



**AGREED MINUTES
TENTH INDONESIA-MALAYSIA-THAILAND GROWTH TRIANGLE SENIOR OFFICIALS'
MEETING
KANGAR, PERLIS, MALAYSIA
1 - 2 APRIL 2003**

INTRODUCTION

1. The Tenth Senior Officials' Meeting (SOM) of the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) convened in Kangar, Perlis, Malaysia on 1-2 April 2003. The Indonesian delegation was led by the Honourable Dr. Firman M.U. Tamboen, Deputy Coordinating Minister of Economic Affairs for Investment and Public-Private Partnership Development, and the delegation from Thailand was headed by the Honourable Dr. Pornchai Rujiprapa, Deputy Secretary- General, National Economic and Social Development Board. The Honourable Dato' Halipah Esa, Deputy Director General (Macro) of the Economic Planning Unit, Prime Minister's Department, headed the Malaysian delegation and acted as the Interim Chairperson of the Meeting. The IMT-GT Joint Business Council (JBC) was led by the Honourable Dato' Seri Abdul Rahman Maidin of Malaysia. Representatives from the state of Selangor, Malaysia, and the province of South Sumatera, Indonesia, were also present.

WELCOMING ADDRESS AND OPENING STATEMENT

2. His Excellency Dato' Seri Shahidan bin Kassim bid the delegates of the Tenth SOM a very warm welcome to Perlis. He said that Perlis was gratified at the high level of participation at the Meeting despite the on-going uncertainties in the international situation. He hoped that the Meeting would not only deliberate on the many issues at hand but also explore new areas of common interest to enhance the region's competitiveness in the global marketplace. He urged member countries not to compete but to complement each other in their efforts. He then spoke of the proposed ring road to be developed by Malaysia and Thailand to promote cross-border trade and spur economic development of Perlis, Kedah and the southern provinces of Thailand. He informed the Meeting that Malaysia had constructed the road for the Kuala Perlis-Changlun sector and will be embarking on the next phase. He appealed to Thailand to reconsider its new alternative route as he was of the view that the original route had more advantages and hoped that the Meeting could look into the issue.
3. He also urged the Meeting to explore the possibilities of not only allowing free flow of goods but also the free flow of people along the border in an organized fashion. In this regard, he informed the Meeting that Perlis, in collaboration with the private sector, is considering establishing a common border industrial area in Padang Besar, with workers coming from both Malaysia and Thailand. In addition, Perlis recently launched the Padang Besar New Township project and he invited the IMT-GT private sector to participate. He then commented on the growing importance of the tourism sector and informed the Meeting of Visit Perlis Year 2003 – 2005. He also registered his disappointment and sadness at the war in Iraq and hoped that it would end soon.

The full text of his address appears as **Annex I**.

4. In her opening address, Dato' Halipah Esa warmly welcomed the delegates to the Tenth SOM. She expressed concern about the conflict in Iraq and its impact on the world including the sub-regional economies. She took cognizance of its consequences in terms of the rise in oil price and negative impact on trade, transport and tourism. She emphasized the need to introduce unconventional measures and to look within the region to sustain economic growth.
5. She underscored the goal of the IMT-GT to accelerate private sector-led economic growth

through the promotion of sub-regional investment and other forms of economic cooperation. She urged the delegates to take full advantage of the proximity among the participating sub-regional economies by exploiting the underlying economic complementarities, enhancing sub-regional international competitiveness, lowering transportation and transactions cost, and reducing production and distribution cost. She encouraged the private sector to identify new sources of growth to spur expansion and bring development. She pointed out that small- and medium-enterprises (SMEs) have the potential to generate greater economic activities for the sub-region given its sizeable contribution to employment and GDP. However, she noted that SMEs would need to enhance their ability to compete through the production of high quality products and services and by equipping themselves with good management skills. Her opening remarks appear as **Annex II**.

ELECTION OF CHAIRPERSON AND MEMBERS OF THE DRAFTING COMMITTEE

6. The Meeting unanimously elected Dato' Halipah Esa as the Chairperson of the Tenth SOM of the IMT-GT. The Meeting also appointed two members from each Delegation to a Drafting Committee. The members are as follows:

Indonesia :	Mr. Hafil Widiyanto Mr. Andriana Supandy
Malaysia :	Mr. Himmat Singh Mr. K. Yogeesvaran
Thailand :	Act. 2Lt. Kittipol Chotipimai Mr. Choen Krainara

ADOPTION OF THE AGENDA

7. The Meeting adopted the Agenda that appears as **Annex III**.

REPORT OF THE IMT-GT JOINT BUSINESS COUNCIL (JBC)

8. The Hon. Dato' Seri Abdul Rahman Maidin, Chairman of the IMT-GT JBC presented the report. He informed the Meeting that the JBC had four sessions since the Ninth SOM. He announced that 13 of the 16 recommendations under its restructuring plan have been implemented. He then briefed the SOM on JBC's new meeting format where they would meet quarterly and the three ITGs convene concurrently. He noted the active participation of the new IMT-GT provinces/states in the JBC as well as Myanmar's participation in the JBC as its partner.
9. He highlighted the initiatives of the JBC Exco including the IMT-GT radio broadcasting and branding programs. He went on to outline the activities of the ITGs. In respect of the ITG on Sectoral Development, the SOM was updated on the progress of the new travel guides, the IMT-GT Travel Fair, the Selangor Harbour City Project, and health and education tourism. Under the ITG on Open Market Operations, the meeting noted the progress of the Smart School Project and the USU/PSU/UKM research program. He also presented the status of the projects under the ITG on Cross Sectoral Development, namely, the Training for Hotel and Restaurant Personnel Program, Training for Workers in the Agro-Industry Sector and Technical Assistance on the operation of the Islamic Bank of Thailand. The Meeting also took note of the initiatives under the ITG on Infrastructure Development, Trade and In situ Development and Development of Hinterland and Intra-trade, and urged the relevant agencies to ensure their successful implementation.
10. He then presented several issues for SOM's facilitation/endorsement. He requested the government of host countries to support and fund the JBC Tripartite meetings that will be held jointly with the SOM ITGs as the private sector of many provinces/states had limited funds. He proposed greater facilitation of cross border movement for IMT-GT members including

extending it to Thailand and to IMT-GT businessmen bringing samples for business. He sought SOM's support to make the IMT-GT Portal the official portal for the IMT-GT. In respect of fiscal exemption, he requested that all ports of arrival in Selangor be included in the arrangement with the inclusion of Selangor as part of IMT-GT. He supported the proposal to include Lampung and South Sumatera Provinces of Indonesia as well as Kelantan, Malaysia into the IMT-GT. He urged Thai and Malaysia Immigration to simplify immigration procedures at Padang Besar. He also raised issues pertaining to congestion at the Padang Besar container yard, visa for short-term workers and one-year visas for Indonesian students seeking on the job training in Malaysia.

11. He proceeded to highlight issues arising from JBC's ITGs. In respect of the ITG on Sectoral Development, he proposed improvement of signages including bilingual usage in tourist areas and routes as well as extending senior citizen package tours to the IMT-GT region. Relating to the ITG on Open Market Operations, he urged the Indonesian government to also participate in the bilateral payments agreement and sought the endorsement for the formation of an IMT-GT Professional Consulting Group. Under the ITG on Cross Sectoral Development, he sought endorsement for the Allianza College of Medical Sciences project and for the proposed Nurses Training Centre in Medan to become an IMT-GT project, and facilitation for a one-stop agency for recruitment of construction workers. With reference to the ITG on Infrastructure Development, he asked Thailand to reconsider the connection on the Thai side for the Satun-Perlis Highway. In respect of the ITG on Trade and In situ Development, he requested consideration for the extension of border hours at Padang Besar to midnight, waiver of insurance coverage for motor vehicles within 50 kilometres from the border and development of the Padang Besar New Township.

The full text of his report appears as **Annex IV**.

12. Indonesia raised the possibility of efforts to develop Sumatera as the marketing center and proposed several other projects in Jambi. It was agreed that the JBC would consider these projects at its next meeting. With regard to the proposal to facilitate the free movement of raw materials and semi finished goods, Indonesia informed the Meeting that it will consult with the relevant authorities. Thailand proposed that the IMT-GT Portal be developed into a center of information. The Meeting agreed that the portal could be made accessible to all parties. The Meeting also sought further clarification on the proposal of the IMT-GT+1 on the role of Myanmar and emphasized that it has no objection to Myanmar's participation in the JBC as its partner. Thailand noted that decisions on many of the proposals made by the JBC can only be made after consulting the relevant authorities. Malaysia recommended that the proposal for a host country to support and fund JBC Tripartite meetings be considered on a case by case basis. The Meeting decided that the proposals by the JBC be further studied by the respective governments as well as the relevant ITGs for consideration at the next SOM.

REPORTS OF THE IMPLEMENTING TECHNICAL GROUPS (ITG)

13. The Meeting noted that since the Ninth SOM, the IMT-GT had been operating under its new structure where there were six ITGs headed by the member countries as follows:

Malaysia :	ITG on Infrastructure Development ITG on Trade and In situ Development
Indonesia :	ITG on Cross Sectoral Development (Human Resources Development) ITG on Development of Hinterland and Intra-trade
Thailand :	ITG on Development of Open Market Operations (Special Telecommunications Zone) ITG on Sectoral Development (Tourism)

Implementing Technical Group on Infrastructure Development

14. Ms Ruhaizah Mohamad Rashid presented the report of the first ITG meeting held on 20-21 June 2002 in Langkawi, Malaysia. She informed the meeting that the modus operandi for the ITG has been agreed upon. This included the establishment of four sub-ITGs, namely on Air Transport with Indonesia as the country coordinator, Land Transport with Thailand as the country coordinator, and Maritime Transport and Gas Pipeline with Malaysia as the country coordinator. She also reported that two project proposals from Indonesia, three from Malaysia and six from Thailand were presented for consideration and it was agreed that the sub-ITGs deliberate further on them. The meeting was informed that fiscal tax exemption has been extended to Alor Setar from any point of the IMT-GT region in Indonesia.
15. She informed the Meeting that two sub-ITGs have met and that the sub-ITG on Air Transport will meet soon. In respect of the Study to Identify Barter Trade Opportunity in the IMT-GT Development Area, the consultant is being considered. She reported that financing for the development of ro-ro ferry services is being discussed with a bank in Malaysia and the proposal for the development of Malaysia's Entrepot in Perlis has been submitted to the Malaysian government for endorsement. She also informed that the sister port programs between Penang Port with Belawan and Lhokeseumawe Ports and Penang Port with Satun Port, are being considered by both the governments. The Report of the ITG appears as **Annex V**.
16. Thailand updated the Meeting on the status of ports in southern Thailand. The Meeting took note that the sites of the proposed Narathiwat Port and Buboi Port needed further study and may have to be redetermined. Thailand then briefed the Meeting on four highway proposals, namely, the Satun-Wang Prachan/Wang Kelian-Perlis Highway, the Na Thawi-Ban Prakob-Alor Setar Highway, the Yala-Betong-Penang Highway, and the Indonesia-Malaysia-Thailand Inter-modal transportation. Thailand also informed that the Satun-Perlis Highway project cannot proceed due to environmental impact issues. In this regard, Thailand suggested an alternative route connecting Satun and Perlis via Wang Kelian-Wang Prachan. This alternative route was proposed at the first ITG meeting on Infrastructure Development in Langkawi in 2002 and at the first sub-ITG meeting on Land Transport in Bangkok in February 2003. Thailand appealed for Malaysia's understanding of the difficulty in the implementation of the Satun-Perlis project. The Meeting agreed that Thailand and Malaysia meet bilaterally to discuss the project. The Meeting took note that Thailand has agreed to implement the Alor Setar-Durian Burong-Ban Prakob-Na Thawi project, which will be connected to the Durian Burong CIQ. The Meeting requested the two parties to discuss the implementation of the project, including the date of commencement.

Implementing Technical Group on Trade and In situ Development

17. The report of the ITG's meeting on Trade and In-situ Development, which met on 22-23 July 2002 in Kangar, Perlis, Malaysia, was presented by Ms Halmiza Md Halil. She informed the Meeting that the ITG was briefed on ten proposed projects. Three were proposed by Malaysia i.e. the Common Border Wholesale Market (CBWM) in Perlis, Development of Kota Putra Border Township in Kedah and the Development of Kota Perdana Border Township in Kedah. Thailand proposed a Thailand-Malaysia Border Agricultural Wholesale Market at Sadao, Account Trade or Bilateral Payment Arrangement, Trade Facilitation and In situ Development, Livestock Trade Development and Promotional Measures by the Small Industry Finance Corporation. Indonesia's proposals were Sumatera Vegetables Belt Development (KASS) and projects in Riau Province, including the Common Border Wholesale Market for agricultural products, Cross Border Barter Trade, Pekan Baru Waterfront City at Siak River and New Age Crops and Ecological Tourism. She also reported that several implementation issues needed to be resolved to exploit strengths for mutual benefit. Three sub-ITGs were formed at the meeting, namely the sub-ITG for Township Development to be led by Malaysia, the sub-ITG for the Common Border Wholesale Market to be led by Thailand and the sub-ITG for Account Trade or Bilateral Payment Agreement to be led by Thailand. The Report of the ITG appears as **Annex VI**.
18. The Meeting agreed that further deliberations were needed to work out the details of the various issues and projects, particularly for the implementation of the Common Border Wholesale Market Project.

**Implementing Technical Group on Cross Sectoral Development
(Human Resources Development)**

19. The report of the ITG's first meeting, held on 26-28 June 2002 in Pekan Baru, Riau, Indonesia, was presented by Mr. Harry Heriawan Saleh. He reported that six projects were proposed and accepted. These included Labour Market Information Job Search in the IMT-GT, Training for Construction Workers in North Sumatera and Training for Hotel and Restaurant Personnel. Malaysia proposed Pre-Employment Training for Foreign Maids and Thailand proposed Technical Assistance for the Operation of the Islamic Bank of Thailand. He also reported that the private sector projects under the Malaysia JBC included a collaborative effort between NCCIM and Disted S/B Penang to set up a new educational institute in Penang; the proposed Allianze College of Medical Sciences (ACMS) in Penang and Collaboration regarding on-the-job-training in the field of agriculture. He also reported that issues pertaining to recruitment of foreign workers including visa and immigration matters would be addressed through the respective Memorandums of Understanding on recruitment of workers between Malaysia and Thailand and between Malaysia and Indonesia, which are expected to be signed in the near future. He further noted that issues such as on-the-job-training and mutual recognition arrangements for certain professions would be discussed further in the ITG. The Report of the ITG appears as **Annex VII**.
20. The Meeting commended Thailand's efforts at successfully establishing the Islamic Bank in Thailand. Thailand expressed their appreciation for the assistance provided by Malaysia. However, Thailand informed the Meeting that further technical assistance was still needed especially in the field of training and consultancy services and expressed the need for further collaboration and cooperation from Malaysia and Indonesia on this matter. The Meeting deliberated at length about Indonesia's proposal that Islamic Banking should be discussed at the ITG Open Market Operations and agreed that since Islamic Banking operations and training involved crosscutting issues, the matter can be raised at various ITGs as appropriate.

**Implementing Technical Group on Development of Hinterland
and Intra-trade**

21. The ITG held its first meeting on 24-25 October 2002 in Jambi, Indonesia. Mr. Suharyo Husen presented the latest policy and regulatory developments in the areas of Trade, Agriculture and Agro-Industry in Indonesia, while Malaysia presented recent policy and regulatory developments in its agricultural sector, and Thailand reported on the development policies and strategies of its five southern border provinces. The meeting then discussed the possibility of cooperation in the areas of development of the hinterland and intra-trade in each country. It welcomed the idea from Thailand to establish an IMT-GT trade information centre to facilitate the exchange of trade information among the three countries. It also took note of proposals to reduce/eliminate Tariff Barriers (TBs) and Non-Tariff Barriers (NTBs), the need to coordinate with the private sector in identifying these TBs and NTBs, and the need to set up one-stop services and single inspection at the border, as well as to hold an IMT-GT Fair. The meeting noted that the application by South Sumatera and Lampung provinces of Indonesia to join the IMT-GT/ITG would need the approval of IMT-GT's SOM and Ministerial Meetings. It agreed on the formation of six sub-ITGs as follows: Halal Food and Trading Hub; Livestock Development; Development of the Rubber Wood and Palm Oil Industries; Marine Fisheries and Aquaculture Cooperation; Horticulture Development; and Forestry Development. The report of the ITG appears as **Annex VIII**.
22. The Meeting agreed that additional effort was needed to make the scope of projects, particularly fisheries, clear to all. It was suggested that an Action Plan be drawn up providing details on production and processing in the fisheries industry. The Meeting also agreed that this idea of having time-bound framework of action was good and should be applied to all ITGs. A sub-ITG on Fisheries was also proposed where joint-cooperation could be discussed in detail. In addition, Thailand updated the Meeting on the progress of the sub-ITG (Halal Food); on the information and communications website; halal certification standards and accreditation; a Joint Marketing Board; and a common IMT-GT halal logo. The Meeting took note that there was a pool of venture capitalists for bio-technology projects in relation to food production and that the next ITG on bio-technology will discuss details with relevant stakeholders. The JBC informed

the Meeting that the next ITG will address issues related to the harvesting of fisheries and marine products, and also that the training for halal certification by the private sector would be implemented in October 2003.

Implementing Technical Group on Development of Open Market Operations (Special Telecommunications Zone (STZ))

23. Ms Chirapa Chitraswang presented the report of the first meeting of the ITG, which was held on 22-23 April 2002 in Penang, Malaysia. She reported that the meeting agreed upon the draft terms of reference of the ITG on Open Market Operations on STZ. She explained that the meeting considered four projects to be tabled for further discussion in the relevant sub-ITGs. These included projects such as the IMT-GT Portal, the Common Call Center and the Smart School projects proposed by Malaysia, and the IMT-GT Common Calling Card project by Indonesia. The Report of the ITG appears as Annex IX.
24. The Meeting took note that discussions were still on going for the implementation of the Common Calling Card project. Indonesia proposed the establishment of a sub-ITG (Financial Services) while the JBC proposed a sub-ITG (Professional Services) under the ITG (Open Market) and called upon Thailand, as the lead country, to consider its viability. Indonesia also offered to convene the first meeting of the sub-ITG (Financial Services) in 2003.

Implementing Technical Group on Sectoral Development (Tourism)

25. Ms Jamnong Junnapiya presented the report of the first ITG, which was held on August 1-2, 2002 in Songkhla, Thailand. She noted that due to the current difficult times for the global travel and tourism industry, tourism strategy should be adjusted to emphasize intra regional and intra ASEAN travel. She informed the Meeting that visitor arrival to the IMT-GT region for 2002 declined by 8.7% to 6.5 million. She informed the meeting that the Tourism Authority of Thailand (TAT) has supported a study on potential target markets in order to define a strategy. She added that Indonesia is arranging a marketing training program in Medan in 2003. She reported that the Marketing and Tourism Task Force has participated in the IMT-GT Travel Fair in Medan, the ATF 2002 in Yogyakarta and the PATA Travel Mart in Singapore. The meeting was informed that TAT has worked with MITTAS and Indonesia to create tour packages. She also stated that the IMT-GT Auto-venture is scheduled for 22-29 July 2003. She informed that the development of the Langkawi-Tarutao environmental zone project is moving ahead and needs to be carefully managed and that the Tamalang Port project is now completed and encouraged visitors to use it when visiting Tarutao. She stressed that the flight capacity to the sub-region needs to be increased to further facilitate tourist travel. The Report of the ITG appears as **Annex X**.
26. The Meeting agreed on the need to work harder as a result of the negative impact of the Iraq war and the outbreak of SARS/pneumonia. Indonesia proposed that there be only one sub-ITG, that is, Marketing and Tourism Development instead of the current two and this was agreed. The Meeting was also informed of several activities to be carried out by Indonesia in 2003, such as the IMT-GT diving festival in Sabang, the IMT-GT golf tournament in Medan, and the IMT-GT familiarization trips. The Meeting welcomed Indonesia's proposal to host the second ITG Meeting in Bengkulu. The Meeting also decided that the ITG study the proposal to have performance indicators to assess performance and to set targets as well as formulate marketing strategies to achieve the targets set. The Meeting agreed that the ITG on tourism needs to be cross- sectoral as its success also depends on other factors including infrastructure facilities, transport and security. The Meeting decided that the ITG should look into the necessary mechanism to implement this proposal.

OTHER MATTERS

27. The Meeting accepted the inclusion of the State of Selangor, Malaysia and the province of South Sumatera, Indonesia, into the IMT-GT. With regard to fiscal exemption in relation to the inclusion of Selangor into the IMT-GT, Indonesia will consult the relevant authorities. The

Meeting also took note that the Indonesian Government is considering the inclusion of Lampung province into the IMT-GT.

28. In her closing remarks, the Honourable Dato' Halipah Esa thanked her SOM colleagues for their cooperation and contribution to the discussions. She also thanked the Perlis State Government for the excellent arrangements made for the Meeting. The Honourable Dr. Firman M.U. Tamboen and the Honourable Dr. Pornchai Rujiprapa recorded their thanks to Malaysia for the excellent facilities provided for the Meeting.

29. The Meeting noted that 203 delegates attended the Tenth SOM. The full list of delegates appears as **Annex XI**. The Meeting hoped that the Eleventh SOM, which will be hosted by Thailand in Pattani before the end of 2003, and the Thirteenth JBC meeting that will be held in Narathiwat Province, Thailand in July, would receive similar support.

Done in Kangar, Perlis, Malaysia, on 2nd April 2003

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