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**ASIAN DEVELOPMENT BANK
AS AN INITIATOR AND COORDINATOR
OF THE ECONOMIC INTEGRATION PROCESSES
IN THE ASIA AND PACIFIC REGION**

1. Introduction

The integration processes in the Asia and Pacific region have currently acquired a specific form – unknown in other parts of the world. They do not exhibit characteristics of the strong institutionalisation present in Europe. They do not copy the model of integrating the economy with the dominant economy, which takes place in North America. In fact, the countries of the Asia and Pacific region are only just searching their own way of integration which is proceeding in specific conditions and under a considerable globalisation pressure.

Simultaneously, the integration processes occurring in Asian and Pacific countries demonstrate a range of features observable in other regions of the world. When analysing those characteristics, the following remarks may be made.

The integration groups – ASEAN, APEC, which comprise countries at various levels of system and economic development, operate in the examined area. A similar level of development is no longer treated as an indispensable premise for integration (although the issue of participating in the integration benefits is still important), and the participation of developing countries in regional projects is still on the increase.

Non-state entities: international organisations (e.g. Asian Development Bank), non-governmental organisations and enterprises more and more frequently participate in creating regional groups. Regionalism ceases to be exclusively an instrument of state policy, and it becomes a forum of pursuing interests of various professional and social groups.

The modern regionalism in Asia and Pacific becomes multi-level. Apart from the traditional regions there are also *subregions* (cross-border regions) of international nature but they comprise only a part of the geographic area of particular countries. The cooperation within the subregions may be a result of individual arrangements between the neighbouring countries, or it may constitute a specified strategy developed within a larger regional group.

The countries located in the analysed region are becoming more and more aware that it has currently become necessary to perceive regionalism in a broader global perspective. Nowadays, regionalism is no longer directed at forming regional communities closed to the world but it is becoming more open. That concerns not only relations between individual regional groups, but also multilateral connections between individual members with the rest of the world.

The function of the initiator and coordinator in the integration processes observed in the Asia and Pacific region has been played by the Asian Development Bank (ADB) since the 1990s. In its programming documents and actions ADB emphasises its aspiration for active support of the regional cooperation in the examined region, which will be proved in the present paper.

2. Evolution of the aims of the Asian Development Bank's activity

The idea of founding the Asian Development Bank appeared in 1963 on the first Ministerial Conference of the Asian Economic Cooperation (AEC) summoned on the UN initiative, and on 19 December 1966 ADB seat was opened in Manila (Philippines). The founders of the bank were 33 countries, and currently 67 entities are members of the institution.

The premise for creating ADB was the strive for founding a finance institution the major aim of which would be increasing the economic growth rate and strengthening the cooperation in the Asia and Pacific region as well as contributing to the economic development processes occurring in the developing countries of the region, both collectively and individually.¹ In the subsequent decades of its operation, the bank consistently undertook and executed schemes the common denominator of which was the development of the whole region. In the 1970s the ADB activities concentrated around the development of education and health schemes as well as the improvement of the local infrastructure (road construction and electrification), which is a condition for the economic development. Simultaneously, in 1974 the Asian Development Fund (ADF) was established, whose task is to finance the development of the poorest ADB members. In the 1980s it was decided that the ADB should develop its cooperation with the private sector and allocate financial resources for the development and strengthening the social structure

¹ Such an aim was formulated in Art. 1 of the Asian Development Bank statutes.

in Asia. In successive years of that decade the bank also undertook large-scale cooperation with non-governmental organisations in order to become more familiar with the basic needs of the local communities inhabiting the developing countries of the region. The 1990s were a promotion of the regional cooperation,² especially through the development of economic cooperation schemes in the subregion of the Mekong river (Greater Mekong Subregion, GMS), creation of the so-called growth triangles, and establishing broader multilevel contacts with the Central Asia countries after the end of the Cold War. However, the superior aim of the ADB formulated in 1999 became the reduction of poverty and destitution in the whole Asia and Pacific region.

The strive for reducing destitution has become the basis for planning and operating of the ADB in 21st century. Based on that statement – in September 2000 at the ADB Millennium Summit – eight following Millennium Development Goals (MDGs) were formulated:³

- 1) eradicating extreme destitution and hunger,
- 2) making the primary education accessible,
- 3) promoting the equality of women,
- 4) reducing children mortality rate,
- 5) acting for improving mothers' health,
- 6) combating civilisation diseases, such as AIDS,
- 7) ensuring balanced development of the environment,
- 8) broadening the global cooperation for development.

In the subsequent years the ADB initiated a range of actions in the international arena so that the effective execution of the millennium development goals be possible. A close cooperation with the UNDP and the United Nations Economic and Social Commission for Asia and the Pacific (UN-ESCAP) was commenced, whereas, in order to monitor the progress, annual reports on executing millennium goals (Annual MDG Updates) and regional sector analyses are drafted.

3. Shaping the regional cooperation and integration strategy of the ADB

At the beginning of the 1990s it turned out that various initiatives and schemes undertaken by the Asian Development Bank were frequently dispersed, which caused wastage of financial resources and low effectiveness of the executed schemes. On the other hand, globalisation and the expanding liberalisation processes in the global economy and in the Asia and Pacific region enforced the neces-

² In 1994 the ADB drafted the principles of pursuing the regional cooperation policy in *Regional Cooperation Policy* (RCI).

³ *Poverty Reduction – Millennium Development Goals (MDGs)*, www.adb.org (24.02.2009).

sity of a better coordination of the executed schemes and allocated funds. Those facts contributed to drafting of the Regional Cooperation Policy (RCP) in 1994, which, along with other schemes undertaken by the bank in subsequent years, became a basis for creating the Regional Cooperation and Integration (RCI) in 2006 by the ADB. The main areas and ways of executing the RCI were then transferred and expanded in *STRATEGY 2020. Long-Term Strategic Framework of the Asian Development Bank 2008-2020*.

In the *Strategy 2020...* it was emphasised that the ADB should, as an institution, be innovative in creating the future of the region and face up the 21st-century challenges as well, including the superior goal – destitution reduction. Realising the so-specified vision will focus on three key strategic areas complementary with one another: common economic growth, sustained development and regional integration.⁴ Due to the subject of the present paper, in the further part the object of the discussion will be limited to the analysis of the ADP as a creator of the regional integration processes.

The regional cooperation and integration were defined in the second medium-term RCI strategy as one of five ADB's priority areas. In the light of the RCI, the bank treats those areas as a priority in which there is a possibility to make a considerable contribution without splitting efforts into an excessive number of issues. The RCI strategy promotes the "open regionalism" in Asia and the Pacific, making building blocks therefrom of the liberal global economy. The customer-orientation, categorisation of actions, and open regionalism constitute the cement of the strategy. The so-specified RCI strategy transferred to the content of *Strategy 2020...* is based on four pillars:⁵

- 1) schemes of the regional and subregional economic cooperation as part of the cross-border infrastructure and necessary software,
- 2) cooperation and integration in the field of trade and investments,
- 3) monetary and financial cooperation and integration,
- 4) cooperation in the area of regional public goods.

The common aim the four pillars is the reduction of poverty in the developing member countries by means of regional undertakings which increase physical communication, support the trade and investment expansion, the development of financial systems, the macroeconomic and financial stability, the improvement of the environmental, health and social conditions (Fig. 1).

⁴ STRATEGY 2020. *Long-term Strategic Framework of the Asian Development Bank 2008-2020*, Asian Development Bank, Manila, April 2008, p. 7, www.adb.org.

⁵ Detailed characteristics of the regional cooperation and integration pillars is presented in the research paper: B. Drelich-Skulska, *Rola organizacji międzynarodowych w procesach integracyjnych Azji Południowo-Wschodniej na przykładzie Azjatyckiego Banku Rozwoju (ADB)*, delivered at the seminar "Organizacje międzynarodowe wobec wyzwań globalizacji", Warsaw School of Economics, Warsaw, 21 November 2008.

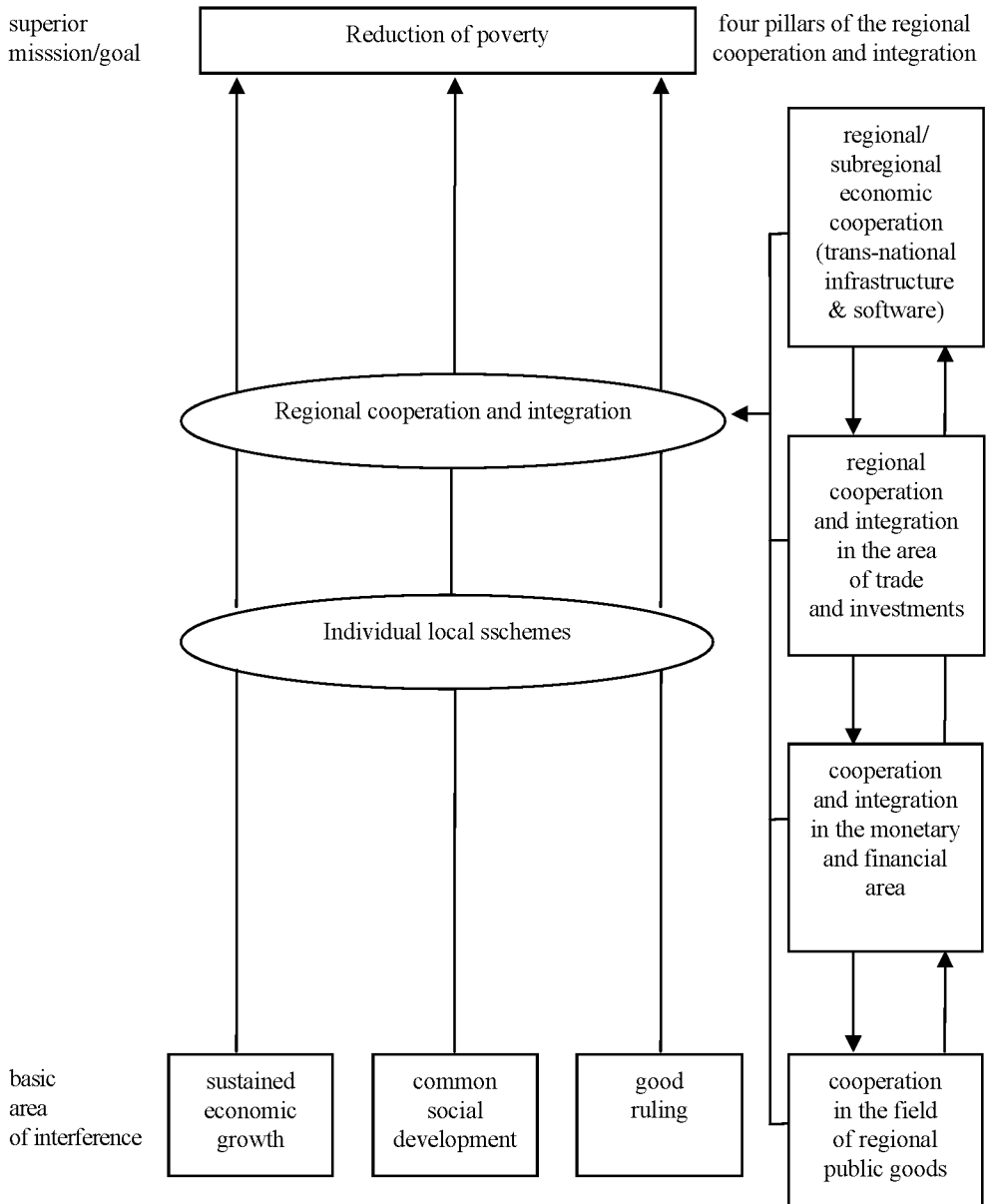


Fig. 1. The ADB mission and creating the regional cooperation and integration

Source: based on *STRATEGY 2020...*

The pillars specified in *STRATEGY 2020...* complement and strengthen one another, due to which there is a possibility to execute the superior goal of the ADB –

reduction of poverty. Despite the complementarity and interaction occurring between all the pillars, it should be stressed that their significance as a part of the ADB support for the regional cooperation and integration remains varied in the case of the individual regions and countries of Asia and the Pacific. That depends on their needs, priorities, level of mutual trust and of preparation. For instance, all the pillars are crucial in the case of numerous countries of Eastern Asia with medium income level. At the 9th ASEAN summit, in October 2003, the ASEAN member states accepted the Bali agreement providing for the establishment of the ASEAN Community. Forming such a community requires the cooperation and integration of the ASEAN states within all four pillars.

Nevertheless, in the case of a large number of developing countries of the Eastern Asia, Central Asia and Pacific Islands region, the 3rd pillar could play a relatively insignificant role. The importance of the individual pillars may be subject to variation depending on the stage of regional cooperation and integration. Some developing countries of the region may initiate the cooperation within the pillars 1 and 4 at the preliminary stage, since those pillars allow the generation of relatively quick and tangible effects. At subsequent stages all four pillars are activated, and creating mutual trust between the engaged countries becomes the basis.

4. The ADB initiatives supporting the regional processes of economic integration

It has been emphasised earlier herein that the ADB began initiating the support for the regional cooperation in the Asia and Pacific region in the mid-1990s. The most spectacular activities are those connected with the financial support and aid in formulating the regional development strategies for the existing “growth triangles” and those in creation.⁶

The oldest, operating since 1989, growth triangle in South-Eastern Asia is the Indonesia-Malaysia-Singapore Growth Triangle (IMS-GT), stretching along the area of Singapore, the Malaysian Johore province and the Indonesian Riau province.⁷ Its total surface area amounts to 20 000 km². The IMS-GT successfully integrates Singapore’s technology and infrastructure with the cheap labour of Johore and Riau, thus creating excellent conditions for the accelerated growth in the region. Singapore, reluctant to render direct financial aid, offers its partners technological and training aid, which allows to achieve effects equal to production, facilitates the access to various production factors, and allows the integration of produc-

⁶ More on the subject: B. Drelich-Skulska, *Trójkąty wzrostu w Azji Południowo-Wschodniej*, [in:] T. Sporek (ed.), *Świat, Europa i Polska w dobie współczesnych przemian gospodarczych*, Wydawnictwo Akademii Ekonomicznej w Katowicach, Katowice 2008.

⁷ M.H. Toh, *Development in the Indonesia-Malaysia-Singapore Growth Triangle*, SCAPE Working Paper Series, Paper No. 2006/06, <http://nt2.fas.nus.edu.sg/ecs/pub/wp-scape/0606.pdf>, 24.04.2009.

tion within the group. During the first five years the IMS-GT attracted foreign investments of a significant value of USD 10 billion to the private sector. Both Indonesia and Malaysia used a variety of financial incentives which were supposed to persuade foreign companies to locate their activity in those countries.

Establishing the IMS-GT became a factor stimulating the development of Batam, the Indonesian island. Situated between Singapore and Johore, Batam is a counterpart of Chinese special economic zones which serve testing new economic concepts. Due to its status (since 1971), strategic location, low costs, educated labour, and various financial incentives, Batam managed to attract over 700 companies from 34 countries and over USD 3 billion of foreign investments. Including foreign enterprises, there are ca 9500 companies in operation occupying 17 industrial districts and other areas made available by the BIDA (Batam Industrial Development Authority). The major investors are above all: Matsushita, Kyocera, Hitachi, Nippon Steel, Hyundai, Siemens, Sony, Philips and many more.

Three subsequent growth areas are currently in the phase of implementation – at various levels of advance. One of them, the so-called **northern growth triangle**, also referred to as the Indonesia-Malaysia-Thailand Growth Triangle (**IMT-GT**), comprising Western Indonesia, Northern Malaysia and Southern Thailand, has already undergone the technological and economic feasibility study.⁸ The IMT-GT triangle is primarily based on the cooperation established by the private sector with the neighbouring partners. As a result of the cooperation, 48 joint venture companies of USD 4 billion value have already been established. The governments of the participating countries are also being engaged in the development of the area through the liberalisation and harmonisation of the regulations in trade, investments and transport. The Indonesian and Thai companies have been investing in Malaysia, mainly in the food, wood and textile industry, while the Malaysian construction and hotel companies have been operating in Indonesia.⁹ In December 2001 the ADB approved and – since then – has been supporting financially a scheme whose aim is the development of transport in two growth areas: IMT-GT and BIMP-EAGA.¹⁰ Moreover, the construction of a pipeline from Malaysia to the Thai Songkhla province has been planned.

The agreement under which the so-called **eastern growth triangle** was established was concluded by the governments of four Asian countries in 1994. The *Brunei-Indonesia-Malaysia-Philippine East ASEAN Growth Area (BIMP-EAGA)* triangle includes Brunei, Eastern Indonesia, Eastern Malaysia and South Philippines. It is supposed to make use of the Brunei capital, abundance in raw materials of Indonesia and Malaysia, and the Philippines labour. This growth area is per-

⁸ *Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT)*, www.adb.org.

⁹ Ha Hoang Hai, *Problemy rozwoju w regionie Azji Południowo-Wschodniej*, “Studia Regionalne i Lokalne” 2003, No. 3 (13), p. 22.

¹⁰ *Indonesia-Malaysia...*

ceived by ASEAN as one enabling the achievement of comparative advantages through the development of the agriculture, processing industry based on raw materials, and tourist services.

In the BIMP-EAGA triangle a considerable engagement of the ADB for its development is observable. The leading areas of the ADB activity – in which the bank plays a role of an advisor for the regional development and a donor – are the following projects:¹¹

- identifying the current industry structures and economic cooperation networks in order to determine the level of economic activity maintenance costs, which will enable indication of the priority areas of regional cooperation,
- preparing a strategy of cooperation development for small and medium enterprises in the region,
- determining the principles of coordinating the dynamic and effective regional cooperation,

In June 2005 the Asian Development Bank and the German Technical Cooperation Agency concluded an agreement in which the principles of cooperation and financing common development projects in the BIMP-EAGA were included.

The major problem of the BIMP-EAGA is the insufficient scope of information flow concerning production, trade, investments and access to markets. It is connected with the lack of comprehensive and detailed databases updated on real-time basis related to the growth area itself and external regions. Thus, the fulfilment of the basic goals of the growth area in question, including in particular free flow of goods, services and capital, is impeded. A significant result is also a scarce (in comparison to the other growth triangles) inflow of foreign capital to the BIMP-EAGA.

In order to solve the problem, the Asian Development Bank together with the Japan Fund for Information and Communication Technology (financed by the Japanese government)¹² has taken the decision to direct technological aid to the EAGA area.¹³ The project concerns creating databases including the structure and

¹¹Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN (Association of Southeast Asian Nations) Growth Area (BIMP-EAGA), www.adb.org.

¹²Japan Fund for Information and Communication Technology (JFICT). Japan is a significant donor of the South-Eastern Asia, with nearly a half of its aid funds allocated there to aid a group of developing countries, more see: *Azja-Pacyfik. Obraz gospodarczy regionu*, B. Drelich-Skulska (ed.), Wydawnictwo Akademii Ekonomicznej, Wrocław 2007, pp. 212, 228-234.

¹³It is worth mentioning that the ADB has supported the EAGA technologically since the beginning of its operation by above all harmonisation of the regulations concerning: collecting customs duty, immigration, safety principles and quarantine (pursuant to the requirements of the APEC, AFTA and ASEAN *Customs Vision 2020*); initiating mechanisms of financing small and medium enterprises and harmonising the policy connected with the MSP sector at the regional level; supporting the liquidation of “bottlenecks” in transport and developing transport corridors (mainly sea and air ones). The ABD also offered the BIMP-EAGA its help with overcoming the effects of the Asian crisis of 1997

value of both the investments and turnover of goods and services. The goal of the ADB, as a coordinator and advisor of the EAGA, is, apart from that, the development of cooperation between the region and the Northern Territory of Australia (the so-called BIMP-EAGA + 1) and the “plus 3” countries (Japan, South Korea, PRC).¹⁴

The last Eastern Asia growth area is the **Greater Mekong Subregion (GMS)** established in 1992. It comprises Thailand and Vietnam, the three youngest ASEAN members, that is Cambodia, Laos and Burma, and the Chinese Yunnan province. The active role in executing the project is played by the Asian Development Bank as well, which ensures its technological support for the region. A symbolic, and at the same time extremely crucial, undertaking introduced in the triangle's area is the East-West Economic Corridor, which stretches along ca 1500 km via four countries between the Andaman and the South China Sea. That will be the only land route across South-Eastern Asia.¹⁵

During the first ten years of the subregion's existence (1992-2002) the ADB granted it loans amounting to USD 772 million and raised funds in the form of co-financing in the amount of USD 234 million for transport and energy projects.

In *Mid-term review of the 10-year GMS Strategic Framework (2002-2012)* the following strategic directions of the GMS triangle development have been indicated: strengthening the infrastructure connections in the region, facilitating the free development of the international trade, investments and tourism, increasing the participation and level of competitiveness of the private sector, development of human resources and their competence, environmental protection, and promoting the sustained use of its natural resources. Pursuing the specified development directions will create the basis for promoting the growth area in the international arena.¹⁶

The Asian crisis of 1997, the disasters of 1998-1999 which struck the region, and the military conflicts in Sumatra caused the collapse of the economic cooperation in South-Eastern Asia. However, the active policy of supporting the economic integration processes pursued by the ADB in 21st century contributed to the revival of the regional cooperation and the development of sector projects.

The analysis of the example ADB initiatives supporting the regional economic integration processes in Asia and the Pacific reveals the following four manners in which the bank acts:¹⁷

and the extreme drought disaster of the turn of 1997/1998 (connected with the El Niño climate phenomenon).

¹⁴ *Report on the First Leaders' Meeting, the 11th Senior Officials' Meeting and the 8th Ministerial Meeting of the Brunei Darussalam, Indonesia, Malaysia, Philippines – East ASEAN Growth Area*, Conference Papers and Proceedings, ADB, 3.11.2003.

¹⁵ E. Oziewicz, *Dylematy rozwoju gospodarczego krajów Azji Południowo-Wschodniej na tle procesów integracyjnych*, Wydawnictwo Uniwersytetu Gdańskiego, Gdańsk 2007, p. 167.

¹⁶ *Mid-term Review...*

¹⁷ E. Oziewicz, *op. cit.*, p. 167.

- providing information and knowledge,
- serving as an “honest broker” among its members,
- helping organise funds,
- supporting development opportunities of its member states.

5. Conclusion

The analysis of the programming documents prepared by the Asian Development Bank and its initiatives undertaken since the beginning of the mid-1990s indicates that it plays a role of a certain catalyst of a wide cooperation in the region, which permits connecting the national and regional priorities. It ought to be emphasised that if some countries decide to cooperate, the ADB enters with its experience and help. That frequently allows the bank to play a central role in promoting, developing and coordinating the cooperation initiatives and the Asia and Pacific region.

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Streszczenie

W regionie Azji i Pacyfiku obserwuje się współcześnie dynamiczne procesy integracji ekonomicznej, które zachodzą pod presją globalizacji. Kraje znajdujące się w tym regionie świata – bardzo zróżnicowane pod względem rozwoju zarówno gospodarczego, jak i społecznego – dążą do znalezienia własnej formy współpracy gospodarczej. Azjatycki Bank Rozwoju – począwszy od lat 60. XX w. – stara się inicjować i koordynować działania, które aktywnie wspierają regionalną współpracę krajów członkowskich poprzez dostarczanie informacji i wiedzy, organizowanie środków finansowych oraz udzielanie pomocy technicznej.