

The Trouble With ‘Triangles’: The Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT)

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The Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) is not new, having been adopted by leaders at the ASEAN Summit back in 1993. But despite the decision having been taken at the highest possible level and despite the formation of an IMT-GT Joint Business Council to ensure private sector participation, progress was scant even after the first dozen years.

In 2005, an effort was made to try and accelerate momentum with regular Summits, of which there have now been six. In 2007, the Centre for IMT-GT Subregional Cooperation (CIMT) was established to be a coordinating and monitoring centre in Kuala Lumpur, and a Roadmap for Development (2007-2011) was adopted. In that same year, the Asian Development Bank became a development partner.

One would have thought that with the greater attention and resources available, progress would have been smoother and greater. However, the results of the Roadmap turned out to be disappointing, something that the Director of CIST himself acknowledged in January 2011 when he wrote:

We cannot really congratulate ourselves that the Roadmap 2007 – 2011 has been well executed thus far. Many programmes in the Roadmap could not be carried out for lack of proper planning, lack of project details, and more importantly lack of financing due to lack of coherent strategy in terms of tying up subregional with national programmes.

The problems identified are not unusual in ASEAN, having afflicted in one form or another, many (if not most) of its initiatives and programmes. An admission so late in the day, however, is really worrying and raises the question as to whether growth triangles, for all their promise and potential, really work in practice.

Notwithstanding, leaders decided to forge ahead in April 2012 by approving an Implementation Blueprint (IB) for 2012-2016. The IB, which focuses on project development and improvements, was substantially prepared with the assistance of the ADB. In addition, the ADB also provides capacity building for project development, management and monitoring, as well as regional technical assistance.

Is the participation of the ADB a game changer? Can we now expect much improved performance and progress going forward in so far as the IMT-GT's goals are concerned?

Personally, while I think that participation of the ADB which, while constructive, is not sufficient is not going to be sufficient to break the many impasses that are largely endemic to the administrative system.

To recap, the IMT-GT has five strategic goals. The first is obviously to facilitate and promote intra- and inter-IMT-GT trade and investments. The second is sectoral in nature and that is to promote agriculture, in particular, high-value agriculture, as well as agro-industry and tourism.

The third thrust is to strengthen infrastructure linkages and support integration. This is particularly important in light of the Master Plan on ASEAN Connectivity. The fourth goal is to address cross-sectoral concerns such as human resource development, labour and environment issues. These ultimately raise the level of quality of human participation and standards of living.

The fifth goal, which I would say is questionable, has arguably seen the most successes, is to strengthen institutional arrangements and mechanisms. I say questionable because institutional arrangements and mechanisms can often be as much impediments to integration as facilitators.

Even a cursory review of the IMT-GT organizational structure shows a replica of the dense web of meetings and committees that seem to be *de jure* in ASEAN. The process is overtly top-down, government-driven and multi-level in hierarchy.

To put this in another way, the institutional architecture is large and unwieldy, decision-making is slow and transaction costs are high as a result.

Private investment decisions are difficult enough where one sovereign government is involved, let alone where two or more are involved. And when decisions are further subject to multiple levels of organizational hierarchy, regulatory risks can rise dramatically and interest can quickly dissipate, if not disappear.

While the private sector appears to have a parallel structure, this is more apparent on paper than in practice. Second, the private sector in question involves national chambers of commerce (NCCs) that, depending on their specific situations, may or may not be in a position to work with their interested members.

NCCs can often do no better than the governments in intermediating information by promoting projects, organizing seminars and conferences and so forth. When it comes to identifying and implementing specific business, they have little role, if any, to play and are frequently relegated to being by-standers in the process.

Given that project identification, scoping and planning is one of the major issues in impeding progress, a more practical means would seem to be necessary to enable private companies to more directly scope out, plan and implement projects, thereby shortening the lag time to take products and services to markets.

In the case of the southern Malaysian state of Johor, Singaporean and other foreign investors deal primarily with the Iskandar Regional Development Authority (IRDA), which has substantial authority to negotiate and implement investment decisions. IRDA not only promotes investment through information but also fiscal and other incentives. It also acts an active facilitator and guide for such investments.

IRDA, however, is an exclusively national (Malaysian) federal authority with the legislative powers to do so. In the case of the IMT-GT, a tripartite commission could be considered to give private investors a similar single entity to deal with.

Another often heard complaint is that there is no monitoring and accountability to deliver outcomes. CIMT does not currently have the power to do so and plays no more than a secretariat role. Here again a IMT-GT Commission could play the role since it is already an investment focal point.

The challenges of establishing such a cross-border commission cannot be lightly discounted. If they ultimately prove too challenging, however, the alternative would be create a tripartite system that devolves executive power for the IMT-GT to Malaysia's Northern Corridor Economic Region, Thailand's Southern Border Provinces Administrative Center and Indonesia's Investment and Promotion Board of North Sumatra (for example).

The current institutional structure of Working Groups and Sub-Working Groups can be dispensed with, perhaps also along the Senior Officials Meeting. This could be replaced by the tripartite commission (or, alternatively, the three regional authorities) supporting the IMT-GT Ministerial Meeting.

In short, the IMT-GT has real and significant potential to be a major pillar on regional integration. Despite the high-level government decision and attention, progress has been modest to say the least. The present outdated institutional structure could be largely at fault. Two ideas have been proposed to increase efficiency and effectiveness, a tripartite commission or delegation of powers to the three countries' respective regional authorities.

Source: The organisation chart can be accessed at <http://www.imtgt.org/Structure.htm>