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East Asian Regional Development Models: Lessons and Way Forward for South Asia

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ABSTRACT In many parts of the world, cooperation efforts have moved from large regional groupings to localised, sub-regional ones, engaging two or more countries or specific regions. As a corollary, the concept of 'growth triangle' has emerged, where two or more countries cooperate for collective economic development, through trade and investment linkages and using specific measures such as investment zones. The Bangladesh, Bhutan, India and Nepal (BBIN) is an excellent initiative to strengthen integration in the sub-region, especially with their signing of the Motor Vehicle Agreement (MVA). Hopes for the success of BBIN have multiplied, particularly in the backdrop of the emerging limitations of an earlier regional grouping, the South Asian Association for Regional Cooperation (SAARC). Indeed, the success of BBIN is crucial for regional integration in South Asia; it is an important step for moving in the direction of peace, progress and prosperity in the region.

INTRODUCTION

Various models for regional cooperation have emerged across Asia, particularly in the Southeast Asian region, in the past three decades. Cooperation efforts have shifted from larger regional groupings to smaller, localised, sub-regional ones, engaging two or more countries or specific regions. The emergence of such cooperation, called growth triangles, has been

found to be especially successful in Southeast Asia.

'Growth triangle' has in recent years emerged as a concept where two or more countries cooperate for collective economic development, through trade and investment linkages, using specific measures such as investment zones. In these zones, respective governments extend

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fiscal initiatives, special credit mechanisms and institutional support, while the private sector provides the capital. One advantage of the growth triangle approach is that it helps tap complementarities in geographically contiguous regions. Several economic factors have contributed to these initiatives, amongst them, the flow of foreign direct investment, differences in factor costs, the need for balanced spatial development, and specific export strategies.¹ Some examples include the Southern China Growth Triangle, Johor-Singapore-Riau (JSR), Tumen River Area Development Programme in Northeast Asia, and in South Asia, the Bangladesh, Bhutan, India and Nepal (BBIN) initiative.

BBIN member states, in what is regarded as an excellent initiative to strengthen integration, in June 2015 signed the Motor Vehicle Agreement (MVA) which is designed to enable the seamless movement of people and goods across their borders. Hopes for the success of BBIN have since multiplied, particularly in the backdrop of the emerging limitations of an earlier regional grouping, the South Asian Association for Regional Cooperation (SAARC). BBIN falls in line with the Modi government's efforts in building better ties with its neighbours. From the time all SAARC leaders were invited to the swearing-in ceremony of Prime Minister Narendra Modi in May 2014, the government's reachout to the country's neighbours has continued to occupy centrestage in India's foreign policy. Ties with Bangladesh and Bhutan have improved, while relations with Nepal may soon revert to the old closeness.

During Modi's visit to Dhaka in June 2015, the exchange of instruments of ratification of the landmark land-boundary agreement was a relief not just for over 50,000 people living in 162 enclaves with numerous adverse possessions in both the countries, but it was also a major psychological victory over the negative mindset of some sectors in the region. After all, it marked an end to the 68-year-old boundary dispute. India pledged a US\$2-billion line of credit for

Bangladesh, besides taking measures to improve connectivity through the building of road transport and waterways.

Economic relations between Bhutan and India, meanwhile, have heightened with, for example, the capacity of joint hydro-electric energy projects reaching 10,000 MW. In this context, the early implementation of the four joint venture (JV)-model projects, totaling 2,120 MW, will pave the way for further energy cooperation. Bhutan's expectations of progressing on what it calls "the four pillars of happiness", is highly relevant for BBIN. Bhutan defines these pillars as sustainable development, preservation and promotion of cultural values, conservation of the natural environment, and establishment of good governance.

BBIN was initially discussed in the framework of the South Asian Growth Quadrangle (SAGQ). In 1996, it was suggested as a way forward for integrating South Asia with the Association of Southeast Asian Nations (ASEAN). The process though lost momentum over the years, but it has now returned through the BBIN-MVA. There was discussion then to evolve a framework for cooperation among the South Asian countries—India, Bangladesh, Bhutan and Nepal (Dubey et.al. 1999). While analysing the contours of cooperation, India's seven Northeastern states were identified as the connecting geography for the SAGQ initiative. The same book by Dubey et. al. explored sectoral cooperation in the areas of energy, natural resource-based industries, trade and transit, transport coordination, tourism, and human resource development. The dynamics and priorities within the region, however, have changed over the past two decades, and the growth quadrangle idea should now be explored in the backdrop of other regional initiatives.

GROWTH ZONES: MAXIMISING COMPLEMENTARITIES

Several efforts have been made to analyse the idea of the growth triangle and identify possible factors for the success of these initiatives. Over

the years, growth triangles have emerged more as a generic term for regional growth initiative to harness synergies existing in the growth zone. As mentioned earlier, in the context of South Asia too, growth quadrangle has emerged as one of the possibilities to augment economic activities based on local endowments. Thant, Tang and Kakazu (1998) have identified five factors contributing to the success of regional initiatives, namely: economic complementarity; geographical proximity; political commitment; policy coordination; and infrastructure development.

Based on their analysis of the Southern China initiative and JSR, Thant, Tang and Kakazu find soft technology to be extremely important for the success of such regional initiatives. Adequate participation and cooperation of the public and private sectors are equally relevant. The public sector is expected to provide infrastructure, necessary fiscal incentives and favourable administrative framework, while the private sector is expected to make investments on new production ventures. The public-private cooperation helps in enlarging the size of the market and achieving scale of economies for production. This may also help lower the cost of production without too many changes in the macroeconomic policies and with low domestic limitation and constraints. As Summer (1991) has pointed out, neighbours will choose to trade if the cost of transportation is low and communication is ensured. This may require, at least in the case of South Asia, reducing political tensions and evolving a narrative on economic cooperation as the case for complementarity is extremely high in the region. Differences in levels of expertise, quality and experience could support maximising gains from such complementarities.

EXISTING COOPERATION IN BBIN

The BBIN initiative has evolved through specific institutional measures, focusing on sectoral domain-specific cooperation. BBIN works

through joint working groups (JWGs), which have provided the essential framework for future areas of cooperation for the grouping. The JWGs have adopted specific and focused approach with the idea of specific milestones for early implementation of measures for integration. Currently there are two JWGs in the areas of water resources and power, and connectivity and transit.

The JSG on water resource management and power focuses on the following: (i) exploring hydro-power, undertaken jointly with at least three countries on an equitable basis; (ii) exchange of experiences and best practices; and (iii) developing grid connectivity. The second JSG is on connectivity and transit. The work of this group led to the conclusion of the BBIN-MVA. The agreement came into force on January 2016. Even before that, a consignment had been flagged off on a trial run, from Kolkata to Agartala, through Dhaka. DHL is participating with governments in this venture. With the MVA in place, the idea is to expand and explore potential for cargo movement across road and railway for economic integration. The JSG is also exploring possibilities for multilateral transport model for commercial and tourist purposes. The added task of this group is to explore potential trade facilitation arrangements at different land custom stations. This is expected to give a major impetus to the idea of growth zones.

The concept of JSJs has emerged as a unique policy tool in Asia, particularly after the experience of Singapore-led growth zones, which were created in different parts of the world. This extended product-cycle theory is expressed in the analogy of flying geese to understand diffusion of industrialisation. This largely works in the backdrop of competitive and comparative advantage for economic growth. Efforts are being made in Africa to have similar arrangements.

According to Thant and Kakaza (1995), localised arrangement is successful when programmes are tied to the immediate local needs, and adverse experiences are balanced with possible successful solutions. In some cases,

growth zones may be better than trade blocs as they bring up sub-regional cooperation on fast track, creating institutional linkages, thereby unshackling what reputed economist, Dani Rodrik called the 'binding constraints to growth'. The role of institutions thus assumes greater significance.

INSTITUTIONAL ARCHITECTURE

The success of BBIN is crucial for regional integration in South Asia. To be successful, BBIN should undertake specific measures and learn from mistakes and other similar experiences and experiments. For example, in the case of BBIN, the focus of the region's local resource base strength and priorities for development may be further assessed from the perspective of border-led economic development. This would be an advantage for the people and communities living in the border region since this is a real development option for them. It is essential that a careful analysis of resources across BBIN borders is accompanied by an exploration of the scope for development intervention. Some common goods and services such as cement production units, resource-based natural industry, herbal products and extractive industries could be priority, besides strengthening necessary services infrastructure for facilitating trade and across-border investment that are required for regional development.

BBIN should also focus on approaches that bring immediate success. Immediate implementation is required in four areas. These span work on tariff and non-tariff barriers and trade facilitation, including standards and border infrastructure.

The ongoing negotiations between Nepal and Bangladesh for tariff reduction are an important step for regional integration. Bangladesh has demanded access to 64 items where it wants duty to be reduced from 15 percent to 5 percent, and Nepal has demanded tariff reduction for 108 items for accessing market in Bangladesh.

Initiatives such as these would help in market integration, provided other necessary steps are also taken in the realm of non-tariff barriers. Cooperation between the Nepal Bureau of Standards and Meteorology (NBSM) and the National Accreditation Board for Testing and Calibration Laboratories (NABL) is an important step in this direction. NABL would eventually be linked up with counterparts in Bangladesh and Nepal.


The BBIN certification may in fact be clearly conceived and implemented for sub-regional ownership and complementarity with lesser cost for certification all across. With the NABL linkage, NBSM now may issue ISO 9000 certificate. The success story for border infrastructure may also be picked up at one spot. For example, the Phulwari-Bangladesh border may be identified as a star performer with all the necessary gadgets. Reciprocity on visa arrangements, and across insurance agencies, may also be considered.

CONCLUSION

The BBIN initiative is an important step for moving in the direction of peace, progress and prosperity in the sub-region. Indeed, BBIN may be viewed as a building block for deeper South-Asian integration. The success of BBIN would deepen if it were implemented in view of the experiences of similar arrangements across the ASEAN region. In Southeast Asia, various projects have explored complementarities for maximum gains.

Over the past year alone, various regional initiatives have focused on minimising both tariff and non-tariff measures, envisioning a single market, and kickstarting initiatives for a common production base. Discussion on free movement of skilled workers and more efficient interchanges of capital are being explored for moving towards further integration. Since India is the biggest economy in the region, specific measures to go beyond reciprocity could also be explored. The Asian Development Bank (ADB) and South Asian Sub-Regional Economic Cooperation (SASEC) have played an important role in evolving the idea

of BBIN. Such collaborative work must be encouraged to continue and evolve further. It is equally important to link people with this idea, and explain these linkages and how these cooperative efforts would be beneficial for everyone. The emotive and cultural dimensions of this initiative, along with its development and growth dimensions, should also be adequately enunciated and explained. Since political opinions

have polarised regional integration efforts in South Asia, such explanations and engagements are crucial. The fact that these linkages would bring in jobs and technology as well as easy movement is a development that should be held as an aspiration by all stakeholders. After all, the benefits of deeper regional cooperation are not confined to the level of governments, but could create ripple effects that reach far and wide. 

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ENDNOTES:

1. Thant (1996).

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