CHAPTER ONE

CONCEPTUALISING EAST-WEST ECONOMIC CORRIDOR

Geographically located at the centre of the Southeast Asian region Thailand has been the protagonist of regional cooperation. Its location enables it to play an important role in all the three sub-regional groupings of Greater Mekong Sub-region (GMS) namely the North-South Economic Corridor (NSEC), the East-West Economic Corridor (EWEC) and the Southern Economic Corridor (SEC). The proposed NSEC connects the Kunming-Chiang Rai-Bangkok via Laos and Burma route, and the Kunming-Hanoi-Hai-phong route, while the EWEC connects Da Nang sea port in Vietnam with Mawlamyine port in Myanmar, cutting across central Laos and north and northeastern Thailand. Likewise the SEC stretches from Bangkok to Vietnam through Cambodia (BIC: 2008).

The unique geographical feature of Thailand has been that it is not only strategically located but is also contiguous to less developed countries: Cambodia, Lao PDR, Myanmar and Vietnam (CLMV). Thailand being economically more developed than CLMV, the former is institutionally, economically and politically poised to make positive contribution to CLMV countries through different methods of interactions and involvements. The Forward Engagement Foreign Policy is graduating Thailand from a recipient into a donor country. The belief on creating regional partnership for global multi-lateralism has bolstered Thailand’s initiative of ‘prosper thy neighbor,’ thereby making Thailand’s role in CLMV crucial and important. Therefore, Thailand’s position in the development of economic co-operation in CLMV cannot be overlooked.

The policy makers in Thailand are determined to develop GMS by actively involving with several GMS infrastructural projects. One such project is the Golden Quadrangle, also known as the Quadripartite Economic Co-operation initiated by Thailand in 1992 with the objective of strengthening economic co-operation and peaceful relations based on the concept of turning the Southeast Asian region, once a place of battlefields into market places (Than & Abonyi 2001: 133). A decade later, in March 2001, the Royal Thai Government in collaboration with the Asian Development Bank hosted the “Workshop on the Pre-investment Study” for the Greater Mekong Sub-region: East-West Economic Corridor in Bangkok. Here, “Thailand emphasised the importance of the Workshop in promoting greater regional
cooperation in the GMS, and in exploring possibilities to develop the EWEC” (ADB: 2001). Thailand is not only physically involved in the development of GMS but financially as well. It is in this context that while studying Thailand’s role in EWEC, the neighbourhood policy and a regional vision must also be considered, since Thailand has been a potential force to influence the performance of EWEC. Thailand has been in the forefront to link China and Indian sub-continent in the development of CLMV and the response of China and India have been encouraging as Mekong has been a cultural linkage between China and mainland Southeast Asia.

From “Constructive Engagement” to “Forward Engagement”, Thailand’s foreign policy has been dotting on the line of ‘Thai regional vision’ popularly known as the Thai way. Thailand’s neighbourhood policy is to ensure that Thailand becomes a financial gateway and a bridge between mainland Southeast Asia and the outside world. It will then chart the development of regionalism which is seen as an emerging trend around the globe, placing globalisation at the back seat. Often enthusiasts of globalisation complain about regionalisation of trade and commerce in hampering the successful realisation of multilateral trade. It is with this background that this chapter delineates the role and influence of regional organisation(s).

Regionalism

Regionalism in world politics is a growing phenomenon. Since the end of the Cold War, it has come to play greater role because of the necessity to co-operate as the perceived national interests were somewhat redefined and mutual benefits have been increasingly emphasised, due to the changes in the world geo-political and strategic security arrangement (Saengchantr 2002: 4). The processes of regional integration have received a great boost with the establishment of the European Union (EU) and North America Free Trade Arrangement (NAFTA). Nagesh Kumar (2004 ), points out the view that “the formation of these trade blocs had been prompted by the anticipated increased emphasis on competitiveness with the conclusion of Uruguay Round negotiations that led to the formation of the World Trade Organisation (WTO)” on January 1, 1995.

The Association of South East Asian Nations (ASEAN), established in 1967, by the five Southeast Asian countries (Indonesia, Malaysia, the Philippines, Singapore and Thailand) is one fine example of regional organisation in Asia. As a regional organisation, it binds the economy of the Southeast Asian nations into a common economic platform while simultaneously raising the hope of integration process in
other parts of Asia. Consequently, the seven South Asian countries (Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka) formed the South Asian Association for Regional Cooperation (SAARC) eighteen years later at the Dhaka Summit in December 1985. ASEAN has encouraged the formation of several sub-regional groupings to promote trade, investment and tourism in the Southeast Asian region. Therefore, this chapter discusses the theoretical and conceptual framework of regionalism in Southeast Asia and traces the evolution of East-West Economic Corridor (EWEC) project, which operates under the overall strategy of the Greater Mekong Sub-region (GMS). The GMS is one of the few regions in the world where enormous varieties of natural resources including a rich flora and fauna, fisheries and minerals are found.

Since the 1997 economic crisis, the ASEAN countries have opened-up to the idea of ASEAN expansion by offering partnership to regional powers in the vicinity of the Southeast Asian region. This process has been undertaken in order to prevent any such future financial breakdown. In this way, ASEAN has come a long way in the lines of open regionalism while simultaneously expanding and opening up its market to new members and looking for ways to integrate the region in real terms. The progress of economic integration process through the project of ASEAN-10 requires the strengthening of the existing sub-regional networks of cooperation, which would ultimately help the larger vision of community building in Southeast Asia.

Out of the many sub-regional projects formulated in the region, two are worth mentioning. They are the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and the Greater Mekong Sub-region. However, the main focus of this study will be on East-West Economic Corridor project. Under the auspices of GMS formed in 1992, EWEC is multi-dimensional in nature and is one of the most recent Growth Triangles (GT) of the Southeast Asian countries (Than and Abonyi 2001: 128).

In order to understand EWEC, it is necessary to define the concept of regionalism. Regionalism as a concept has not found its place in “the vocabulary of International Relations” even during the Second World War (Louise Fawcett 1995: 12). However, after the Second World War the impact of the war drastically altered the politics of the world. Consequently, different regional unit increasingly became more assertive and self-conscious of their region. Thus, one sees the process of region-building taking place at great pace especially in the 1960s and 1970s. Though
"regionalism has remained on the international agenda" during the Cold War era, "its scope was limited" not only due to the "consequence of the continuing bi-polar nature of the international system to which all regional arrangements were subordinate, but also because of the extreme tenacity with which states clung to their sovereignty, not only in most matters of high politics but in many matters of low politics as well" (Fawcett 1995:16).

Generally, the definition of the concept of region or ‘regionness’ is often taken to be linked with “geographical proximity, as a region is usually held to consist of contagious states” (Bjørn Møller 2001: 1). Similarly, International Encyclopedia of the Social Sciences (1972: 377) defines region as “a homogeneous area with physical and cultural characteristics distinct from those of neighbouring area.” But, Yeo Lay Hwee (2005: 1) argues that “region is a contested concept, therefore, defining regionalism can be as problematic.” It is true, as Raimo Vayrynen (2003: 25) rightly points out that with the end of the cold war and the world political trend moving towards economic globalisation as well as the increasing complexity of international relations, the concept region risk is becoming an empty idea.

In this present world the idea of region as simply a geographical concept has been increasingly challenged as new definitions emerge taking into consideration of developments in global social theory such as social constructivism. Therefore, Hwee’s (2005) argument on the difficulty of defining the term “region” holds true to a great extent. While this study mainly analyses the growth of regionalism and the debate on the emergence of regionalism, special attention and focus is given on the recent development and challenges which have emerged in the form of regional trade and financial cooperation.

“A world of regions is shaped by economic and social processes of regionalisation and by structure of regionalism,” remarks Peter J Katzenste. He further states that regionalisation describes the geographic manifestation of international or global economic processes. Regionalism refers to the political structures that both reflect and shape the strategies of governments, business corporations and variety of non-governmental organisations and social movements (Katzenste 2000). Similarly, David L. Sills (1972 : 377-78) defines, the term “regionalism” as a concept which “properly represents the regional idea in action as an ideology, as a social movement, or as the theoretical basis for regional planning; it is also applied to the scientific task of delimiting and analysing region as entities.
lacking formal boundaries." Nearly every country in the world is a member of or in the process of discussing participation in one or more regional integration arrangements (RIAs), and about 55 to 60 percent of world trade now occurs within such trading blocs (Schiff & Alan 1998: 177-78).

Theories on regionalism received a lot of attention in the 1950s and 1960s prompted by the emergence of European regional organisations. As Raimo Vayrynen remarked, during this period "most regions were either political or mercantile clusters of neighboring countries that had a place in the larger international system." He further added that occasionally, political and military motives fostered the establishment of super regions such as the North Atlantic Treaty Organisation (NATO) and the Organisation of African Unity (OAU) (Vayrynen 2003: 26). But, with the disintegration of the Soviet Union and the subsequent end of the Cold-War, the world political scenario has moved away from military alliance to economic co-operation.

The first phase of regionalism, the General Agreement on Tariffs and Trade (GATT) process was dominated heavily by developed countries, with the United States as the major economic power. Developed countries negotiated reductions of tariffs to each other and extended them to other member countries on the most-favoured-nation (MFN) basis. Therefore, the integration schemes in the developing countries posed no threat to the GATT negotiations. In addition, the integration in Europe helped organise the negotiations better. The United States also could deal with the European Economic Community (EEC) as a single unit, since the EEC had a common external tariff. In fact, the US has been an external federal unit to the EEC.

The second phase of regionalism and a concurrent revival of its study came about in the 1980s. The regionalism of the 1980s was termed "new regionalism" as compared to the old regionalism of the earlier decades. What is "new" about the regionalism that surfaced in the 1980s and became prominent in the 1990s is its outward-looking nature, focusing on external links with other regions. Hence in recent years, several scholars have started to examine how such external linkages and inter-regional interactions affect the regions themselves. Indeed, responding to the institutions and dynamics of other regional actors in the global order is an important process of regional identity formation. The World Bank Economic Review reports that more and more governments are increasingly beginning to explore and participate in regional trading agreements. But, the agreements grant reciprocal trade preferences to
participating countries resulting in discrimination against non-members (Schiff & Alan 1998: 177-78).

Another central feature of the new regionalism according to Palmer (1991: 174-75) is its new and enhanced role as a catalytic agent, a kind of middleman between resurgent nationalism and growing internationalism and interdependence. The nature of the modern world is such that ‘nationalism can no longer meet basic human political needs since so many problems now facing humankind are truly global, and therefore cannot be dealt with adequately on a national level.’ The problems require an unprecedented degree of international cooperation. But since, in many instances, international cooperation on a ‘macro’ level is difficult, some intervening level of cooperation, probably on a regional nature, may be essential to serve in ‘a role intermediary between a nationalism that is too narrow for problems that cross national boundaries, and an internationalism that is too broad, vague and undeveloped to provide more than a supplement to efforts on national and regional levels.’

In short, the argument is that regionalism represents the most viable level to reconcile rising nationalism on the one hand and the trends towards internationalisation on the other (ibid: 174-175). Regional associations now provide vehicles for a number of countries to broaden their influence in the global affairs. These organisations serve to minimise conflict among members and provide a mechanism for resolving differences. In the final analysis, these efforts reflect both a high level of regional integration and perhaps an ever higher degree of participation in arrangement that transcend the region. They may also reflect an understanding in the region that the future is being cast in global terms. But Mittelman (1996: 189-213) examines that regionalism today is not only emerging as a potent force in the globalisation, but can also be seen as a response and challenge to globalisation.

How exactly does globalisation act as a stimulus to regionalism? Hurrell (1995: 55-58) explains that globalisation creates problems that demand collective management. Globalisation weakens the efficacy of national policy instruments. Approaches to problem solving with regard to issues demanding trans-national collective management that might impinge on the domestic affairs and sovereign prerogatives of the states are probably easier at the regional level especially if commonality of history, culture and values exist, and political, security and economic interests converge. According to Schiff & Alan (1998: 177-78), Regional level
problem solving seems more politically feasible than at the global level. They raised
doubt whether regionalism stimulate investment, whether it confers credibility on
reform programs, or whether it leads automatically to multilateral liberalisation. Both
argue that no attempt has been made to weigh regional integration arrangements
against one another in the circumstances of developing countries. They also criticised
the economists for not paying much attention to the non economic objectives that
frequently underlie regional integration arrangements.

Global integration may also act as a powerful stimulus to economic
regionalism by altering and intensifying patterns of mercantilist economic
competition. On the one hand, globalisation means that states are facing powerful
pressures towards the homogenisation of economic policies in order to attract foreign
investments and technology and compete in an ever more closely linked market-place.
The nature of competition presses towards the formation of larger units, both for
economic efficiency and to ensure the political power necessary to bargain effectively
over the rules and institutions that govern the world economy. Within this picture,
states cease to be the only important actors. Trans-national companies lead the way
towards economic regionalisation in response to the changes in the international
economic structure, and states’ elite will also be forced by such circumstances to
promote closer regional co-operation. In short, regional co-operation is needed as a
buffer to cushion the harsher effects of globalisation and turning them to one’s
advantage.

The current debate is well stated by Bhagwati (1991, 1992) when he questions
whether the preferential free trade areas and customs unions belonging to the “second
regionalism” of the 1980s are building blocs or stumbling blocs for the multilateral
economic order. In his view, due to the dominating effects of trade diversion,
regionalism became a stumbling bloc, slowing down progress toward multilateralism.
In contrast to the advocates of regionalism, Bhagwati and others (Krueger 1999;
Panagiriya 1999) do seem to believe that globalisation as such elicits regional
responses; they start from a regional perspective and explore its effects on the global
trading system (Vayrynen 2003: 33). The very wide variation in the level of
institutionalisation is another feature of the new regionalism according to Fawcett and
Hurrell (1995: 3). Regionalism in the 1990s is thus not to be considered as a
movement toward territorially based autarkies as it was in the 1930s, nor is it one that
necessarily sees integration as the end-goal. Rather it represents concentrations of
political and economic power competing in the global economy, with multiple inter-regional and intra-regional flows. The most important characteristics of the new regionalism are its truly worldwide reach, extending to more regions, with greater external linkages in contrast to classical regionalism which has been most advanced in the European world. In comparison to the specific objectives of classical regionalism, the new regionalism is more multi-faceted and more comprehensive than the older paradigm (Mittelman 1996: 190-192). Louise Fawcett (1995) also detected changes in attitudes towards international cooperation in the post-Cold War era. She believes that the collapse of the old bi-polar system and easing of the antagonism provided one of the reasons for the new interest in regional, and indeed in all forms of international co-operation. In a wave of euphoria that swept the world in the early post-Cold War years, optimism abounded on the possibilities of international cooperation. Another important overarching factor behind the new wave of regionalism has been the shifting balance of world economic power.

According to Wyatt-Walter (1995:93-121) the balance of the world economy was shifting away from the US-European axis to the US-Asian axis. In response to its declining economic competitiveness, the EC in the mid-1980s embarked upon a new and vigorous phase of integration which did much to raise both hopes and fears of a trend towards renewed regionalism. At the same time, economic power in America was also seen to be on decline. The other side of the coin of American decline was the rise of Japan and East Asia. The large bilateral trade surpluses that Japan and East Asia enjoyed with American and the EC, and the competitive threat that this posed, increased the need for protectionist measures. It was because of such competitive pressures that America retreated from its support of multi-lateralism to favour unilateralism and bilateralism. The US, no longer concerned with geographical alignment, was prepared to insist on more favorable trading and investment relations, creating special post-Cold War tensions that invited a turn toward regional and bloc approaches. This long heralded retreat from globalism on the part of a declining America could be seen as another fundamental cause of the new regionalism. For many export-oriented countries, under the threat of a breakdown of multilateralism, regionalism, constituted a formal minimal insurance policy.

The experience of regionalism in Europe after the Second World War, according to Rostow (1986: 55) shows that the forces making for regional grouping were at their strongest when three impulses converged. The first was to generate
increased strength through greater unity in the face of heightened security threat (from the Soviet Union). The second was to create through cohesion, a position of greater bargaining strength and dignity vis-à-vis a large supportive ally (e.g. the US) or a disproportionately larger strong member of the regional grouping itself (e.g. Germany). The third was to exploit the narrow economic advantages of regional cooperation when these were perceived to be real and substantial. According to Rostow, the role of these three impulses in the waxing and waning of regionalism in Europe could be traced over considerable periods of time, as he believes that similar forces would play a similar role of regionalism in Asia.

a) _Old Regionalism_

Since the latter part of 1980s, one witnesses a resurgence of regionalism in world politics. Old regionalist organisations have been revived, new organisations formed, and regionalism and the call for strengthened regionalist arrangements has been central to many of the debates about the nature of the Cold-War international order (Fawcett 1995: 1). “Old” regionalism consisted of trade-based co-operation among states in the same geographical area and with similar economic and cultural characteristics. Henceforth, “the two processes of economic globalisation and political regionalism” are shaping the politics of contemporary world economy (Hettne 1999: xx). Donald Barry and Ronald C. Keith (2000: 3) define “Globalisation as the growth and intensification of economic relations across state boundaries that is accelerating inter-dependence worldwide. Regionalism as an institutionalised cooperation among groups of states to give trade benefits to each other that may or may not extend to third party is an attempt to harness the pressures of globalisation through strengthened collaboration.” According to Björn Hettne and others (1999: 31), globalism primarily means an economic phenomenon, without disregarding other important aspects. They are mainly concerned with a process (globalisation) rather than a condition, which partly explains the difference between various perceptions. It implies the growth of a world market, increasingly penetrating and dominating subordinate ‘national’ economies, which in the process thus lose some of the ‘nationness.’

b) _New Regionalism_

“New” regionalism, driven by global markets and technology, brings together both geographically proximate and more distant states, with varying levels of economic development and different national outlooks. “New regionalism”, according
to Bjørn Hettne, "refers to a more comprehensive process, implying a change of a particular region from relative heterogeneity to increased homogeneity with regard to a number of dimensions, the most important being culture, security, economic policies, and political regimes" (Hettne 1999: xxi). The new regionalism is distinguished by a range of possibilities for institutionalised co-operation. In 1968, Joseph Nye defined a region as "a limited number of states linked together by a geographical relationship and by a degree of mutual interdependence" (Fawcett 1995: 11). While the latter feature has steadily increased, geography no longer constitutes the same exclusive factor of analysis. Moreover, all three major regions of Europe, North America, and Asia Pacific are expanding to include developing and developed states.

Contemporary circumstances would seem to be recommending an open-ended approach to variations in regional cooperation and institutionalisation, but the European experience still serves as the standard model by which contemporary regionalism is understood. European regionalism originally enjoyed the advantages of tight geographical coherence and common culture as it evolved toward greater degrees of economic and political integration. The European model itself is undergoing organisational and geographical expansion and interaction with outside free trade areas, and its own internal content may significantly change.

At the same time, economic diversification and comparative advantage may begin to develop along new lines. Economic regions have already begun to overlap in their memberships. For instance, Canada, the United States, and Mexico, which make up NAFTA, are also members of APEC. In addition, some countries have been elected to act at the level of sub-regional co-operation inside regional organisations. This trend can be seen within the APEC framework in the Closer Economic Relations (CER) Agreement between Australia and New Zealand and in the ASEAN Free Trade Area (AFTA). Scholars are by no means in agreement on whether such sub-regional phenomena act as building blocks for wider regional fragmentation (Ravenhill 1995: 179-99; Richardson 1993:105; Baldwin 1997: 856-88). Generally, most political activity related to trade is concentrated in the industrialised West (North America, Western Europe, and Japan/Pacific), which account for about two-thirds of all international trade. Trade with global South is also increasingly gaining in importance.

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1 For example, The Dictionary of World Politics discusses regionalism with specific reference to the European Community "as a systemic modifier." See Graham Evans and Jeffrey Newhan The Dictionary of World Politics (New York: Simon and Schuster, 1990) p. 347
(McKeown 1991: 151-72). Of special interest currently are trade issues in the former communist transitional economies of Russia and Eastern Europe, which faced formidable challenges as they try to joint the capitalist world economy.

Along with the growth of intra-regional trade and organisation, there has been expansion of trade among regions and the efforts of regions to join forces to augment their bargaining power in inter-regional and multi-lateral negotiations. Inter-regionalism can be seen as a new form of the balance of power. Though inter-regionalism deals more closely with economic than with security matters, it may operate in a similar fashion to maintain the momentum for multi-lateral free trade or to counter-balance the power of rival groupings. Regional free trade areas in Europe and North America, and perhaps Asia in the future, raise the possibility of trading zone practicing liberalism inwardly and mercantilism outwardly. However, as information technologies link the world across space, the integration trend seems to have the upper hand and the more global vision of free trade is shaping the agenda (Goldstien 2003: 309). These ideas go along with the writing of the globalist thinkers such as Kenichi Ohmae and Robert Reich who celebrated the emergence of the so-called borderless world. The process by which relatively autonomous national economies become functionally integrated into one global economy has become "irreversible" (Bello 2006). If internal factors condition the form that regional cooperation takes, they also shape the willingness of regions to give up power to institutions managing international trade. In addition, they help determine whether regionalism will be a stepping stone or an obstacle to multi-lateral trade liberalisation and regulations.

Forms of Regionalism

a) European Union (EU)

The European Union (EU), which emerged after the Second World War amidst great disaster, is the oldest and most ambitious regional organisation. It has become the benchmark by which other regionalism elsewhere is judged (Barry & Keith 2000: 10). The EU was formulated by two French political leaders, Jean Monnet and Robert Schuman, who “plan to implement the idea of functionalism in Europe” with the view to save Europe from “future wars by creating economic linkages that would eventually bind (European) states together politically.” In the light of this background, the European Coal and Steel Community (ECSC) came into
existence on April 18, 1951 (effective from July 25, 1952) by a treaty signed in Paris by the six European countries: Belgium, France, Germany, Italy, Luxembourg, and the Netherlands. In fact, it was the first step initiated by the European leaders for “a united Europe” (The Europa World Year Book 2005: 217).

Thereafter, the ECSC established various organisations like the High Authority, the Council of Ministers, the Common Assembly, and the Court of Justice to effectively carry out its function, which in course of time became the model for subsequent community organisations. Subsequently, in 1957, the ECSC members signed the Treaty of Rome and created two new organisations: the European Atomic Energy Community (EURATOM) and the European Economic Community (EEC), further leading to the creation of a Customs Union in 1969 (Barry & Keith 2000: 10). The ECSC, EURATOM, and the EEC were merged into a single organisation in 1967 as the European Community (EC). However, the EC did not succeed in completing the customs union in the face of the economic crises of the 1970s and 1980s. But, progress was made in widening its membership. On January 1 1973, Denmark, Ireland, and the United Kingdom joined the EC. Eight years later, on January 1 1981, Greece was admitted into the community, followed by Portugal and Spain on January 1 1986 (The Europa World Year Book 2005: 218). Donald Barry and Ronald C. Keith, citing William Wallace(1995: 218) writes, “in 1986, in response to the lack of progress in integration activities and a decline in Europe’s competitive position vis-à-vis the United States and Japan, European heads of government approved the Single European Act (SEA).” Eventually in December 1991, member-state heads of government agreed in principle on the Treaty on European Union (TEU), also known as the Maastricht Treaty, named after the Dutch city where the leaders met (Barry & Keith 2000: 11).

EU not only economically binds the member states but also brought them together politically in the forms of committing members’ states to a common currency and a European Central Bank, co-operation in justice and home affairs, common foreign and security policy and common Constitution. Subsequently, the EC was renamed as European Union in November 1993. Over the years, deepening and widening integration has transformed the EU into a trading bloc, which is now responsible for about one-third of international trade. With the passage of time political co-operation has increased as its “objective is political unification through economic integration” (Barry & Keith 2000: 4).
The North America Free Trade Agreement (NAFTA) is the most comprehensive multi-lateral trade, services and investment treaty in the world. It came into being as a result of the free-trade agreement signed between the USA and Canada in January 1988 and came into effect on January 1, 1989. Negotiation on the terms of NAFTA, which includes Mexico in the free trade area continued till October 1992 and finally the historic NAFTA was signed in three separate ceremonies in the three capitals on December 17, 1992, by American President Bush, Mexican President Salinas, and Canadian Prime Minister Mulroney. The accord was finally signed into law by American President Clinton on December 8, 1993 and came into force on 1 January 1994. It has a Secretariat, which comprise of three Sections: Canada Section, Mexico Section and the United States Section. The NAFTA Secretariat is responsible for the administration of the dispute settlement provisions of the North American Free Trade Agreement.

The main objective of establishing NAFTA was to eliminate restrictions of tariff barriers between the three North American states-US, Canada and Mexico over the next fifteen years. Besides, the free trade agreement it has also added two important supplemental “agreements on environmental and labour issues that extent into cooperative efforts to reconcile policies, and procedure for dispute resolution between the member states,” as per the agreement signed in 1993. The Commission for Labour Co-operation which was set up under the North American Agreement on Labour Co-operation (NAALC) monitors the implementation of labour accords and to foster co-operation in that area. The North American Commission for Environmental Co-operation (NACEC) “combat pollution, to ensure that economic development is not environmentally damaging and monitor the compliance with national and NAFTA environmental regulations.”

The European model was not emulated in other regions, but the conclusion of the North American Free Trade Agreement (NAFTA) in 1994 by Canada, Mexico, and the United States brings to light the growing concern over the apparently inward-looking nature of European economic integration and the specter of bloc protectionism (Barry & Keith 2000: 11). Therefore, unlike the European Union, NAFTA does not create a set of supra-national government bodies, nor does it create a body of law superior to national law. It is a treaty which functions under international law.
c) Asia Pacific Economic Co-operation

Asia Pacific Economic Co-operation (APEC) is the leading "forum for facilitating economic growth, co-operation, trade and investment in the Asia-Pacific region. It is the only inter-governmental grouping in the world operating on the basis of non-binding commitments, open dialogue and equal respect for the views of all participants (APEC 2008). APEC was founded in November 1989 in Canberra, since then it has grown from an informal dialogue of 12 Pacific Rim economies to a major regional institution with 21 members. A permanent secretariat of APEC to support its activities was agreed to be established at its ministerial meeting held at Bangkok, Thailand and became operational in February 1993 (The Europa World Year Book 2005:155). Though, APEC was founded in 1989, its first heads of government meeting took place only in November 1993, in Seattle, Washington, USA (The Far East and Australia 2005 :1270). In the APEC Ministerial meeting held in Seattle, the members agreed to promote free trade and investment among member economies. The meeting marked the coming of age for APEC as an organisation to be reckoned with in the changing politics of regionalism and multi-lateralism. Subsequently, in the November 1995 APEC Ministerial meeting, the Eminent Persons Group (APG) which was set up in 1992 was dismantled and agreed to establish an APEC Business Advisory Council (ABAC), consisting of private-sector representatives (The Europa World Year Book 2005: 218).

APEC is a huge organisation which account for about 40 percent of world's population, 56 percent of the world's gross domestic product, and about 48 percent of world trade. It was formed with the aim "to further enhance economic growth and prosperity for the region and to strengthen the Asia-Pacific community" and "operates as a co-operative, multi-lateral economic and trade forum" (APEC 2008). Contrary to WTO and other multilateral trade bodies, APEC has no treaty obligations required of its participants and almost all decisions made within APEC are reached by consensus and commitments are undertaken on a voluntary basis (APEC 2008).

Another unique character of APEC is that its members have often characterised its organisational life and agenda as a response to spontaneous and natural private sector growth. APEC also broke the mould of "old" regionalism with the diversity of its membership and its linking of Asia and North America (Barry & Keith 2000: 32). In the beginning of its formation, ASEAN countries were reluctant to support any more formal structure of the forum, or to admit new members especially
America and Canada for fear of being dominated by these powerful non-ASEAN economies. Besides, ASEAN countries were also concerned that non-ASEAN countries participation would undermine ASEAN's standing as a regional grouping (The Europa World Year Book 2005: 155).

However, in August 1991, People's Republic of China, Hong Kong and Taiwan were given membership, complying to Chinese condition that Taiwanese official of no higher than vice-ministerial level should attend the annual meeting of ministers of foreign affairs (ibid). Subsequently, Mexico and Papua New Guinea joined in November 1993, followed by Chile in November 1994 (The Europa World Year Book 2005:155). Since its formation various ministerial and high official meetings were held in different places dealing with various important economic, political and social issues. The 11th APEC Economic Leaders' Meeting was held in October 2003, in Bangkok, Thailand, and the 12th meeting in Santiago, Chile in November 2004 and the last 15th APEC Economic Leaders meeting was held in 2007 in Sydney, Australia (APEC 2008).

d) South Asian Association for Regional Co-operation

The South Asian Association for Regional Co-operation (SAARC) came into being with the signing of the Charter of the SAARC at the first summit meeting at the Dhaka Summit in December 1985 by the heads of state and government of South Asian countries (Mishra 1997: 199). In 1993, the SAARC members launched an Integrated Programme of Action (IPA) and in May 1997, it agreed to establish a Group of Eminent Persons to review the functioning of IPA. SAARC was founded basically to look into the social and economic welfare of the people of the region by accelerating economic growth, social progress and cultural development; promoting self-reliance; encouraging mutual assistance; increasing co-operation with other developing countries; and co-operating with other regional and international organisations. The SAARC Charter stipulates that decisions should be made unanimously and that bilateral and contentious issues should not be discussed (The Europa World Year Book 2005: 343). The SAARC member countries in order to fulfill SAARC's objectives set up various committees and programmes like the SAARC Documentation Centre, SAARC Metrological Research Centre, Human Resource Development Centre, SAARC Youth Volunteers Programme (SYVP), and SAARC Audio-visual Exchange Programme (SAVE), etc. and to establish regular
meeting of the heads of states and governments in different SAARC countries every year.²

However, SAARC has failed to move on the expected line though the region has tremendous natural resources and vast market, which could lead to economic and social development. One of the main reasons which hindered SAARC progress was due to the antagonistic attitude adopted by India and Pakistan in their relations. Pakistan and India are the two biggest nations among the member countries and thus the politics of South Asian region is mainly influenced by the politics of the two countries. Unfortunately, India-Pakistan relations have never been stable; rather they have fluctuated from acrimony to co-operation and vice versa (Tennyson 2002). Thus, one finds political issue often over-shadowing social and economic co-operation, and development in the region. In view of the above political development Pramod Kumar Mishra (1997: 199) remarks that “one cannot close one’s eyes to the fait accompli that international relations in the regions of South Asia has been plagued by more than three decades of serious disputes over territorial adjustment, socio-political and ethnic issues.”

Regionalism in Southeast Asia

The emergence of sub-regional schemes was itself a manifestation of the intensified intra-regional investment flows and the accompanying trade flow in the Asian-Pacific regions (Yue & Yuan 1993: 226). Arnfinn Jorgensen-Dahl (1982: 9) observed that regionalism and regional co-operation in Southeast Asia have gone through three phases. During the first phase between 1945 and 1959, American led military organization, the Southeast Asian Treaty Organisation (SEATO) came into being in 1954. However, only Thailand and the Philippines joined SEATO and not much interaction was seen among the Southeast Asian countries due to various intra-regional political differences. The second phase between 1959 and 67 witnessed an important landmark in the history of the region because by 1960 almost all countries except Singapore became sovereign independent states. In this period a number of potentially significant and more durable organisations and associations like the Association of Southeast Asia, (ASA) [1961], Asian Development Bank (ADB) [1966], Asian Productivity Organisation (APO) [1961], Asian Institute for Economic

² Brief account of SAARC activities and meetings of head of states and governments were discussed in *The Europa World Year Book 2005*, *ibid.*, pp. 343-344
Development Council (AIDC) [1961] and Asian and Pacific Council (ASPEC) [1966] were formed, which pave the way for greater regional organisation. The last phase in 1967 witnessed the formation of the Association of Southeast Asian Nations (ASEAN) (Dahl 1982: 11-12).

The Southeast Asian countries have come to recognise the usefulness of using regionalism as a means to contain the potentially disruptive effects of unequal power. In the early and mid-1990s before the Asian economic crisis, an increasingly confident ASEAN undertook new initiatives such as the formation of ARF, the launch of ASEM to engage China in multilateral frameworks. Unfortunately, the economic crisis and the rise of radical political Islam have impacted negatively on ASEAN’s confidence and unity and its capacity to act. Indeed, over the last ten years, interventionist government policies have spelled the difference between development and under-development, prosperity and poverty. Malaysia’s imposition of capital controls during the Asian financial crisis in 1997-98 prevented its economic collapse unlike Thailand or Indonesia. Strict capital controls also insulated China from the economic collapse engulfing its neighbours (Bello 2007: 57).

The Asian economic crisis demonstrated clearly the inter-dependencies in the region. Stuart Harris noted that the crisis had led to enhanced understanding of the region’s vulnerability to forces external to the region, and the realisation that existing regional co-operation arrangements were unable to make an effective contribution to solving the problem (Harris 1999:). Sebastian Mallaby, the influential pro-globalisation commentator of The Washington Post, comments that “trade liberalisation has stalled aid is less coherent than it should be, and the next financial conflagration will be managed by an injured fireman” (Bello 2007: 58). As such Higgott (1998: 12), argued that from the initiatives proposed at the Manila Framework, which called for mutual surveillance of each others’ economies, the crisis appeared to have been a spur towards an increased sense of ‘regionness’ among ASEAN. Several other initiatives that surfaced during the crisis such as the idea of launching an Asian Monetary Fund, creating a common Asian currency, currency swap agreements, etc. provides evidence that point towards what he called as ‘regionalisation of thinking’ (ibid). This makes the recent growth of economic regionalism amidst globalisation rather a paradoxical phenomenon, and has generated considerable scholarly interest in the relationship between them (Walter 1995).
Several forces like liberation of trade and investment of many Southeast Asian countries and increasingly Japanese Foreign Direct Investment (FDI) into Southeast Asia contributed to increasing economic integration in the region. Competing for FDI among countries has, therefore, become far more intense since governments are all courting essentially the same types of firms to their respective economies than in previous times, having adopted broadly similar export-oriented economic policies (Nesadurai 2002).

The strong market-driven economic inter-dependence was fully demonstrated in the contagion effect of the Asian financial crisis. The crisis prompted the regional economies to undertake various projects for the institutionalisation of such inter-dependence. While some of the initiatives are defensive responses to the crisis, others are more pro-active arising from the increasing dissatisfaction with existing global financial system governed by the IMF. The Asian financial crisis taught an important lesson that there is clear need for effective prevention, management and resolution of financial crises and contagion. The global initiative for the new international financial architecture has been less than satisfactory and the national efforts to strengthen national economic fundamentals take time to bear fruit. Hence, the general sentiment in Southeast Asia has been to establish self-help mechanisms through more systematic macro-economic and financial co-operation which include information exchange, policy dialogue, a regional liquidity support arrangement as reflected in the Chiang Mai initiative, and joint policy-making in certain critical areas such as exchange rate coordination (Kawai 2004).

In the area of trade and investments, the failure of the 1999 WTO meeting in Seattle has led to a flurry of bilateral and sub-regional initiatives. And in the area of financial co-operation, a series of bilateral currency swap agreements have been concluded under the broad framework of the Chiang Mai initiative. All these have taken place relying upon the networks and connections developed through the ASEAN+3 processes.

a) Association of Southeast Asian Nations

The Association of Southeast Asian Nations (ASEAN) was instituted in August 1967 in Bangkok with the signing of the ASEAN Declaration, otherwise known as the Bangkok Declaration, by the ministries of foreign affairs of Indonesia, Malaysia, the Philippines, Singapore and Thailand. ASEAN was formed by the
Southeast Asian countries with the aimed of fulfilling three main objectives viz. (Kesavapany and Sen 2004: 43)

a) To promote the economic, social and cultural development;

b) To safeguard the political and economic stability of the region against big power rivalry;

c) To serve as a forum for the resolution of intra-regional differences.

However, it was only in February 1976 that the first summit meeting of ASEAN was held in Bali, Indonesia. In it, its Secretariat, headed by a Secretary General, was established at Jakarta, with the purpose of forming a central co-coordinating body and effective administration (Kesavapany and Sen 2004: 43). Thus, Narongchai Akrasanee (1987: 100-101) remarked that though ASEAN as a regional organisation started in 1967 with the Bangkok Declaration, “the real commitment to regional co-operation, especially in economic areas, actually started after the first summit of ASEAN heads of government in Bali, Indonesia in February 1976.” He had rightly remarked, that the Bali summit opened the way for ‘the real commitment to regional cooperation’ because in it “the Treaty of Amity and Cooperation” was adopted and “the Declaration of ASEAN Concord” was concluded, besides agreeing on “some (other) major decisions which had implication for economic cooperation” in the region (The Europa World Year Book 2005: 343; Akrasanee 1987: 101).

As the post-Cold War era evolved, old regionalism of inward orientation and protectionist attitudes in economic terms created “from above”(often through superpower intervention) gave way to the new regionalism which is often described as “open” and thus compatible with an inter-dependent world economy (Tanaka & Inoguchi 1996). It was under this circumstance ASEAN took the historic decision to invite the remaining four mainland Southeast Asian nations-Vietnam, Laos, Myanmar, and Cambodia-to become members of the grouping. With the admission of Vietnam in 1995, the vision of an ASEAN-10 to re-unite the whole region came closer to realisation. Despite many controversies arising over the next four years, ASEAN shifted focus from political and military security to economic co-operation and development. Although this change may ease the integration of the newer members into ASEAN, there remain significant challenges to forge out a workable and united ten-member ASEAN.

ASEAN has been trying to carve out a niche in the proliferation of regional associational and bilateral relationships which mark the accelerating era of
globalisation. But critics also argue that the regionalist trend constitutes a threat to the multilateral system (Ibid). The economic pivotal point for the decade was certainly the 1997 Asian crisis, while the war on terrorism has had a ripple effect on intra-ASEAN co-operation. ASEAN’s resilience and ability to adapt the prevailing environment has allowed the organisation to navigate on a steady course into the 21st century. Surprisingly, Thailand is the only original member of ASEAN, out of the six participating countries in the GMS, while Vietnam, Laos, Myanmar and Cambodia are new members. The change of political environment and stability in the sub-region which was absent for many decades enabled different countries of the region to join-hands together for better economic and political co-operation. Hence, there is also likely to be better confidence-building among the participating countries together with improved dispute resolution, and hope to enhance the development of all the participating countries and GMS co-operation (Than & Abonyi 2001: 136). As far as economic implications are concerned, Mya Than and George Abonyi (2001: 136) are of the view that members of any regional free trade area can boost;

1) More trade and investment links within the region;
2) Increased attractiveness to foreign direct investment (FDI) from outside the region;
3) More secure access to the greater market of the region;
4) Improved resource allocation from specialisation according to comparative advantage and economics of scale in an enlarged regional market;
5) Enhanced industrialisation prospects of small and medium-scale enterprises; and
6) Especially for less developed members, spillover effects and infant industry learning effects with improved quality control, design, and marketing, and thus improved competitiveness in the world market, among others.

Since its establishment ASEAN has made a great deal of effort to realise the objectives of economic co-operation as agreed in its various declarations, particularly those in the ASEAN Concord (Akrasanee 1987). It cannot be denied that different committees of ASEAN like the Committee on Industry, Minerals and Energy (COIME), Committee on Trade and Tourism (COTT), Committee on Food and Forestry (COFAF), Committee on Transportation and Communications (COTAC) and Committee in Finance and Banking (COBAF) has brought about many changes and developments in the region (Akrasanee 1987).

Like other regional organisation ASEAN has its own limitation, as there are certain impediments which hamper the performance of ASEAN. The main
impediment of ASEAN, as described by Narongchai Akrasanee, is the lack of political will. Since, national priorities and sovereignty come before regional priorities, it becomes difficult for the policy makers to implement the plans and policies of ASEAN. This fact is illustrated by Narongchai Akrasanee by giving example of the diesel engine project, one of the original ASEAN Industrial Projects (AIPs), which was dropped because some ASEAN members “were not willing to share their markets” (Akrasanee 1987). Besides, economic complementarities, financial constraints, organisation and personnel inefficiency and shortage often limit the progress and achievement of ASEAN.

b) Growth Triangles

The idea of sub-regional co-operation in Asia is closely associated with the concept of growth triangles (GTs), a term first used in the late 1980s by the then Singaporean Deputy Prime Minister, Goh Chok Tong (Jorn Dosch & Oliver Hensengerth. 2005). Goh Chok Tong used the term GT “to circumscribe the economic co-operation between Singapore, the Malaysian state of Johor and the Indonesian province of Riau (SIJORI).” But, Toh Mun Heng and Lingda Low argues that though the concept GTs was first presented by the then Singaporean Deputy Prime Minister, Goh Chok Tong, “the idea of diversifying into Batam was explored earlier by Dr. Goh Keng Swee, then Deputy Chairman, Monetary Authority of Singapore and Mr. Philip Yeo, Chairman, Economic Development Board” (Heng & Low 1995: 217).

The growth triangle as a new form of sub-regional economic co-operation in the ASEAN was introduced in 1989, with the aim to “attempt and exploit the various countries’ comparative advantages in resource endowment” (Heng 1992: x). ADB stated that “the growth triangle concept refers to the exploitation of complementarities among geographically contiguous countries to help them gain greater competitive advantages in export promotion. Growth Triangles can help solve the practical problems of regional integration among countries at different stages of economic development, and sometimes, even with different social and economic systems” (Cited in Dosch & Hensengerth). According to Jorn Dosch and Oliver Hensengerth (2005) the most comprehensive definition of Growth Triangles is given by Chia and Lee who defines it as a region which has, “economic complementarities (or a common resource such as a river, which has to be exploited peacefully and effectively); geographical proximity; policy framework, politically and economically;
infrastructure development to support geographical proximity and access to world markets” (Quoted in Dosch and Hensengerth).

c) Greater Mekong Sub-region

The Greater Mekong Sub-region (GMS) was established in 1992 with the support of the Asian Development Bank (ADB). Nonetheless, the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) have also greatly contributed for the development and success of the sub-regional programme (Greater Mekong Subregion Business Handbook 2002: 1). The ADB supported the GMS programme in the beginning with the aim to overcome “inadequate transport and communications linkage” in the region (ADBI Discussion Paper, No. 16: 5). In fact, GMS began its foundation in 1957 with the establishment of the Mekong Committee “with initiatives from the United Nations and four riparian countries of the lower Mekong basin, namely, Cambodia, Laos, Thailand, and South Vietnam” (Than & Abonyi 2001: 130-131).

The “new regionalism” comprise of six Southeast Asian countries – Cambodia, the Laos People’s Democratic Republic, Myanmar, Thailand, Vietnam, and Yunnan Province of People’s Republic of China, all of which is traversed by the Mekong River, the world’s twelfth longest river covering a distance of 4,200 kilometres (Greater Mekong Sub-region Business Handbook 2002: 1). The length of the Mekong River along the Yunnan province is approximately 2,130 km, 31 km within Myanmar, 789 km within Laos, 490 km within Cambodia and 230 km within Vietnam (Than & Abonyi 2001: 129). GMS has a huge population of about 250 million people but, the region as a whole is very diverse and population is unevenly distributed. Most of the people live in rural areas, but, there are also several cities like Bangkok, Ho Chi Minh City, Kunming and Yangon with populations of more than 3 million each.

Since most of the infrastructures remain under-developed in the region, the GMS main objective “is to jointly develop natural resources and infrastructure by exploiting geopolitical interest and geographical proximity for the development of the Mekong basin sub-region” (ibid: 130-131). Hence, its main aim is based on the idea of political rapprochement through economic co-operation. This approach is in conjunction with general development strategies as outlined by Sewell and White in 1966. International river basin development will undoubtedly be one of the major
means of accomplishing economic growth and social change especially in the
developing countries in the ensuing decades. Most of the world’s major rivers are
international rivers, and most flow through the developing countries. Approximately
150 river basins straddle international boundaries, and together they cover almost one-
half of the world land surfaces, excluding Australia and Antarctica (Sewell & White
1996: 5).

Although the desirability of utilising a drainage basin as a regional unit for an
integrated development programme is apparent in mid-twentieth century, yet,
enterprises of such extensive magnitude has seldom been undertaken. The Tennessee
Valley Authority, the *Compagnie Nationale du Rhone*, and the Damodar Valley Co-
operation are among the few examples of such enterprises (Croizat 1967: 1-2).
Therefore, among the various initiatives for river basin development, the ‘Mekong
project’ has also been one of the most ambitious in the world.

In an early essay on Mekong cooperation written against the backdrop of the
Vietnam War, Black (1969: 12) argued that the most important aspect of the
development of the Mekong Basin is to provide a means for inhibiting violence in the
region, and evoking among the riparian countries a sense of what is possible if they
cultivate the habit of working together. Black’s notion that co-operation among the
Mekong countries could essentially contribute to a permanent stabilisation of the
region had many supporters in the US government who pushed the idea that multi-
lateral economic co-operation would set the framework for political rapprochement
and reduction of tensions. This concept was put forward as an alternative policy to
safeguard US interests in the region without the necessity of heavy military
engagement. This strategy dated back to President Lyndon B. Johnson’s ‘peace
initiative’ of 1965 which aimed at turning the Lower Mekong Valley, with the help of
development aid and in co-operation with the United Nations, from a battlefield into a
busy developing region as a counter-balance to China.

In a glibly bio-regional metaphorical sense the river-as-resource has been
transformed from a Cold War ‘front line’ into a ‘corridor of commerce’ drawing six
watershed countries together in the pursuit of sustainable development (Bakker 1999:
209-210). As such, the old rationale of the United States to establish economic co-
operation in mainland Southeast Asia in order to pacify a war-ridden region has
survived alongside the largely defunct remnants of the US-sponsored Mekong
Committee in the form of the Interim Committee, which was replaced by the Mekong
River Commission in 1985. The arguments holds true in the case of the GMS. While
the main and most visible objective of the organisation “is to harness the ‘economic
complementarities’ of the entire region,” and to jointly develop the huge natural
resources and infrastructure available in the region, the related security goal is
political stabilisation through economic co-operation. The Mekong resource regime is
thus linked to general concerns for political security and stability and reflects political
concerns for ‘sub-regional neighbourhood maintenance.’

The GMS is one of the few regions in the world bestowed with enormous
varieties of natural resources, including a rich flora and fauna, fisheries and minerals
in the form natural gas, coal, petroleum reserves and “some of the Asia’s best
potential for hydropower projects” (Greater Mekong Sub-region Business Handbook
2002: 1). Yet, due to many pervasive political, economic and social problems in the
region most of the areas remain undeveloped and people are poor especially among
rural populations and ethnic minorities. Although rapid and sustainable economic
advances have been made during the 1990s, Cambodia, Laos, and Vietnam still have
low per capita GDQs of about US$ 350. In order, to do away with such economic
disparities the GMS Economic Cooperation Programme was established in 1992, with
direct assistance from the Asian Development Bank (ADB). Subsequently, the
program has created a framework for economic co-operation among the six GMS
member countries “to promote development through closer economic linkages” (ADB
2008). The onset of peace in the region in the 1990s has enhanced the programme to
grow and move forward to fulfil its objectives.

In November 2002, leaders of these six nations converged for a summit along
the Mekong in Phnom Penh, Cambodia, where young people with no memories of
war or terror stroll along a busy waterfront lined with flourishing French-style cafés,
Internet shops, and scores of pushcarts. The leaders endorsed a broad program to
reduce poverty and boost trade and tourism through economic co-operation by
improving road, rail, tele-communications, and power linkages among the five
Southeast Asian members and China’s Yunnan Province. Indeed, better roads will
promote trade, tourism and economic development not only in Cambodia but in the
GMS as a whole. The increased tourism will in turn create more jobs and help in the
drive to reduce poverty in the country. The project will also seek to reduce poverty
through rural connectivity and accessibility (ADB 2002).
At the first GMS Summit in November 2002, participants signed agreements to create a regional electricity market, including building transmission lines, initially between Laos, Thailand, and Vietnam, and to simplify border crossings. They also approved plans to build roads linking the entire region north to south and east to west. While governments will remain accountable for much of the sub-regions development, it is ultimately the private sector that must fuel the process by providing capital, technology, and markets. In recent years, the private sector, although still in a nascent stage in GMS countries, has responded to new commercial opportunities, both in production and trade. Infrastructure development, coupled with policy reforms and market openness, is helping to build competitiveness. With 250 million people who are predominantly young, the GMS offer a potentially sizable market as well as a rich source of human capital.

The region has witnessed some dramatic infrastructural changes, including hydro-power projects, bridges, and new roads. However, economic growth also has its price. These advances have produced challenging social ills, including a growing HIV epidemic, displacement of entire villages for dam construction, environmental degradation and increasing economic disparities between rural and urban areas.

**Regional Integration Agreements**

Regional Integration Agreements (RIAs) according to Das (2004: xi), “are grouping of countries formed with the objective of reducing barriers to trade between members countries.” The commonest and most persuasive motivation behind the formation of an RIA is market expansion in such a manner that all partners of the RIA benefit (ibid: 26). However, the rise of regional co-operation, and an emerging inter-regional politics, has stimulated a lively debate about whether regionalism supports or undermines multi-lateralism, the universal trading system, embodied in the World Trade Organisation (WTO), whose members trade with each other on a non-discriminatory basis. The debate, and the underlying factors of globalisation that inform it, also have ramifications for the role of the state in world affairs (Evans 1997: 62-87).

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Along with the growth of intra-regional trade and organisation, there have been the expansion of trade among regions and the efforts of regions to join forces to augment their bargaining power in inter-regional and multi-lateral negotiations. Inter-regionalism can be seen as a new form of the balance of power. Though inter-regionalism deals more closely with economic rather than with security matters, it may operate in a similar fashion to maintain the momentum for multi-lateral free trade or to counter-balance the power of rival groupings. Regional free trade areas in Europe and North America, and perhaps Asia in the future, raise the possibility of trading zone practicing liberalism inwardly and mercantilism outwardly.

**Regional Economic Co-operation in GMS**

For more than three decades, the implementation of sub-regional integration was halted by war and conflict in the region. The process only gained momentum in 1992 when, with the assistance of the Asian Development Bank (ADB), the six riparian states of the Mekong River entered into a programme of formalised sub-regional co-operation. Since then, the ADB has been the ‘catalysing force’ for most co-operation initiatives (Hirsch 2003: 237). The GMS programme has been directed to the facilitation of sustainable economic growth and improvement of the standard of living in the Mekong region through factor input specialisation and greatly expanded trade and investment. One priority has been co-operation by public and private sectors related to transportation, especially cross-border roads, as well as power generation and distribution.

Since 1992, the ADB has lend US$ 280 million to the priority projects and disbursed US$ 7.6 million for technical assistance to study the sustainable programmes and projects and encourage project consult activities. The ADB is expected to mobilise more than US$ 2 billion for GMS assistance. Moreover, other UN organizations like the International Monetary Fund (IMF), World Bank and sponsor countries such as Japan, France, Australia and the US also support various initiatives within the broader context of GMS co-operation (Linh 2005). In addition to the support for GMS projects the Mekong River Commission (MRC) co-ordinates development efforts in the region. In 1996, the ASEAN Mekong Basin Development Co-operation (ASEAN-MBDC) was founded to focus on multi-lateral infrastructure projects and other cross-border activities in order to link ASEAN with the development in the GMS. ASEAN-MBDC has suffered setback due to the Asian
crisis, and to date ASEAN funding to GMS projects has not fully recovered. The GMS programme is a classic case of market as opposed to institutional integration. While institutional integration is characterised by legal agreements and institutional arrangements that promote preferential trade among members of the agreement, market integration relies on non-official institutions that provide public and quasi-public goods that reduce transaction costs associated with the international movement of goods, services and other production factors (Cooper 1968; Ross & Drysdale 1994).

As a programme of market-based integration, the GMS agenda has concentrated on the provision of physical infrastructure that has public good characteristics, e.g., cross-border infrastructure. Indeed, essential infrastructure of all types remains under-developed in most of the GMS economies, and the GMS programme has focused on overcoming this constraint. Initiative such as the East-West, North-South, and Southern economic corridors are creating a network of roads that connect the region to others (ADB 2005). Options for inter-connections for power transmission and the development of fiber optic transmission links are both covered under the GMS flagship programmes on power and tele-communications which also fall within the geographic scope of these corridors. As argued by Mussa, the role that transport and communication infrastructure plays in driving economic integration should not be underestimated (Mussa 2000). In many ways, the reductions in transport and communication costs taking place in much of the Mekong region today is parallel to those that took place in the industrialised world decades ago.

Apart from “hardware” in the form of physical infrastructure, the GMS programme has also tried to address complementary “software” issues. The GMS programme supports a range of measures to facilitate cross border trade and investment that are designed to promote sub-regional economic integration. These include improving procedures and transparency for customs clearance and enhancing technical skills to improve the application of various regulatory systems; and the pilot testing of single-stop procedures of customs inspection at selected border sites. It is noteworthy that research conducted by UNCTAD and cited by the Joint Study Group suggests that customs paperwork and procedures costs add up to about 7% of the global value of trade (Joint Study Group 2000; Hertel, Walmsley & Itakura 2001). However, this is likely to be an under-statement of these costs in the case of the Mekong region given initial conditions, or the relatively poor state of such systems and procedures at present. The GMS programme is also helping member economies
prepare for a single GMS visa system. Besides promoting tourism and reducing the direct cost of cross-border control and management, a single-visa system would have indirect but positive effects on trade and investment.

The development of “trade-investment nexus” in GMS member countries are taking place at a fast pace. The rapid increase of intra-GMS trade from 5.7 percent in 1992 to 12.6 percent in 2002 is a clear indication of it. Similar trend has been observed in intra-GMS net foreign direct investment (FDI) flows. The net FDI flows from the six GMS economies to Cambodia, Lao PDR, Myanmar, Thailand, and Vietnam combined rose sharply from $130 million in 2000 to about $210 million in 2002, and estimates suggest that this growth trend has continued since (ADBI Discussion Paper No. 16, 2004).

The GMS is one of the world’s fastest-growing sub-regions. With the exception of Thailand, which was directly affected by the Asian financial crisis, growth has remained at about 4% or higher in all of the economies for the past decade. GDP growth in all six economies was robust in 2002, ranging from 5.5% in Cambodia to 7% in Vietnam. The GNP-weighted average growth for GMS in 2002 was higher than 6%, significantly higher than the average of 4.8% recorded in 2001. Available data suggest that the trend of strong growth has continued in 2003 despite the outbreak of the Severe Acute Respiratory Syndrome (SARS) epidemic and the uncertainties induced by war in Iraq.

All economies except Cambodia are expected to have grown by about 6% or higher in 2003, with Vietnam again topping the list at 7.1%. Cambodia’s growth is likely to be about 5%, because of security concerns in early 2003 and ongoing political uncertainties. Various domestic and external factors have played a role in continuing this growth trend in 2003. Factors contributing to growth have been strong consumer spending, improved agricultural output induced by favorable weather, increased exports, and fiscal stimulus packages in many economies.

Except for Myanmar and Lao PDR, consumer price inflation remained low and manageable in the GMS economies during 2003. The low inflation resulted from a variety of factors including improved food supply, relatively stable exchange rates, and slow growth in money supply. Although inflation remains endemic in Myanmar,

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4 Myanmar’s Ministry of National Planning and Economic Development reports 9.7% growth in 2002, but independent estimates are about 6%.
Lao PDR subdued some of its inflationary pressures late in 2003 by introducing a range of restriction fiscal measures.

All GMS economies except Thailand continued to have fiscal deficits during 2003, partly reflecting higher expenditures aimed at stimulating the economy. Thailand posted its first surplus since the Asian financial crisis began. Difficulties in raising government revenues largely account for ever-increasing budget deficits in Lao PDR, Cambodia, and Myanmar. Difficulties with revenue collection continue to pose a threat to macroeconomic stability in Lao PDR and Myanmar; in Cambodia, the impact of revenue collection problems is mainly felt through the constraint it places on the Government’s capacity to implement social and other expenditure programs.

In the external sector, exports surged in all economies in 2002 except for Myanmar. This trend has largely carried over to 2003, despite SARS and other global uncertainties. The increase has been particularly impressive in Thailand, Vietnam, and Yunnan Province of PRC, due largely to improved external demand and, for Vietnam, to high crude oil prices. All economies except Thailand continue to run current account deficits, although none of the deficits appear non-sustainable. Net foreign direct investments (FDI) in Thailand, Lao PDR, and Vietnam increased sharply in 2003, after having slowed in most GMS economies in 2002. The growing link between volumes of economic transactions and increasing prospects for peace and stability through Mekong co-operation is likely to have an impact on sub-regional security, including but not limited to subsequent initiatives and developments within the GMS remit (Deutsch 1997)

Evolution of East-West Economic Corridor

By late 1990s, the GMS countries having felt the importance of developing intra-regional transport system for speedy developments of the region through mutual economic co-operation that have begun to adopt a holistic approach to development in the form of economic corridors. In the light of this background, the “East-West Economic Corridor (EWEC) emerged as a concept in the 8th Ministerial Conference of GMS Countries held at Manila in October 1998” (ADB 2008). Subsequently, in the 10th GMS Ministerial Conference held in Yangon (Myanmar) in November 2001, the strategic initiative wherein the idea and concept to “facilitate cross-border trade and investment” was adopted as one of the five strategic development thrusts to fulfill “a well-integrated and prosperous Mekong sub-region, free of poverty and committed to
protecting the environment so vital to the sub-region’s future wellbeing.” In it, 74 projects which are likely to cost about US$ 364 million was also recommended for the success of EWEC.

The first GMS Summit in Phnom Penh (Cambodia) in November 2002 gave further fillip by supporting to develop the corridors in Mekong River Sub-region and consider EWEC as one of the priority development projects of the sub-region (ADB 2002). The flagship initiative for the EWEC “directly supports three of the five strategic thrusts of the Greater Mekong Sub-region Strategic Framework: (i) strengthening infrastructure linkages through a multi-sectoral approach, (ii) facilitating cross-border trade and investment, and (iii) enhancing private sector participation in development and improving its competitiveness.”

The ADB has established economic arteries for facilitating sub-regional cooperation. The EWEC land route, which was one of the GMS flagship programme, stretches for nearly 1,000 miles across Myanmar (Yangon-Dawei); Thailand (Nong Khai-Bangkok); Route 13, in Laos; and Highway 1A, in Vietnam. Together with improved national highways, such as Highway 1, which stretches across the length of Vietnam, this network will facilitate trade in the subregion and broaden its outreach to other ASEAN members and South Asia. Whereas, the proposed first East-West sea-land-sea route will run through Da Nang Port in Vietnam, through Thailand, transiting Loa PDR via new Second Friendship Bridge at Savannakhet and proceeding west to Thailand and Myanmar.

History has proved that better transport facilities not only minimises transaction costs but also enabled import and export development of the region by making “easier and faster delivery of products to overseas markets and to import raw materials for further manufacturing and processing” (UN 2002). Another major initiative within the framework of EWEC was to reduce poverty in the corridor by supporting the development of rural and border areas. It intend to increase the income generation capacity of low-income groups by providing employment opportunities and by promoting tourism which is one of the fast growing sectors in this region.

The Transformative Period 1995-2005

Although the Mekong Committee was established as early as 1957 by the four riparian countries of the Lower Mekong Basin-Cambodia, Laos, Thailand, and South Vietnam “to promote, co-ordinate, supervise, and control the Lower Mekong Basin,”
it did not materialise due to many internal discord issues. The implementation of OMS began to take shape only in 1995 “when the old Mekong Committee was re-organised by the original four members and formally renamed the Mekong River Commission (MRC) in April 1995 as an inter-governmental organisation with the aim of stimulating regional economic and social development among the riparian countries in the Lower Mekong Basin” (Than & Abonyi 2001: 130-32). Subsequently, the first dialogue session of the MRC was held in July 1996 in Bangkok creating a new landmark in the history of the development of the regional co-operation in the Southeast Asian Nations (ibid).

The GMS programmes aim to bring about equitable development to the entire region of Southeast Asia through economic co-operation especially in the less developed countries of the region like Cambodia, Laos PDR, Myanmar and Vietnam (CLMV). In the first decade of its formation (1992-2005), the GMS “priority projects worth around US$ 5.2 billion have been either completed or being implemented.” Thus, by mid-2002, 10 major infrastructural projects like building better transport facilities, inter-connected energy development, facilitating easy cross-border movement of goods and people, the development of fiber optic tele-communication backbones, the promotion of GMS as a single tourist destination, development of strategic environment framework, promotion of cooperation on HIV/AIDS and human resource development are reported to have been either completed or under implementation.

Besides the above programmes during 1995-2005, various important social, cultural, economic and political agreements were signed and agreed upon bilaterally and multi-laterally by the member countries. These includes the 1995 Agreement on the Co-operation for the Sustainable Development of the Mekong River Basin; the 1999 landmark trade accord; 2001 Flood Management and Mitigation Agreement between Cambodia, Laos, Thailand and Vietnam; and the 2002 Mekong Enterprise Fund. The GMS programme is multi-dimensional in nature. Several Mekong countries are in the transition stage towards market-based and diversified economies. Although some areas of the Mekong sub-region are developed and competitive, much of the sub-region remains poor and dependent on subsistent farming, in part because complementarities exist among member countries of the GMS. Progress in developing these complementarities has been impressive. However, much remains to be done to improve the sub-region’s basic infrastructure.
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