

# Taking Stock: Achievements and Challenges

Since its establishment in 1993, the IMT-GT has grown both in geographical scope and activity. It currently covers all of the island of Sumatera consisting of ten provinces (compared to two originally), eight states in Malaysia (four states originally) and eight provinces in Southern Thailand (five provinces originally). During its first thirteen years of existence, the IMT-GT subregion has crossed

many milestones and faced many challenges. During this time, the vigor and dynamism of the private sector was demonstrated, with many partnerships and alliances being established. People-to-people contact has increased, and this is helping build trust and confidence and instill a feeling of community in the IMT-GT.

The first thirteen years were also marked by noteworthy gains in various sectors of cooperation.





Significant advances have been made in the area of travel and tourism, with the robust growth in the number of travelers within and from outside the IMT-GT subregion, the operation of more airlines, the increase in the frequency of flights to the subregion, and the expansion in the number of hotels, especially in Medan, Hat Yai and Sadao. Compared to the thrice weekly flight between Penang in Malaysia and Medan in Indonesia at the start of the IMT-GT initiative, today there are six airlines flying several flights a week not just between Penang and Medan, but also to other IMT-GT airports such as Pekanbaru and Palembang in Indonesia. A key factor which greatly improved the mobility of people in the subregion was the abolition of the exit tax by the Government of Indonesia on Indonesians leaving the Indonesian parts of the IMT-GT for the Malaysian and Thai parts of the

region. This has resulted in an increase in the number of Indonesian workers in Malaysia, as well as in medical tourism from Sumatera into Malaysia, particularly in Penang which receives almost 200,000 such visitors from Indonesia annually.

In sea transport, four new routes were opened to move people and goods from ports in Sumatera such as Belawan, Pekanbaru, and Dumai to Penang and Melaka in Peninsular Malaysia. One route was created to service the link between Satun in southern Thailand and Langkawi in Malaysia. Roll-on-roll-off (ro-ro) ferry services were started between Belawan in Sumatera and Penang in Malaysia. In land transport, road linkages between Penang and Songkhla were improved, while part of the Trans-Malaysia-Thailand Bridge was constructed with the cooperation of Petronas and Petroleum Authority of Thailand. In telecommunications, a submarine fiber optic cable link



between Peninsular Malaysia and Sumatera was constructed through the cooperative efforts of Telekom Malaysia Bhd. and Jasmine International of Thailand. In energy, an intercountry power sharing agreement between Malaysia and Thailand was concluded, specifically covering the independent power producer (IPP) power plant in Perlis, for Malaysia to provide power to the provinces in southern Thailand.

There has also been progress in trade and investment, such as the development of border markets and barter trading within the subregion. The extended operating hours at the Malaysian border towns of Bukit Kayu Hitam and Sadao has helped in expanding cross border trade between Malaysia and Thailand. The volume of barter trade between Indonesia and Malaysia has also grown significantly. As regards investments, the Malaysian private sector has invested in commercial

agriculture in Sumatera, specifically in oil palm and banana plantations. Investments have also been made in developing and expanding tourism facilities especially resorts and three-star hotels in the IMT-GT subregion. In the field of human resources development (HRD), IMT-GT has established "UNINET", which is a cooperative form of education, research and exchanges among educational, research and training institutions in the IMT-GT subregion. Special HRD programs such as training in nursing and hospitality services have been conducted.

Despite these achievements, many of the constraints and issues faced by the IMT-GT during its earlier years remain. At the same time, cooperation in the IMT-GT was slowed down by the Asian financial crisis and more recently, by the devastation caused by the tsunami in 2005, the threat of SARs and avian flu epidemic, security concerns, and rapidly rising world oil prices. As the IMT-GT becomes more global in its stance and economic endeavors, it will be inevitably faced with difficult challenges, among which are:

- (i) how to take full advantage of opportunities arising from increasing globalization, ASEAN's economic integration, and initiatives toward greater economic integration in Asia;
- (ii) how to continue to grow and progress as a subregion in the broader context of the faltering multilateral trade negotiations under the Doha Round, the increasing number of bilateral

and regional trade deals, and the competition posed by other countries, especially the PRC and India, and other growth areas in Asia;

- (iii) how to accelerate the implementation of liberalization, simplification and harmonization measures covering investments, trade in goods and services, and mobility of labor, which are needed to fully develop the economic complementarities of the IMT-GT subregion, promote greater private sector participation and expand trade and investments;
- (iv) how to mobilize resources to finance critically needed physical infrastructure and logistical support to investments in the IMT-GT subregion; and
- (v) how to sustain the momentum of cooperation in the IMT-GT subregion in the face of

concerns regarding security and the threat of infectious diseases.

The IMT-GT has taken steps to address these challenges, including the repositioning and restructuring in 2000 of its institutional mechanisms for managing and coordinating IMT-GT cooperation. Moving forward, it is necessary to have a clear and shared vision, coherent framework and strategy for action and cooperation, a realistic and pragmatic plan of action, and effective institutional mechanisms for implementing cooperative programs to achieve the IMT-GT's vision and goal. This Roadmap for 2007-2011 provides both a framework, as well as a plan of action for IMT-GT development to ensure timely and effective implementation of priority IMT-GT programs and projects and achieve synergy among various cooperative activities in the IMT-GT subregion.

This Roadmap for 2007-2011 provides both a framework, as well as a plan of action for IMT-GT development to ensure timely and effective implementation of priority IMT-GT programs and projects and achieve synergy among various cooperative activities in the IMT-GT subregion.

