

## The Development of Sub-Regional Institutions in Southeast Asia: The Case of Bimp-Eaga

### *Pembangunan Institusi Sub-Wilayah di Asia Tenggara: Kes Kajian Bimp-Eaga*

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#### ABSTRACT

*The relationship between economics and sub-regionalism remains relatively unexplored, particularly in the Asia-Pacific context. This article seeks to broaden the comprehension of various dimensions of this relationship. One of the focuses is to understand the circumstances in which sub-regional institutions have come to be defined as components of economic development in Southeast Asia. Another is to develop a more nuanced approach to regional studies, one that recognizes that institutional changes can occur in many forms, like Historical Institutionalism. This paper's starting point is on the emphasis that institution is a social construction: political contestations between the social forces in the domestic often influences how state shaped regional institutions that would serve their interest. It uses the critical juncture framework championed by the Historical Institutional approach during that particular period to produce divergent outcomes. This study uses BIMP-EAGA to provide some grounds for optimism on the relationship between institutional changes and economic development in the region.*

*Keywords: Historical Institutionalism; critical juncture; economic development; institutional changes; sub-regional institutions*

#### ABSTRAK

*Hubungan antara ekonomi dan sub-regionalisme masih belum banyak diterokai, terutama dalam rantau Asia-Pasifik. Artikel ini bertujuan untuk lebih memahami bagaimana pelbagai dimensi mengenai hubungan ini terbentuk. Salah satu tumpuan kajian adalah untuk memahami keadaan dan kedudukan institusi-institusi sub-wilayah yang boleh dikategorikan sebagai komponen yang boleh membantu di dalam pembangunan ekonomi di rantau Asia Tenggara. Perspektif lain adalah untuk melihat sejauhmana perubahan konteks serantau, dan jika ada pendekatan yang lebih bernuansa yang boleh membantu kajian yang bersifat serantau ini. Dari itu, memang ada perubahan dan perkembangan dalam institusi dan sub regionalism, seperti Institutionalisme Sejarah. Kajian ini memfokuskan kepada sejauhmana penekanan dalam institusi berhubungkait dengan pembinaan sosial: persaingan politik dalam setiap negara yang menjurus kepada kekuatan sosial, dan ini boleh mempengaruhi bagaimana institusi itu terbentuk mengikut apa bentuk kepentingan sebuah negara untuk menuju kepada pembangunan negara. Sewajarnya kajian ini menggunakan pendekatan Sejarah Institutionalisme yang mungkin berubah mengikut konteks tempat dan masa. Kes Kajian BIMP-EAGA adalah yang terbaik untuk melihat bagaimana hubungan antara perubahan institusi dan pembangunan ekonomi di rantau ini terbentuk dan berubah.*

*Kata kunci: Institutionalisme Sejarah; titik/tahap kritikal; pembangunan ekonomi; perubahan institusi; institusi sub-wilayah*

#### INTRODUCTION

Regional institutions and sub-regional groupings appeared to surge across the world and its importance aided in gaining momentum in Southeast Asia, particularly in the complex regional and geopolitical architecture developed in the region. Over the last thirty years, Southeast Asia has experienced considerable regionalisation, integration, and deepening of political, social and

economic ties especially among ASEAN member states. The acceleration of globalisation and multilateralism after the end of the Cold War also signalled the need to further augment the integration of economic activities across the national border that could ease many restrictions ranging from reduction of tariffs barriers, free trade and good movements and the deepening of economic bilateral ties (Azrul 2018). The rise of global production, trade, capital formation and productivity growth in

Southeast Asia forced political leaders to develop institutions to support these initiatives (Evers 2014). The proposal to increase economic cooperation and reduce tariff barriers especially amongst ASEAN member states promoted the implementation of sub-regional groupings as an institutional structure to boost cooperation and to have greater cohesion.

Within the sub-regional grouping studies, theoretical rationales have been scrutinised by both policymakers and scholars. The success of ASEAN in maintaining and mediating regional peace has become significant in building confidence to expand the development of sub-region groupings for sub-regional economic cooperation in pursuit of peace, stability, people to people interactions and economic development. Since the end of the Cold War, the ASEAN member states have established the construction of sub-regional groupings such as Indonesia-Malaysia-Singapore Growth Triangle (IMS-GT), Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA), Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT), Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS), and the potential of Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV Summit). These sub-regional organisations are envisioned under the ASEAN Economic Community (AEC), and they are aimed at achieving targets and further increasing the regional integration amongst the ASEAN member states in the free trade area, investment area and so on. Interestingly, while there is a numerous literatures discussing the economic impact of sub-regional groupings, there is little research done about the political impact and challenges of the existence of sub-regional groupings. Hence, this paper will delve into the political impact of BIMP-EAGA to economic development and the challenges for Sabah, Sarawak, Brunei, and Kalimantan to be integrated at an economic level by looking at the role of the agency within the institution and regional integration framework.

Despite the promises of globalisation, state vulnerabilities are also becoming increasingly complex as inter-border cooperation has raised a few security challenges especially among member states. Issues such as border disputes, development gaps, migrations, deforestation, illegal activities, illegal transit zones and climate change have been on the rise. Thus, some questions arise from these discussions. Why do sub-regional groupings exist,

and why has multilateralism been diversified? What are the political implications of sub-regional groupings?

Although there is a growing body of literature on regionalism in Southeast Asia, studies on regionalism are often situated in macro-regions such as ASEAN (Ba 2009). However, research on sub-regional development remains limited and is often seen as a subsection of economic cooperation. It is in this purview that the focus of this paper is to analyse the factors that led to the emergence of cross border cooperation by examining how the sub-regional institution was developed. This essay further analyses the connections between the rise of sub-regional groupings, domestic politics, and regional order. We argue that the contingent set into motion institutional patterns have deterministic characteristics in the development of sub-regional institutions.

In an earlier development, much of this institutional expansion was built on initial agreement among member states as a spill-over from the activities of ASEAN integration (Acharya 2014). Our study pays attention to the political developments on how BIMP-EAGA was established. To demonstrate the dynamics of institutional changes and continuity in BIMP-EAGA, this paper proceeds with applying the concept of historical institutionalism (HI) to an empirical realm in an effort to illustrate how sub-regional shaped up existing topical, geographical and ontological foci in regional studies. Further, this paper adopts BIMP-EAGA as a case study. Although there has been literature discussing the development of BIMP-EAGA, only little research has been done to explore the historical analysis of the domestic political make-ups and how sub-regional groupings can be challenging to multilateral cooperation.

Despite the promises of cooperation and interdependence in multilateral cooperation, very little research has so far discussed the political and security impact of the existence of BIMP-EAGA. We argue that the form of sub-regional groupings economic policies and security policy in Southeast Asia were contingent on a particular set of power and interest in domestic politics. Therefore, the invocation of sub-regional groupings such as BIMP-EAGA is largely consequential and would bring benefits to the East ASEAN region in terms of increasing the economic development most especially in the Eastern region where economic development has been lagging behind in the Western

part of ASEAN. Ultimately, this paper aims to provide a thorough review of BIMP-EAGA, summarising the trajectory for future research as well as its problems.

### THEORETICAL FRAMEWORK

Regional integration has been at the forefront of regional studies. According to Dent (2008 p.7), regionalism is defined as “the structures, processes and the arrangements that are working towards greater coherence within a specific international region in terms of economic, political, security, socio-cultural and other kinds of linkages.” The establishment of regional institutions has been illustrated in both material and ideological references. The examples of regional institutions in BIMP-EAGA are constrained by their commitment due to their limitations towards decision making and policy implementation. In this regard, countries such as Malaysia (comprising only Sabah, Labuan and Sarawak), Indonesia (10 provinces of Kalimantan), and the Philippines (26 provinces of Palawan and Mindanao) are prone to many challenges ranging from human security to transnational issues of energy, environment and human trafficking. One of the challenges this region faces lies in promoting the economic development of member countries, yet the cost of strengthening economic development has always been a stumbling block to BIMP-EAGA member countries for security reasons.

Since the collapse of the bipolar world order, political uncertainty has always been an ongoing discussion in multilateral fora. The BIMP-EAGA member countries are affected as well, as there were increasing transnational issues of drug activities at land borders, environmental issues and the realization of ‘Heart of Borneo’ initiated by governments of Brunei, Malaysia and Indonesia in 2007, and piracy and sea terrorism issues between Sabah and the Southern Philippines (Institute for International Cooperation Japan, International Cooperation Agency [JICA] 2007). According to JICA, ASEAN members are aware of the challenges that are pertinent to the region. As regional integration in BIMP-EAGA member countries is based on economic integration of trade and investment and strengthening of land and border quality for any economic activities, security issues can affect the decision-making and governance issues will limit the role of the regional integration of BIMP-EAGA. In order to retain its utility and reap economic

activities, regional governments have fashioned a new (or so-called revised) mandate which shifts its focus towards non-traditional security and governance policies for BIMP-EAGA member countries to overcome issues such as poverty, forced migration, environmental degradation, social issues, economic disruptions and human insecurities. This has been realised with the expansion of ASEAN’s role since its inception in 1967 is instructive (Simon 1995). The development of sub-regional groupings has been one of the main themes in ASEAN. In 2007, ASEAN leaders announced that they would advance the realisation of the ASEAN Community in 2015. However, the main concern has now become the extent to which this realisation can be associated with the development of sub-regional groupings, specifically, how it was done with the main regional integration of ASEAN bodies that was advanced by political leaders as a set of arrangements to achieve the wider goals of the ASEAN Community.

Several theoretical approaches have been employed to understand the development of regionalism and sub-regionalism. Yet, sub-regionalism has been a stumble block for BIMP-EAGA member countries to move forward as this region is less developed, which basically means that it is difficult for IMP countries to decide, as these countries’ decision-making belongs to the central government. In order to tune back into pursuing economic cooperation, these participating countries introduced the BIMP-EAGA Vision by 2025 as an initiative to target the regio’n being connected in any form of transportation, food basket strategy in agribusiness, tourism development, environment and socio-cultural and development that would develop their decision-making mandate. Obviously, there will be some challenges due to the delegation mechanism of IMP countries that remain under the central government, except Brunei has no difficulty with regard to decision-making mechanisms. This can be seen in the past when the downturn hit the region between 1998-2000 due to weak motivations for regional integration alongside the economic difficulties of that time, i.e. 1997 Asian Financial Crisis, ongoing Mindanao and Palawan security threats resulting in the tourism industry not blooming in the area, and illegal drug activities in many parts of the Southern Philippines, Kalimantan and cross-border trading. This has shown that regional integration has come with a price particularly the ongoing challenges that hit this region hard (Mellejor 2019).

On the other hand, the neo-liberalist approach focuses greater attention on globalisation as a causal explanation for increasing regionalism. Neoliberalism stresses that the rise of sub-regional groupings was a result of greater interdependence where cooperation and policy coordination among states can overcome collective action problems (Keohane & Milner 1996). From the neoliberalist perspective, the absence of sovereign authority in the international system creates opportunities for smaller states to advance their interests through cooperation (Ganesan, 1995). Further, they argue that states can benefit greatly in creating institutions as the transaction cost of executing economic transactions can be costly to states. Thus, they believe that development of institutions creates rules of the game which fulfil the function as they can constrain and change the preference outcome by reducing cost through the process of drafting, planning, and negotiating contracts between agencies of states (Goldstein & Keohane 1993).

For neoliberalists, the rise of capitalist states in the region was a direct result of the market force which stimulated the support for sub-regional blocs to establish economic interdependence through rules and regulations. Neoliberalism shares the neorealist logic that the international system is of anarchy (Axelrod & Keohane 1985). As rational actors, neoliberal institutionalists argue that cooperation as the dominant form of international politics in Southeast Asia. Neo-liberal institutionalism assumes that institutions are shaped by the market as a result of globalisation which have a degree of influence on national interest. Based on neoliberals, institutions are seen as neutral entities that are independent of societal influence to shape the regional outcomes. They point out that exogenous drivers such as globalisation have aspired to deeper forms of trade and integration between states. Thus, the expansion of ASEAN's functionalism appeared to be taking root in the region whereby the ASEAN Free Trade Area was concluded in 1993 followed by the creation of the ASEAN Regional Forum in 1994. However, neoliberalism has been less apt in explaining why certain institutions are adopted over others (Johnston, 2001). In practice, the contingency of the outcome in establishing institutions is a direct consequence of struggles between domestic social forces. In his study, Haggard (1997) found little evidence that higher levels of interdependence generate higher demands for deeper integration or reduce prisoners' dilemmas. Rather, institutions are

created and maintained because they can benefit specific social forces and political forces.

By contrast, the constructivist approach stresses that the development of sub-regional institutions is socially constructed. And they challenged the neoliberalist assumption that only material gains formed regionalism. While this can be related to BIMP-EAGA as a sub-regional entity, in order for this integration to move forward, ASEAN should allow this sub-regional grouping to envision and have its own mechanism driving away from central government entities and decision making. According to Acharya (2014), often the regional institution is a product of discursive institutionalism which intercedes inter-state cultural norms, values, cognition that converged to its identity. The logic of appropriateness as opposed to rational expectations determines institutional outcomes (March & Olsen 1998). Instead, an institution's design embodies symbolic relationships and rituals, where norms and identity engender them and increase internal socialisation amongst states (Davies, 2018). They stress that the high level of mutual sense of community, loyalty and shared identity causes the development of sub-regional institutions. Thus, the rise of sub-regional institutions was a direct consequence of member states shaping their interactions with institutions through frames of references such as the principles of non-interference and non-intervention, which is the flagship symbol of ASEAN called the 'ASEAN Way' (Haacke 2003). However, in reality, the craft of a shared identity and norms have not been consistent with the states' behaviours and values. In fact, Nesadurai (2008) reveals that governments have departed from ASEAN's sovereignty-centric norms when they recognise that failure to cooperate could undermine the prospect for economic growth, including BIMP-EAGA.

Although both theoretical approaches provide rich ground for the study of regional development in Southeast Asia, both neoliberalism and constructivism share the logic of pitfall, which suggests that regional institutions are driven by external imperatives (Jayasuriya, 2003). This has been BIMP-EAGA's struggle as decision-making has always been their stumbling block in driving its own economic freedom and mechanisms. This is what the constructivists and neoliberals have failed to critically enquire about the nature of state power that is driven by the political elites which reflected the unresolved ethnic and religious dissonance

and opaque networks of corruption and patronage (Jones & Smith, 2002). Being put differently, while constructivists and neoliberalists may usefully highlight the discursive importance of ideas and interdependence about regional identity and institutional practice, the absence of supranational authority to implement rules in fact highlights that regional proceedings are determined by the powerful domestic actors.

### HISTORICAL INSTITUTIONALISM AND THE DYNAMICS OF BIMP EAGA

This section provides an overview of an alternative analytical framework by using Historical Institutionalism (HI) to understand the dynamics of both agents and institutions that help shape the region, especially BIMP-EAGA. HI provides an eclectic approach that adopts both neoliberalism and constructivism's understanding of regionalism. The focus on institutions enables us to distinguish the source of possible resistance or change, which provides a way to conceptualise its extent (Beeson 2002). In this way, it allows us to build a more accurate picture on the specific forces that are shaping the region as institutional development is political. It involves various domestic actors cooperating in transferring power toward legalization which aims at achieving economic growth by participating in the world market.

HI is best understood as an ontologically open analytical approach with a set of concepts that are foreground to temporality (Mahoney & Thelen 2010). The central assumption of HI is that political actors are subjected to the context of rules structured by the winning coalition of political groups, which gradually strengthened the rules to be institutionalised over time (Sanders 2009). The institutional model usually derives from political concessions established by the existing political groups to include or exclude their members to create a stable regional institution (Bertrand 2004). The political contestations between the social forces in the country often influence how the state shapes regional institutions that would serve their interests.

Institutional analysis matters because it allows us to examine the relationship between political actors as agents of history, as they can shape policy choices, behaviour, interests, and identities of agents (Thelen & Steinmo 1992). The influence of HI as an analytical framework exemplifies that history matters

in the study of IR and comparative politics because the ideological framework and the institutional practises in the given polity are radically different due to its antecedent condition that structured politics across time (Hall 2016). Formal institutions (rules, regulations, organisational structures, state) or informal (ideas, norms, identities) influence policy choices and govern political actors within a specific outcome (Steinmo, 2008). Whether it is formal or informal, institutions are important for domestic politics because institutions can not only enhance or constrain political actors in the decision-making, they can also influence the outcome of deliberate political strategies which dictate how the state behaves (Steinmo, 2008). The chief contribution of analysing institutions is that the state is historically a contingent social and political system that is captured by certain social groups interested in claiming control over given territories (Skocpol 1985). Jessop (2008) posit that these institutions may privilege some actors, identities, and strategies over others. As these regional institutions have the capacity to distribute power and resources, socio-political groups often compete sometimes violently to capture the institution in order to enhance their agenda. Therefore, depending on the specific institutional arrangements, the ordering power in the domestic can influence the ideas that would be incorporated in the state's security and economic policies which helps explain why certain states have the capacity to enforce their will to promote certain agendas while other states are being constrained.

Once the institutions are established, key political actors form political structures such as working groups, bureaucratic organisations, regional organisations, as well as business organisations to structure interests that can shape or constrain political choices. Such a political outcome is also a product of political contestations between social forces, which explains the differences in trajectory, scope, and sustainability of these institutions (Steinmo, 2008). Because HI is focused on the impact of institutions on actor motivations in policies, it is able to subsume other approaches to explain the policy preferences (Thelen, 1999). In consequence, regional institutions are a product of historically contingent structures and processes of struggles for power within states between the social groups and their political interest that besiege them (Lipschutz, 1995).

HI also focuses on the analysis of institutions whereby policy choices are also linked by existing and

past arrangements (Thoenig, 2011). By analysing the state's history, elements such as timing, sequencing, critical junctures, path dependency, change, and continuity help as a building block to understanding the narrative of policy choices (Pierson, 2004). Thus, tracing history and the allocation of power as a starting point provides the analytical tool to understand the origin of institutional arrangements and how historical episodes in which institutions are created or reshaped (Capoccia & Ziblatt, 2010). One of the defining qualities of institutions is its capacity to regulate state behaviours and reflect the overarching norms and values (Steinmo, 2008). Once the rules of the games are institutionalised, it creates a long period of stability. The established legacy of historical conditions has a powerful effect in dictating actors' behaviours termed as path dependence, because once these rules, norms, and ideas are structured by specific institutional context, political actors create policies and reinforce the systemic logic that reflects the institutional settings (Thelen 1999). Pierson (2004) actually demonstrates that because power asymmetries are uneven, they create a powerful positive feedback that can transform agenda control and ideological manipulation into an unlevel playing field, making open conflict unnecessary. Pierson (2004) argues that the institutional arrangements are typically hard to change as political actors are bound by past institutional choices, which makes maneuvering of policies hard for them. The allocation of power and authority resides with the key political actors as a source of political feedback (Pierson 2004).

Sewell (1996) posits that 'what has happened at an earlier point in time will affect the possible outcomes of a sequence of events occurring at a later time.' In this sense, institutions are linked to certain historical legacies which translate into rules, norms, the capacity of the state and institutional arrangements (Suffian, 2019). Over time, social and political power are used to consolidate political advantage at the expense of other political forces (Pierson, 2004). North (1990) postulates this as 'institutional locked-in' which limits institutional changes as certain political groups benefit over others from the institutional settings that constrain institutional changes. Such positive reinforcement to specific political groups enables these institutions to persist for a long period of time. This is because even though the institutional changes can lead to new policies or systems of governance being formally introduced, changes may be incremental as they may not necessarily undermine informal institutions

that were previously created to limit powerful actors in the previous institutions (Suffian, 2019).

Although the argument over institutional locked in provides a strong institutional stability, this does not mean that institutional changes do not occur. Building on works from Thelen and Steinmo (1992), some HI scholars such as Croissant et. al (2011) suggest that there are certain mechanisms that can take place for institutional changes through critical junctures, creating a new path for institutional development. These types of changes are often situated towards the agency whereby political actors in the state attain power through collective actions to create incentive for institutional changes (Mahoney & Thelen 2010). Even though institutions often provide long periods of stability, certain endogenous 'shock' which derives from a conflict or crisis, or exogenous pressure can generate institutional changes (Slater 2010). According to Mahoney and Thelen (2010), due to the differences in environmental shifts, institutional change may not necessarily lead to institutional breakdown. Once again, introducing institutional changes can be incremental but may not necessarily undermine the informal institutions and powerful actors as they are still competing for power and interest in the new institutional setup.

## HISTORY OF BIMP-EAGA REGION

The history of BIMP-EAGA began with high-level talks amongst the BIMP-EAGA member countries in 1992. Then it was endorsed in the Philippines at the Inaugural Senior Officials' Meeting in Davao, Philippines in March 1994. The members of BIMP-EAGA consist of Brunei, Indonesia (Kalimantan, part of Sulawesi, Maluku and Papua), Malaysia (Sabah, Labuan and Sarawak) and the Philippines (the island of Mindanao and the province of Palawan). This region is prone to many challenges and one of the prominent challenges is the security challenges. The inclusion of four states makes up a land area of 1.6 million square with a combined population of about 70 million with a combined GDP of up to \$287 billion (BIMP-EAGA 2020). The first BIMP-EAGA summit was held in Bali in 2003 and there have been thirteen summits held since then, being Bangkok as the most recent venue for the 13th summit in 2019 (BIMP-EAGA 2020). One of the prominent sub-regional cooperation was an attractive destination for countries such as China, with its latest cooperation under the BIMP-EAGA known as

the China Cooperation 2020-2025. Another major project includes the allocation of a \$23 billion in infrastructure projects by 2025, which can be broken down into \$7 billion for the Pan Borneo Highway project to connect Sabah and Sarawak, \$2.6 billion for Bitung International Port in Kalimantan, \$400 million for green cities projects with first the project to commence in South Sulawesi in Kendari City, and the ICT project of \$150 million for submarine to link all BIMP-EAGA member countries in realising the ASEAN Broadband corridor (BIMP-EAGA 2020). The BIMP-EAGA member countries also give many opportunities to many various platforms such as halal industries, ecotourism, medical tourism and SME opportunities especially due to connectivity and cross border in Borneo Island. However, although the BIMP-EAGA region is considered land for opportunities, it cannot be denied that it has been facing some security challenges with ongoing security issues and corruption, illegal migration, and drug trafficking, among others. To illustrate, in the past, plenty of major violence have transpired such as conflicts due to religion and ethnic clashes uprose in some parts of Kalimantan in 1998, the Abu Sayyaf hostage incident in the Island of Sipadan in 2000, several kidnapping in Sabah related to armed conflicts in the Southern Philippines, the Lahad Datu military conflict in Sabah with the Philippines and ongoing several border and territorial disputes in Sarawak-West Kalimantan boundary often related to illegal activities are still occurring. These can actually limit the role of regional integrations in economic cooperation. These can also present various challenges in aiming for the centralisation of economic institutionalism in BIMP-EAGA, which cannot be realised if there is a tight structural institution and the lack of constant support from the role of the agencies, hence resulting in the BIMP-EAGA member countries to move forward, which will be discussed next.

#### THE ROLE OF AGENCY AND STRUCTURE: THE EFFECTIVENESS OF BIMP-EAGA

This section explains how sub-regional integration projects are shaped by political contestation between forces within regional states. Sub-regional institution initiatives such as BIMP-EAGA and its effectiveness are not simply a rational response to globalisation. Rather, they are political projects generated by

powerful socio-political forces and disputed by those threatened by the neoliberal restructuring that they are involved with (Jayasuriya 2003). Implementing and coordinating more effective sub-regional transformation are dependent on the capacity of the powerful forces to impose their will on individual states as these changes are often subject to political contestation in domestic politics.

Prior to the Asian financial crisis, the trajectory of sub-regional groupings such as BIMP-EAGA was considered as necessary to deepen ASEAN integration to help boost the cross-border economic region. Despite this, the differences in institutional quality that manifest in Southeast Asia as opposed to other regions and their institutional effectiveness in regulating state behaviour tend to differ. The institutional architecture that took form was incoherent and ad hoc to meet these new political and economic challenges. Although the European Union (EU) was increasingly economically integrated and intra-Europe trade accounted for 60 percent, ASEAN fell short in emulating the EU the consolidation of transnational structure of political authority and economic governance within the member states. In actuality, ASEAN intra-trade only constituted a mere 20 percent total of ASEAN trade in 1992 (Herschede 1991).

However, the timing of institutional changes especially at the sub-regional grouping is important. The financial crisis confronted the region with a number of political and economic challenges, including undermining intra-ASEAN relations especially on border disputes, which aggravated bilateral tensions and damaged ASEAN's reputation as an instrument for regional cooperation (Acharya, 2012). On the domestic front, the financial crisis also created political and economic upheaval that caused institutional pressure on governing elites which saw the fall of authoritarianism in Indonesia (Robison & Hadiz, 2004), increasing tension between Borneo states and the federal government in Malaysia (Jomo & Hui, 2002) and increasing insurgencies in the South Philippines (Banlaoi, 2009).

The sub-regional groupings have proliferated following the financial crisis. The decision to increase investment in the less developed parts of the EAGA was driven by a set of political forces in a number of ways. For ASEAN, economic development has long been seen as the main contributor to regional security as the means to offset domestic instability and insurgency. The uneven development, poverty and lack of infrastructure especially in the BIMP-

EAGA region were some of the catalysts for political unrest and subsequently weakening the central governments (Davies, 2019). Thus, the intense socio-political struggles that manifested in the domestic led to regional governments readily invoking the economy and security links to increase interdependence and cooperation especially in the less developed areas. From an institutionalist perspective, the financial crisis was seen as a critical juncture that caused strategic members to reassess the organization's utility, which led them to produce a certain type of institutional change. For these reasons, socio-political forces in the states find it in their interest to cooperate to strengthen the institutional frameworks for managing domestic conflicts and regional instability.

Indeed, in the 2000s, ASEAN made several institutional changes in its efforts to meet emerging challenges. The chief among them was the acceleration of institutionalising BIMP-EAGA to increase foreign capital in favour of liberal market policies that can potentially maximize growth. In 2001, Brunei, as a hosting nation for the ASEAN Summit, asked both the Asian Development Bank and ASEAN to help reinvigorate the BIMP-EAGA initiatives to establish long term objectives towards increasing economic development and regional integration. With the help of ASEAN Secretariat officials, this effort eventually paved the way for the BIMP-EAGA 2006-2010 Road Map and Action Plan to prepare and institutionalise the legal frameworks for realizing these goals (BIMP-EAGA 2006). Possibly, the most ambitious attempt to further institutionalise the sub-regional initiative was the formulation of BIMP-EAGA Vision 2025, which has the potential to contribute to the realisation of the ASEAN Economic Community (BIMP-EAGA 2017). Moreover, the increasing reliance on export and growth and linkages to the world market shows that the BIMP-EAGA member countries are opening their economies to liberal trade practices and FDI policy growth.

However, despite the promising progress made to promote industrial linkages and improve coordination between governing countries, BIMP-EAGA member countries still have pockets of non-liberalist policies and institutional arrangements (Nesadurai 2014). To date, BIMP-EAGA is still operating on soft institutional principles that restrict further regional integration (Dent & Richter, 2011). Many of these preferential trade agreements tend to accommodate certain forms of liberalisation

policies while other sectors are heavily protected by the government, as this is part of the economic protection and the nature of the BIMP-EAGA member countries in accommodating trade policies. Yet, in certain areas, government-linked companies (GLCs) still dominate the key sectors of the economy despite economic reforms. As Jones (2012) aptly puts it, domestic protectionist agreements continue to take form with the existence of dominant political elites interpenetrating the state and cultivating relations or even capturing parts of the state apparatuses, while using their coercive power to undermine official policy to ensure that their strategic interests are realised.

It becomes clearer that the sub-regional strategies involved incremental changes rather than a decisive break towards a pro-liberal policy approach. Even as intergovernmental Memorandum of Understandings (MOUs) were aimed at promoting the institutional strengthening in the realm of "low politics", certain sectors such as investment, fisheries and tourism, still, the measure to facilitate further institutionalisation of rules and regulations has been uneven. Some trade protection must be prioritised, and political interests should be taken into account. Depending on the sectors, implementing certain policies can be challenging as it is dependent on the interest of the politically connected actors and their relationship with the ruling elites. This reflects Nesadurai's (2003) study which demonstrates that the struggles between competing players in the state will determine the degree of liberal policies achieved, especially in the BIMP-EAGA initiatives.

Despite being on BIMP-EAGA's agenda since 2006 and 2017 respectively, none of these infrastructure projects are progressing well (ERIA 2012). However, the institutional design is clearly a function of ruling elites to protect their domestic interests from international competition. The policy interests of certain dominant groups in the institutional arrangement certainly play a huge role in maintaining the status quo or bringing changes to the BIMP-EAGA. Although the ICT sector went through a liberalizing period through privatisation, these institutional changes were only intended to create wealth for certain individuals that are closely linked to the ruling elites and its clusters intended. In the case of Malaysia, ICT providers are a boon to business interests that are directly associated with state power. For instance, Wong et. al (2016) documented how telecommunication service providers tended to favour nurturing the



local companies as they play an important role for the ruling elites to establish rents to indigenous business elites to support Malaysia's national policy. This reflects Nesadurai's (2003) study which demonstrates that the struggles between competing players in the state will determine the degree of liberal policies achieved, especially in the BIMP-EAGA initiatives.

Based on the institutionalist perspective, the political economy of regionalism can be interpreted as either conforming or defiant towards globalisation. However, regionalism especially in Southeast Asia provides a complex picture, especially when it is examined from both foreign and domestic capitals (Elumbre 2014). This can be seen from the promotion of BIMP-EAGA, a sub-regional initiative that seeks to complement and envision AEC and also acts as an accelerator to ASEAN economic integration, which privileges new domestic capital in a specific transborder region (Dent & Richter 2011). While these initiatives support the liberalist agenda that permits a degree of remarkable integration, the situation in this region appears to be the other way around. This region has the capacity to liberalise or integrate due to its advantages or some privileges, and all of these can be formed if bound by some economic agenda, i.e. economic liberalisation in the region. Although liberalisation is supported by some technocrats and internationally bounded business elites, political elites frequently collide with other social forces that favour protectionism, which sometimes serves a better approach to strengthen the market economy in the region. To this extent, what emerges in practices is that BIMP-EAGA member countries have their own institutional mandate that is bounded by the contingent outcome of political struggles between these social forces. Therefore, in reality, implementing the BIMP-EAGA agenda can sometimes be partial and have uneven liberalisation.

Nevertheless, this by no means suggests that BIMP-EAGA lacks substance. The only matter is that it takes time and effort to implement the agenda. For instance, the sub-regional institution has also been shifting its political economy to a more concrete multilateral base so that the decision-making will be more transparent and institutionalised. This shifting approach can strengthen institutionalism and allow security issues to be openly discussed at the BIMP-EAGA platform. However, this agenda frequently collides with protectionist interests that arise from powerful political and business elite coalitions to avoid any political unrest that could undermine their

political sovereignty or interests. What therefore emerges is the contingent outcome based on the interests of each country, which is different from ASEAN entities. According to Nesadurai (2003), in the case of ASEAN, the model of regionalism defines developmental regionalism as an approach that neither completely resists globalisation nor is acquiescence to global market forces. In fact, this type of regionalism is designed by strong political forces in their attempt to protect the domestic market temporarily while the domestic market builds its capacity through expanded regional markets to sustain the political and business elites (Hameiri & Jayasuriya 2010). Similarly, the rise of sub-regional groupings was developed by a group of powerful actors that attempted to impose their will to pursue their limited economic power and interests. Therefore, there will always be a limitation for BIMP-EAGA to pursue economic independence due to many unforeseen circumstances and the difficulty of visualising regional economic integration. This rather agrees with Dent and Richter (2011) when they identify that the development of sub-regional groupings is initiated to encourage development activities in the less developed area into the regional economy, and often, they are subjected to many challenges.

## CONCLUSION

In summary, while the full impact of recent developments remains to be seen, the trends on sub-regional institutions such as BIMP-EAGA suggest more promise as this region is seen to have more potential with regards to economic development and to being a part of capacity building to address non-traditional security issues, which sometimes overlap with traditional security. Although it remains a challenge, over the years, institutional analysis has demonstrated a greater acceptance of the importance of the sub-regional framework through deliberate incremental changes. A reversal in the institutional arrangement could be a solution for this region to diversify and to realise its vision for 2025. Southeast Asia is not inoculated from geopolitics and the world economy. By giving this region an opportunity to be a mediation centre within the ASEAN entity, it is believed that its member countries can overcome security challenges and can tighten up their sub-regional coordination and decision-making process. This can be addressed

through a structured orchestration of implementing confidence-building measures (CBM), which involve relevant government agencies as well as businesses to increase cooperation and to enhance economic ties and power relations in the region. Nevertheless, the question remains whether the political elites and business elites in these countries can forge a stronger political will and more economic resources to further strengthen the sub-regional framework to achieve the overriding common interest, given the fact that the political survival of these countries is indivisible. While this is rather difficult, it can be achieved if ASEAN, as the main body, is able to orchestrate its mandate to BIMP-EAGA as a sub-regional grouping to realise the reality of the CBM, decision-making process or an agent for mediation, among others. In fact, regional integration can only be achieved if there is a clear platform for BIMP-EAGA member countries to act as agents to regional stability that are exposed to security challenges and have had experience with past complex security challenges. In this regard, HI is a platform that can not only accommodate the current region's institutionalism to a rule-based regional integration especially in economic cooperation but can also give this region aid to be economically independent by the year 2025.

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