

Subregional Cooperation Galore in Asia-Pacific

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ADB's mandate to promote regional cooperation was translated into policy in 1994. The Bank has since supported several subregional cooperation programs in Southeast Asia (e.g., Greater Mekong Subregion or GMS, East ASEAN Growth Area or BIMP-EAGA), Central Asia, and more recently, in South Asia. In these schemes, ADB plays a coordinating role cum 'honest broker' between governments and the private sector.

ADB's support to subregional cooperation covers the whole range of activities from technical studies and workshops in support of cooperation dialogue, to physical investments in cross-border projects and, where appropriate, assistance for cross-border agreements like the 'landmark' Framework Agreement on Movement of Goods and People recently signed by Thailand, Lao PDR and Vietnam in the Greater Mekong Subregion scheme.

According to ADB, the basic rationale for economic cooperation is four-fold. It supports the development process beyond national limits. It helps exploit 'complementarities' among groups of countries or areas to be able to generate a momentum of growth. It involves the joint development of collective goods such as transportation, telecommunications, and power facilities. It strengthens responses to common concerns involving the environment and human resource development.

Moreover, subregional cooperation enhances the investment attractiveness of participating countries as a group, well beyond their individual abilities, i.e., the 'subregional whole can be greater than the sum of the individual parts.'

GREATER MEKONG SUBREGION

The Greater Mekong Subregion (GMS) consists of the six countries of Thailand, Vietnam, Cambodia, Laos, Burma, and Yunnan province of People's Republic of China. It was initiated by several TA grants from the ADB to bring together government officials from the subregion to discuss the possibility of greater economic cooperation and to facilitate trade and investments in the GMS. Some 100 priority projects have been identified -- several already funded by ADB -- in the key areas of energy, transport, trade and investment, telecommunications, human resources development, tourism and environment.

ADB views the GMS as a Mekong-centered 'natural economic area' where a 'natural process' of integration in trade and investment develops as subsistence levels rise from an expected rapid economic growth. The ADB's experience in the GMS has considerably strengthened its theorizing on the evolving concept and actual practice of subregional economic cooperation.

In the GMS, the ADB flaunts a new paradigm shift idealizing a scenario where subregional cooperation projects (particularly in trade) would be free of national borders and would not have to deal with 'sometimes cumbersome' national laws and regulations. Natural resources would then likely be utilized quite differently from current patterns. In the energy sector, for instance, a shift from the 'traditional' national self-sufficiency approach towards an integrated 'subregional approach' would be a triumph of subregionalism.

In November 1995, then ADB Vice-President Bong Suh-Lee noted that in implementing the GMS program, *the participating countries have increasingly developed a subregional perspective whereby national interests are integrated in a complementary manner with those of neighboring countries.'*

GMS cooperation is not covered by any formal treaty or convention, and ADB staff would be quick to point out that this was not an objective in the first place. The framework builds upon existing relationships among countries, and is fed with a good dose of economic pragmatism. Being basically project-oriented, its success crucially depends on attracting both domestic and foreign private investments. When the Asian crisis hit in 1997 and Thailand among the countries hardest hit, GMS activities ground to a halt, as crippled Thailand was largely seen as the 'hub' of the GMS.

In a 1999 impact evaluation of the GMS program by ADB's Operations Evaluation Office, key lessons emerged. The evaluation cautions against building unrealistic expectations and should remain focused on achievable targets. The constraints of an ad hoc approach also necessitated the creation of appropriate institutional arrangements, with separately dedicated TA and loan resources and staff to pursue strategic planning and medium-term programming.

* The NGO FORUM ON ADB (FORUM) is a network of diverse non-governmental organizations (NGOs), peoples' organizations (POs), community-based organizations and other public interest groups with advocacy and campaigns relating to the Asian Development Bank (ADB). The Manila-based Secretariat can be reached at: Room 402, 107-A Kalayaan Avenue, Diliman, 1101 Quezon City, Philippines; Telefax: +632 9297987; E-mail: forum@pacific.net.ph. Visit our homepage: www15.brinkster.com/ngoforum.

SOUTH ASIA SUBREGIONAL ECONOMIC COOPERATION (SASEC)

To ADB, several factors signal the growing momentum for cooperation in South Asia --

- Chukha Hydel Project for power delivery from Bhutan to India;
- Signing of Mahakali Treaty between India and Nepal;
- Enhancement of transit facility from Nepal to Bangladesh through the eastern corridor in India;
- Signing of Ganga Water-Sharing Agreement between India and Bangladesh;
- Signing of India-Sri Lanka Free Trade Agreement;
- Activities initiated under the Bangladesh, India, Myanmar, Sri Lanka, Thailand Economic Cooperation initiative (BIMSTEC);
- Formation of the South Asia Growth Quadrangle (SAGQ).

ADB promotes South Asia as the region accounting for the 'single largest concentration of poor people in the world', or about 500 million out of a total 900 million persons living in poverty. Full-fledged subregional loan projects are yet to be financed in South Asia. An initial subregional TA facilitated a power exchange agreement between India and Bangladesh in May 1997. Another TA provided support to the first meeting of the Private Sector Forum promoted by the chambers of commerce from Bangladesh, Bhutan, India and Nepal in November 2000.

The SAGQ was formally launched by the foreign ministers of Bangladesh, Bhutan, India and Nepal in April 1997; Nepal is overall coordinator, with the following sectors identified -- environment, energy and power, trade and investment, transport and tourism. Consequently, SAGQ countries requested ADB's assistance in identifying and preparing subregional projects.

In November 2000, ADB supported the first Private Sector Forum on SASEC in Calcutta (India) which brought together public and private sector representatives and seen as a step towards identifying an investment program to develop the SAGQ. The event was organized by the Chambers of Commerce from this subregion and was attended by a large ADB delegation.

Broadly, an investment program for the subregion would include an economic corridor around the Bay of Bengal, linking ports from Chittagong to Dhaka, Mongla, Calcutta, and Haldia. It would also include a transport grid of east-west railroads and highways linking the eastern Indian hill states with West Bengal through Bangladesh, as well as north-south transport corridors linking Nepal, Bhutan, and the hill states of eastern India to ports on the Bay of Bengal. This grid would be connected to the rest of India at Calcutta through India's top priority Golden Quadrilateral project of superhighways joining Delhi, Bombay, Chennai, and Calcutta. Similar grids could be developed for power, hydrocarbons, and telecommunications.

The Calcutta forum aimed to begin translating these broad concepts into specific, bankable, investment projects. ADB will urge Governments and private sector representatives to prepare a regional development masterplan to identify specific projects in different sectors, and prioritize them for financing.

According to ADB, the subregion offers a huge force of hard working and disciplined workers at relatively low wages, is rich in natural resources -- including the Ganga-Brahmaputra-Meghna basins, one of the largest graineries of the world; hydropower potential in Nepal and Bhutan; the coal resources of West Bengal and Bihar; hydrocarbon reserves in Bangladesh, Assam and Tripura; large non-energy mineral deposits, forest resources, livestock and marine resources and a network of ports in Chittagong, Mongla, Calcutta, and Haldia.

However, coordination would be required among governments to create an enabling environment for the private sector, such as forging agreements to facilitate cross-border movements of goods and services. Moreover, many of the planned infrastructure projects are cross-border projects which require coordination across national boundaries. ADB's strong commitment to the subregion is reflected in its investment portfolio of over \$16 billion in the SAGQ countries, in addition to \$340 million in technical assistance grants.

CENTRAL ASIAN REGIONAL ECONOMIC COOPERATION (CAREC)

In 1997, ADB initiated support to CAREC with a three-year technical assistance (TA) plan prepared for 2000-2003. In March 1998, ADB crafted a private sector strategy for the newly-independent republics of Central Asia which were formed after the break-up of the former Soviet Union. The transition economies have been encouraged to design broad-based reforms that encourage the development of a viable and healthy private sector, especially in those areas concerned with developing commercially viable firms and farms.

In October 2000, ADB approved a \$70 million loan to rehabilitate the road linking the Central Asian republics of Kazakhstan and Kyrgyz; the road is part of the famous 'Silk Road' which links Europe and the People's Republic of China. This the first subregional cooperation project in Central Asia; twenty-five percent of the traffic in international, largely of agricultural and industrial goods.

To encourage privatization as the countries move towards market-based economies, the project will establish a pool of equipment which can be rented out to private contractors competing for road construction and maintenance work. Importantly, the project will also 'modernize' border control facilities and procedures.

PACIFIC ISLANDS

In March 2001, ADB approved its new Pacific strategy which focuses on the streamlining of Pacific countries' public sectors and boosting private sector investment. The

new strategy responds to five key challenges in the Pacific Island nations –

- Vulnerability due to remote locations and a narrow resource base, and susceptibility to natural disasters and global markets;
- Political instability and poor governance;
- Limited skilled human resources;
- Socio-cultural factors that affect politics and productivity; and
- Inadequate physical, technological and financial sector infrastructure for sustainable growth.

ADB's Pacific strategy underscores the importance of regional cooperation to collectively reap the benefits of economies of scale. ADB is currently supporting regional cooperation in fisheries, air transport, financial sector restructuring (including addressing money laundering), public sector management and governance.

In the countries which are resource-rich but have poor growth and high population rates (Papua New Guinea, Solomon Islands and Vanuatu), the strategy will focus on governance, public sector reform and poverty reduction through social and infrastructure investments.

In the more economically advanced countries with a higher skill base, moderate resource potential and relatively low poverty (Cook Islands, Federated States of Micronesia, Fiji Islands, Samoa and Tonga), the strategy will promote private sector growth through policy reform and physical and financial sector strengthening.

In the island atolls of Kiribati, Marshall Islands, Nauru and Tuvalu which are severely disadvantaged by their smallness, isolation and weak resource base, the strategy is to establish and expand trust funds to support the sustainable financing of basic services. It is also to support niche markets for tourism and a sustainable use of marine resources.