

**BRUNEI DARUSSALAM INDONESIA MALAYSIA PHILIPPINES  
EAST ASEAN GROWTH AREA (BIMP-EAGA)**

**AN OVERVIEW**

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**GLOBAL SETTING OF BIMP-EAGA**

The objective of this paper is to provide an overview of what many consider as the most promising emerging growth triangle in Southeast Asia – Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area, otherwise known as the BIMP-EAGA.

This paper will explain the brief history of BIMP-EAGA, its reason for being, its unifying vision, its structure and policy framework and its initial accomplishments.

The establishment of growth triangles has been an innovative strategy utilized by Asian countries in order to accelerate regional growth. The growth triangle strategy is consistent with the worldwide trend towards a more open trade regime.

The BIMP-EAGA is supportive of the goals and objectives of the ASEAN Free Trade Area (AFTA), which has formulated a Common Effective Preferential Tariff (CEPT) to expand trade

among member-countries. The countries participating in the BIMP-EAGA have themselves been active in the formation of the Asia Pacific Economic Cooperation or APEC and are likewise fully supportive of the objectives of the World Trade Organization (WTO).

The BIMP-EAGA project is also a key strategy of the participating governments to focus their development efforts in the areas within their countries that in the past have not fully benefited from the rapid economic growth over the last 10 years. The BIMP-EAGA project therefore has received very strong support from the central governments of the participating countries in view of their common desire to promote balanced growth within their countries. In fact, the BIMP-EAGA initiative is currently one of the main mechanisms being utilized to strengthen Mindanao's trade and economic linkages with its ASEAN neighbors.

## **HISTORY**

Determined to bring these underdeveloped areas into the mainstream of development, the heads of the governments of Brunei, Malaysia and the Philippines discussed the concept of forming a sub-regional economic grouping as early as October 1992. After a series of discussions among the leaders of those four countries, BIMP-EAGA was formally established on 26 March 1994 in Davao City, Philippines. During its establishment, our leaders cited the trading links which existed even before the 16<sup>th</sup> century, when these areas were part of the Asian trading route that stretched from North Asia to as far as India and the Arab Gulf.

The growth area project initially was composed of Brunei Darussalam, the provinces of East Kalimantan, West Kalimantan and North Sulawesi of Indonesia, the states of Sabah, Sarawak

and the Federal Territory of Labuan in Malaysia, and Mindanao and Palawan in Southern Philippines. Indonesia later expanded its participation to include the provinces of Irian Jaya, Maluku, and all the provinces in Sulawesi and Kalimantan. Hence, today, the areas included in BIMP-EAGA have a combined population of 45 million and a land area close to 1.6 million square kilometers.

### **OBJECTIVES OF THE BIMP-EAGA**

The major goal of the BIMP-EAGA project is very clear: to increase trade, tourism and investment in the growth area through cross border cooperation.

To ensure attainment of this major goal, member-countries have agreed to:

1. Facilitate the freer movement of people, goods and services to stimulate the expansion of the sub-region's market and resource-base;
2. Rationalize the development of vital infrastructure in the sub-region; and
3. Coordinate the management of ecosystems and common resources to ensure sustainable development.

Economic growth is expected to be principally driven by new investments from both local and foreign enterprises.

The governments of the four participating countries are encouraging the private sector to take a leading role in expanding economic cooperation within BIMP-EAGA.

In fact, the business sector has organized the East ASEAN Business Council (EABC) with a full time Secretariat in Brunei Darussalam. The East ASEAN Business Council promotes private sector participation in all of the activities in the BIMP-EAGA and the Chairman of the EABC actively participates in BIMP-EAGA Senior Officials Meetings and regularly reports during the Ministerial Meetings.

On the other hand, the governments of the member-countries are committed to provide an environment conducive for the private sector to grow. As an example, consensus from all the four countries need not be obtained for projects involving 2 or 3 of the participating countries. Joint ventures between any participating country and a third country would likewise be welcome.

To maintain initiative at the country level, no central secretariat was formed by the four governments. Instead, working groups have been created where the private sector is encouraged to actively participate.

## **REGIONAL COOPERATION IN BIMP-EAGA**

Specifically, working groups have been formed to expand cooperation in the following areas which have been identified for priority development:

<b>Areas of Cooperation</b>	<b>Lead Country</b>
Expansion of Air Linkages	Brunei Darussalam
Sea Linkages, Transportation & Shipping Services	Indonesia
Joint Tourism Development	Malaysia

Expansion of Fisheries Cooperation	Philippines
Construction & Construction Materials	Philippines

The other identifies areas of cooperation are:

<b>Areas of Cooperation</b>	<b>Lead Country</b>
Telecommunications	Brunei Darussalam
*Environmental Protection & Management	Brunei Darussalam
*Forestry	Indonesia
People Mobility	Indonesia
Human Resources Development	Malaysia
Capital Formation & Financial Services	Malaysia
Energy	Malaysia
Agro-Industry	Philippines

*\*later merged under the Chairmanship of \_\_\_\_\_*

Each working group is composed of government and private sector representatives from the member-countries and is chaired by a specific country.

### **MODIFYING NATIONAL POLICIES IN SUPPORT OF BIMP-EAGA**

BIMP-EAGA developed quickly in the first four years since its inception and was considered one of the most active growth areas in the Asian region. The initial rapid growth was due to the strong support of the four participating governments and the enthusiastic participation of the private sector of the member-countries.

One of the immediate goals of the economic cooperation was the physical integration of the growth area. To this end, the BIMP-EAGA member countries actively promoted and in some cases modified national policies to facilitate the introduction of new air and sea routes as well as telecommunication facilities.

For example, in the field of air transportation, it was agreed in February 1995 that landing rights for cities within the BIMP-EAGA would be liberally granted to designated carriers from the four countries. Consequently, new commercial routes are now in place connecting major urban centers in the growth area. Airport infrastructure throughout BIMP-EAGA is also being upgraded to accommodate the increasing international passenger traffic and cargo. Likewise, there have been preliminary talks to establish a regional airline to be owned by investors from the countries in order to better address the expanding air transportation needs of BIMP-EAGA.

To encourage domestic ship operators to expand their services to more BIMP-EAGA cities, the Agreement on the Common Port Tariff Program between the Philippines and Indonesia was signed last October 1997 thereby reducing port and dockage fees within the two areas by as much as 50% (Reduced Port Charges - \$0.04/GRT; Reduced Dockage Fees - \$0.02/GRT).

The reduction of port charges between the two countries has resulted to a substantial increase in the trading activities between Mindanao and North Sulawesi. Citing this favorable development, Brunei Darussalam recently manifested its interest to likewise forge a similar agreement.

Policies on travel and exit taxes have also been modified to promote travel and trade within BIMP-EAGA. Specifically, Indonesia and the Philippines now exempt their nationals from paying the levy or tax for travel from these countries to destinations within BIMP-EAGA.

Mobility of migrant workers has been greatly enhanced with the streamlining of travel procedures and documentary requirements. Labor market data are also being shared for the purpose of better job-matching.

Communication services within BIMP-EAGA are rapidly being improved. The major telecommunication firms in the EAGA countries have agreed to substantially reduce tariff charges by up to 20% on long distance calls within the area. The communication network was improved with the early introduction of the Global System for Mobile Phones (GSM) roaming services in most of the cities within the BIMP-EAGA.

As a result of better transportation and communication, trade and investments have expanded within BIMP-EAGA. Special focus has been given to agro-industry, which is a major sector in the economy of the EAGA countries. All of the areas in EAGA are free from the typhoons and have very favorable weather conditions for agriculture. Almost all the bananas and fresh pineapples consumed in Japan comes from BIMP-EAGA.

BIMP-EAGA is rich in natural resources, which are critical to sustained growth and development. As such, exploratory studies and discussions are being undertaken among BIMP-

EAGA nations to enable energy-surplus areas to supply the requirement of energy-deficit areas within the EAGA. As an example, Sarawak and West Kalimantan are considering an electricity interconnection project between their areas.

BIMP-EAGA is also rich in mineral resources although much of its area remains unexplored. We expect the mining industry to be a major source of growth in the coming years

The BIMP-EAGA participating countries fully realize that global competitiveness can only be achieved with a highly qualified human resource pool. All the BIMP-EAGA member countries have committed to increase investments in human resource development. A directory of BIMP-EAGA training institutions has already been published and the BIMP-EAGA Labor Market Information (LMI) Compendium, containing relevant information on the labor market in the growth area, may be accessed through the Internet.

In addition, cooperative activities for the conservation and protection of the rich marine resources in the area are also being pursued through the Celebes Large Marine Ecosystem project, which is supported by the World Wildlife Fund. Another WWF-supported initiative is the project of Malaysia and Philippines to protect the breeding grounds of the sea turtles in the islands in the Mindanao and Sabah border often referred to as the Turtle Islands.

### **HARVESTING THE EARLY FRUITS OF SUCCESS**

The real measure of BIMP-EAGA's success may be gauged by the actual investments undertaken by entrepreneurs in the area and the economic growth performance of the BIMP-

EAGA areas. Various trade missions within the region were conducted with the goal of establishing linkages among BIMP-EAGA businessmen. Promotion of the major products and commodities of the growth area were made through various trade fairs, exhibits and expositions such as the ASEAN Tourism Forum, International Business Seminar, Sabah International Fair, International Cooperative Convention, ASEAN-EC Management Center Roundtable and others.

Since the BIMP-EAGA was established, the number of business missions from neighboring countries exploring investment opportunities in the growth area have noticeably increased, an indication of the rising interest in BIMP-EAGA as a major investment destination.

Perhaps the most important reason for the early successes achieved by BIMP-EAGA is that it represents a reunion of old friends who share common cultural roots and who have had economic ties for centuries. When EAGA was formed, it was not difficult to achieve the unity, commitment and cooperation that has enabled the project to achieve meaningful results in so short a time. In fact, there have been more than 50 BIMP-EAGA socio-cultural activities held ranging from sport competitions to food festivals, all for the purpose of strengthening our historical and cultural ties.

## **FACING THE CHALLENGES**

Unfortunately, the recent Asian Financial Crisis has reduced the capacity of the member countries to maintain the same level of infrastructure investment to support the growth of BIMP-EAGA, and focused the attention of the four participating governments towards more pressing national economic and political issues. Likewise, the uncontrolled forest fires and the El Niño

phenomenon, which severely reduced rainfall in 1997-1998, were setbacks to BIMP-EAGA and emphasized the need for BIMP-EAGA to focus on environmental concerns.

There is clear evidence however that the BIMP-EAGA focus areas were not as heavily affected as other areas by the economic difficulties experienced by ASEAN countries during the financial crisis. Specifically, the economies of both Sabah and Sarawak are still expected to register modest growth rates this year even though the Malaysian economy as a whole appears headed for a recession. Similarly, the export-oriented economies of eastern Indonesia are reportedly net beneficiaries of the devaluation of the Indonesian rupiah and are therefore faring better than the provinces in Java.

In the Philippines, the Mindanao economy is expected to continue to expand led by strong growth in the agricultural sectors.

In spite of these recent setbacks, the four countries participating in BIMP-EAGA remain generally optimistic about the long-term prospects for accelerating growth in BIMP-EAGA. The government and leaders of the four countries are especially encouraged by the relatively better economic performance of the regions participating in the BIMP-EAGA.

The Asian Development Bank which conducted an Investigative Study on BIMP-EAGA, shares our optimism for the future of the sub-region. The ADB Investigative Study has identified over 150 policy, program and project initiatives that will enable EAGA achieve its full potential. The Study states that with increased sub-regional economic cooperation, EAGA will become a major

investment site in ASEAN for agro-industry, natural resource-based manufacturing, and tourism. In spite of the current economic difficulties, there remains a strong consensus among the leaders of the communities comprising BIMP-EAGA that this long term goal will be achieved.