

The Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) Project: Implications of "Open Regionalism" to the Local Economy

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The Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) project has been developed from the conceptual framework of regional economic development, which accentuates the use of comparative advantages and complementarities of factor endowments among neighboring countries. This paper tries to persuade the readers that underlying concepts of IMT-GT, like the other "Growth Triangles," tend to overlook the impetus of local-based, agrarian sectors of partnership countries taking part in sub-regional economic zones. This is particularly true, when one observes the values and orientation of the local people, who have been most affected by the development.

Based on a panel survey of local businessmen, as well as social leaders in five southern border provinces of Thailand, the study attempts to raise issues concerning the situation of local people in terms of potential and desirable approaches of socioeconomic development. Moreover, the follow-up, in-depth interviews also reveal that most local people are not satisfied with the outcomes of the IMT-GT Project. Reconstruction of concepts and adjustment of governmental policies are imperative for the government to take advantage of the local capacity and the changing socioeconomic settings in the sub-region.

Keywords : growth triangle, comparative advantages, complementarities,
potential and desirable approaches of socioeconomic development

The "Growth Triangle" Concepts: Political or Economic Reasons

The so-called "Growth Triangle" has become a catchword for many countries in South-east Asia since 1989, when the former Deputy Prime Minister of Singapore, Mr. Goh Chok Tong, proposed a concept and scheme for establishing a new model of sub-regional economic cooperation called "Growth Triangle". Thereupon, the "Southern Growth Triangle" started with the state of

Jahor in Malaysia, Singapore, and Batam Island in the Riau Province of Indonesia. Conceptually, the "Growth Triangle" involves the attempt to create an energetic sub-regional economic zone based on the assumption that, at least, two "geographically proximate, economically disparate regions, separated by their common boundary (ies), become economically linked by intense cross-border investments and other economic activities" (Yuan, 1995, 11).

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ภาควิชาสังคมศาสตร์ คณะมนุษยศาสตร์และสังคมศาสตร์ มหาวิทยาลัยสงขลานครินทร์

บทคัดย่อ

โครงการสามเหลี่ยมเศรษฐกิจของประเทศไทย-มาเลเซีย-อินโดนีเซีย พัฒนารับมาจากแนวคิดการพัฒนาเศรษฐกิจระดับภูมิภาคซึ่งเน้นหนักการใช้หลักผลประโยชน์ได้เปรียบเชิงเปรียบเทียบและการเสริมส่งระหว่างกันในทางปัจจัยการผลิตระหว่างประเทศเพื่อนบ้าน แต่แนวคิดดังกล่าวละเลยพลังขับเคลื่อนทางเศรษฐกิจของท้องถิ่นซึ่งอาศัยทรัพยากรและเกษตรกรรมเป็นฐานการพัฒนาในระดับอนุภูมิภาค จุดนี้จะได้เห็นได้ชัดเมื่อมีการศึกษาทัศนคติของคนท้องถิ่นที่ได้รับผลกระทบโดยตรงจากโครงการดังกล่าว งานศึกษาชิ้นนี้อาศัยการสำรวจความเห็นของผู้นำภาคธุรกิจ และผู้นำภาคสังคมในท้องถิ่นห้าจังหวัดชายแดนภาคใต้ โดยที่การศึกษาได้หยิบยกประเด็นศักยภาพและความคาดหวังของท้องถิ่นต่อการพัฒนาสังคมเศรษฐกิจขึ้นมาพิจารณาด้วย จากนั้นก็มีการสัมภาษณ์ลึกเพื่อติดตามผล ผลปรากฏว่าคนในท้องถิ่นส่วนมากไม่พอใจต่อผลที่เกิดขึ้นตามมาจากโครงการสามเหลี่ยมเศรษฐกิจ ดังนั้นข้อเสนอก็คือต้องมีการสร้างแนวความคิดใหม่และมีการปรับปรุงนโยบายรัฐบาลเพื่อใช้ประโยชน์จากศักยภาพของท้องถิ่นให้เต็มที่เพื่อให้โครงการมีความสอดคล้องกับสถานการณ์ใหม่ทางสังคมเศรษฐกิจที่กำลังเปลี่ยนแปลงไปในอนุภูมิภาค

คำสำคัญ : สามเหลี่ยมเศรษฐกิจ, ผลประโยชน์ได้เปรียบเชิงเปรียบเทียบ, การเสริมส่งระหว่างกันปัจจัยการผลิต, ศักยภาพและความคาดหวังของท้องถิ่นต่อการพัฒนา

Economic reasons are critical for this new kind of regional economic integration, but, as Heng and Low put it, a "confluence" of both economic and political conditions has also contributed to the successful launching of the southern growth triangle (Heng & Low, 1995, 218). Determination of Singapore to take advantage of the vast resources of Johor and Riau Province in order to move itself to the next stage of industrial restructuring, upgrading and extending its globalization strategy and partnership with multinational corporations (MNCs) is central to the progress of the Singapore-Johor-Riau (SIJORI) growth triangle. Thus, Singapore strongly advocates the concept that "Rich neighbors will become better neighbors and good customers", assuming that cross-investment and business relations would reduce security threats and ensure stronger political commitments (Heng & Low, 1995, 217). This may be congruent with the ASEAN's new modes of economic cooperation such as AFTA and regional investment linkages (Lim, 1996, 24-32).

Nevertheless, political factors are not just supplementary to economic forces, they are also decisive in many respects. The dynamics of transnational economic linkages in Southeast Asia cannot be understood without recognition of their political and security stakes (Acharya, 1995, 180). While external pressures for enhanced regional economic cooperation are necessary, the domestic conditions of the individual countries must be conducive to the sub-regional cooperation. More important, when it comes to complicated international relations in a distinct sub-region like many parts of Southeast Asia, political and security dimensions of growth emerge as underlying forces of economic development. The most critical actor is thus the state.

Gilpin (1987, 11) argues that, in contemporary political economy, the conflict between the evolving economic and technical interdependence of the world and the continuing compartmentalization of the world political system composed of sovereign states is critical. As he puts it, "whereas powerful market forces in the

form of trade, money, and foreign investment tend to jump national boundaries, to escape political control, and to integrate societies, the tendency of government is to restrict, to channel, and to make economic activities serve the perceived interests of the state and of powerful groups within it". As a result, one of the most important issues in political economy is the significance of the international market economy for domestic economies. The concept of sub-regional economic zones, the Growth Triangle, specifies this theoretical issue. The logic of international trade, finance, and investment can be at odds with the logic of individual states and the local political and economic forces within those particular states.

One consequence of the conflicts between international, regional and sub-regional political economies is that whereas the emergence of growth triangles in the region reflects a recognition of the limits of state-led market-liberalization activities, the market-driven dynamic does not operate outside the constraints of state sovereignty and control (Acharya, 1995, 175). Besides, in trying to fabricate the sub-regional economic integration, market forces and the state have been under complex pressures from societal as well as economic forces at the local level.

Hence, the logic of growth triangles is by no means simple. The engine of growth involves complex webs of interplay between socioeconomic and political realities at the international, regional, and local levels. Failing to grasp these realities in trying to make a sub-regional economic zone dependent solely on economic forces can lead to a fiasco. The case of ineffectual formulation and implementation of the northern growth triangle, the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT), substantiates this argument and deserves specific consideration.

IMT-GT: Concept and Reality

Notwithstanding the arguable success of Singapore-Johor-Riau (SIJORI) and other growth triangles, the IMT-GT was initiated in 1993 following the visit to Malaysia and Indonesia of the then Prime Minister Chuan Leekpai. The leaders

of Thailand, Malaysia, and Indonesia then agreed on development of the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT). This cooperation was followed by technical support from the Asian Development Bank (ADB), which agreed to undertake a comprehensive study to pave the way for this newly formed growth triangle. An ADB study led to the delineation of five sectors of cooperation-trade, investment and labor mobility, industry and energy, transportation and communications, agriculture and fisheries, and tourism (Thant & Tang, 1996).

The major conceptual framework of ADB is clearly affirmed in a paper on Trade, Investment and Labor Mobility Study. It stipulates that the success of the IMT-GT "will rest on the establishment of a conducive enabling environment for private sector development" (Rao, 1994, 1). Thus, the mission of the ADB has been to identify potential complementarities and comparative advantages, and to identify potential business opportunities as well as the principal constraints of the project in terms of real economic factors, infrastructure deficiencies, and enabling policies and institutions. The most significant aspect of IMT-GT initiatives is thus the pull of comparative advantage, which has also led to the emergence of all sub-regional development zones in Eastern Asia in general, and in the ASEAN region in particular (Lim, 1996, 26).

Influenced by the framework of the ADB study, the National Economic and Social Development Board of Thailand (NESDB) states that the objectives of IMT-GT are to bring about increasing trade and investment in the sub-region of the three countries, increasing exports out of this sub-region to the world-wide markets, and improving livelihood of population in the areas under IMT-GT (NESDB, 1998a, 263).

Thus, the focal points in the growth triangle concept-comparative advantage, competitive advantage, and complementarity-are still powerful and imposed on the policy-making processes of IMT-GT. The discourse holds that development of IMT-GT is supposed to provide new opportunities in terms of trade, investment, finance, and

labor mobility against the backdrop of a new wave of foreign direct investment in Southeast Asia. More interestingly, these new opportunities are both reciprocal and partial, benefiting all parties concerned while not involving entire countries. The economic opportunities will benefit merely regions within countries. In other words, one can identify the growth triangles as global regionalism, "a simultaneous orientation outwards, towards the world at large, and inwards, within the region" (Yuan, 1995, 10-11).

Marvelous as it may be for the time being, the underlying concept of IMT-GT may prove relatively ineffective. Within the sub-regions, dynamics of the local-level economies have been diverse and more complicated. Local business, the real private sector, and local leaders may not have perceived the same world as the ADB's experts, technocrats, government officials, and the policy-makers.

The Perceived Capabilities of Local Society

During May and June of 1998, a survey was conducted to determine the attitudes and orientations concerning the IMT-GT project of 111 local businessmen, religious and social leaders, and locally high-ranking bureaucrats in five southernmost provinces of Thailand, including Pattani, Yala, Narathiwat, Satun, and Songkla. The panel survey was followed by in-dept interviews of these local leaders to divulge direct, straightforward realities of the IMT-GT in terms of local capabilities, to respond to the so-called northern growth triangle. This study may be the first systematic evaluation of the direct impact of IMT-GT as a national project on a sub-region and local circumstances.

To evaluate specific, local impacts of IMT-GT systematically, the study complies with a framework set forth by the ADB study and the NESDB conceptual scheme mentioned earlier. The basic underlying concept of the ADB study concerns itself with comparative advantages and complementarities existing within the growth triangle region. The factors involved are natural resource endowment, labor and human capital,

land and facilities, transport and utilities services and infrastructure, investment complementarities and opportunities, and trade complementarities (Rao, 1994, 37-70). Local leaders have been asked to evaluate their perceptions of capabilities or potentialities of the five border provinces in accordance with those designated comparative advantages and complementarities. Then, they are asked to show their disposition towards the political, security, and cultural dimensions of the development in their own world.

The foremost reason for the emergence of growth triangles is when two or more geographically proximate, economically different regions, separated by their common national boundaries, become economically linked by intense cross-border investments and other economic activities (Yuan, 1995, 11). This factor alone is most powerful in explaining the comparative advantage of the five southern provinces of Thailand, as seen in Table 1. Interestingly enough, local perceptions of the other significant factors involve resource-based products of the sub-region, which include parawood products, fishery products, rubber latex, and rubber sheets. This is relevant to the general finding that Southern Thai exports are dominated by rubber, fish and fishery products, and furniture and wood products. To be successful and sustainable, the IMT-GT has to depend on these economic factors and to exploit these resource endowments in the long run.

On the other hand, an interview with a Pattani businessman indicated that each province has its own niche. For example, Pattani has capabilities in fisheries and processing fishery products. However, he cautioned, fishery industries have a declining prospect because each country in Southeast Asia has increased the effort to protect coastal and marine resources. Thus, "... fisheries are sunset industry" and the fishery processing industry is more likely to move to Indonesia, where one can easily find cheap labor. Moreover, another local businessman believed that the future of exporting agricultural products in Thailand is not that bright. Indonesia's production is drifting towards fruit and vegetable products, the strong

Table 1 The perceived comparative advantages of local people

Comparative advantages of local areas	Scores
1) Potentiality of the border areas (geographically proximate areas)	463
2) Potentiality of parawood product	459
3) Potentiality of fishery products	452
4) Potentiality of rubber latex product	448
5) Potentiality of rubber sheet product	448
6) Potentiality of labor capital as Malay-Muslim	436
7) Potentiality of industrial estate on fishery products at Pattani province	431
8) Potentiality for the linkage between northern Malaysia and northern Sumatra	424
9) Potentiality of the border trade town in Sungai Kolok District at Narathiwat province	423

Note: The scores are calculated from the sum of Likert-type attitude scales of individual leaders, asked to evaluate the advantage of these resource endowments, economic factors, and infrastructure

advantage of Thailand. Malaysia also turns to palm oil, fruits and vegetables. In general, the local businessmen are of the opinion that the stronger and more effective development strategy of Malaysia makes things worse for Thailand.

Another strong comparative advantage shown in Table 1 is labor capital, the Malay-speaking Muslim labor. This clearly reflects local characteristics of five southern provinces. However, the ADB study indicates that these workers have low productivity levels and lack industrial work habits (Rao, 1994, 42). The local leaders have no qualms discussing this deficiency. The latter finding reveals that the local labor force is potent and valuable in its own circumstances, embedded in locally resource-based industries, and, consequently, development of human resources is the most desirable course for the people under the IMT-GT project.

A Muslim businessman confirmed that the local Malay-speaking culture is an advantage for the five southern provinces, because countries in the IMT-GT use the Malay language for communication. The local Muslim culture is also instru-

mental in the investment on niche market. This is confirmed by the survey finding that investment in Halal Food Industry is ranked as the foremost potential investment in this sub-region. A Muslim businessman recommended that government advance investment in Halal food through establishing an Islamic bank, while using Muslim networks to promote related agricultural production processes. The Muslim food industry can be linked to other local economy production, such as rural agricultural production and livestock, cattle or sheep.

To the ADB, industrial estates and export processing zones have played vital role in industrial development in Northern Malaysia, but it appears to be unsuccessful in lower Southern Thailand. The significant industrial estates are the Chana industrial zone, Chalung industrial zone in Songkla and the Pattani industrial estate. However, the Pattani industrial estate is said to be 40 percent empty and "inadequately managed". On the other hand, when ranked among other industrial zones, Pattani's becomes the most significant one. This is because the Pattani industrial estate is the place where many fishery industries have located. However deficient, it is highly thought of because of its potential as a center for resource-based industries, fish and fisheries production.

Problems of the Pattani industrial estate are concerned with the cost of operation. A businessman complained that Pattani industrial estate is located on top of soft soils, leading to higher costs of production. Moreover, the local authority responsible for the estate charges an unusually high price for electricity. The local Muslim businessman identified the weak point of Pattani industrial estate as the connection with local business and communities. "You cannot just look at the industrial zones (to promote economic development). Development should be in a complete circle, starting from the bottom-up at the local level". The government should set priorities to begin some more feasible projects undertaken by the local business, such as investment in Halal foods.

An interesting case of the local, private sector's initiation is the Chana industrial zone in Songkla province. A Songkla businessman explained that this industrial site was established by a group of businessmen who felt that government promoted industrial zones were not adequate and decided that the Chana area, at that time, had cheaper land and better communication networks with the plenty of underground water. Now Chana has become one of the few active industrial zones in the five southern provinces.

Political and Security Dimensions of IMT-GT

As mentioned earlier, the dynamics of transnational economic linkages in Southeast Asia cannot be understood without recognition of their political and security dimensions (Acharya, 1995, 180). As the state has a dominant role in the implementation process, the logic underpinning growth triangles is not just a production bloc within which labor, capital and technology move freely. At the micro-level, society, culture, and, in particular, political factors come to play significant roles as well. IMT-GT is therefore likely to bring about inter-ethnic and political tensions within a state as well as foster security problem unless there is equal distribution of economic benefits.

Since the outset of the project, the Thai authority has been concerned about the security-related consequences of the IMT-GT. As stated in the National Security Policy on the Southern Border Provinces (1994-1998), the Center for Administration of the Southern Border Provinces (1997) considers that the emergence of the IMT-GT can help solve security problems of this area, if "properly administered". Some local Islamic scholars began to express their concerns about the outcomes of the IMT-GT project. As one study puts it, development of IMT-GT "will bring about social problems within Muslim communities, such as increasing drug abuses and vices among the teenagers. The Muslim women will be attracted to the labor market, deteriorating the family problems" (Saena Hanateh, Sakena Masaman, &

Alsumani Masai, 1996, 45-46).

Therefore, the security impact of the IMT-GT deserves profound study. Table 2 shows that most people accept that the security problem has been an obstacle to investments. However, contrary to a suspicion about IMT-GT of some local Muslim scholars, most people think that development of the IMT-GT can help decrease security problems, if it leads to better social and economic development. This is followed by a relatively strong belief that diversification of ethnicity, religions and cultures is an advantage, not the barrier, for development in five southern provinces. The fact that negative orientations towards the impacts of IMT-GT on the Malay-Muslim communities are ranked at the bottom of the list appears optimistic.

Table 2 Security dimensions of the IMT-GT

Security dimensions of the IMT-GT	Scores
1) The security problem has been an obstacle to investments	432
2) Development of the IMT-GT can help decrease security problems, if it leads to social and economic development	431
3) Diversification of ethnicity, cultures, and religions offers potentiality for development	417
4) Development of the IMT-GT could lead to security problems without an equal resource distribution	399
5) Development of the IMT-GT project could have negative impact on local Malay-Muslim society and culture in the southern provinces	300

However, in an interview session, a Muslim businessman was not quite so upbeat. He complained that Muslim business groups tended to be overlooked in the government's investment promotion policy. "The government focused only on narrow issues, such as investment in frozen fish and the shell fish industry, in which the local Malay-Muslim people did not directly take part. Most Muslim businessmen are engaged in self-help". It is an unfortunate fact that the small and

medium businessmen, who are local Muslim entrepreneurs, are not the direct beneficiaries of the IMT-GT. Thus, this Muslim businessman raised an engaging point for the government. "The IMT-GT project should be an entrance to the Malay World and the Muslim World, like Hong Kong is an entrance to China".

To be able to develop fully local capacity and resources, social and cultural networks of Malay-Muslim communities should be taken seriously in the development processes. In recent years, Muslim networks have been considered as an opportunity, not a constraint, for economic development in the five southern provinces of Thailand (Sirirat Taniranant & Dolmanach Baka, 1995, 14-16; NESDB, 1998b, 5). In these findings, most local leaders, when asked about advantages of these kinds of networks, strongly agree that family and kinship networks of the Malay-Muslim communities in this area can be a critical factor that helps develop the local economy as well as reduce the security problem. The second most important factor is language, not religion. To think theoretically, social and cultural cooperation in this sub-region is in fact comprised of intricate networks of social relations. Central to these cultural relations is a common language, be it Malay or Chinese.

That investment in resource-based industries, friendly to the local social networks, is practical and advantageous to the livelihood of people in the neighborhood areas is noted in an interview session with a group of workers from a seafood factory of Chana district in Songkhla province. All workers, mostly females and Muslim, come from local communities in the Thepa district, about twenty minutes far from the factory. They appeared to be satisfied with the wages and fringe benefits, including social insurance provided by the factory. With ten years in school and family background of poverty, like other Malay-Muslim in these areas, they worked for their families' extra incomes. Each person could get about Bt 2,000 a month in net income, not including daily personal expenses. The workers seemed to be content because they could earn

extra money from the factory not far from their communities, while still working for their family in agricultural production. The factory has bus services for workers in the communities. This may be considered an example of a development that has not alienated local communities. Resource-based industries in the rural areas can be useful to local development, if properly managed.

Logical Foundations of the Different Capabilities on the IMT-GT

Of all different orientations and attitudes of leading businessmen, local social and religious leaders, and ranking bureaucrats towards the IMT-GT observed from the survey design, certain underlying logics appear. When the research team tried to dig deeper into their feelings through individual in-depth interviews, it was clear that people have a tendency to think logically about local characteristics and resource-based economy, and human resource development. Regarding structural factors, they tend to stress facilities for trade and investments, land and industrial estate development, and local resource development. To separate the underlying dimensions of these attitudes about indicators of development on IMT-GT, a statistical tool called factor analysis is used. Seventeen questions, all indicators of potential for development asked to the panelists, are analyzed in an exploratory factor analysis model. Table 3 and Diagram 1 shows result of this analysis

The analysis shows that there are three underlying factors contributing to local capabilities of the IMT-GT project in the five southern provinces. The socio-politics factor relates to Muslim networks, security reducing dimension, labor mobility, bilateral human resource development among countries in the IMT-GT as well as Research and development. This factor is relevant to the analytical framework proposed earlier, that the engine of growth involves a complex webs of interplay between socioeconomic and political realities at the international and regional, as well as local levels. Empirically, it confirms that social and cultural relations are strongly associated with political factors, particularly security problems.

Table 3 Factor analysis of indicators on potential development

Indicators	Factor 1	Factor 2	Factor 3
On Facility	-.09507	<u>.23688</u>	-.01108
On Flexibility	.04879	-.13321	<u>.28354</u>
On HRD Th/Ind	<u>.29338</u>	-.09346	-.06554
On HRD Th/M	<u>.28866</u>	-.07293	.06913
On Implementation	-.14105	-.02456	<u>.39564</u>
On Infrastructure	.07462	<u>.18515</u>	-.15333
On Investment	.04051	<u>.18196</u>	-.06252
On Labor Mobility	<u>.14167</u>	.04950	-.05853
On Land & Estate	-.09938	<u>.20568</u>	.01485
On Regulations	-.06885	-.09718	<u>.38241</u>
On Location	-.03035	<u>.19107</u>	-.03992
On Border Trade	-.06333	<u>.30933</u>	-.12476
On Networks	<u>.31647</u>	-.09912	-.09215
On Private	-.11327	-.03634	<u>.38032</u>
On R and D	<u>.24813</u>	-.02404	-.09061
On Resources	-.08641	<u>.27788</u>	-.04001
On Security	<u>.14180</u>	-.02205	-.02430

Networks load strongly on this factor. Economic factors, such as labor mobility, as well as the social factor, human resource development, go side by side with political and security issues in the sub-region. This finding reveals complex relationships between these variables in the development of IMT-GT.

Another policy dimension concerns relationships between infrastructure development, natural resources, investment facilities, land and industrial estate development, and facilities for border trade. The underlying system is a resource and structural factor, most of which involves economic factors, comparative advantages and factor endowments. These are critical economic components of the IMT-GT. It should be noted that central to this group appears to be border trade, strongly associated with this factor. Resources also strongly load onto this factor, indicating that the resource based economy is still dominant among the economic factors. As shown in the in-depth interviews, local resource-based products are considered the most significant driving force in the local economy. Finally, the analysis shows that development of the economic

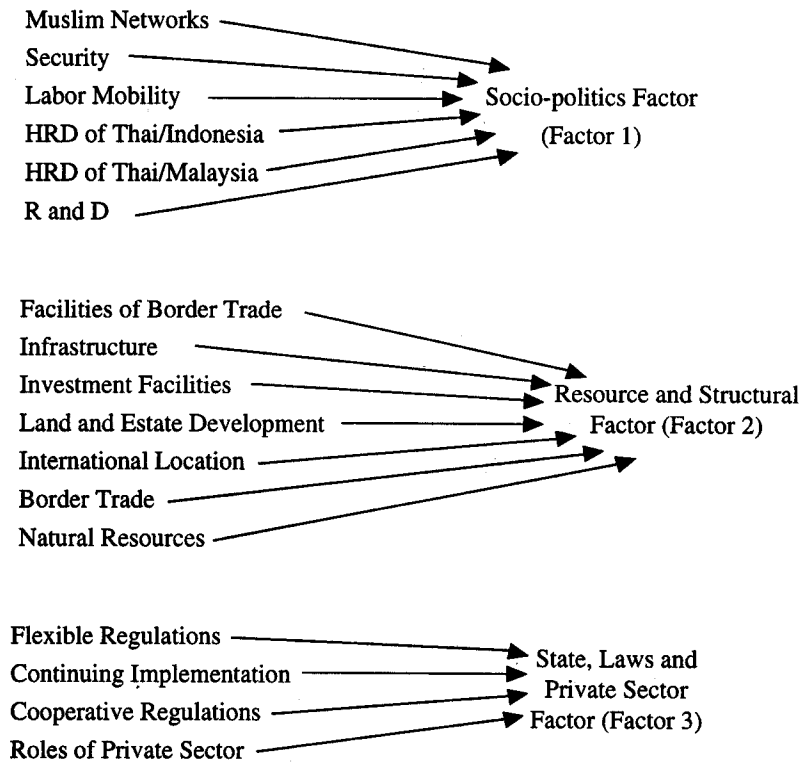


Diagram 1 Patterns of factor loading

factors in the IMT-GT needs a strong basis of infrastructure development.

The last underlying factor involves the state, laws and the private sector. The market-driven dynamic of the IMT-GT cannot operate outside constraints of state control and regulation. The state provides the basic political and policy framework for operationalizing growth triangles through flexible laws and regulations, uninterrupted implementation, and regulations that are favorable to cooperation. Relationships between the state and private sector are important. It is interesting that the uninterrupted implementation of policies is dominant in this factor, which confirms the point raised by many businessmen in the interviews that the government lacks continuing leadership and consistent measures in supporting the IMT-GT project.

Concluding Remarks

The conceptual framework of the IMT-GT stresses exploitation of comparative advantages and complementarities of factor endowments in establishing sub-regional economic cooperation with regional division of labor. However, in the practical world, economic growth and sustainable development need a complex web of interplay between socioeconomic and political realities at the international and regional, as well as the local levels. Thus, the real nature of the IMT-GT is both global and local. This study shows that, in the process, its local nature is a decisive factor. The open regionalism means literally a commitment to non-discrimination in trade and international economic policies. The growth triangles are supposed to bring about a new model of ASEAN economic cooperation during the boom years,

but now the ASEAN economic bust is prevalent. Building a strong and sustainable economy at the local level, while taking advantage of international and sub-regional economic opportunities, should be a better model of open regionalism, the New IMT-GT model.

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