

**REPORT ON
THE FIRST LEADERS' MEETING
THE 11TH SENIOR OFFICIALS' MEETING AND THE 8TH MINISTERIAL MEETING
OF THE BRUNEI DARUSSALAM, INDONESIA, MALAYSIA, PHILIPPINES ^{3/4}
EAST ASEAN GROWTH AREA**

I. INTRODUCTION

1. Brunei Darussalam, Indonesia, Malaysia, Philippines—East ASEAN Growth Area (BIMP-EAGA) subregional cooperation initiative was launched in March 1994. The initiative stalled in the aftermath of the Asian financial crisis. ADB has been supporting BIMP-EAGA since its inception.¹ The initiative regained some momentum after the crisis subsided in the region. At the 7th ASEAN Summit held in Brunei Darussalam in 2001, ADB was invited to become BIMP-EAGA's regional development advisor to help the four countries revive the economic cooperation activities in the subregion. As the leaders of the four countries met on 6 October 2003 in Bali, Indonesia for the first BIMP-EAGA Leaders' Meeting held in conjunction with the 9th ASEAN Summit, ADB President Chino was invited to the meeting as BIMP-EAGA's regional development advisor, along with the Secretary-General of ASEAN.

2. Preceding to this BIMP-EAGA Leaders' Meeting, the 11th Senior Officials' Meeting (SOM) and 8th Ministerial Meeting (MM) were held in Davao, Philippines, from 10-12 September 2003. This paper reports the President's participation in the BIMP-EAGA Leaders' Meeting and the 11th SOM and 8th MM of BIMP-EAGA in which SERD participated.²

II. BIMP-EAGA LEADERS' MEETING

3. The BIMP-EAGA Leaders' Meeting was chaired by President Megawati Soekarnoputri of Indonesia, and attended by Sultan Haji Hassanal Bolkiah Mu'zzaddin Waddaulah of Brunei Darussalam, President Gloria Macapagal-Arroyo of the Philippines, Prime Minister Dr. Mahathir bin Mohamad of Malaysia, President Tadao Chino of ADB and Secretary-General Ong Keng Yong of ASEAN. The meeting discussed progress made and future directions of BIMP-EAGA, which is entering its 10th year, and reconfirmed the strong commitment of the four countries to revive the BIMP-EAGA initiative within the ASEAN framework.

4. The meeting took special note of ADB's support to BIMP-EAGA as its regional development advisor. Key agreements at the meeting include: (i) taking coordinated action on security; (ii) stepping-up public sector support for this mainly private sector-led initiative; (iii) paying greater attention to the coordination with outside-region particularly with "Plus 3 countries (Japan, PRC and Korea)" and Northern Territory, Australia; and (iv) stepping up infrastructure development in the subregion. The meeting agreed to pursue a pragmatic approach in forging cooperation by initiating BIMP-EAGA flagship projects and endorsed the recommendation of MM and SOM to focus, among others, on cooperation in tourism, transportation and agro-industry sectors. Transport ministers of participating countries are

¹ ADB supplied the initiative with RETA No. 5625: *Study of the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area*, approved on 16 March 1995 for \$1.8 million.

² ADB delegation was led by Ms. S. Akhtar, Deputy Director General, Southeast Asia Department (SERD) and included Messrs. A. Konishi, Director, Governance, Finance and Trade Division, SERD; T. Zhang, Senior Programs Coordination Specialist, Office of the Director General, SERD; E. Rodriguez, Economist, SEGF, SERD; and T. Konishi, Programs Coordination Specialist, Office of the Director General, SERD.

tasked to meet and take the lead in further promoting the development of land, air and sea linkages so as to encourage the flow of tourists, goods and services.

5. In his statement, President Chino emphasized ADB's commitment in continuing supporting BIMP-EAGA and suggested consideration of a strategy of small and medium scale enterprises (SMEs) development and investment in key infrastructure projects in the region. President Chino also reported on ADB's plan to formulate a regional cooperation assistance strategy to guide ADB's future operations in the entire Southeast Asia region. Appendix 1 is the joint statement of the leaders of the four countries on this meeting, and President Chino's speech at the meeting is at Appendix 2.

III. 11th SENIOR OFFICIALS' MEETING AND 8th MINISTERIAL MEETING

6. Preceding the Leaders' Meeting, MM was held on 12 September 2003 and SOM on 10 and 11 September 2003. Participating in these two meetings were ministers and senior officials of the Brunei Darussalam, Indonesia, Malaysia, the Philippines; and representatives of the East ASEAN Business Council (EABC).³ As BIMP-EAGA's regional development advisor, ADB participated in both meetings. Officials of the Secretariat of the Association of South East Asian Nations (ASEAN) and the Government of Northern Territory, Australia also attended.

7. The SOM/MM noted the progress made in the following areas.

- (i) Strengthening of institutional mechanism of BIMP-EAGA including the BIMP Facilitation Center (BIMP-FC) at Kota Kinabalu, Sabah, Malaysia;⁴
- (ii) Constitution of four cluster working groups including: (i) Natural Resources Development; (ii) Transport and Infrastructure Development; (iii) Joint Tourism Development; and (iv) SME Development and Capital Formation and Financial Services. Each of the BIMP-EAGA members will serve as a lead coordinator for these groups;
- (iii) EABC's Medium-Term Financial Sustainability Plan (2003-2007), which would provide business development services for EAGA entrepreneurs including marketing information; and
- (iv) Strengthening security cooperation and facilitating cross-border movement of people, goods, and services in BIMP-EAGA.⁵

8. In the statement to MM, ADB provided its perspective on challenges and opportunities of regional economic development and cooperation. The Ministers were briefed that ADB has initiated work to formulate its first regional cooperation strategy and program (RCSP) for the Southeast Asia Region including BIMP-EAGA. The new strategy will recognize the need for (i) strengthening economic competitiveness in the region by deepening economic integration; (ii) enhancing regional economic cohesion and stability, and (iii) promoting long-term sustainable

³ Created in 1994, the EABC has (i) corporate members covering EAGA- and non-EAGA-based companies and organizations, and (ii) associate members comprising EAGA-based chambers of commerce and trade associations.

⁴ ADB approved TA No. 6062: *Support for Coordinating the Revival of Cooperation Activities in the BIMP-EAGA*, on 30 October 2002 for \$600,000, to assist this initiative.

⁵ ADB supported a study on the "Customs, Immigration, Quarantine, and Security (CIQS) in BIMP-EAGA" in 2001.

economic growth through improving infrastructure services, addressing environment concerns and trade facilitation. The strategy will examine the subregion's resource potential and how the comparative advantage can be best realized.⁶

IV. NEXT STEPS

9. In the immediate future, ADB will:

- (i) Support the four cluster working groups and help in preparing coordination arrangements and division of responsibilities among BIMP-FC, EABC, the national secretariats and the four cluster working groups; and
- (ii) Help develop a BIMP-EAGA database and strengthen the regional networking capacity of SMEs in BIMP-EAGA providing two TAs in 2003.⁷

10. In these initiatives, ADB will work closely with the ASEAN Secretariat, the Australian Government, and other multilateral and bilateral development agencies.

⁶ ADB has launched studies to identify the transport corridors that need to be developed and is exploring on how BIMP-EAGA region could benefit from the Asia and ASEAN Highways.

⁷ Two TA projects have been included in the 2003 regional assistance plan of the Southeast Asia Department: (i) Developing a Database for BIMP-EAGA, and (ii) Strengthening SMEs Regional Networking Capacity in the BIMP-EAGA. See "Subregional Cooperation Strategy and Program Status Report: Southeast Asia," IN225-02, 19 September 2002.

**JOINT STATEMENT
BRUNEI DARUSSALAM-INDONESIA-MALAYSIA-PHILIPPINES
EAST ASEAN GROWTH AREA (BIMP-EAGA)
LEADERS' MEETING**

BALI, 6 OCTOBER 2003

1. We, the Leaders of Brunei Darussalam, Indonesia, Malaysia, and Philippines held a meeting today to discuss the development in the Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA). Our discussion primarily focused on reviewing the activities undertaken thus far by BIMP-EAGA, and determining the future direction of the development in the subregion.
2. We reaffirmed the importance of BIMP-EAGA as a subregional growth area within the overall context of bridging the development gaps in ASEAN, and the importance of accelerating its economic development to improve the livelihood of its inhabitants, ensure the fair distribution of the benefits of growth, increase prosperity, and maintain security and stability in the subregion.
3. We noted the ongoing progress in the subregional cooperation led by the private sector under the East ASEAN Business Council (EABC) and the support of regional governments by providing various investment incentives and trade facilitation schemes. To better respond to the needs of the private sector, we tasked our relevant ministers to develop more attractive trade and investment regimes, promote the development of external trade, and undertake measures to eliminate trade impediments so as to reduce the cost of doing business in the BIMP-EAGA region.
4. We are determined to enhance the BIMP-EAGA initiatives by strengthening the institutional setup of the BIMP-EAGA subregional cooperation. We therefore tasked our ministers and senior officials concerned to strengthen the coordinating mechanism of the BIMP-EAGA cooperation with the establishment of a BIMP-EAGA Facilitation Center in Kota Kinabalu and by empowering national focal point institutions. We commended the Government of Malaysia for providing the support to the establishment of the Center.
5. We agreed to pursue a more pragmatic approach in forging cooperation by initiating BIMP-EAGA flagship projects that will produce greater impact in the subregion. We endorsed the recommendations of our ministers and senior officials to focus, among others, on cooperation in tourism, transportation, and agro-industry sectors, even as they continue to cooperate in other prime-mover sectors that reflect the strength of the subregion.
6. We tasked our transport ministers to meet and take the lead in further promoting the development of land, air, and sea linkages so as to encourage the flow of tourists, goods, and services.
7. We acknowledged with appreciation the support of the Asian Development Bank as the regional development advisor of BIMP-EAGA, and the ASEAN Secretariat, and requested their continued support for the formulation and implementation of the BIMP-EAGA development programs in line with the Initiative for ASEAN Integration (IAI).

8. We welcomed the support of the Plus 3 countries (People's Republic of China, Japan, and the Republic of Korea) in the development of the BIMP-EAGA. Their participation in the future of the subregion will contribute toward achieving our long-term vision of an integrated East Asian community. We also take note of the interest of the Northern Territory of Australia to establish close linkages and partnerships with the BIMP-EAGA region.

NEW ERA OF SUB-REGIONAL ECONOMIC COOPERATION AND DEVELOPMENT IN BIMP-EAGA⁸

**STATEMENT BY
MR. TADAO CHINO
PRESIDENT
ASIAN DEVELOPMENT BANK
BIMP-EAGA LEADERS' MEETING, 6 OCTOBER 2003, BALI, INDONESIA**

I. Introduction

Your Excellencies, Distinguished Guests: It is a great honor for me to make a presentation on a New Era of Sub-Regional Economic Cooperation and Development in BIMP-EAGA.

II. BIMP-EAGA: Shared Vision of Peace and Development

Your Excellencies, ADB shares your common vision of a brighter future of BIMP-EAGA given that these economies have substantial economic potential but are also home to nearly 16 million poor. This sub-region faces complex development challenges in terms of location and geographical landscape, the archipelagic features and remoteness from national capitals and growth centers. The gains from economic and social development at the national and regional levels have not yet filtered down to benefit these areas. Impeding the growth prospects of this sub-region are security concerns and lack of access to domestic and international markets. Economic prosperity of BIMP-EAGA holds promise for increased regional peace and security as the area bound by a common socio-cultural heritage. The concept of BIMP-EAGA is built on the strong conviction of the leaders of the participating countries that national and regional interests could be best served by promoting cross-border trade and economic joint ventures aimed at acceleration of development and reducing the widespread poverty in the sub-region. It is also recognized that this sub-regional focus will help enhance ASEAN's global competitiveness.

During the short history of nine years of BIMP-EAGA, it is encouraging that the four nations have together sustained the momentum of economic cooperation through policy dialogue and exchanges despite the serious setback due to the Asian financial crisis and persisting global, regional and national security concerns. The sustained recovery and development after the crisis and the resolute efforts being undertaken by the participating countries to address security concerns are paving the way towards a brighter future for BIMP-EAGA.

III. ADB's Mandate and Role in Regional Cooperation

Your Excellencies, in line with the charter mandate, ADB supports regional cooperation in Asia. The Bank, ever since its establishment has catalyzed and promoted regional cooperation in a number of ways across the Asia-Pacific region to promote development and reduce poverty. Notable among these initiatives are the Greater Mekong Subregion (GMS) program, launched in 1992, which has now resulted in total investment in the GMS region of over \$2 billion. ADB's efforts to promote subregional cooperation in the Central Asia and South Asia regions where transport and energy linkages are being developed alongside cross-border trade and customs facilitation, have been also noteworthy. In Southeast Asia, ADB has

⁸ Brunei Darussalam, Indonesia, Malaysia, Philippines – East ASEAN Growth Area.

supported the genesis of the BIMP-EAGA and the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT). At a broader regional level, ADB has encouraged exchanges, among Asian countries, of ideas, policies and technologies in several areas including food policy and nutrition, integrated water resource management, development of mega city-alliances, and global environmental issues such as greenhouse gas abatement, emissions control, and coastal and marine resource management. With the recognition that sustained growth requires stronger cooperation in the promotion of global and regional financial stability, ADB's Regional Economic Monitoring Unit and ADB's support for APEC Finance Minister's process have served as vehicles for promoting economic and financial cooperation in the region.

IV. ADB's Support for BIMP-EAGA

Immediately after the BIMP-EAGA initiative was launched, ADB provided a large technical assistance of \$1.8 million in 1995 to help prepare a Study for BIMP-EAGA. Since the Asian financial crisis, ADB has been assisting to revive the BIMP-EAGA initiative. In response to the invitation extended to ADB to be the BIMP-EAGA's advisor at the 7th ASEAN Summit in Brunei Darussalam in 2001, ADB has stepped up its support to BIMP-EAGA in a number of initiatives. These include

- (i) development of small and medium enterprises through innovative financing mechanisms, business development support services, alleviation of infrastructure bottlenecks, and harmonization of SME support policies at regional level;
- (ii) harmonization of customs, immigration, quarantine and security (CIQS) in BIMP-EAGA sub-region in accordance with the efforts of AFTA, ASEAN Customs Vision 2020, and the APEC;
- (iii) simplification of port-to-port arrangements; and
- (iv) development of a transport strategy for South East Asia, particularly air and sea linkages to provide cost effective corridors.

These initiatives are aimed to achieving strong private sector participation and public-private partnerships, and involve technical assistance grants of \$4.1 million.

V. Going Forward

Your Excellencies, in order for the sub-region to accelerate its development, BIMP-EAGA's development strategy should pay particular attention to

- (i) developing supportive physical and social infrastructure with effective cross-border linkages;
- (ii) further promoting peace and stability so that BIMP-EAGA offers a cost effective and secure destination for investments;
- (iii) promoting small and medium industry, including in the field of agribusiness, to unleash the region's comparative advantage;
- (iv) promoting tourism; and
- (v) developing institutional mechanism for business and trade facilitation.

I would like to emphasize the first item of this agenda. Development of physical and social infrastructure would help dismantle barriers which have denied these regions benefit from trade, access to technology, and capital and labor mobility. However, it will need resources—human and financial—from both the public and private sectors, and an effective mechanism to deploy necessary resources has to be developed as a matter of priority.

ADB is launching work on development of a broader regional cooperation strategy for the South East Asia region, building on the strong foundations of sub-regional cooperation laid by BIMP-EAGA. Even as this strategy is being crafted, ADB will be ready to finance infrastructure investments to promote economic cooperation in BIMP-EAGA and help further develop the institutional framework and financing modalities for promoting SME and private sector participation.

To conclude, I am happy to note that Ministers and Senior Officials of the four countries have been working hard to come up with well thought-out recommendations and action agenda. BIMP-EAGA surely needs a clearly defined strategy to accelerate the pace of development of these resource-rich but low income economies. The time is ripe for the countries to seize the opportunity to open a new era of sub-regional economic cooperation and development in BIMP-EAGA. ADB will do its utmost in supporting this very important sub-regional cooperation initiative.

Thank you.