities that combines coherent strategic investment plans, supportive policy measures, and greater synergy of local action plan across borders” (The World Bank, 97).

The WB initiative identified four sectors for subregional co-operation, viz., water, energy/hydropower, trade/transport and environment. It sought to draw “on expertise in the countries of the SADT region, at the Bank, and in other institutions to examine short-term and long-term opportunities” for their development. It offered to bring its experiences, and technical support to develop practical decision support tools to represent the complex process in the region and examine options for development. The WB plan called for a pragmatic approach. Offering to facilitate country-based analysis, studies and actions under SADT, it outlined the primary problems, pointing to lack of infrastructures, policy and institutional bottlenecks, recommending appraisals of both “hardware and software options in a systematic and
integrated manner” (original emphasis) (The World Bank, 97: 1; Haq, 2 April 97: 1, 16).

The WB initiative was aimed at drawing on expertise in the countries of the region, especially exploiting the transboundary agreements for water and energy between Bangladesh and India on the Ganges, between India and Nepal over the Mahakali, India and Bhutan over power and water collaboration. Regional development plans such as that of a regional transport corridor, moves towards subregional co-operation, and plans for a South Asia Free Trade Area etc. also energised the WB’s vision of SADT. All this provided “a window of opportunity” to promote co-operative approaches for planning with a shared vision for sustainable development and poverty alleviation. The WB itself sought to act as a “facilitator in the ongoing process of regional cooperation.” The approach accordingly is so designed as to manage “cross-border flows and designing of basin-wise development projects for surface water and ground water in an integrated fashion.” It was, however, made known that the WB will come forward with funding only when there is political understanding among the co-riparian states. At the initial stage of SADT, the WB only offered to advance technical viewpoint on the nature of subregional co-operation so as to advise the political leadership of the concerned countries about prospects of better life for the people of the entire subregion.5

(iii) The ADB and South Asian Subregional Co-operation

As in ASEAN region, the ADB seemed more supportive than others in subregional co-operation in South Asia. It saw subregional co-operation in positive light, offering its

expertise and resources, as it perceived the "dividend of an effective cooperation ... beyond imagination." It mentioned, in particular, the tremendous potential for co-operation in hydropower and other infrastructural development. To all such end it showed sustained interest in promoting what it conceptualised as the Ganges-Brahmaputra-Meghna Basin or the GBM Triangle. The proposed triangle is to include the entire basin stretching across Tibet (China), the north and northeastern states of India, Bhutan, Nepal and Bangladesh. Its association with similar co-operative efforts in the Asian neighbouring regions, such as Southeast and Northeast Asia since the early 1990s may have conditioned the ADB's sustained interest. The concept of the GBM triangle, as mooted by the ADB, is also meant to overcome the problems of underdevelopment in the subregion by harnessing the rich

6. A high-level ADB mission from its headquarters in Manila did indeed visit Bangladesh to help identify specific projects, specifically look to Bangladesh's Chittagong port, transit facilities and power projects. The ADB tended to view that Bangladesh could become a financial hub of the sub-region if its ports were developed and opened to cater to landlocked Nepal, Bhutan and seven northeastern Indian states. The ADB mission also mentioned its successful experience in helping the Mekong sub-region in Southeast Asia consisting of Vietnam, Laos, Cambodia, Burma and China's Yunnan province, which floated a sub-regional bloc in 1992 for closer cooperation. "We want help the South Asian region the same way," the ADB mission chief said. He also mentioned that ADB and other co-financiers funded a hydropower project in Laos to meet the electricity needs of Thailand and other countries in the subregion. "ADB eager to promote growth quadrangle: 'Dhaka has potential to become financial hub of the sub-region', " The Independent (11 July 1997:7).
natural resources like water, gas, coal, iron, limestone and other minerals.

While the ADB seemed willing to build on local initiatives, it offered both expertise and funding for hardware projects or infrastructural network such as development of Chittagong port, transit facilities and power projects (The Independent, 7 July 97; also, Khan, Abdur Rahman, 96: 1, 8). Specifically, it suggested that Nepal and India’s northeastern state of Meghalaya had the potential to produce 50,000 megawatts of hydro-electricity and to support a regional power grid could cut costs by swapping power and saving energy for better alternative uses. Thus, there was a strong feeling that Bangladesh could become a financial hub of the sub-region if its ports were developed and opened to cater to landlocked Nepal, Bhutan and seven northeastern Indian states.7

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. Indeed, unlike the WB, the ADB took a more activist stance in promoting subregionalism in South Asia. 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 the IFAs 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

7. See the views of the ADB’s mission chief in Dhaka, The Independent (7 July 1997); see also note 4 above.
among Asian countries, though in the context of the ongoing political tangle its effort proved frustrating.

GTs and similar forms of subregional co-operation, as in Southeast Asia, did not emerge in a cultural or political vacuum. "Freedom from Politics" is known as a motto of the ADB-supported process of subregional co-operation and is perceived to be especially suitable for Asia, where political and cultural divisions are known to be deeper than in Europe and North America, but in South Asia entangling politics continue to create viciousness in mutual relations. Ignoring this fact leads to problems in making the co-operation work. (Jokinen, 98: 16). 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. That precisely is the reason why the ADB could not take the South Asian subregional initiative very far.

C. The Track I or Official Diplomacy

The Track I or official tools of subregional entities, including SAGQ, BIMSTEC (Bangladesh, India, Myanmar, Sri Lanka, Thailand Economic Cooperation) and Indo-Pak-Bangla Trilateral Business Summit, are mentioned in the current context (see Kalam, 2001: 8-12). It is not because that there were much coordination of policy objectives or ideas between the multilateral fund managers or the IFAs, the private sectors that normally serve as engine of growth and the concerned governments in any converging efforts towards subregional schemes. Rather when the SAGQ was formalised in March-April 1997, for example, with an action plan in-place, mechanisms, tasks and core sectors identified, it looked more like a politically-structured functional entity of the conventional order than the one ordained under the subregional model of the East Asian-
ASEAN type. Indeed, even the vision and much of the suggested plans offered under Track II and Track III had been sidelined (Kalam, 2001: 157-167). The SAGQ appeared more as an overt tool ordered to boost political bond between and among the countries of eastern South Asia, rather than as a geo-economic instrument to forge subregional bond of economic relations.

D. IFAs and the Balance-sheet of South Asian Subregional Co-operation

It would be proper to say that the IFAs whether of the American or Japanese origin, or the multilateral funding agencies did not fail in their envisioning of subregional cooperation in South Asia. But given the entangling nature of South Asian politics and the mindset of their leadership, there was very little that could have been expected in terms of fruition of subregional growth schemes in South Asia. Hence, most of them lost interest in South Asian subregionalism. The only IFA that retained an interest in South Asian growth schemes is the ADB. The Director of Program attended the meeting of the concerned Foreign Secretaries, held in Kathmandu in April 1997. The ADB President himself, Mitsuo Sato, during his visit to Dhaka in July 1997 reaffirmed his support for the hardware projects, more specifically to the development of the railway links on the Jamuna Multipurpose Bridge, energy development as well as development of the Chittagong port (Khan, Rob Khan, 98: 10). The ADB has also been supportive of private sector dialogue and communication in the subregion in more recent years.

The transnational initiatives have been influenced by sheer element of goodwill, prompted by a self-motivating desire to contribute to the concretisation of the process of
subregionalism in South Asia, a process that won success elsewhere in Asia. Of such initiatives, the WB approach has been rather most comprehensive. The approach consisting of hardware and software projects, with an emphasis on promoting “integrated systems approaches, in areas such as river basins (as part of the Bank’s water policy)” (Quoted in Khan, Abdur Rob, 98: 17) though it does also focus on energy that is quite an interrelated area with water resources. However, the WB seems to have lost its interest in being drawn to subregional projects in South Asia. Perhaps the cause may be related to the initial reservations of non-SAGQ members of the SAARC about subregionalism. Even in Bangladesh which is traditionally receptive to any co-operative idea an overtly political nature of the initiative raised much controversy. The more important reason could be related to the SAGQ process itself, as it soon transpired that some of the participating actors, most particularly India, did not seem keen about funding by the external donor agencies.

The GIF or the JICA, consistent with the pattern of Japanese foreign policy, have never been very strongly articulate on politics of subregionalism in South Asia, except showing a general interest in it, as it represent the order of the day towards growth and development. But the Japanese agencies did not develop a politico-economic package of their own, offering their own prescription for the South Asian proponents.

The ADB evinced greater interest in energy and transport sectors, though the two sectors are wholly interlinked as the energy and water sectors. The ADB also seems to be caught up with the idea of developing a transport network, including transits with the Chittagong port as the gateway to the entire subregion. To this end, the ADB offered to join some of the ongoing projects, like
the Highway network linking the Jamuna Multipurpose Bridge in Bangladesh that may serve as the integrating network of the SAGQ subregion (Khan, Abdur Rob, 98: 17). Interestingly, of all the transnational bodies, the ADB offered to associate itself institutionally in feasibility studies of the SAGQ projects (Haq, 2 April 97: 1, 16). But given the known Indian opposition to the involvement of the multilateral donor organisations, one may wonder how else the ADB may offer its service to the promotion of subregionalism in South Asia. New Delhi seems least interested in donor funding, as any international involvement, even if for expert-support and/or resource allocation, with an enhanced multilateralism and transparency may mean a diminution of her regional dominance and influence. That makes her suspicious of any multilateral funding.

Thus, the fate of subregional co-operation in South Asia, officially floated, remains hanging in balance. The private sector, which in situations such as this serves as engine of growth, largely sidetracked, remain least interested to the presumed objective of the creation of production bloc nor is there any public and private sector alliance in sight moving towards cooperative understanding or promoting subregional growth. The transnational actors like the GIF, JICA, the WB seem virtually withdrawn by now from the scheme officially launched but so different that what they wished to promote. ADB's current interest seems limited to supporting private sector communication.

Conclusions

The paper offered a perspective of subregional initiatives in the ASEAN and SAARC regions, focusing on the context, rationale and pattern of the involvement of
the IFAs and other donor agencies. Of all the IFAs the ADB, in particular, evinced interest and echoed the role of the private sectors and, therefore, felt encouraged to support in both 'software' and 'hardware' development in the ASEAN region. Even the UN agencies like ESCAP and the UNDP did show interest in subregional growth entities. So did the WB. However, it was only the ADB that maintained a sustained interest and acted as an 'honest broker' and 'facilitator' in the GMS, the old order of subregional entity as well as in the GTs, the new ones that emerged in the 1990s in the ASEAN region. Successes in both cases seem measured and may even be subject to criticisms, but the essence of their development have been economic complementarities and market forces. The objective drive in both cases was to ensure economic growth for the common well being of the peoples of the subregions concerned.

The IFAs, the ADB more than others, did have some positive role in fruition of some similar subregional cooperative ideas in Southeast Asia in overcoming challenges of multiple nature, providing strategic boost and promoting sustainable development, especially in the IMT-GT and EAGA, in revitalisation of the GMS. The ADB's support includes private sector development, promoting cross-border investment, tourism, labour mobility and infrastructure development. It guaranteed investment, making it less risky and more interesting. In all this, ADB proved more dynamic and responsive than any other IFAs.

An assumption of similar role by the ADB in eastern South Asia may have salutatory effect in subregional growth, while helping to avoid the situation of 'too many doctors for a difficult patient' as in the GMS, though a sustained interest in and support from other IFAs may
expedite subregional co-operation in the complex South Asian environment. Indeed, the successes at both official and private sector levels in stimulating subregional growth in East and Southeast Asia have drawn attention and interests of the IFAs to support similar schemes in South Asia. Such a role of the IFAs found expression in both Track II and Track III initiatives. In South Asia, the WB, the ADB, and the Japanese funding agencies like the GIF and JICA contributed to the conceptualisation process mostly at the non-official levels, though had very little ramifications on the Track I or the official diplomacy.

Indeed, the officially launched subregional schemes in South Asia seem so different from what its proponents in the NGOs, the GIF/JICA, the WB or the ADB have been advocating since the beginning of the 1990s. These agencies viewed the dividend of an effective co-operation beyond imagination and offered expertise and resources. They all have their differing perspective of subregional growth, but in each case there has been a vision of linkage with wider regional development. The NGOs advocated an emphasis on water resource development and power generation, a vision largely shared by the IFAs, despite the varying degrees of differences among them over nomenclatures and emphasis placed on wider regional (Asia-Pacific) transboundary infrastructure linkages and transnational investment plans, but the official scheme did not address them in right earnest.

In South Asia, as in Southeast Asia, the IFAs can 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 only the individual governments can make political commitments and endeavour to implement policy decisions towards fruition of growth zones,
exploiting and maturing the existing factor inputs and economic complementarities, allowing and facilitating the private sectors to serve as the engine of growth, leading to the strengthening of subregional co-operation.

It seems so ironic that despite almost a decade and a half of its existence, the regional entity of SAARC itself remains in the denigrating status of the "world's poor men's club." Arguably, the only way to get rid of such an image is to strive towards rapid growth through subregional co-operation. To achieve such an end, it is vital to envision a common destiny as in ASEAN. There lies the failure of South Asian leadership. If the SAQ is to replicate the ASEAN or East Asian experiences growth it is vital then to develop a new "strategic mindset" in the whole region with a redefinition of national interests and the consequent strategy and tactics to attain them. In other words, if the geo-economic model of subregional growth is to shape itself in any part of South Asia there should be persuasive efforts to drastically modify the region's current policy vision and the strategic parameters that are in use. The region's more recent troubled history must be left behind. For the whole geometry of the new growth model is borderless, as is currently understood, ranging at cross-border levels or beyond existing political borders "reaching out" as far as economic complementarities or factor inputs would permit them within a "space-economy."

The IFAs, like the ADB and the WB, may have a role in all this. Such a role may only be forthcoming if India and its subregional growth partners agree to offer them an intermediary function or to confer them an effective role in the building of the necessary physical infrastructure without which the subregional scheme in eastern South Asia simply cannot take off. For, unlike the IMS-GT, the
SAGQ players e.g. have serious infrastructure problems. In the SCGT, the PRC itself made a huge investment for infrastructure development so as to attract investments from Hong Kong, Taiwan and other overseas Chinese or from the MNCs. In the IMS-GT Singapore played the catalytic role. India has to play a similar role in the SAGQ.

Despite constraints in the role perception of the IFAs, it seems fair to suggest that they are increasingly inclined towards playing a greater role in the fruition of subregional growth than they ever did in the growth effort in any of the prevailing structures of trading blocs. In the developing countries of Asia, they would continue to assume a greater facilitating role in 'hardware', even 'software' development, providing funds for infrastructural projects. As the experience from the IMS-GT would tell, it is always better to build for the higher capacity than may appear warranted in the short-term, as they may require larger sums and a willingness to sustain initially lower rates of return. Obviously, such funding can only be provided by the IFAs; but to make subregional growth schemes really work the donor agencies may also have to assume both intervening and advisory role in 'software' development in the subregions.

To be more precise, the four areas in which the IFAs may provide assistance include:

i. Funding infrastructural development, normally requiring larger sums and involve a willingness to sustain initially lower rates of return as well as preferential financing and technical know-how on a model such as to facilitate build, own, operate, and transfer (BOOT) schemes so that the private sector involvement in infrastructure development can be enhanced.
ii. Equally pressing is the formulation of an appropriate property rights regime in the areas being jointly developed, requiring an unbiased support for a framework that would take into account environmental standards, pollution abatement, land regulations, investment incentives, and labor market policies, training and orientating public servants, and playing an adjudication role, helping avoidance of monopolies and protection of public interest.

iii. Then is the provision of basic services such as health care, fertility control, and vocational training.

iv. A final but a key role is the support for small and medium enterprises, to see 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).

Bangladesh must continue to take a proactive view in order to create a subregional co-operative environment, contributing to economic complementarities, seeking to increase the amount of investments by initiating accelerated measures for improving the investment climate, attracting the most beneficial type of investments, and maximising the benefits from foreign investors such as by creating backward linkages, transfer of technology, and so on. Being capital starved and weak infrastructure
wise, it vitally needs IFA support towards 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. It cannot hope to become a Singapore, given the current state of its economy and technology, but it does have the geo-economic advantage to play a role assumed by Johor or Batam in IMS-GT. Therefore, continued interest in subregional co-operation is in the right direction, but greater efforts should go towards attracting IFAs support for 'hardware' and 'software' development.

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 recreating 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 finds recognition from all sides as a form of co-operation between member countries, whether at the regional or subregional level, and not be left to co-operation between their local informal/black-smugglers' circles. Secondly, there must be proper envisioning. All sides should have transparent and feasible objectives for the short, medium, and long-term (identifiable in somewhat equivalent ASEAN terms as 'building blocs.') All must work towards a common economic regime linking the SAARC preferential trade arrangements, SAARC Free Trade Area (SAFTA) 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 the foregoing conditions fulfilled, there is no reason why the IFAs should not be forthcoming with support for 'hardware' and 'software' development in the fruition of subregional schemes, whatever nomenclatures they are given. As a natural corollary of growth endeavour the private sectors, including the MNCs, would also then be easily drawn into the process. In Bangladesh, despite regime change, the new four-party coalition seems receptive to the idea of subregional co-operation of some order, though it is only India that can play the role of a catalyst, equivalent to Singapore's role in the IMS-GT, ensuring that subregionalism may truly take off.
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