



25 Years of BIMSTEC

Towards a Peaceful, Prosperous and Sustainable
Bay of Bengal Region





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Bay of Bengal Region**



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Foreword

This year marks the 25th anniversary of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) since its establishment in 1997. This is a milestone for the organization comprising five Member States from South Asia (Bangladesh, Bhutan, India, Nepal, and Sri Lanka) and two from South-East Asia (Myanmar and Thailand).

The vision espoused by the Leaders of the BIMSTEC Member States is for a more connected, prosperous, peaceful and sustainable region. While economic and technical cooperation were initially considered as the key components of this regional collaboration, the Member States decided to include other sectors like culture, climate change and people-to-people contact amongst others in its areas of cooperation. Today, BIMSTEC has seven core areas of cooperation, each led by a Member State.

The adoption of the BIMSTEC Charter by the 5th BIMSTEC Summit on 30 March 2022 in Colombo, Sri Lanka is a landmark in the history of the organization. With the adoption of the Charter, BIMSTEC is now fully empowered to realise its mission. The adoption of the BIMSTEC Master Plan for Transport Connectivity is also another major step in the BIMSTEC process of regional cooperation and integration. The implementation of the programmes and projects under this Master Plan by the Member States would bring enormous benefits to the people of the Bay of Bengal region. Likewise, BIMSTEC has also moved ahead with the signing of various legal instruments that are expected to harmonise and expedite cooperation and collaboration amongst the Member States.

However, even as BIMSTEC celebrates its 25 years of existence, the world has changed and is changing rapidly especially within the context of the current Covid-19 pandemic that all nations have been grappling with. As BIMSTEC moves into the next chapter of its existence, what does the future hold for BIMSTEC as an organization? It is time to review and assess its performance and chart a path forward with clear goals and objectives, and the strategies to achieve those in an efficient and effective manner.

It is in this context that the Secretariat decided to bring out a publication with articles contributed by thought leaders, former diplomats and bureaucrats, academics and international partners who have been keen participants and observers of the BIMSTEC process. They have presented their observations and offered various recommendations in their areas of interest. While we tried to ensure that we had representation from all the Member States, we were not able to get everyone despite our best efforts. We hope that the publication will be a useful reference for anyone interested in BIMSTEC and the region.

As BIMSTEC enters its 25th year since its establishment, we hope to take the opportunities provided by the potentials that exist in our region to move collectively towards achieving our goals and objectives with which the organization was founded and are enshrined in the Bangkok Declaration and the BIMSTEC Charter - that of working together collaboratively in the identified areas of cooperation to create a better, more peaceful and sustainable future for the people of the Bay of Bengal region.

A handwritten signature in black ink, consisting of a large, stylized initial 'T' followed by a series of loops and a long horizontal stroke extending to the right.

Tenzin Lekphell

Secretary General of BIMSTEC

Date: 06 June 2022

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List of Abbreviations

ACIA	ASEAN Comprehensive Investment Agreement
ADB	Asian Development Bank
AIFTA	ASEAN-India Free Trade Area
AIIB	Asian Infrastructure Investment bank
AMECS	Ayeyawady-Chao-Phraya-Mekong Economic Cooperation Strategy
API	Application Programming Interface
AP-IS	Asia-Pacific Information Superhighway
ASAM	ASEAN Single Aviation Market
ASEAN	Association of South-East Asian Countries
ATIGA	ASEAN Trade in Goods Agreement
AUKUS	Australia, United Kingdom and the United States
BBIN	Bangladesh, Bhutan, India and Nepal
BCIM	Bangladesh, China, India and Myanmar
BCWC	BIMSTEC Centre for Weather and Climate
BDF	BIMSTEC Development Fund
BIST-EC	Bangladesh, India, Sri Lanka and Thailand Economic Cooperation
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BMPTC	BIMSTEC Master Plan for Transport Connectivity
BNPTT	BIMSTEC Network of Policy Think Tanks
BRI	Belt and Road Initiative
BRICS	Brazil, Russia, India, China and South Africa
BTCWG	BIMSTEC Transport Connectivity Working Group
BTILS	BIMSTEC Transport Infrastructure and Logistics Study
CBDRM	Country-Based Disaster Risk Management
CBIC	Central Board Indirect Taxes and Customs
CBTA	Cross-Border Transport Facilitation Agreement
CIT	Corporate Income Tax
DC	Developing Country
DMC	Developing Member Country
EGMAC	BIMSTEC Expert Group Meeting on Agriculture Cooperation
EU	European Union
EWEC	East-West Economic Corridor
FDI	Foreign Direct Investment
FTA	Free Trade Area
G2G	Government to Government
GDP	Gross Domestic Product

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GMS	Greater Mekong Subregion
GPS	Geographical Positioning System
GST	General Sales Tax
GVC	Global Value Chain
HADR	Humanitarian Disaster and Relief Assistance
ICT	Information and Communications Technology
IFPRI	International Food Policy Research Institute
IMF	International Monetary Fund
IMT	India-Myanmar-Thailand
IORA	Indian Ocean Rim Association
IRT	Intra-regional Trade
ITA	Information Technology Agreement
ITC	International Trade Centre
JBTN	Jipmer-BIMSTEC Telemedicine Network
JICA	Japan International Cooperation Agency
LDC	Least Developed Country
MGC	Mekong-Ganga Cooperation
MIEC	Mekong-India Economic Corridor
MIS	Management Information System
MNE	Multi-National Enterprise
MoH&FW	Ministry of Health and Family Welfare
MOU	Memorandum of Understanding
MPAC	ASEAN Master Plan on Connectivity
MRA	Mutual Recognition Agreement
MSME	Micro, Small and Medium Enterprises
MVA	Motor Vehicle Agreement
NAM	Non-Aligned Movement
NSA	National Security Advisor
NTB	Non-Tariff Barriers
NZAP	New Zealand Aid Programme
OECD	Organisation for Economic Cooperation and Development
ORF	Observer Research Foundation
PIWTT	Protocol on Inland Water Transit and Trade
PPP	Public-Private Partnership
RCEP	Regional Comprehensive Economic Partnership
RCI	Regional Cooperation and Integration
RFID	Radio Frequency Identification
RIS	Research and Information System for Developing Countries
RVC	Regional Value Chain
SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asian Free Trade Area

SARSO	South Asian Regional Standards Organisation
SASEC	South Asia Subregional Economic Cooperation
SDC	Swiss Agency for Development Cooperation
SDG	Sustainable Development Goal
SME	Small and Medium Enterprises
SMRTS	SAARC Regional Multimodal Transport Study
SSI	Single Stop Inspection
SWI	Single Window Inspection
TA	Technical Assistance
TAR	Trans Asia Railway
TFA	Trade Facilitation Agreement
TNC	Trade Negotiating Committee
TTE	Technology Transfer Exchange
UN	United Nations
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
USAID	United States Agency for International Development
WTO	World Trade Organisation



Deepening Trade Cooperation in BIMSTEC Region to Promote Sustainable Agriculture: Bangladesh Perspectives

Mustafizur Rahman and Muhammad Nafis Shahriar Farabi

Introduction

Recent developments in the global markets for agricultural commodities have led to a renewed interest in deepening regional initiatives as a tool for addressing the emergent challenges. Although over the past years the share of agriculture in the GDP has come down significantly, the sector continues to remain crucially important in all the BIMSTEC countries in terms of ensuring food security, creating employment, and generating livelihood opportunities. In the recent past, the global scenario as regards trade in agricultural commodities and prices of agricultural products have been undergoing significant changes and experiencing considerable volatility. Prior to this, commodity supply chains were affected significantly by the ongoing Covid pandemic. The adverse impact of all these have percolated to the local markets in the BIMSTEC region through imported inflation. Price hike of fuel, gas and fertilizer has led to the rise in cost of domestic production of agricultural products, which in turn has fueled domestic agricultural-prices. It is in view of this challenging scenario that exploring opportunities of BIMSTEC-wide regional cooperation in agricultural trade related areas has assumed such heightened importance. It is argued in the paper that closer collaboration among the members of the BIMSTEC grouping could contribute to enhancing production and productivity, developing value chains, stabilising prices, and helping to ensure regional food security. As may be recalled the objective of BIMSTEC includes widening and deepening collaboration in a few key sectors, as well as integrating more effectively with Southeast and East Asia's regional production and value chains (De, 2017).

It is in this backdrop that the present study has looked at issues of trade and trade cooperation involving the BIMSTEC member countries from three vantage points: Section 1 looks at the agriculture sector in the BIMSTEC region, the emerging global commodity price scenario and why issues of deepening agricultural trade are becoming important from the perspective of ensuring food security in the BIMSTEC region. Section 2 examines the state of intra-regional trade in agricultural products and identifies areas of potential cooperation to stimulate and create trade opportunities; Section 3 comes up with a number of proposals to deepen BIMSTEC-wide cooperation and collaboration in agriculture to harness the opportunities of enhanced trade in the region.

Section 1: Emerging Scenario and the Need for Renewed Attention to the Agriculture Sector in the BIMSTEC Region

In spite of its declining share in the GDP, agriculture continues to remain a crucially important sector in all the BIMSTEC economies. Although over the past years the share of agriculture has seen a secular decline in all BIMSTEC economies, its importance in terms

of food security and employment remains crucially important for all the regional countries. A significant share of labour market participants is engaged in agriculture-related activities, primarily in the cropping sector but also, and increasingly so, in the non-crop sub-sectors such as livestock, poultry and fisheries. Indeed, the share of non-crop agriculture in agricultural GDP has been rising at a fast pace in recent years. For example, share of non-crop agriculture sector in agricultural GDP of Bangladesh share has been on the rise in recent years and stood at 51.4 per cent¹ of agri-GDP in FY 2021-22, supporting that of crop sector.² Trade in non-crop agri-products also constitutes an increasingly larger share in agricultural trade of BIMSTEC countries.

Table 1: Share of Agriculture in the GDP of BIMSTEC Countries

Country	2010	2015	2020
Bangladesh	17.0	14.8	12.9
Bhutan	14.8	14.4	19.2
India	17.0	16.2	18.3
Myanmar	37.4	27.3	22.0
Nepal	33.2	26.5	23.1
Sri Lanka	8.5	8.2	8.4
Thailand	10.5	8.9	8.6

Source: Based on World Bank (n.d.).

Agriculture's share in Bangladesh's GDP has been on a secular decline over the past years and has come down to 12.9 per cent in FY 2020-21. This is the case with other BIMSTEC countries as well where, as Table 1 indicates, the share of agriculture has also been declining over the years. Among the BIMSTEC member countries, share of agriculture in GDP is still significantly high only in Nepal (23.1 per cent) and Myanmar (22.0 per cent). Agriculture remains primarily a labour-intensive sector in the BIMSTEC region. In Bangladesh, for example, more than 41.0 per cent of labour force participants are engaged in agriculture. This high share, however, indicates that labour productivity in agriculture is much below the corresponding labour productivity figures for manufacturing and services sectors. 41.0 per cent labour force producing 12.9 per cent of GDP testifies to the fact that productivity in agriculture is about one-third of the national average productivity level in Bangladesh.

¹ Share of Fisheries sub-sector in Bangladesh's Agricultural GDP was about 22.4 per cent while those of animal farming (livestock and poultry) and forest and related sub-sectors were 15.4 per cent and 13.6 per cent respectively.

² The share of crop and horticulture in total agricultural GDP of Bangladesh was 48.6 per cent in FY 2020-21.

As noted, however, from the point of view of food security, the agriculture sector's importance remains very high in all the BIMSTEC countries. Particularly in the backdrop of the Covid pandemic, the importance of the sector from the perspective of ensuring availability and access to food and food security has been revealed and reinforced by the unfolding reality of the pandemic times. This was a time when a number of food exporting countries imposed ban on exports and had put in place a number of protectionist policies driven by food security related concerns. This, and the recent hike in global food prices have induced key stakeholders in the BIMSTEC region to recognise that the agriculture sector ought to be given renewed attention and the attendant needed tasks be undertaken with the urgency that they deserve. How closer cooperation among the countries of the BIMSTEC region could be brought to play to deepen cooperation in the development of agriculture sector and how intra-regional trade in agricultural goods could be widened and deepened have emerged as important issues in the relevant discourse.

It is to be noted in view of the above that BIMSTEC leaders were in agreement, early on, following the establishment of the grouping, that closer regional cooperation in agriculture related areas could generate rich dividends. Indeed, within the ambit of BIMSTEC-wide cooperation, trade and investment³ as also agriculture⁴ were recognised as among the 14 sub-sectors which were prioritised for deepening cooperation among countries of the BIMSTEC regional grouping. Initiatives in view of this included holding of BIMSTEC Expert Group Meeting on Agricultural Cooperation (EGMAC) on a regular basis. Till now, seven EGMACs, two Workshops on Good Agricultural Practices and a Workshop on Improving Agricultural Trade and investment have been held within the ambit of the BIMSTEC. As would be recalled, the third BIMSTEC-EGMAC in Kandy, Sri Lanka had identified nine projects for implementation: (a) Organisation of workshop on improving agricultural trade and investment; (b) Private sector participation in agri-value chain management; (c) Research collaboration for use of alternative energy crops; (d) Strengthening of Agriculture Statistical Information System; (e) Organisation of workshop on Good Agri-practices; (f) Development of agricultural bio-technology and bio-safety; (g) Prevention of trans-boundary animal diseases; (h) Collaboration among educational institutions including agricultural research institutes; (I) Development of seed sector.

Regrettably, because of lack of funds and resources, no tangible follow-up activities could be undertaken to take the aforesaid plan of actions forward although their realisation

³ Trade and investment were identified as one of six priority areas at the second BIMSTEC Ministerial Meeting held in Dhaka on 19 December, 1998.

⁴ Agriculture was included in the priority list at the 8th BIMSTC Ministerial Meeting held in Dhaka on 18-19 December, 2005.

could potentially contribute to closer BIMSTEC-wide cooperation in agriculture and ensure greater food security. However, in the backdrop of the Covid experience, and in view of the potential dividends and positive externalities originating from closer cooperation in agriculture, it is, increasingly felt that deepening of cooperation in agri-related areas is an idea whose time has come. Initiatives towards closer cooperation in agricultural trade-related areas ought to be seen as central to this. Implementation of the above-mentioned planned initiatives could contribute importantly to enhancing intra-regional trade in agriculture. This could happen in several ways including expansion of trade in agri-inputs (such as seeds), development of value chains (which would have positive impacts on both production and productivity) and expansion of trade cooperation would stimulate entrepreneurship in agri-related activities. All these would be consumer welfare-enhancing through higher access to agri-items at competitive prices and by way of greater regional food security. Initiatives at closer trade cooperation through the envisaged BIMSTEC-Free Trade Agreement could also play an important role in this connection, by inducing and incentivising enhanced trade in agriculture-related goods and services among the BIMSTEC member countries.⁵

Table 2: Yield of Selected Crops per Hectare

(Figures are in tons/ha; for 2020)

Items	BIMSTEC Member Countries							Vietnam
	Bangladesh	Bhutan	India	Myanmar	Nepal	Sri Lanka	Thailand	
Jute	1.2	4.0	2.6	0.9	1.3	---	1.9	4.5
Maize	8.5	3.6	3.1	3.9	3.0	4.0	4.4	4.9
Rice, Paddy	4.8	4.3	4.0	3.8	3.8	4.8	2.9	5.9
Sugarcane	42.7	30.5	77.3	66.1	49.6	59.3	40.9	62.2
Wheat	3.1	1.6	3.4	1.9	3.1	---	1.2	---

Source: Estimated based on FAOSTAT (n.d.)

Note: According to the Food and Agriculture Organization (FAO), Yield is defined as the harvested production per unit of harvested area for crop products.

As Table 2 indicates, in terms of some of the major agri-products there is significant difference among the BIMSTEC countries in terms of crop yield per hectare. Compared to non-member Vietnam, for example, yield is lower for such important agri-products as paddy. Whilst soil and weather conditions could explain a part of the reasons for the yield difference, studies indicate that there are significant opportunities for bridging the gaps through cross-country learnings and cooperation in areas of agricultural production

⁵ The framework Agreement on the BIMSTEC-FTA was signed in Phuket, Thailand on 8 February, 2004 and came into force on 30 June, 2004.

practices, soil conservation, quality of outputs, reduction of wastages, raising the quality of inputs and seeds, agri-product diversification, marketing of agri-products, technological embeddedness of agri-production, supply-chain management and lessons from best practices in all the aforesaid areas. Learning from cross-country experiences as regards adaptation to, and mitigation of, adverse climate impacts on agriculture could also provide rich dividends to all the member countries. Cooperation in these areas would benefit all the countries in the BIMSTEC region as can be seen from the experience of other regions.

Indeed, gains in terms of productivity, production and diversity of agri-production could also play a crucially important role in stimulating intra-regional trade in agri-products among the BIMSTEC countries. Deeper trade relations would reduce risks of price volatility, enable conduct of agri-practices based on comparative advantages and contribute to regional food security. Regional cooperation could also help the BIMSTEC countries gain strong foothold in the global market of agri-products by harnessing the advantages of regional cooperation. To note, while BIMSTEC countries are dependent on imports of many agricultural products from the global market, they are not being able to give their farmers the opportunity to access the opportunities of the global market to the extent possible, because of various reasons some of which have been flagged in the next section. Intra-BIMSTEC cooperation could be an important contributing factor in changing the prevalent scenario.

As will be seen from discussions in the subsequent sections, both intra-regional trade in agricultural goods and share of trade in agri-goods in the global trade of BIMSTEC countries have remained rather low. However, the wide variations in agri-sector performance among the BIMSTEC countries are also pointers to opportunities for collaboration and learnings which could be beneficial to the member countries. Particularly for countries in the region such as Bangladesh, which are amongst the most climate affected countries in the world, the importance of learnings in areas of cropping intensity, climate-resilient production practices, climate impacted adoption and mitigation and, in short, in areas of sustainable agriculture, can not be overemphasised. Indeed, in anticipation of adverse impacts of climate change, Bangladesh will need to undertake significant changes in the current pattern of agri-practices, particularly those in the coastal regions of the country. These have enormous implications for the lives and livelihood of people of these climate-vulnerable areas. This reemphasises the need for Bangladesh to take the lead role in the area of deepening BIMSTEC-wide cooperation in agriculture. Change in cropping patterns, shift to more saline and drought resilient cropping practices, exploration of intra-agriculture diversification, technology transfer and other initiatives towards climate-related adjustments are becoming increasingly important for Bangladesh. This also holds equally true for other BIMSTEC members as well.

Specialisation, diversification, and productivity gains based on closer cooperation will not only help maintain price stability and ensure food security but also open up

opportunities in trade-related areas which could in turn be a strong factor contributing to regional food security. Thus, in view of the emergent challenges and the unfolding opportunities, the need for closer cooperation in agriculture among the BIMSTEC countries ought to be given highest priority by the policymakers.

It is from the above vantage points that the next two sections will look at the state of trade in agriculture among the BIMSTEC countries and what needs to be done to deepen and widen opportunities of cooperation in agriculture-trade related areas among the countries of the BIMSTEC grouping.

Section 2: State of Intra-regional Trade in Agriculture in the BIMSTEC Region

In general, the degree of openness⁶ of BIMSTEC economies, indicating trade integration

Table 3: Exports of Agricultural Products: Intra-BIMSTEC, Regional and Global

(in billion USD; for 2020)

BIMSTEC Exporting Members	Importer							
	Bangladesh	Bhutan	India	Myanmar	Nepal	Sri Lanka	Thailand	Export to BIMSTEC
Bangladesh	0	n.a.	0.17	0.001	n.a.	0.001	0.003	0.18 (14.94%)
Bhutan	n.a.	0	0.009	0	n.a.	0	0.00001	0.01 (4.89%)
India	1.32	0.108	0	0.08	1.1	0.51	0.34	3.46 (15.46%)
Myanmar	0.05	0	0.46	0	0.01	0.01	0.4	0.93 (26.64%)
Nepal	n.a.	0	0.43	0	0	0.00001	0.00003	0.43 (68.19%)
Sri Lanka	0.005	0	0.25	0.0002	0.003	0	0.007	0.27 (28.60%)
Thailand	0.08	0.003	0.27	0.41	0.004	0.06	0	0.83 (9.78%)
Export to BIMSTEC	1.45	0.11	1.59	0.49	1.12	0.58	0.75	6.09
Global Export	8.17	0.12	20.44	2.38	1.48	2.33	12.8	47.72
Export of BIMSTEC Countries % of Global Export	17.8%	96.5%	7.8%	20.6%	75.5%	24.9%	5.9%	12.77%

Source: Author's calculation based on ITC Trade Map (n.d.)

Note: Figures in parentheses show share of agricultural exports as percentage of total export of concerned to the BIMSTEC region.

n.a.- data not available

⁶ Share of earnings from trade (exports and imports) in GDP of a country expressed as percentage.

of an economy, are considerably high; however, there are wide variations in the indicator among the BIMSTEC members. As Annex Table 1 shows, Thailand is the most open economy, with the degree of openness being 112.4 per cent of the GDP, which for other BIMSTEC member countries ranged between 35.0 per cent and 80.0 per cent.

However, as regards trade in agri-items, intra-regional trade in the BIMSTEC region has lagged behind the overall trading scenario. As Table 3 and Table 4 in the text show, intra-regional trade in agriculture in total trade (export and import) of agricultural products in BIMSTEC countries is rather low. As Table 3 shows, intra-regional agri-exports to

Table 4: Imports of Agricultural Products: Intra-BIMSTEC, and Global

(in billion USD; for 2020)

BIMSTEC Importing Members	Exporter							Import form BIMSTEC
	Bangladesh	Bhutan	India	Myanmar	Nepal	Sri Lanka	Thailand	
Bangladesh	0	n.a.	1.32	0.05	n.a.	0.005	0.08	1.45 (16.19%)
Bhutan	n.a.	0	0.11	0	n.a.	0	0.003	0.11 (16.74%)
India	0.17	0.009	0	0.46	0.43	0.25	0.27	1.59 (19.09%)
Myanmar	0.001	0	0.08	0	0	0.0002	0.41	0.49 (18.48%)
Nepal	n.a.	0	1.1	0.01	0	0.003	0.004	1.12 (18.89%)
Sri Lanka	0.001	0	0.51	0.01	0.00001	0	0.06	0.58 (16.87%)
Thailand	0.003	0.00001	0.34	0.40	0.00003	0.007	0	0.75 (10.38%)
Import to BIMSTEC	0.18	0.009	3.46	0.93	0.43	0.27	0.83	6.10
Global Import	0.53	0.010	28.01	3.95	0.46	2.67	31.11	66.73
Import of BIMSTEC Countries % of Global Export	33.02%	89.58%	12.35%	23.52%	93.63%	9.95%	2.66%	9.14%

Source: Author's calculation based on ITC Trade Map (n.d.)

Note: Figures in parentheses show share of agricultural exports as percentage of total export of concerned to the BIMSTEC region.

n.a.- data not available

BIMSTEC region constitutes only 12.7 percent of total exports of agricultural products by the BIMSTEC countries. For some countries such as Bhutan and Nepal, the shares are relatively high (corresponding shares being 96.5 per cent and 75.5 per cent)⁷ while for the others the respective shares ranged from 6.0 per cent to 25 per cent. This indicates that while the BIMSTEC countries have the supply-side capacity to trade in agri-items, it is not trading with regional countries to any significant extent.

Table 5: Agricultural Products Exported by Bangladesh to BIMSTEC Countries

Bangladesh's Major Agricultural Products Export to BIMSTEC Member Countries		
Country	Commodity	Export volume (in million USD)
Bhutan	HS 19: Preparations of cereals, flour, starch or milk; pastrycooks' products	0.92 (44.5%)
	Total agricultural export	2.1 (100%)
India	HS 15: Animal or vegetable fats and oils and their cleavage products; prepared edible fats, animal or vegetable waxes.	177.31(75.6%)
	Total agricultural export	234.4 (100%)
Myanmar	HS 19: Preparations of cereals, flour, starch or milk; pastrycooks' products	0.26 (30.1%)
	Total agricultural export	0.9 (100%)
Nepal	HS 23: Residues and waste from the food industries; prepared animal fodder.	22.82 (64.1%)
	Total agricultural export	35.6 (100%)
Sri Lanka	HS 07: Edible vegetables and certain root and tubers	3.77 (81.3%)
	Total agricultural export	4.6 (100%)
Thailand	HS 12: Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal	3.30 (84.8%)
	Total agricultural export	3.9 (100%)

Source: Author's compilation from Bangladesh Export Promotion Bureau (EPB) database (n.d.)

Note: Figures in parentheses show share of the item in export of agri-items to the particular BIMSTEC member country

⁷ Mostly exports to India with which both the countries have close economic and trade ties.

Understandably, the picture is not significantly different in case of imports. Only about 9.1 per cent of BIMSTEC global imports of agri-products are from the regional countries.

Global agri-trade of BIMSTEC members, with exports being US\$ 47.7 billion and imports being US\$ 66.7 billion, is of considerable size (US\$ 114.4 billion in total). In contrast, the share of intra-regional trade in these items is relatively small, with exports being US\$ 6.0 billion and import being US\$ 6.1 billion. Thus, BIMSTEC's intra-regional trade in agriculture is only about 10.5 per cent of global trade of the same. The information in Table 3 and Table 4 reveal opportunities of increased agri-trade within the BIMSTEC region if supply-side capacities can be geared to the regional markets through initiatives at greater regional cooperation, not to speak of through realisation of new opportunities for trade expansion and diversification through targeted measures.

The low levels of intra-regional trade is also highly concentrated in a few items. Table 5 provides information about export of agricultural products from Bangladesh to the BIMSTEC member countries. As the table shows, Bangladesh's exports are highly

Table 6: Agricultural Products Imported by Bangladesh from BIMSTEC Countries

Bangladesh's Major Agricultural Products Import from BIMSTEC Member Countries		
Country	Commodity	Import volume (in million USD)
India	HS 10: Cereals	351.7 (26.6%)
	Total agricultural import	1322.3 (100%)
Thailand	HS 23: Residues and waste from the food industries; prepared animal fodder	30.85 (39.0%)
	Total agricultural import	79.1 (100%)
Sri Lanka	HS 23: Edible vegetables and certain root and tubers	1.48 (31.5%)
	Total agricultural import	4.7 (100%)
Nepal	HS 07: Edible vegetables and certain roots and tubers	3.05 (76.7%)
	Total agricultural import	4.0 (100%)
Myanmar	HS 07: Edible vegetables and certain roots and tubers	34.7 (76.5%)
	Total agricultural import	45.4 (100%)

Source: Author's compilation from ITC Trade Map database (n.d.)

Note: Figures in parentheses show share of the item in import of agri-items from the particular BIMSTEC member country

undiversified, with one or two products accounting for most of the exports to the regional countries. For example, in case of export to India, animal or vegetable fats singly account for 75.6 per cent of Bangladesh's total agri-export to the country; for export to Thailand, oil seeds account for 84.8 per cent of Bangladesh's total export to the country. Also, to note, India accounts for more than four-fifths of Bangladesh's total export of agri-products within the BIMSTEC region (Annex Table 2). This reinforces the observation that export of agri-items is highly concentrated both item-wise and country-wise.

The scenario is not significantly different in case of import either, although imports to Bangladesh are somewhat more diversified in terms of products. Here also, as is evinced by Table 6, India is the major source of import of agri-items, accounting for more than 90 per cent of Bangladesh's total import from the region. Import of cereals from India is the single most important import item (US\$ 351.7 million out of total import of US\$ 1322.3 million or 26.6 per cent of total import from the country) as Table 6 testifies. However, as Annex Table 3 shows, coffee, tea and spices (US\$ 278.8 million or 21.1 per cent) and food residue and prepared animal fodder (US\$ 222.8 million or 16.8 per cent) are also important import items of Bangladesh. Thailand, with US\$ 79.1 million worth of agri-items (about 8.0 per cent of Bangladesh's regional import of agri-items), is the other important source of Bangladesh's import of agricultural products from the region.

Table 7: Tariffs on Bangladesh's Top Agricultural Exports to BIMSTEC and MFN Tariffs Faced

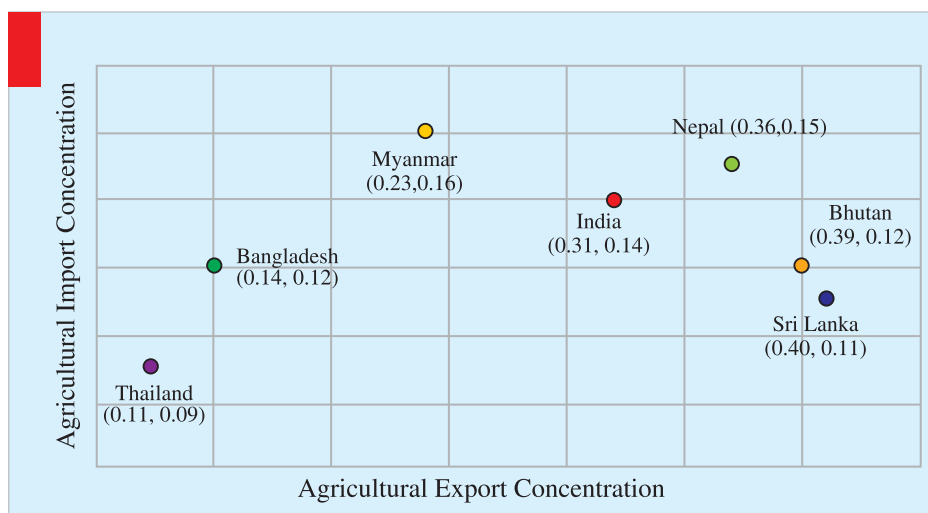
Country	Tariff line at 6-digit level	Export Volume (in million USD)	MFN Tariffs (FY2021)
Bhutan	200989: Juice of any other single fruit or vegetable other than Cranberry Juice	0.70	10% (5%)
India	151590: Other fixed vegetable fats and fractions, nes	156.76	100% (27.08%)
Myanmar	190531: Sweet biscuits	0.19	15%
Nepal	230400: Oil-cake and other solid residues, of soya-bean	22.36	10% (6%)
Sri Lanka	070190: Other potatoes, fresh or chilled	1.99	Rs.20/per Kg
Thailand	120740: Sesamum seeds	3.21	20%

Source: Based on EPB (n.d.), Tariff Analysis Online, WTO (n.d.), ITC Market Access Map (n.d.)

Note: *Figures in the parentheses show actual applied tariffs because of preferential market access provided partner countries under preferential schemes.

Intra-BIMSTEC trade in agriculture is impeded to a considerable extent by the relatively high tariffs on agri-products. For example, while import tariffs on Bangladesh's agri-items exported to the regional countries tends to vary across items, as Table 7 bears out, these are in general high. Some items though enjoy preferential access as is seen from the figures in parentheses (most likely thanks to SAFTA-related concessions). Since as part of SAFTA, India has a preferential scheme for the LDCs⁸, one can assume that all agri-items exported by Bangladesh to India are able to access the Indian market on preferential items, i. e., on duty-free, quota-free basis. However, the preferential access, may not be available when Bangladesh graduates out of the group of LDCs, in 2026.⁹ Development of regional value chains could compensate for the loss of preferential market access for graduating BIMSTEC LDCs and more stringent conditionalities in accessing development finance (Rahman and Bari 2018). However, BIMSTEC-FTA could play an important role in terms of preferential market access beyond this timeline. ASEAN could serve as an example to emulate in this connection. Several ASEAN states have implemented major unilateral tariff reductions; have signed the WTO Information Technology Agreement (ITA); and five of the founding ASEAN members have improved border clearance through the implementation of single windows and other measures (Pomfret, 2016).

Figure 1: Agricultural Trade Concentration of BIMSTEC Countries: Global



Source: Based on ITC Trade Map (n.d.)

Note: First value in parentheses shows level of agricultural export concentration with second value in the parentheses shows level of agricultural import concentration.

⁸ The Indian LDC scheme provides zero-duty access for all products exported by the LDCs other than 25 items (mostly, liquor, arms and narcotics).

⁹ Since the other two graduating LDC of SAARC, Bhutan and Nepal, have bilateral FTAs with India, they may continue to enjoy DF-QF market access for agri-items beyond their respective graduation timeline. Bhutan is scheduled to graduate in 2023, and Nepal in 2026.

The high concentration of intra-regional trade in few products can be juxtaposed to the global trading scenario of BIMSTEC countries in agricultural products.¹⁰ Figure 1 presents the degree of global agri-trade concentration of BIMSTEC countries. The Figure shows that global agricultural trade of BIMSTEC countries are significantly diversified in contrast to the highly concentrated BIMSTEC intra-regional trade. This would indicate that there are potential opportunities to increase intra-regional trade, based on existing supply-side capacities and also through the creation of new opportunities to strengthen agri-related supply-side capacities and trade creation.

Table 8: Processed Food and Agro-based Products Trade Among BIMSTEC Countries

(in billion USD; for 2019)

Country	Export to BIMSTEC	Export to the World	Export to BIMSTEC as % Export to the World	Import from BIMSTEC	Import from World	Import from BIMSTEC as % Import to the World
Bangladesh	0.3**	1.3**	20.0	0.6	3.3	18.1
India	3.5	55.2	6.3	0.8	25.27	3.2
Myanmar	1.7	30.6	5.7	0.4	10.6	3.8
Nepal	0.3	0.6	48.2	0.9	8.7	10.3
Sri Lanka	1.9	31.5	6.1	1.6	11.9	13.4
Thailand	1.3	28.7	4.7	0.4	7.7	5.2

Source: Authors' calculations based on World Integrated Trade Solution (WITS) dataset (n.d.)

Note: *Processed food and agro-based product export and import have been calculated using the products listed in the commodity group "Processed food and agro-based product" in the International Trade Centre (ITC) dataset.

**Bangladesh's export data of processed food and agro-based products has been calculated using the data of Export Promotion Bureau (EPB) for FY 19 (since this is not available in the WITS dataset)

*** Bhutan's export and import data on "Processed food and agro-based product" is not available on the WITS dataset

¹⁰ The Herfindahl-Hirschman index (HHI) measures concentration of exports and imports of a country. In case of exports HHI is equal to the sum of the squared shares of all individual products exported. When export revenues are distributed over many products, HHI approaches zero. Same is the case for imports. HHI varies from 0 to 1, with 0 showing very high degree of diversification and 1 showing very high degree of concentration.

Table 8 presents intra-regional trade in processed food and agro-based products in the BIMSTEC region. BIMSTEC countries' intra-regional agricultural trade in agro-processed goods is not significant and whatever trade takes place, these are highly concentrated only in a small number of items. Except for Nepal for which almost half of agri-exports are within the region, for the other regional countries the direction of trade is similar to the one for overall trade in agri-products i.e., trade mostly takes place with extra-regional countries.

Table 9: Stylised Data on Trade in Seeds by BIMSTEC Countries in 2020

Country	Seed Exports to BIMSTEC (in million USD)	Seed Exports to Bangladesh (in million USD)	Seed Exports to Bangladesh as % of Seed exports to BIMSTEC	Seed Imports from BIMSTEC (in million USD)	Seed Imports from Bangladesh (in million USD)	Seed Imports from Bangladesh as % of Seed imports from BIMSTEC
Bangladesh	2.99	---	---	49.57	---	---
Bhutan	0.00	0.00	---	0.26	0.00	0.00
India	206.14	40.36	19.58	56.93	0.02	0.04
Myanmar	96.45	2.59	2.69	31.85	0.00	0.00
Nepal	0.03	0.00	0.00	133.14	0.00	0.00
Sri Lanka	0.58	0.00	0.00	13.21	0.05	0.38
Thailand	48.62	3.01	6.19	69.85	2.92	4.18
Total	354.82	45.96	12.95	354.82	2.99	0.84

Source: Author's calculations based on ITC Trade Map (n.d.)

Note: Rice seed, Vegetable seed, fruit seed, oil seed, maize, grain sorghum, barley, buckwheat, and durum wheat seed are the nine type of seeds that have been considered in this table.

Trade in agri-inputs could play an important role in establishing value chains within the BIMSTEC region. For example, the size of agri-seed traded within BIMSTEC is worth about US\$ 354.8 million; of this, share of Bangladesh's import of seeds (US\$ 45.9 million) is about 13.0 per cent, mostly from India. In case of Bangladesh, the MFN import tariff rates on some of the seeds are zero or low, for others, these are high (e.g., for maize the duties are 25 per cent). Import tariffs on rice seeds are high in India (80.0 per cent) as is the case for oil seeds for Thailand (30.0 per cent).

In this backdrop, the preferential scheme, sensitive list and rules of origin for agri-items will be important to take note of in view of the envisaged BIMSTEC-FTA. If most traded agri-items are provided DF-QF market access, this could stimulate intra-regional trade in agriculture. If majority of these are put in the sensitive list, then the situation will remain more or less the same. Facilitated by multi-modal connectivity and trade logistics facilitation preferential market access could lead to more trade, stimulate backward and forward linkages and encourage establishment of value chains in the BIMSTEC region.

Section 3: Proposed Measures to Deepen Agriculture Trade Cooperation in the BIMSTEC Region

The preceding sections have focused on the state of agricultural trade as it stands at present and highlighted why BIMSTEC-wide trade in agriculture has emerged as an area that demands urgent attention of policymakers. The analysis has shown that intra-regional trade in agriculture has continued to remain at very low levels. The analysis also reveals that there are significant opportunities to raise intra-regional trade in agri-products, through trade diversion to the region as also by creating new opportunities through trade creation including in agri-inputs and processed agri-products by way of concrete initiatives to deepen cooperation among the countries of the region. Some of the possible initiatives and measures in this connection are presented in the following discussion.

Realise BIMSTEC Secretariat initiatives

It is pertinent to recall here that the BIMSTEC secretariat has taken a number of initiatives over the years which were targeted at establishing closer cooperation in agriculture related areas. As was noted earlier, successive EGMAC Workshops have identified a number of potential areas in this connection including promotion of trade and investment, value chain management, research, good agri-practices and exchange of agri-related data and information. The Workshop on Promotion of Agriculture Trade and Investment¹¹ had recommended incentivisation of intra-regional investment and creation of a common e-portal platform to showcase the products of BIMSTEC countries to stimulate intra-regional and global trade in agri-items. Time has come for the BIMSTEC member countries to follow up on these recommendations with concrete actions.

Exploit potentials of BIMSTEC-FTA

The negotiations as regards the BIMSTEC-FTA have proved to be quite protracted which has given rise to a lot of frustration. However, it is welcome news that members have reached an agreement for the FTA in goods¹² and this could be signed at the upcoming Fifth BIMSTEC Summit to be held in March 2022.¹³ Whilst the trade liberalisation plan, extent, and coverage of the sensitive list and rules of origin for preferential market access are yet to be made public, it is hoped that the agreement will lead to greater cooperation among the countries in the BIMSTEC group and will result in trade creation including in agricultural products. It will be of advantage to all BIMSTEC countries if the FTA includes initiatives and proposals to incentivise intra-regional trade opportunities for

¹¹ This was held in Thimpu, Bhutan on 29-30 November, 2017.

¹² The original idea was to have an FTA that would include both goods and services.

¹³ The Fifth Summit will be held in Colombo, Sri Lanka.

trade in agri-items, through preferential market access and flexible rules of origin. Indeed, stronger reciprocal cooperation could lay the pathway towards a resilient BIMSTEC (Raihan, 2022).

Given that the majority of BIMSTEC members are LDCs, a two-track trade liberalisation plan could be helpful in addressing the concerns of relatively weaker economies of the grouping in this regard. Also to note, three of the four LDCs will be graduating anyway over the next few years, so from market access point of view, such a gesture is not going to be onerous for the offering partners. Hopefully, the agreement will also cover removal of non-tariff measures through standardisation and harmonisation, and measures towards trade and customs facilitation and addressing of technical barriers to agricultural trade. BIMSTEC members need to streamline tariff and non-tariff barriers that impede the growth of intra-regional trade in food products (RIS, 2021).

Sign BIMSTEC-wide MRA

BIMSTEC members may think of signing a region-wide Mutual Recognition Agreement (MRA) which will go a long way to complement and strengthen the BIMSTEC-FTA. Particularly in view of trade in agricultural goods, delays in customs clearance because of SPS-TBT compliance related concerns tend to be a major hindrance. BIMSTEC-wide MRAs could play an important trade facilitating role in this connection. Here, the work of South Asian Regional Standards Organisation (SARSO) could also be leveraged to speed up the process of signing of the MRAs. In anticipation of the MRAs, members could start by agreeing to a common conformity assessment procedure through recognition of accreditation and certification concerning agri-products.

Incentivise intra-BIMSTEC FDI flows

It will be pertinent to mention that Bangladesh has put in place a number of policies and incentives to stimulate FDI in general including the agriculture sector, and promote the cause of enhancing trade in agri-products globally and within the region. Incentives to promote trade and investment concerning agricultural and food processing in Bangladesh include the followings: (a) Reduced Corporate Income Tax (CIT) for 5 to 10 years depending on location for industrial undertakings engaged in processing of locally produced fruits and vegetables; (b) Full tax exemption on income from rice bran oil production up to 10 years; (c) 20 per cent special rebate on electricity consumption for agro-processing units; (d) Tax exemption on royalties, technical knowhow and assistance-related fees (and their repatriation); (e) Exemption of import duties on capital machineries for agro-processing and agro-based industries; (f) Full repatriation of profits and initial investment amount.

For exporters also there are a number of support measures in place which include the following: (a) 50 per cent tax exemption for income accrued from export; (b) No VAT to be imposed on export of agri-goods; (c) 20 per cent export subsidy (cash incentive) for

exporters of locally processed agricultural products and 100 per cent halal meat;(d) Duty-free market access (preferential treatment) to more than fifty countries enjoyed as an LDC.

Go for triangulation of trade-investment-transport connectivities

The ongoing initiatives to deepen multi-sectoral transport connectivity and measures in areas of trade facilitation and logistics could play an important role in stimulating intra-regional trade and investment in agriculture-related areas to the benefit of all the BIMSTEC member countries and the people. Experience of ASEAN shows that the member countries were able to take effective advantage of their geographical proximity by developing robust infrastructures (for example, by establishing strong road and rail networks) (Kummritz, Taglioni and Winkler, 2017). The bottlenecks here discourage trade, particularly that of trade in agri-products. This is because of the specific nature of agricultural goods which are subjected to various testing at customs points. On the other hand, speedy transportation and clearance are also crucial to trade in agri-items where deepening of multimodal transport connectivity and logistics and trade facilitation measures will play an important role.

Stimulate logistics-trade facilitation

Figure 2: Agriculture Trade Facilitation

+ Bangladesh + Economic and Social Commission for Asia and the Pacific (ESCAP) + South and South-West Asia + LDCs in Asia-Pacific

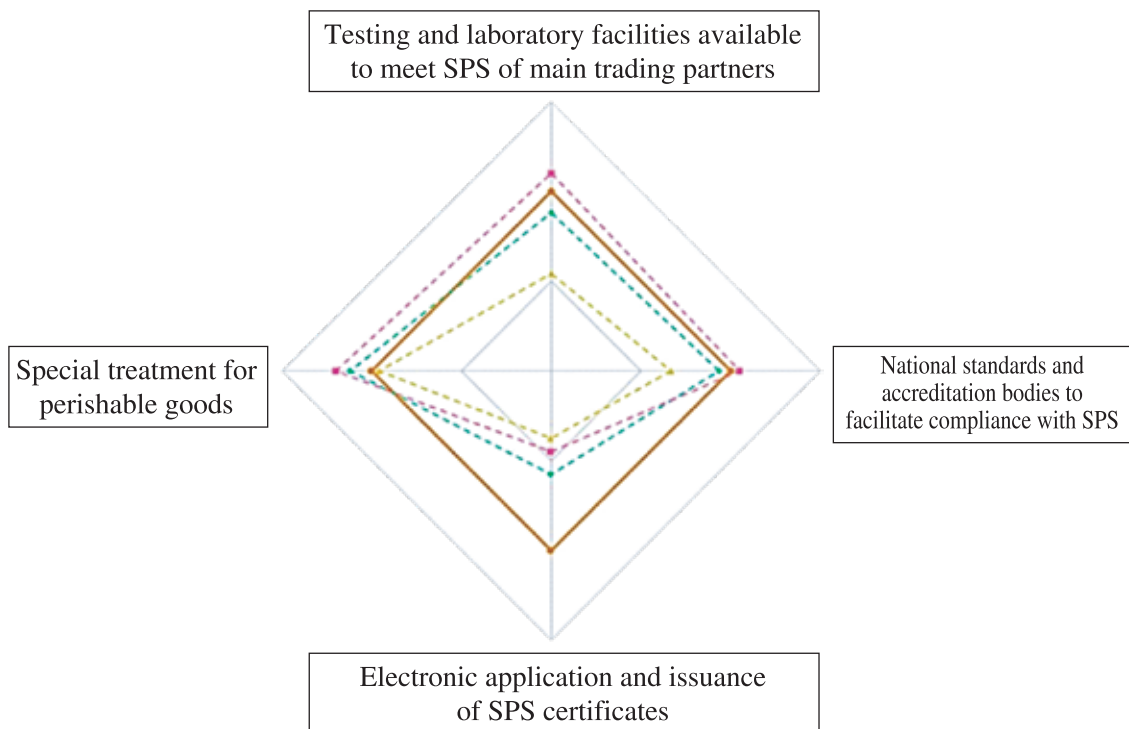


Figure 2 shows the comparative situation of Bangladesh vis-à-vis global, regional countries and the LDCs with regard to the Agriculture Trade Facilitation. It can be clearly seen that Bangladesh's performance scores in terms of the four sub-indicators are lower compared to other regions and groupings. Evidently, a lot needs to be done in the four identified areas: (a) Testing and laboratory facilities available to meet SPS of main trading partners, (b) Special treatment for perishable goods, (c) National standards and accreditation bodies to facilitate compliance with SPS and (d) Electronic application and issuance of SPS certificates. BIMSTEC-wide cooperation among member countries could help strengthen these key parameters which are crucial to promoting the cause of intra-BIMSTEC trade in agri-goods. It will be important to put in place trade facilitation measures including in areas of standardisation of the quality of agri-products, content requirements concerning inputs and ingredients, customs procedure harmonisation, single window at the border and interoperability of systems, green channels at customs clearance points. These could be powerful contributors to stimulating intra-BIMSTEC trade in general and trade in agri-items in particular.

Strengthen research collaboration

Within the BIMSTEC grouping India and Thailand have relatively strong research infrastructure in agriculture-related areas. Cooperation among the member countries through dissemination of knowledge, exchange of professionals as also technology and know-how transfer could help raise productivity and lead to product diversification in agriculture, which could in turn stimulate trade in agri-goods within the region. BIMSTEC countries could think of establishing a regional research and innovation centre to facilitate collaboration in the concerned areas. Here collaboration with SAARC institutions such as SAARC Agriculture Centre could also be explored as this could potentially benefit both the groupings, particularly also because five of the BIMSTEC members are members of both the groupings.¹⁴ The BIMSTEC Secretariat could think of setting up a regional seed bank to ensure supply of quality seeds and promote collaboration for production of high-quality seeds.

Take common stance in view of WTO negotiations

The ongoing discussions in the WTO concern a number of issues of interest to the BIMSTEC member countries. There is a need to project a coordinated approach in the context of this, particularly those that relate to agriculture and fisheries sectors. For example, in view of the ongoing negotiations in the WTO on Agriculture and Fisheries Subsidies, BIMSTEC countries should collaborate to come to a common stance as regards the issues for discussion on the table. As regards the *Agreement on Fisheries Subsidies*, BIMSTEC members should work together to ensure that the concerns of

¹⁴ These are Bangladesh, Bhutan, Nepal, India and Sri Lanka. This collaboration could also be of much benefit to the BIMSTEC member countries in view of the likely climate impact on agri-practices and agriculture sector in the region.

graduating LDCs and developing countries are adequately addressed. The interests of artisanal and small-scale fisheries sector and livelihood of fish folks will need to be protected. Fishing in territorial waters, exclusive economic zones and high seas need to be differentiated in a way that safeguards the interests of these countries. Actionable subsidies, general exceptions and Special and Differential Treatments (S&DTs) will need to be defined by taking into cognisance their interests. As may be recalled in this connection, the revised Fisheries text introduced by the Chair of the Negotiating Group has been opposed by India and other developing countries since, among other factors, an appropriate time frame for transition has not been incorporated in the text.¹⁵ BIMSTEC countries can forge a common stance in support of this.

In the context of the discussion on the Agreement on Agriculture, a number of issues are being discussed - domestic support; cotton subsidies; small farm holders; public stock holding; export restriction; exemption for humanitarian food purchases under the World Food Programme; and improved transparency, among others. These negotiations must take cognisance of concerns of the graduating LDCs as also developing country members. Here also, BIMSTEC members of the WTO can come together to safeguard their common interests.

Concluding Remarks

The preceding discussions have highlighted the emerging urgency of deepening BIMSTEC-wide cooperation in agricultural trade-related areas as a critically important policy intervention to ensure regional food security. It was argued that in view of the Covid experience and the attendant food security concerns, food price hike in the backdrop of imported inflation and the ongoing Russia -Ukraine conflicts with its supply-chain disruptions, the importance of taking a fresh look at widening and deepening of intra-regional trade in the BIMSTEC region can not be overemphasised. Also, the adverse climate impact on the agriculture sector, productivity and production practices have added an urgency to the need for cross-country collaboration in the BIMSTEC region.

In the above backdrop, the paper has made an attempt to show that facilitating market access, providing better trade and logistics facilitation and creating the opportunities of exchange of information and learnings in areas of research, agri-practices and innovations could result in significant benefits for all the regional countries.

The analysis has shown that intra-regional trade in agricultural products in the BIMSTEC region is dismally low at present, both in absolute terms and as a share of the BIMSTEC regions' global trade in agriculture. These are also highly concentrated in few items.

¹⁵ These countries are asking the developed country members to follow the principle of 'Polluter Pays' and 'common but differentiated responsibilities'.

Trade in agri-inputs and processed items is low and the value chains are either underdeveloped or absent. Several factors have contributed to this. MFN duties on many traded agri-items are relatively high, trade-logistics facilitation needs much improvement, productivity of agricultural product is lower than competing countries from outside the region and the state of cross-country learnings and exchange of information is rather discouraging.

The paper has stressed that there are significant opportunities to diversify and expand intra-regional trade through concrete measures aimed at expanding preferential market access, improving trade and logistics facilitation, promoting research collaboration, developing regional value chains, incentivising intra-regional trade and by articulating common stance and taking common stand at various relevant international fora such as the WTO. Initiatives in line with recommendations articulated at various BIMSTEC fora to promote cooperation in agri-related areas as also the envisaged BIMSTEC-FTA could play an important part in realising the potential opportunities in the form of higher production and greater supply, enhanced trade, higher consumer welfare and promotion of agri-related entrepreneurship in the region.

For the three graduating LDCs of the BIMSTEC grouping, sustainable LDC graduation will hinge on the capacity of these countries to adjust to the new trading scenario on graduation. Graduation will entail significant changes in market access situation (arising from preference erosion) and policy flexibility (more stringent rules as regards compliance and commitments). The impacts of all these for the agricultural sector of the graduating LDCs will be tangible (e.g., preference erosion; allowable flexibilities in areas concerning policies in support of agriculture sector such as subsidies; increasing demands in SPS-TBT areas). In this backdrop, closer cooperation within the ambit of the BIMSTEC grouping ought to be seen by the member countries as an integral part of sustainable LDC graduation.

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Annexes

Annex Table 1: Trade Openness in BIMSTEC Region (as percentage of GDP)

BIMSTEC Countries	1997-01	2002-06	2007-11	2012-16	2017-20
Bangladesh	28.8	31.2	41.6	43.8	35.2
Bhutan	79.6	91.8	110.2	95.2	80.9
India	25.1	37.5	50.4	48.1	40.4
Myanmar	1.0	0.3	0.2	39.2	59.7
Nepal	57.0	45.1	45.1	49.2	45.8
Sri Lanka	81.4	75.2	56.5	50.2	49.1
Thailand	107.5	126.2	131.3	130.7	112.4

Source: Based on WDI database (2022)

**Annex Table 2: Agricultural Products Exported from Bangladesh
to BIMSTEC Countries**

Country	Bangladesh's Major Agricultural Products Export to BIMSTEC Member Countries	
	Commodity	Export volume (in million USD)
Bhutan	HS 19: Preparations of cereals, flour, starch or milk; pastrycooks' products	0.92 (44.5%)
	HS 20: Preparation of vegetables, fruit, nuts or other parts of plants	0.80 (38.7%)
	HS 17: Sugar and sugar confectionery	0.18 (8.7%)
	HS 19: Preparations of cereals, flour, starch or milk; pastrycooks' products	0.92 (44.5%)
India	HS 15: Animal or vegetable fats and oils and their cleavage products; prepared edible fats, animal or vegetable waxes.	177.31 (75.6%)
	HS 19: Preparations of cereals, flour, starch, or milk; pastrycooks' products	20.66 (8.8%)
	HS 22: Beverages, spirits, and vinegar	18.86 (8.0%)
	Total agricultural export	234.4 (100%)
Myanmar	HS 19: Preparations of cereals, flour, starch or milk; pastrycooks' products	0.26 (30.1%)
	HS 07: Edible vegetables and certain root and tubers	0.19 (22.0%)
	HS 22: Beverages, spirits and vinegar	0.17 (19.7%)
	Total agricultural export	0.9 (100%)

Nepal	HS 23: Residues and waste from the food industries; prepared animal fodder.	22.82 (64.1%)
	HS 12: Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder	4.14 (11.6%)
	HS 07: Edible vegetables and certain root and tubers	3.11 (8.7%)
	Total agricultural export	35.6 (100%)
Sri Lanka	HS 07: Edible vegetables and certain root and tubers	3.77 (81.3%)
	HS 20: Preparation of vegetables, fruit, nuts or other parts of plants	0.71 (15.3%)
	HS 12: Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal	0.07 (1.5%)
	Total agricultural export	4.6 (100%)
Thailand	HS 12: Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal	3.30 (84.8%)
	HS 21: Miscellaneous edible preparations	0.34 (8.7%)
	HS 05: Products of animal origin, not elsewhere specified or included	0.24 (6.2%)
	Total agricultural export	3.9 (100%)

Source: Author's compilation from Bangladesh Export Promotion Bureau (EPB) database (n.d.)

Note: * Export data of FY 21 has been used to calculate the export volume and shares

**Figure in parentheses shows share of the respective agricultural product export as percentage of total agricultural export to the country.

Annex Table 3: Agricultural Products Imported by Bangladesh from other BIMSTEC Countries

Country	Bangladesh's Major Agricultural Products Import from BIMSTEC Member Countries	
	Commodity	Import volume (in million USD)
India	HS 10: Cereals	351.7 (26.6%)
	HS 09: Coffee, tea, maté and spices	278.8 (21.1%)
	HS 23: Residues and waste from the food industries; prepared animal fodder	222.8 (16.8%)
	Total agricultural import	1322.3 (100%)
Myanmar	HS 07: Edible vegetables and certain roots and tubers	34.7 (76.5%)
	HS 09: Coffee, tea, maté and spices	4.4 (9.7%)
	HS 10: Cereals	2.9 (6.5%)
	Total agricultural import	45.4 (100%)
Nepal	HS 07: Edible vegetables and certain roots and tubers	3.05 (76.7%)
	HS 23: Residues and waste from the food industries; prepared animal fodder	0.37 (9.2%)
	HS 05: Products of animal origin, not elsewhere specified or included	0.22 (5.5%)
	Total agricultural import	4.0 (100%)

Sri Lanka	HS 23: Edible vegetables and certain root and tubers	1.48 (31.5%)
	HS 09: Coffee, tea, maté and spices	1.48 (31.5%)
	HS 18: Cocoa and cocoa preparations	0.56 (11.9%)
	Total agricultural import	4.7 (100%)
Thailand	HS 23: Residues and waste from the food industries; prepared animal fodder	30.85 (39.0%)
	HS 08: Edible fruit and nuts; peel of citrus fruit or melons	17.87 (22.6%)
	HS 21: Miscellaneous edible preparations	6.87 (8.7%)
	Total agricultural import	79.1 (100%)

Source: Author's compilation from ITC Trade Map database (n.d.)

Note: *Import data of 2020 has been used to calculate the import volume and shares

**Data as regards Bangladesh's agricultural product import from Bhutan is not available

***Figure in parentheses shows the share of the respective agricultural product import as percentage of total agricultural import from the country.

**Annex Table 4: Agricultural Trade Concentration of BIMSTEC Countries:
The Herfindahl-Hirschman Index**

Country	Agricultural Export Concentration	Agricultural Import Concentration
Bangladesh	0.14	0.12
Bhutan	0.39	0.12
India	0.31	0.14
Myanmar	0.23	0.16
Nepal	0.36	0.15
Sri Lanka	0.40	0.11
Thailand	0.11	0.09

Source: Authors' calculations based on ITC Trade Map (n.d.)

Note: The level of trade concentration in specific products is measured using the Herfindahl-Hirschman Index (HHI).

BIMSTEC: Genesis and Outlook Looking Ahead

Tariq Karim

When trying to look ahead to evaluate prospects of an ongoing project, it is always wise to retrospectively take stock of what happened and, more importantly, what did not, so that one does not end up becoming condemned to incarceration in Santayana's paradigm of repeating history.

BIMSTEC was founded on 6 June 1997, initially as BIST-EC (Bangladesh, India, Sri Lanka, and Thailand Economic Cooperation). Myanmar, which had attended as Observer, formally joined on 22nd December 1997, renaming the expanded configuration as BIMSTEC. A year later, in December 1998, Nepal attended as Observer, and in December 2004, along with Bhutan joined formally as members. Rather than wrestling with adding to new consonants to the earlier catchy acronym, quite ingenuously this new enlarged configuration retained the earlier acronym but reintroduced itself to the public as the "Bay of Bengal Initiative for Multi sectoral Technical and Economic Cooperation", the acronym that has remained until today. Managing with a floating secretariat for the next few years, in 2014, it decided to locate its secretariat permanently in Dhaka.

In November 1998, it identified six priority sectors as goals: Trade & Investment; Transport & Communications; Energy; Tourism; Technology; and Fisheries. In December 2005, it embraced eight additional sectors: Agriculture; Public Health; Poverty Alleviation; Counter Terrorism and Transnational Crimes; Environment & Natural Management; Culture, People-to-people contact; and Climate Change. Cooperation in BIMSTEC was seen as constituting an addition to, and NOT as substituting ongoing bilateral, regional, and multilateral cooperation. Since inception, ADB and UNESCAP have institutionally been its main development partners. All members have been signatories of a Free Trade Area Framework Agreement since 2004, setting up a Trade Negotiating Committee (TNC) to consider trade in goods and services, investment, economic cooperation and trade facilitation, and terms of trade with LDCs in the grouping, but despite numerous meetings since then it has doggedly remained essentially a work in progress until now. TNC did manage to whittle down the negative list to 23% of their overall tariff line of products, but main challenge persisted in efforts to bring SAFTA and ASEAN FTA lists into consonance. Bringing any conception of the FTA in consonance with existing bilateral trading/free trading agreements, e.g., India-Sri Lanka, India-Nepal, or India-Bangladesh, also proved problematic, as did reconciling gaps between LDCs, middle-income and high-income economies with the grouping. A moot question that has dogged people's minds since inception has been: can BIMSTEC be a bridge between South and Southeast and East Asia? The jury is still out on this.

Trade and connectivity are handmaidens to each other. But trade flows can only take place if adequate infrastructure exists to facilitate such flows. In an increasingly

interconnected world, not only must countries ensure seamless movement of goods and services domestically, but also then connect, again seamlessly, with adjacent countries in their own region as well as adjacent regions. That calls for a web of transportation connectivity being in place, whether overland using roads and railways, or on waters using inland and transnational riverine waterways, coastal shipping, and maritime shipping arrangements; and via direct air connectivity between as many points as possible, using hub-and-spoke concept. Taking geo-morphological challenges that exist as barriers between states, smooth multi-modal transport and transshipment arrangements need to be considered. Additionally, as volume of goods and services, and people being transported, increases (as is bound to organically and exponentially), on-ground facilities also need to exist, like customs, immigration, phytosanitary and other border crossing services, and facilities need to be equipped with digital processing of required data of goods, services, and persons to enable near-instant clearances in real time. Therefore, establishment of an efficient web of digital connectivity through requisite IT corridors being established and interconnected operationally is a prerequisite and crying need of the hour.

In all these matters, there are wide variations in capacities and capabilities, not just within countries domestically but also between countries in the same region (more so in South Asia). The main impetus for getting this ambitious connectivity web in place must emanate from a determined political will that is in synch both intra and inter regionally. Sadly, the regions have been dogged by an undulating pattern of political obstruction from narrowly defined nationalist domestic agenda stalking obstinately across both regions relentlessly for the last over seven decades. Unless the walls that peoples across both regions have constructed within their minds are demolished, the trade barriers will continue to hound us and impede meaningful progress forward to our lofty goals of intra-regional and interregional integration. Still prisoners to the neo-Westphalian mindset, almost all national governments across both regions are loathe to even consider pooling sovereignty, far less ceding any vestige of it and subsuming it in the common goal of mutually beneficial collaboration and cooperation.

It is worth recalling here that in South Asia, the South Asian Association for Regional Cooperation (SAARC) was formed in December 1985 with the lofty goal of working towards greater trade liberalization and mutually beneficial economic development. Despite millennia of a shared history and culture, the identity rifts that were stirred awake and resultant inter-communal clashes that were fostered only over a century ago and are viscerally evinced in the relations (or rather, stark absence of it) between India and Pakistan have held the entire region hostage and impeded any meaningful progress towards even a semblance of regional economic integration. The Southeast Asian nations, in contrast, were able to overcome their own schizophrenic legacy from their colonial experiences and progressed more productively and successfully in their attempts at forging regional cooperation, although still a far cry from post war European

reunification efforts. The South Asian and Southeast Asian region, while aspiring to reach out to and more meaningfully interact with each other, remain quite a distance away from fulfilling this aspiration.

Bangladesh and Myanmar constitute the western and eastern spans of the geographical and geopolitical bridge that links Southeast and East Asia to South and West Asia. Unfortunately, relations between Myanmar and Bangladesh are at their worst ever nadir, exacerbated as they have been by Myanmar's treatment of the Rohingyas in Rakhine state (former Arakan Province) that resulted in about a million Rohingyas seeking refuge in Bangladesh. So, these vital connecting bridge spans are in flames where they meet, and this raging fire must be doused quickly, and this bridge repaired for good of all on both sides of the bridge. The ambitious overland Trans-Asian and Railway project is held hostage to the negative dynamics spawned by these bad relations.

BIMSTEC can play an important and constructive role in these fire-fighting efforts. While overland connectivity has taken a palpable hit, the maritime route available through the Bay of Bengal that washes the shores of Sri Lanka, Bangladesh, India, Myanmar, Thailand, Malaysia, and Indonesia offers a viable and immediately operational route. BIMSTEC, lest we forget, comprises four South Asian SAARC member-countries, namely Bangladesh, Bhutan, India, and Nepal, in the intergovernmental BBIN grouping, along with Sri Lanka; and two Southeast Asian ASEAN member-countries, namely Myanmar and Thailand. BIMSTEC leaders, aspiring to reinvent and rejuvenate the organization, need to keep in mind that it is in their collective interest that the BBIN initiatives should succeed because that would underpin future success of BIMSTEC itself and attract positive attention from other ASEAN members currently not in this configuration. The BBIN initiatives cannot afford to falter or fail, as that would act as a dampener on the BIMSTEC process itself.

It is moot to remember here that prior to the collapse of the old Colonial Order in 1945, the web of multi-modal connectivity that had been admirably established by the European colonial powers in Asia had connected the ports of all these countries, and then stretched the maritime line of connectivity further along the Malaysian and Indonesian coasts to their major shipping entrepot in Singapore through the Malacca Straits, the gateway to the Pacific from the Indian Ocean. The British Crown had used this maritime route, augmented by the railways and roads they built in their colonial possession in the Indian sub-continent and Southeast and East Asia, to enable their efficient and significant extraction of resources from these possessions to augment the Crown's wealth, prestige, and power. The Bengal Presidency of British India not only had the highest GDP among its three Indian Presidencies (with the highest per capita income reported in Shillong, the summer capital of that Presidency), it also accounted for over a third of Imperial Britain's total revenues.

With that order fragmenting in the mid-twentieth century, the connectivity web they had

established, also became dormant, and underwent atrophy. The revival of that web in today's context, with the Bay of Bengal as central to it, holds rich promise for all South and Southeast nation-states of today's world. It also offers respite from the earlier stilted and very restricted regional configurations that exist, in different stages of activity or otherwise. In today's world, its economy buffeted severely by the COVID pandemic that up-ended value and supply chains equally both in global north and south, the South and Southeast Asian regions need seriously to look to themselves first to redevelop national and regional resilience from future such shocks looming ever larger on our global screens. Viewed from this perspective, their efforts to connect with each other must be engaged in by all parties with greater seriousness and urgency.

In this context, the current BIMSTEC configuration, cobbled together in the regional and global context that prevailed in 1997, would appear to be an outdated and incomplete configuration to embrace the aggregate promise that the entire Bay of Bengal region holds for everyone today. Leaders of the current BIMSTEC configuration would do well to revisit their original charter and consider seriously on defining more fully now the acronym to match more accurately what it had sought to define earlier in incomplete fashion, by formally (and logically) also inviting Malaysia and Indonesia as fellow members. By doing so they would fully reincarnate the original lines of maritime (and more) connectivity that had existed until less than a century ago, reconnect to Singapore as a major entrepot in the regions east and perhaps also draw in the Maldives on its west, and embrace all landlocked entities in South Asia to connect with all major entities with interest in ASEAN.

The political will appears to be surfacing, spurred by the current challenges the world and our region faces. The old Globalization that had essentially been a top-down process will gradually be replaced by a new Globalization that will essentially be a bottom-up, horizontally spreading process. A BIMSTEC Plus configuration that I envisage above, centered around the Bay of Bengal, perhaps is the wise way forward, side-stepping the stiling structural shortcomings of our current regional groupings established decades ago. It would facilitate and make trading between the two regions easier, cheaper, and more stable. Such a BIMSTEC PLUS configuration, with a core population of 1.78 billion people (and an additional 490 million of adjacent states with interest), and a combined GDP that would place it as the fourth largest aggregate after the USA, China, and the EU, would then have nowhere else to go except to the stars.

All Eyes Towards Bangkok

Kinley Dorji

The Fifth BIMSTEC summit will be held in Sri Lanka on March 30. With SAARC being dysfunctional, BIMSTEC has become an even more critical regional grouping. To understand BIMSTEC, I start by looking at the SAARC experience in regional cooperation.

South Asian leaders can be extremely eloquent when they reflect on the rich spiritual and cultural heritage of the region. It is with profound pride that they recall the ancient civilizations stemming from the spiritual and cultural traditions, a shared legacy in the region. In the context of the development process, South Asia followed the UN and regional groupings like NAM and ASEAN by establishing the South Asian Association for Regional Cooperation (SAARC) in 1985.

For a young Bhutanese reporter, freshly armed with a journalism degree, this was exciting. Listening to the speeches of the region's political giants, I pictured amazing amalgamation of cultures and a powerful economic hub for the region which is home to two fifths of mankind. India always took the decisive lead with Pakistan trying to follow and then Nepal, Bangladesh, Sri Lanka, Bhutan, and Maldives in the order of population size.

For the Bhutanese government and media, SAARC was a big story. His Majesty King Jigme Singye Wangchuck attended every summit as Head of State with characteristic and earnest consistency. The meetings provided an opportunity for Bhutanese officials to meet with their counterparts from neighbouring countries. Bilateral relations were otherwise limited, given the distances, cost, and the limited communication infrastructure. For a kingdom emerging out of self-imposed isolation, the Maldives, Sri Lanka, and Pakistan were psychologically distant neighbours and official interaction even with Nepal was limited.

As I followed SAARC from its establishment, and first Summit in 1985 in Dhaka to the 17th summit in the Maldives, I began to understand why South Asia was not a world leader. Bugged down by political tensions, cumbersome bureaucracy, and agonizingly complex formalities, the seven governments spent much of the time just trying to organise meetings leading up to the summits which became rare. In fact the greatest achievement of SAARC was just being able to organize the irregular summits.

The media's perspective of our region is not impressive, and not surprising. The international media was excited only by tensions between India and Pakistan. SAARC was of no interest. Given the frustrating security regulations journalists often attended the summits but watched the proceedings on television in their hotel rooms. A summit in Bhutan was an excuse for the exotic visit (with family if possible), Nepal was a chance to

extend the trip into a trek, and Maldives was a free diving trip. Regional media were there usually to follow their own governments.

The 19th Summit, scheduled to be held in Pakistan in 2016, did not take place after six member countries pulled out.

Then came The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) a regional organisation established on June 6, 1997, with the signing of the Bangkok Declaration. Initially with four members - Bangladesh, India, Sri Lanka, and Thailand, BIMSTEC comprises seven member States with the admission of Myanmar in December, 1997, and Bhutan and Nepal in February, 2004.

The objective of building this alliance is "to harness shared and accelerated growth through mutual cooperation in different areas of common interests by mitigating the onslaught of globalisation and by utilizing regional resources and geographical advantages". BIMSTEC described itself as a sector-driven cooperative organisation. Starting with six sectors - trade, technology, energy, transport, tourism and fisheries - it expanded to include nine more sectors in 2008- agriculture, public health, poverty alleviation, counter-terrorism, environment, culture, people to people contact and climate change.

For Bhutan, now charged by the ambitious aspiration to join the first world, this approach to regional cooperation sounds promising. If the BIMSTEC energy grid interconnection becomes a reality, Bhutan, with its huge hydropower potential, can go into serious business. For tourism, there can be no better connection than Thailand for high end tourism and Myanmar for a pilgrimage link. Bhutan can complete a Buddhist pilgrimage triangle with India and Myanmar, and with Thailand and Nepal only short flights away.

BIMSTEC's claim to potential is not just geography but the shared heritage and cultural cross currents that can bring the member countries closer. It offers a trade route into Southeast Asia, especially for landlocked countries like Bhutan and Nepal. Will this commonality be strong enough to pull this often beleaguered region out of poverty and starvation, a situation that goes hand in hand with terrorism, drugs, and organised crime?

This new grouping is not bogged down by internal rivalries as we saw between India and Pakistan. The larger powers, India and Thailand, enjoy much better synergy with common interests. This region hopes for a more active leadership from Thailand (the current Chair) which comes with the Southeast Asian (ASEAN) energy that has created the Asian Tigers. Despite a wide diversity in race, language, culture, and religion, ASEAN is an example of successful regional cooperation in political, security, economic, and socio-cultural cooperation..." Eleven countries come together to merge into "one vision, one identity, one community".

According to former ambassador to Thailand, Tshewang C Dorji, Bhutan sees BIMSTEC as an extension of the policy to seek closer cooperation, not only with our South Asian

neighbours, but also with countries of South East Asia. The changing dynamics of the international system makes regional cooperation imperative and important for Bhutan. Today, without the cover of regional integration and cooperation, small countries like Bhutan would be unable to individually withstand the onslaught of globalisation and related social and economic perils.

With about 1.5 billion people, a combined GDP of over USD \$2.7 trillion, abundant natural resources, and growing economies, a well thought-out and implemented cooperation arrangement under BIMSTEC has the potential to occupy a significant spot on the global stage. BIMSTEC intra-regional trade is significantly higher than that of SAARC (SAARC was \$45 billion in 2013 while BIMSTEC was \$77 billion).

However, even on the BIMSTEC front things are not progressing as quickly as expected. The association has not been able to fully reap the benefits particularly in terms of economic growth and trade facilitation. While the overarching objective of BIMSTEC is to create an enabling environment for rapid economic growth through economic integration and trade facilitation, progress has been very slow despite the modalities to implement a Free Trade Agreement having been signed in 2004.

BIMSTEC appears to have inherited the SAARC culture of progress - some South Asian baggage. Established in 1997, BIMSTEC was able to hold its first summit only in 2004 and establish a permanent secretariat in Dhaka in 2014, 17 years after its formal declaration. The journey from ideas to MOUs and Agreements and Conventions, ratifications and declarations promises to be arduous. And it was in 2021, after 25 years of talks, that the grouping decided on the 15 sectors for cooperation, divided among the seven member countries.

One reason is that officials in all the member States with some institutional memory, including Bhutan, keep changing, and every project begins from square one. For the member countries, pulling seven countries together will continue to be a nightmare, even at the official level. Then the greater challenge is to bring the foreign secretaries and foreign ministers together to prepare for the summits.

Some hope ahead?

BIMSTEC has a vision: to build an environment for rapid economic development; accelerate social progress; and promote collaboration on matters of common interest in the region. But the energy level of South Asia is not encouraging, as we see in the SAARC experience. Perhaps COVID-19 has been the much-needed shake up to energise the movement. If the COVID pandemic has been a time for reflection are we able to reimagine regional development after the crisis? Have we learnt enough to change our work culture... and are the leaders shaken enough to drive the change?

The biggest advantage BIMSTEC enjoys today is Transport, vital for socio-economic cooperation. South Asia has long been held back by poor transport systems between the

members countries themselves and with the world. At a time when countries are sending even tourists into space, South Asian countries are struggling to get a few trucks to cross their borders. Major highway projects have been disrupted by inefficiency and corruption.

Thailand is a successful global transport hub and it is through Bangkok that many South Asians travel, even from one South Asian country to another. While there has been some improvement in internal air connectivity, every BIMSTEC country is connected directly to Bangkok by air as well as many by sea. Yet we have the transborder bottlenecks in place, ranging from bureaucracy to malaise to corruption.

The Bay of Bengal neighbourhood is a critical block of countries where the global superpowers are already involved with complex strategic interests. For Bhutan this is a more relevant alliance than SAARC, with strong spiritual and cultural ties with all the members and the potential to carry our economic interests into the region and beyond.

After about 35 years reporting on the region, the question that comes to mind is "Do I dare hope that this initiative will be different?"

Strengthening BIMSTEC Partnership for Collective Development

Sachin Chaturvedi

1. Introduction

As the BIMSTEC region celebrates its Silver Jubilee, the achievements of emerging as a unique regional grouping of seven countries of South and Southeast Asia and working on trade, connectivity development, counter-terrorism etc. for collective regional development and commerce is a great source of satisfaction. Established in 1997, as BIST-EC or Bangladesh, India, Sri Lanka and Thailand Economic Cooperation got further expanded when Myanmar was included in the grouping. The Group was renamed 'BIMST-EC' (Bangladesh, India, Myanmar, Sri Lanka and Thailand Economic Cooperation). Later in 2004, at the 6th Ministerial Meeting, the name of the grouping was changed to 'Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation' (BIMSTEC), when Bhutan and Nepal also joined the grouping.

Over the years BIMSTEC has been important for India to connect with the partner countries, following similar development commitments. India's 'Neighbourhood First' and 'Act East' Policy further accentuated India's commitment for the grouping. BIMSTEC is also crucial in linking between two strategic regions in Asia, involving South and South-East Asia. India invited leaders of the BIMSTEC Member countries to the swearing-in ceremony in May 2019 in New Delhi, thus, showing India's seriousness attached to the regional caucus. Four Summits have been held so far - 2004 [Bangkok], 2008 [New Delhi], 2014 [Nay Pyi Taw] and 2018 [Kathmandu]. BIMSTEC Leader's Retreat hosted by India in Goa in October 2016 served as an important impetus for BIMSTEC. The "Agenda of Action" - a robust policy wish list, agreed during the Retreat was meant to translate the shared commitment into the delivery of specific, people oriented initiatives to achieve greater connectivity, trade, people-to-people contacts, and sustainable use of resources which is being steadily implemented.

As BIMSTEC celebrates Twenty Five Years of its existence, it is worth recalling the key features of the Kathmandu Declaration, adopted at the Summit, to provide us the context for the vision from Leaders. The emphasis was clear for intensifying regional cooperation in key sectors of security and counter terrorism, disaster management, connectivity and trade, agriculture and poverty alleviation, S&T, culture, tourism, and people-to-people contacts, among others. These priority areas have enriched the action plans for the region.

The focus continued the streamlining and creating necessary institutional infrastructure and rationalizing areas of cooperation for implementing various projects and schemes of regional cooperation in a time bound manner. The idea of having a BIMSTEC Grid Interconnection was also a way forward for the energy transition the region espouses for (Banerjee and Dey, 2016, 2017).

There is little doubt that this grand vision, with a number of diverse initiatives requires efforts and cooperation for capacity-building. The COVID-19 crisis has further highlighted the limited capacities that the region has (De, 2021). The BIMSTEC countries could not escape the serious health and socio-economic consequences. It would take time to go back to the pre-COVID levels of GDP, per capita income, industrial output, employment levels, etc. globally and as well as in the BIMSTEC region. As estimated by IMF in the World Economic Outlook, the world economy would grow by 5.9 per cent in 2021 and 4.9 per cent in 2022 suggesting that over the next two years, the economic activities would pick up from the very low activity experienced in the last one and half years. No country was really insulated from contraction in the economy, fall in trade and investment, rise in unemployment, loss to industrial sectors and private businesses, and so on, and the human and social costs of the pandemic has fallen disproportionately on the poor.

BIMSTEC countries are not very different. We need to invest in all types of physical, social and digital infrastructure. The already growing infrastructure financing gap would distort the economic fundamentals in the medium term and weaken the regional economic cooperation. GDP growth forecasts by IMF for BIMSTEC countries for the period 2022-2026 are optimistically stable. For instance, Bangladesh would grow at 7.2 per cent, India and Bhutan around 6 per cent, Sri Lanka around 5 per cent. While fiscal space remained constrained and revenue flows were uncertain due to frequent lockdowns across the region, all the BIMSTEC countries resorted to a mix of fiscal stimulus and monetary policy measures to prevent severe economic contraction and supporting the poor and the vulnerable families of those who lost jobs (Gopinath, 2020).

Subdued economic activity, disruption in supply chains, drying up of capital flows, inflation and rising commodity prices have exacerbated uncertainty across the world (Deshmukh, 2021). The most worrisome damage was to observe a widening of the development financing gap. As per an estimate, developing countries faced a financing gap of US\$ 2 to 3 trillion due to fall in their exports and tax revenues.

In this backdrop, continuous efforts for improving capital expenditure with infrastructure development and improved connectivity should be our focus in the region. The next section illustrates some areas for cooperation. Section III captures some priority areas for deeper integration. The last section draws conclusions.

II. Regional Economic and Infrastructure Connectivity for Collective Development

BIMSTEC is one of the fastest growing regions in the world, registering an average growth rate of 5 per cent during the period 2008-20. The region was flamboyant during the period of global buoyancy in the early 2000s following the 'Asian Crisis' in the mid-1990s. The high growth performance of the region was the outcome of the efforts of individual countries in the region. Most of the LDCs have graduated or are in the process of graduation in recent years. Among large economies, India has been one of the fastest

growing economies in the world. The accomplishment of the region in terms of achieving high economic growth has been the outcome of strong macroeconomic fundamentals supported by considerable levels of domestic resource mobilisation.

However, the onset of the global recession since 2008 and the pandemic in 2020 have contributed enormously to the slowdown of the economic performance of the region. During the first phase of the recession (2008-13), the region experienced a real GDP growth rate of 6.2 per cent. The average growth slowed down significantly to 3.9 per cent during 2014-20, particularly in the second phase of the recession. With the outbreak of the Covid-19, the growth rate of the region decelerated substantially to -7.91 per cent in 2020 over the past year. With the reduction in the fury of the pandemic, the region is expected to improve its growth performance with the V-shaped recovery in 2021-22.

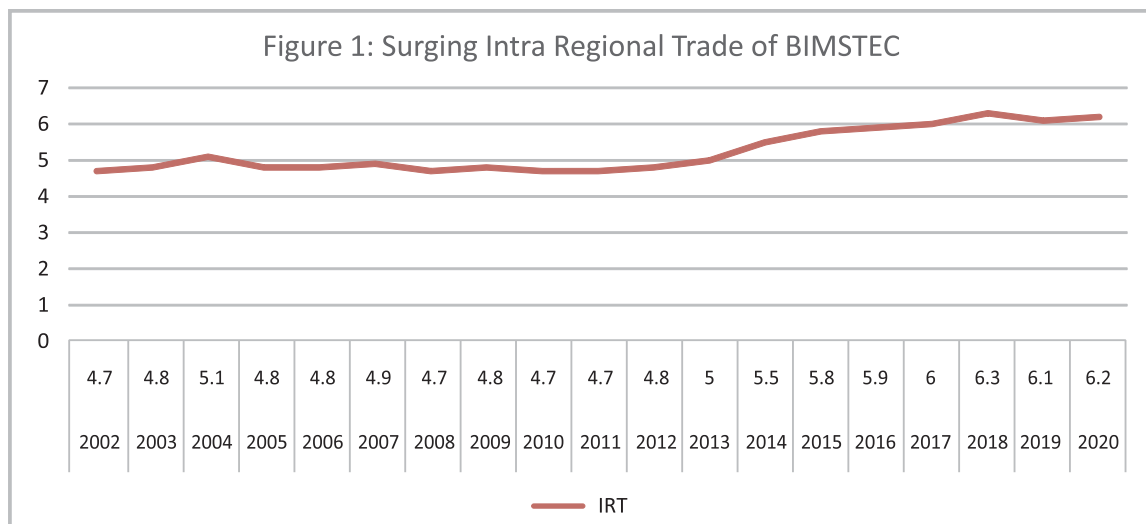
The region posted high growth during the first phase of recession (2008-13) with an average growth rate of 6.2 per cent but performed awfully in the second phase of the global recession (2014-20) with an average growth rate of 3.9 per cent. The break out of the pandemic in 2020 was a major setback for the region, where only Bangladesh could register a positive growth rate of 2.4 per cent while others could not evade unprecedented negative growth rates. Dismal growth performance of regional member countries resulted in deceleration of growth rate of per capita income compared to the previous year in most of the regional economies in 2020.

The development records of the regional economies indicate that high growth in these economies was mostly self-propelled economic strategies adopted by them. To bolster robust growth, domestic resource mobilization efforts were supported by various external factors such as foreign direct investment (FDI) and inflow of remittances. The inflow of remittances continued to remain high in the region and remained positive during the period of pandemics. In 2020, remittances of the region touched 3.6 per cent of the regional GDP. Similarly, the inflow of FDI was substantial and was ranging between 1.5 per cent and 2 per cent of the regional GDP until the first phase of recession and then slowed down.

Surging Regional Trade Sector

Trade has been emerging as the driver of growth for the region, and contributing to growth, production, employment and balanced development across member states. The region's overall trade with the world was over 1.2 trillion in 2020, rising steeply from \$326.5 billion in 2003 and also registered a quantum jump of 3¾- fold rise during the period 2003-20. Challenges to the trade sector have been many, including weak penetration in technology-intensive trade and a low level of global value chains (GVC). The time has come to focus on low hanging fruits like agricultural trade and evolving long term strategies to encourage regional production and trade in the GVC sector. Though the regional GVC sector is in its infancy, imports in the sector are very high with growing demand for these products in the region.

The BIMSTEC region is struggling with a low level of inter-regional trade compared with several other regional groupings in Asia including ASEAN. It is therefore required to raise interdependence among member countries through enhancing Intra-regional trade (IRT) for which selected high performing sectors may be identified, to begin with. Most of the regional economies pursued Export-Led Strategy, particularly during the period of global buoyancy to rely on trade as the driver of economic growth.



Source: Estimation of the author based on Direction of Trade Statistics, IMF.

Excessive emphasis on the trade sector in the BIMSTEC region through the IMF Programmes has enabled them to develop trade infrastructure in a gradual manner. This induced the IRT ratio to grow rapidly irrespective of global trade regimes without any perceptible break almost during the last two decades as shown in Figure 1. The region observed persistent and systematic growth of its IRT during 2003-20. In a recent study, empirical findings suggest the resilience of the IRT ratio of the region despite having frequent changes in the global trade regimes (Mohanty, 2021). During the period 2002-12, the IRT ratio was oscillating between 4.7 per cent and 4.9 per cent. The region made substantive progress in improving its IRT ratio in the range of 5 per cent to 5.9 per cent during 2013-16.

It may be noted that global trade was underperforming during the second phase of the global recession as downside risks of trade intensified with the continuation of economic uncertainties. While world trade was reeling under the pressure of deep recession, the IRT of BIMSTEC continued to be at its peak, suggesting growing dependence among member states for trade. During 2017-20, the IRT ratio crossed the psychological barrier of 6 per cent and was ranging between 6 per cent and 6.3 per cent without much variation. The region has made steady progress in terms of improving its trade among the member countries. There are several factors contributing to such developments in the region.

Enhanced connectivity through the region is vital to achieving the common goal of growth, employment and prosperity. The framework of realising such goals is discussed in the context of a Regional Integration Arrangement (Chaturvedi, 2016b). It is in this respect the most important consideration for BIMSTEC would be to focus on multi-modal connectivity in all possible forms for faster communication and delivery of goods and services. Some of the recent initiatives would facilitate the idea of the seamless connectivity in the region like the Motor Vehicles Agreement, Master Plan on BIMSTEC Connectivity with the BIMSTEC Transport Connectivity Working Group (BTCWG), BIMSTEC Coastal Shipping Agreement.

In order to widen the contours of connectivity, digital and cyber aspects are also being added to the work agenda along with tourism. India hosted a BIMSTEC Ministerial Conclave on the theme of "New Digital Horizons: Connect, Create, Innovate" on the sidelines of India Mobile Congress, which was held in New Delhi in October 2018, with a focus on new and future communications technologies. Tourism has rich potential in the BIMSTEC region, as this region is home to ancient civilizations with deep civilization and cultural linkages, several historic monuments, and natural splendour. The BIMSTEC Tourism Information Centre was established in July 2007 in Delhi to create a Network of Tour Operators among the BIMSTEC Member States to promote tourism in the region including the Buddhist Tourist Circuit and luxury cruise.

The connectivity thus would augment the efforts for rejuvenating the growth poles for a better connect between social and physical infrastructure. This would create local demand and would support the localisation of development. The local livelihood security, preservation of biodiversity and local business are important elements to be ensured for continued faith in regional integration. The debate concerning such emerging issues can be seen in the context of South Asia (Chaturvedi, 2016).

Growth Corridors through Multimodal Connectivity

As connectivity is at the heart of the BIMSTEC Project, multimodal connectivity projects like the Kaladan Multi-Modal Transit and Transport Project and transport facilitation mechanisms like the Motor Vehicle Agreement would have far-reaching impact in promoting regional trade, investment and mobility of people across the member states.

Growth Poles and Growth Corridors

However, there is a need to expand these connectivity spillovers to the realization of a much larger development impact in the BIMSTEC region. By recognizing the unique location of the BIMSTEC countries and complementarity in resource endowments, the growth corridor path of development may be considered for the BIMSTEC region. In the Growth Corridor approach, the improved connectivity that would result from the existing connectivity projects can be viewed as a means of connecting the growth centres and the hinterland. While it may happen without activating the growth poles, by adopting a

growth corridor agenda the member states can strengthen the sources of industrialization, production value chain and investment horizons in a systematic fashion.

Progress in the BIMSTEC Master Plan on Transport Connectivity is a positive step in that direction. There is huge potential in inland waterways and coastal shipping that are cost-effective means of cargo transport in the Bay of Bengal Region. Early operationalisation of the BBIN Motor Vehicles Agreement would pave the way for seamless connectivity in the BIMSTEC region.

Inland waterways and coastal shipping are cost-effective means of cargo transport in the Bay of Bengal Region. There is notable progress in the trial run of transshipment of Indian goods from Kolkata to Agartala via Chattogram and Mongla Ports under the Protocol on Inland Water Transit and Trade (PIWTT).

The willingness of Bangladesh to join the India-Myanmar-Thailand Trilateral Highway Project is a recognition of the strong economic spillovers of connectivity projects in the region. Ways to connect Bhutan and Nepal with these connectivity gains would help build a larger network of roads in the region. The idea of a trilateral highway for partnership with Thailand and Myanmar to Laos and Cambodia can provide a new dimension for E-commerce and our ability to connect. Trade, investment and value chain infrastructure and connectivity, health vaccine and cooperation and digital infrastructure are very important for strengthening our partnerships. Railways of India and Bangladesh played a crucial role in maintaining the uninterrupted supply chains during the COVID-19.

In the maritime connectivity, all BIMSTEC countries use waterways and ocean shipping. Joint cooperation for Bangladesh-Myanmar-India-Sri Lanka maritime connectivity should be explored. BIMSTEC countries can work for harnessing the ocean resources for promoting blue economy in the region.

Connectivity is also an important area of cooperation between India and Bangladesh. Both sides have undertaken several efforts to augment connectivity by reviving pre-1965 links and also opening new routes. The gains would not remain with India and Bangladesh alone but would eventually help in connecting South Asia with South East Asia, particularly, Thailand and Myanmar. These may include simple but essential projects like the Maitri Setu road-bridge over River Feni in Tripura which will connect Tripura with Bangladesh. Even the restoration of Chilahati-Haldibari rail link would enhance connectivity to Assam. The recently inaugurated 'Mitali Express', passenger train service on the Dhaka-New Jalpaiguri-Dhaka route through the Chilahati-Haldibari rail link would facilitate goods movement at a much lesser cost. The Kulaura-Shahbajpur section of the Bangladesh Railway will also provide rail connectivity to Assam.

Digital Connectivity

Access to high-speed internet and mobile communications has become the way of life for the world as a whole. BIMSTEC leaders have underlined its importance in the last

Summit held in Kathmandu. Information technology not only empowers people but also provides ample scope for the creation of economic opportunities. In fact, the success of the Fourth Industrial Revolution rests on the digital economy. There is a worldwide wave of digitization of production systems and processes, development of e-commerce platforms for business transactions, e-portals for government services, social networks, and similar applications. In view of this information technology revolution, BIMSTEC countries can explore the opportunities that the digital economy would unleash in the coming years.

Specific research studies may be undertaken on some key areas of digital economy: assessment of scope and potential for digitization in different economic sectors in BIMSTEC countries; cooperation in the development of regional software networks for e-commerce; people-to-people contacts; scope for applications of big data, internet of things, artificial intelligence, etc. in BIMSTEC Economies.

III. New and Emerging Areas for Development and Regional Integration

While progress in different priority areas of cooperation is observed, it is imperative to give thrust to trade integration, improved transport connectivity, and strengthening cooperation in the health sector as well as in emerging sectors like digital technology, fintech, etc., and social sector and other areas like tourism, culture, disaster management, and so on.

While the immediate priority would be to improve the revenue positions through opening up of domestic economy and trade and investment, connectivity would be a key pillar of BIMSTEC cooperation for the next few years. A discussion on the possibility of forming an FTA in the region was debated at the early stage of its inception (Mehta, 2003). In fact, connectivity in all forms - roads, energy, digital and people-to-people movements would be the vehicles for growth and development. Improved connectivity along with trade facilitation and border infrastructure development would be key to promote regional value chains in BIMSTEC countries. Among sectors, agriculture and food processing, MSMEs and digital technology-enabled services sectors assume importance for the future regional cooperation agenda for BIMSTEC. Several pressing issues of the region were discussed in the past to draw the attention of the policy-makers from time to time in various forums (RIS, 2004 and 2016).

Cooperation with the spirit of partnership would help in addressing the priority sectors and policies by the member countries and effectively address all aspects of development, e.g. growth, inclusion, equity and sustainability. Further, UN has declared this decade as the 'Decade of Action' in order to achieve the SDGs. Cooperation in SDGs in BIMSTEC could be envisaged in the areas of localization, resource pooling and regional peer monitoring frameworks. Activities in the Bay of Bengal matters to all the BIMSTEC countries including Nepal and Bhutan as environmental spillovers like acidic rains in Nepal suggest.

This wider recognition entails the extent of interdependence among the BIMSTEC countries which can be scaled for regional cooperation for tangible economic gains in the field of connectivity, achievement of SDGs, and cultural and people-to-people interactions. Cooperation among the member countries for achieving the SDG targets assumes highest priority in the given circumstances as it addresses all aspects of development e.g. growth, inclusion, equity and sustainability. Cooperation in the following areas could be envisaged with the perspective of resource pooling and regional peer monitoring frameworks.

III.1 Use of Local Currency and Financial Technologies

There are several facets of financial cooperation that member states may consider to include in the BIMSTEC scheme of cooperation. As is emerging quite clearly, with COVID-19 and the Ukraine crisis, frequency and magnitude of exchange rate volatility has multiplied and so are the associated uncertainties. This affects the value of exports and imports. Moreover, it is expensive for the regional traders in terms of the cost of hedging. This aspect has been seriously taken into account in many developed and developing countries. Some currency swap arrangements to facilitate trade in local currency have come up and likewise, new arrangements for avoiding additional cost of currency transactions, particularly USD are also being explored. Against this backdrop, BIMSTEC countries can also explore the possibility of trade in local currency as a means to minimize the financial vulnerability arising from random exchange rate fluctuations.

Another crucial area of financial cooperation is building and sharing expertise in financial technologies (fintech). Emerging financial technologies like blockchain, artificial intelligence, big data analytics, Internet of Things, etc. have revolutionised not only the financial sectors but also empowered people and the society at large.

In India, the combined power of fintech and digital connectivity has transformed the lives of 1.3 billion people by providing them access to banking, credit and easy payment platforms. India has created 1.2 billion biometric identity-based Aadhaar cards; facilitated opening of 330 million bank accounts in three years through Jan DhanYojana, and extended 145 million loans to small and micro enterprises in MUDRA Scheme which are extraordinary achievements for a country of India's size with a very low base. India's own BHIM-UPI has become one of the sophisticated payment gateways in the world which provides a simple and seamless platform for digital payments. Prime Minister Modi recently referred to the global platform that is being created to connect fintech firms and financial institutions in ASEAN with Indian banks and fintech companies. Recently, India has signed an MoU with Singapore to strengthen cooperation in fintech in the fields of development of Application Programming Interfaces (APIs), regulatory sandbox, security in payment and digital cash flow, RuPay Network for electronic transfers, UPI-Fast Payment Link, Aadhaar stack, and so on.

Cooperation in these two areas is vital for BIMSTEC as well. Research studies may be initiated on the following areas with an aim to explore regional financial cooperation among BIMSTEC countries. Assessment of applications of digital and financial technologies in the BIMSTEC region; conception and design of bilateral and BIMSTEC regional payment arrangements in local currencies; and specific modalities of cooperation in sharing of financial technologies; etc.

III.2 Connecting Mountain and Blue Economy

BIMSTEC region is home to large mountain ranges, particularly the long Himalayan range in Nepal and Bhutan. Mountains being the important part of the natural ecosystem are rich treasures of water and energy. Mountains also offer a variety of products and services which are vital for human life. BIMSTEC countries also have long coastlines along the Bay of Bengal and Indian Ocean which offer tremendous opportunities for them to utilize the marine resources for economic diversification, job creation, livelihood promotion, and export promotion. Although the member states are currently utilizing their marine resources for economic growth and development, the scope for expanding the frontiers of resource use is wider in the blue economy paradigm.

In this way an effective and interdependent approach for mountain and blue economy would be crucial for the region. Activities in the Bay of Bengal matters to all the BIMSTEC countries including Nepal and Bhutan as environmental spillovers like acidic rains in Nepal suggest.

Strength of Mountain Economy

A sizeable fraction of native communities depend on mountains for their survival. For the economy as a whole, mountains serve as transport links, contribute to trade and commerce, provide essential raw materials for forest-based industries, and most importantly, contribute enormously to biodiversity conservation and tourism. The people of the BIMSTEC region especially in Nepal, Bhutan and Myanmar can benefit from the opportunities in the mountain economy. However, currently there is very little awareness about the utility of mountain products among the people of the region. Moreover, lack of proper valuation of mountain products in the organized markets often affects the livelihood of the mountain communities. Moreover, the importance of the Himalayan and other mountain ranges for conservation and preservation of environmental and ecological balance in the BIMSTEC region remains undisputed.

Keeping in mind the opportunities and challenges in the mountain economy, research studies may be taken up on the following areas: Identification, Valuation and Export Prospects of Mountain Products Originating from BIMSTEC Region; Potential of Mountain Tourism in BIMSTEC Region; Promoting Rural and Regional Development through Mountain Economy. BIMSTEC countries can work for harnessing the ocean resources for promoting blue economy in the region.

Blue Economy

The blue economy paradigm underscores the importance of both economic and environmental aspects of marine resource use. By adopting the right kind of technologies, production processes, consumption habits, and conservation, management and ocean governance mechanisms, BIMSTEC countries can leverage their ocean resources as new sources of growth, job creation and social and economic empowerment of the dependent coastal communities. The blue economy is not necessarily confined to the coastal nations; rather as a development paradigm it would benefit everybody as oceans serve as rich sources of food, medicine, recreation, and most importantly, the ecosystem services.

Research studies may be initiated on different aspects of blue economy to assess the potential of blue economy and the modalities of cooperation in the BIMSTEC region: developing proper accounting system for holistic assessment of the contribution of blue economy to national GDP; state of technology development and commercialization aspects with respect to emerging sectors like renewable ocean energy, marine biotechnology, fish processing, deep sea mining, etc.; resource mapping and assessment of offshore oil & gas, minerals, etc.; development of coastal tourism including development of associated infrastructure, e.g. connectivity to coastal towns, development of hotels & restaurants, beach nourishment and protection, etc.; and trade and investment prospects in processed fish industry.

III. 3 Universalisation of Health Security, Supply of Vaccines, APIs

Among other areas health is an important sector for the BIMSTEC countries. Universal access to healthcare services, ensuring faster and quality healthcare through digital health platforms, empowering poor families with health insurance facility and popularising AYUSH systems of medicine are a few steps towards that direction. During the COVID-19 pandemic, serious gaps in public health infrastructure were noticed across the world, which applies to BIMSTEC countries as well (RIS, 2021).

In essence, BIMSTEC countries need to engage in comprehensive and deeper economic relations for seamless flow of trade & investment, cooperation in science & technology, sectoral cooperation and mutually-beneficial development partnership. Prime Minister Modi has been talking about digitalizing the health sector cooperation by bringing India's own development experience and try to see how fintech corridors can be established for facilitating trade and also reducing the transaction costs among our countries. The recently launched Jipmer-BIMSTEC Telemedicine Network (JBTN), would enable member countries in the BIMSTEC region in overcoming disparity and low quality access to healthcare between urban and rural areas. It would also help in improving the quality of trained specialists in the district and peripheral health facilities. Telemedicine and telehealth have immense potential to bridge the gap in healthcare delivery especially in landlocked countries and small island states where access to quality healthcare is a major hurdle.

In this respect, the recent experience of the Ministry of Health and Family Welfare (MoH&FW) in India would be of specific relevance which has promoted in a major way eHealth through relevant application of ICT so as to deliver quality healthcare services. The idea is to leverage technology for overcoming health human resource gap by efficient utilization of the existing human resources, improving patient safety with confidentiality of records and documents for privacy and reducing the systemic cost of healthcare. Effective MIS would help in monitoring field level interactions. In this context, there are tremendous opportunities for stepping up investments in the healthcare industry in partnership with advanced economies like Thailand.

III.4 Environment and Disaster Management

BIMSTEC region is vulnerable to a variety of natural disasters. Building regional capacities for coordinated disaster response, risk reduction and rehabilitation is accordingly important for the region. The BIMSTEC Summit in 2014 resolved to enhance cooperation in environmental protection and sustainable development and promote capacity building in the area of disaster management. India has hosted workshops on the geo-informatics application in disaster management in November 2007 and on seasonal prediction and application to society in June 2011.

The first BIMSTEC Disaster Management Exercise hosted by India in October 2017 that saw participation of over 135 professionals from all Member States was a step towards this direction. The 2nd BIMSTEC Disaster Management Exercise was held in February 2020 in Puri, followed by a capacity building workshop of officials in Ahmedabad. India has also taken the initiative for addressing regional susceptibilities in this regard by setting up a BIMSTEC Centre for Weather and Climate (BCWC), a state-of-the-art facility in NOIDA in 2014. India has also set up a link between BIMSTEC countries through the Tsunami Early Warning Centre and has been sharing data from the Tsunami Early Warning Centre since 2006.

With impending climate change in the South Asian region, BIMSTEC would have to play an important role in taking its priority pillar related activities forward. It was immediately after the Tsunami of 2004, that the region realized the power of collective capability and launched the exercise for cooperation. In this regard, greater cooperation with other active and advanced groupings in the region like IORA and ASEAN would also be useful.

IV. Conclusion

As BIMSTEC celebrates 25 years of its existence, there are several reasons to celebrate and be joyous about. Member countries have successfully emerged out of a difficult phase of the COVID pandemic, which posed an unprecedented challenge and a testing time for the region. Collective efforts and cooperation need to continue to build back a resilient region with less carbon footprint. With enhanced regional cooperation under the BIMSTEC framework, more focused efforts for connecting mountain and blue economies in the region would be essential. Mountains and oceans are dependent on each

other and so are the economies of the region. As the region moves forward it has more to do rather than less of it.

Connectivity in all its forms is going to be an important theme for the region. The last twenty five years have witnessed several efforts and more are on the way. The progress that has been made on several fronts including the finalization of the BIMSTEC Master Plan for Transport Connectivity and the text of the BIMSTEC Charter is going to provide a solid basis for this partnership.

It needs to be underlined that keeping in view the enormous potential of the BIMSTEC region, there is urgent need for strengthening and deepening regional economic integration especially in the areas of trade, investment, finance, technology, health, etc. for realising the SDGs. It is also significant for BIMSTEC member countries to explore the possibilities of exchanging best practices for capacity building to meet future challenges in the health sector in view of the nightmarish experience of COVID-19.

The BIMSTEC countries have also got to play an important role for a rule-based and peaceful Indo-Pacific region. In order to move forward, it is also necessary that the BIMSTEC Network of Policy Think Tanks (BNPTT) ensure continuous exchange of ideas among policy makers and stakeholders in the region (RIS, 2021b).

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Twenty Five Years of BIMSTEC: Role of Trade Facilitation in Strengthening Regional Integration

Prabir De

1. Introduction

The Bay of Bengal region is presently home to around 1.6 billion people, which constitutes around 23 per cent of the world population. It brings together US\$ 3 trillion economy, which accounts for 4 per cent of the global GDP and 3.7 per cent of the global trade¹. The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) is a seven-nation organization of Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand. BIMSTEC, the regional initiative in the Bay of Bengal, is a unique regional cooperation initiative in terms of geographical contiguity and access to ocean. It not only has direct access to the Bay of Bengal but also enjoys shared history and civilizational links. Started in 1997, BIMSTEC has entered into its 25th year of establishment in 2022.

Bay of Bengal countries are at different stages of development with different income levels. It has three developing countries (India, Sri Lanka and Thailand) and four least developed countries (LDCs) (Bangladesh, Bhutan, Nepal and Myanmar). On one hand, the region has two landlocked LDCs (Bhutan and Nepal), while, on the other, it has five littoral countries. Three Bay of Bengal countries, namely, Bangladesh, Myanmar and Nepal, are likely to gain developing country status a few years from now.

Among the seven member countries, five members of BIMSTEC are also members of SAARC, two are part of ASEAN and six are part of SASEC. BIMSTEC appears as a connector to multiple regional initiatives. For example, due to cross-regional FTAs between some of the member countries, BIMSTEC has become an effective alternative for the Bay of Bengal countries to connect with the world. Notwithstanding its cross-regional structure, BIMSTEC has high economic potential, given the region's economic dynamism, huge markets and rich natural resources.

All seven Bay of Bengal countries have been affected heavily by the ongoing Coronavirus pandemic. Studies show that the removal of the additional costs of the ongoing pandemic coupled with enhanced trade facilitation and connectivity would raise the trade volumes and economic welfare subsequently in the Bay of Bengal region².

¹ Data correspond to the year 2019

² Refer, for example, De (2021)

Trade facilitation has emerged as an important trade policy tool over the past decade. The ratification of the WTO Trade Facilitation Agreement (TFA) as well as the growing number of regional and subregional initiatives (such as UN Cross-border Paperless Trade Agreement) aimed at facilitating the electronic/paperless exchange of information along international supply chains have played a critical role in gaining confidence of stakeholders. From the BIMSTEC region, Bangladesh has ratified the UN Agreement on paperless trade in 2021.

Trade cost reductions expected from full implementation of cross-border paperless trade are estimated at 10-30 per cent of existing transaction costs, depending on the current state of paperless trade development in the participating countries. If all BIMSTEC countries implement a regional paperless trade arrangement, trade is likely to go up heavily and our products will be much more competitive globally. A regional arrangement may unleash new momentum to the trade and value chains across border.

In view of the above, this chapter briefly discusses the scope and opportunities in trade facilitation in strengthening regional integration in the BIMSTEC region.

2. Regional Growth, Regional Trade and Regional Cooperation

The decade (2010-2019) came out highly rewarding in terms of growth in the Bay of Bengal region. Noted in Table 1, between the two consecutive decades, smaller economies in the Bay of Bengal region managed to grow faster than larger economies in the later decade, which is a positive sign of regional prosperity and inclusivity. With a growth rate of over 10 per cent per annum, the GDP of Bangladesh, for example, expanded over five times in the last two decades, and reached to US\$ 302.57 billion in 2019 from US\$ 53.37 billion in 2000. In terms of growth, Nepal comes next. Such a spectacular expansion of economic size was accompanied by higher openness to trade, strong global growth and a powerful regional partnership in the Bay of Bengal region.

Another vital aspect of the Bay of Bengal region is that it has two relatively large middle-income economies, namely, India and Thailand, which generously provide higher market access to the remaining Bay of Bengal countries, thus pulling up the regional demand and supply on a continuous basis. India is a rising economic power, whereas, Thailand, on the other, is the second largest economy in ASEAN. Besides, a sense of common public goods (e.g. shared natural resources, security, education, cuisine, music) is quite distinctly visible among the countries in the region.

Table 1: GDP Growth of BIMSTEC Countries

Country	GDP (2000-2009)		GDP (2010-2019)	
	Size, 2000 (US\$ billion)	Growth* (2000-2009) (%)	Size, 2019 (US\$ billion)	Growth* (2010-2019), (%)
Bangladesh	53.37	6.74	302.57	10.13
Bhutan	0.42	11.26	2.53	5.04
India	468.39	11.10	2868.93	5.52
Myanmar	8.91	15.28	76.09	4.38
Nepal	5.49	8.87	30.64	6.71
Sri Lanka	16.33	9.92	84.01	4.01
Thailand	126.39	8.34	543.55	4.77

Source: Author's own based on WDI, the World Bank

Note: *CAGR GDP taken at current price

Table 2: Regional Economic Loss of Bay of Bengal Region, 2020-2022

Country	GDP Loss (Bln.)	Share in GDP (%)
At current US\$ price	355.37	9.11
At current PPP Int \$	952.80	7.67

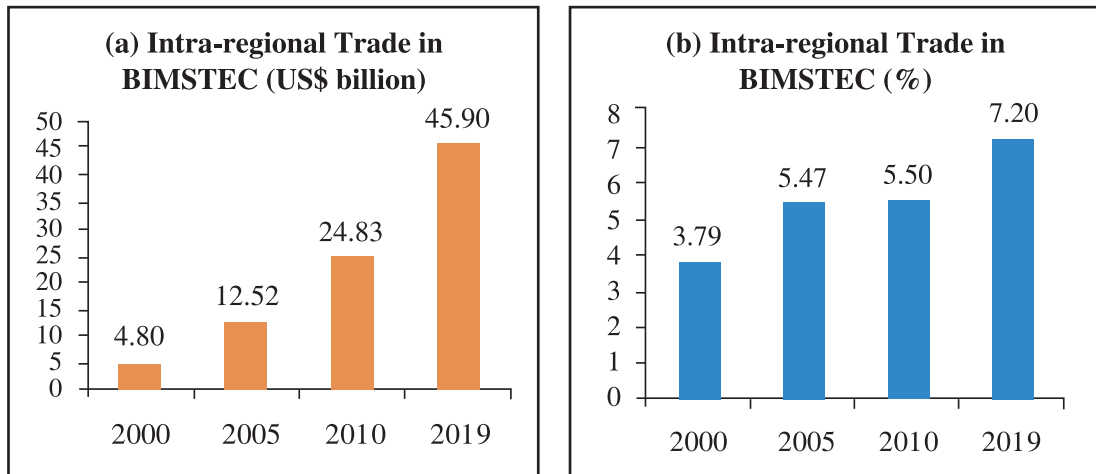
Source: Calculated by author based on IMF WEO Database, October 2020

Table 3: Intra-BIMSTEC Trade Matrix, 2019

Country	Bangladesh	Bhutan	India	Myanmar	Nepal	Sri Lanka	Thailand	Intra-BIMSTEC	Share in World (%)
Bangladesh		0.00	0.98	0.03	0.05	0.03	0.03	1.12	3.11 (1.66)
Bhutan	0.00		0.50	0.00	0.00	0.00	0.00	0.51	97.59 (84.94)
India	8.13	0.69		0.96	7.10	4.23	4.33	25.45	7.83 (5.11)
Myanmar	0.07	0.00	0.64		0.00	0.03	3.26	3.99	22.03 (16.10)
Nepal	0.01	0.00	0.66	0.00		0.00	0.00	0.68	68.85 (42.84)
Sri Lanka	0.13	0.00	0.79	0.03	0.03		0.04	1.02	8.73 (2.81)
Thailand	0.98	0.00	7.32	4.35	0.10	0.38		13.14	5.35 (2.11)

Source: Author's calculation based on DOTS, IMF

Notes: * Intra-BIMSTEC Trade Matrix is in terms of export **Number in parentheses show corresponding data for the year 2000

Figure 1: Trends in Intra-regional Trade in BIMSTEC

Source: Calculated based on DOTS, IMF

The entire Bay of Bengal region has been hit hard by the Coronavirus pandemic. Dual effects of the pandemic and the global and national lockdown have caused havoc on the Bay of Bengal countries as a result of which regional economies except Bangladesh, Bhutan and Nepal are already plunged into economic recession in 2020 (IMF, 2020). Illustrated in Table 2, the Bay of Bengal region is likely to witness about 9.11 per cent GDP loss (US\$ 355.37 billion) in US\$ current price or 7.67 per cent in PPP terms (Int\$ 952.80 billion) during 2020-22 - perhaps the highest economic loss ever since the Great Depression of 1930s. Smaller economies depending on the region for their 'bread and butter' are more vulnerable to such crisis. Let's examine this vulnerability in terms of trade.

The rising intra-regional trade is another manifestation of growing regional integration in the Bay of Bengal region- increased to 7.20 per cent in 2019 from 5.50 per cent in 2010 (Figure 1). Dependence on the region in terms of trade has gone up. Bhutan and Nepal heavily depend on the Bay of Bengal region for their trade (Table 3). For example, almost 98 per cent of Bhutan's global exports were directed to the Bay of Bengal in 2019, increased from 85 per cent of 2000. Similarly, about 69 per cent of Nepal's global exports were directed to the Bay of Bengal region, up from 43 per cent of 2000. India, the largest economy of the Bay of Bengal region, has exported US\$ 25.45 billion in 2019 to the region, followed by Thailand (US\$ 13 billion) and Myanmar (US\$ 4 billion). Intra-regional trade during the COVID-19 period has faced deceleration and the trade volume has declined.

With the rise of uncertainties, the COVID-19 pandemic has disrupted normal economic activities and life in the Bay of Bengal region. With vaccines and stronger global growth, BIMSTEC has witnessed the quickest growth rebound in the second half of 2021. However, with advanced economies contracting, the Ukraine-Russia war, and spread of the virus and other disasters continuing, a comfortable economic rebound is likely to be

uncertain. More importantly, an economic recession can lead to long-term damage to the regional economy, particularly output and productivity growth. In such an unfolding scenario, a comprehensive strategy addressing the impact of the current crisis focusing on growth supportive reforms may put the Bay of Bengal countries back on a sustained growth path, rebound the region's trade and strengthen the regional integration³.

Although BIMSTEC made its humble beginning in the year 1997, till recently, it was a low profile regional bloc and there are many reasons for this under-achievement (De, 2018; Basu and Ghosh, 2020; ORF, 2020). Nevertheless, one can see a rejuvenated momentum to the BIMSTEC process at present due mainly to political directions received at the BRICS-BIMSTEC Outreach Summit, held at Goa in 2016. The 4th BIMSTEC Summit, held at Kathmandu in 2018, has recommended three key measures: (i) strengthening the BIMSTEC Secretariat; (ii) activating the BIMSTEC institutions; and (iii) setting up a BIMSTEC Development Fund. Recently held, the 5th BIMSTEC Summit in Colombo has adopted the BIMSTEC charter and signed the following legal instruments: (i) the BIMSTEC Convention on Mutual Legal Assistance in Criminal Matters; (ii) the Memorandum of Understanding on Mutual Cooperation between Diplomatic Academies/ Training Institutions of BIMSTEC Member States; and (iii) the Memorandum of Association on the Establishment of the BIMSTEC Technology Transfer Facility in Colombo. The 5th Summit has also adopted the BIMSTEC Master Plan for Transport Connectivity, which has identified 267 projects worth US\$ 124 billion for implementation.

Substantial progress has been made thereafter in terms of taking steps to energise the BIMSTEC integration. Following supporting developments in the last few years and in recent months add high value to the integration process in BIMSTEC, and provide further support to its integration process:

First, BIMSTEC has a permanent secretariat at Dhaka with a Secretary General as its Head. Under the guidance of the Secretary General, a professional team is now driving the BIMSTEC regional cooperation programme.

Second, BIMSEC countries have adopted the BIMSTEC Charter and rationalization of sectors and sub-sectors from 14 to 7 areas of cooperation. Henceforth, the summit will take place every two years.

Third, member countries are motivated to speed up the cooperation to deal with the challenges of COVID-19, both within and across the region. Some of the BIMSTEC countries have set up the COVID-19 Special Fund under SAARC and undertaken joint efforts to coordinate the regional programmes.

³ This was also the general consensus of the 21st session of the BIMSTEC SOM, held virtually on 2 September 2020.

Fourth, BIMSTEC countries are presently negotiating (i) the BIMSTEC Coastal Shipping Agreement; and (ii) the BIMSTEC Motor Vehicle Agreement. Completion of the agreements will reshape connectivity in the region.

3. Enhanced Trade Facilitation and Regional Connectivity

Connectivity matters a lot to the Bay of Bengal region (Yhome, 2017). Logistics support is pivotal to the success of immunization services across the region. Only high-quality logistic scan help countries to gain from COVID-19 preparedness in terms of faster and adequate supply of high-quality vaccines and immunization-related materials across the border. The key areas of logistics support include vaccine management and monitoring, cold chain management and immunization safety, among others⁴. In particular, multimodal connectivity in combination of air and land transportation is critical to the supply of COVID-19 vaccines from India to the other Bay of Bengal countries. Here, trade facilitation measures such as simplification of customs procedures, zero duty on medical products and services and mutual recognition of standards will be important to further build up and strengthen the supply chain in the region. Besides, in the post-COVID-19 period, the Bay of Bengal countries should expedite the conclusion of the pending BIMSTEC FTA and Customs Cooperation Agreement, which would ensure increased trade within the region. Therefore, enhanced trade facilitation coupled with supply chain resilience can only ensure an effective supply of vaccine on time and at a low cost across the region.

Regional connectivity is at the core of BIMSTEC cooperation. The BIMSTEC Secretariat and ADB have developed the BIMSTEC Transport Connectivity Master Plan. This grand plan presents the transportation vision for seamless connectivity surrounding the Bay of Bengal region and beyond.

Achievement in coastal shipping between India and Bangladesh is phenomenal. The completion of the BIMSTEC coastal shipping agreement will pave the way for seamless movement of cargo and passenger vessels in the Bay of Bengal. Abolition (partial or full) of Cabotage among BIMSTEC countries will play the much desired catalytic role in promoting trade and connectivity. The Trilateral Highway that is getting ready would lead to connect BIMSTEC overland. Bangladesh has shown interest to join the TH project. Bangladesh is at the verge of completion of the Padma Bridge, which would better facilitate, when completed, trade and transportation. Bhutan and Nepal are already well connected with BIMSTEC, but require capacity augmentation. Border infrastructure and connectivity is another area that needs drastic reforms and development. Early completion of the BIMSTEC Motor Vehicle Agreement (MVA) will add huge momentum to the BIMSTEC economic connectivity. Next, rail and digital connectivity have immense potential to enhance trade in the region and beyond. BIMSTEC countries may negotiate a BIMSTEC Railway Agreement. Along with it, a regional air

⁴ Refer, for example, WHO (2020)

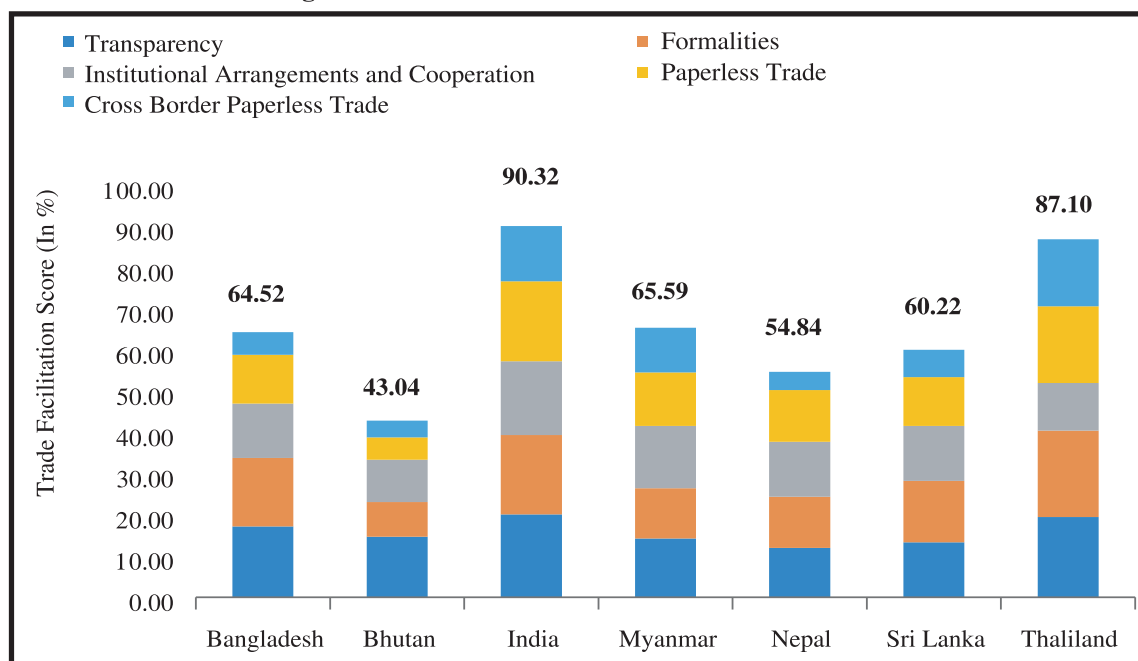
transportation agreement in cargo and passenger services will lead to promoting faster mobility of goods and services like tourism, health and education. Maritime connectivity in BIMSTEC is another area which requires our utmost attention. Almost 25 ports are active in the Bay of Bengal, and BIMSTEC is yet to have a network of ports. A regional network of ports in the Bay of Bengal is essential to share vital information, undertake training and capacity building, and work together to deal with common challenges, particularly in the post-COVID-19 period. A stronger network may be helpful to share best practices and for the purpose of better coordination.

Another golden opportunity in post-COVID-19 is exchange of energy. Quality of electricity is critical to supply of vaccines and medicines. The BIMSTEC Secretariat is now planning to complete a BIMSTEC Grid Interconnection Master Plan Study to establish a regional electricity grid to facilitate energy trade.

3.1 Towards Paperless Trade Regime

BIMSTEC countries are connected geographically. They have made enormous progress in the effort towards achieving paperless trade, border connectivity and movement of people. While the regional trade in BIMSTEC hovers around 8 to 10 per cent, there is high scope to scale it up if paperless trade is introduced, nationally and also regionally. The potential annual export gains associated with moving from manual paper-based trade to paperless trade have been estimated at between US\$ 36 billion and US\$ 257 billion in Asia and the Pacific, depending on the extent of automation and dematerialization of procedures and documents (Duval and Mengjing, 2017).

Figure 2: Trade Facilitation Achievements in 2021



Source: UNTF Survey 2021, UNESCAP

Some great examples to track paperless trade is the UNTF Survey by UNESCAP. Here, Transparency and Formalities are two key attributes of paperless trade facilitation, which helped India to achieve digital and sustainable trade facilitation measures (Figure 2). India has seen a "significant improvement" in the UNESCAP's Global Survey on Digital & Sustainable Trade Facilitation with a 90.32 per cent score, a remarkable jump from 78.49 per cent in 2019. After evaluation of 143 economies, the Survey 2021 has highlighted India's significant improvement in the scores on all five key indicators - transparency, formalities, institutional arrangement and cooperation, paperless trade and cross-border paperless trade.

The Central Board of Indirect Taxes and Customs (CBIC) has been at the forefront of path breaking reforms under the umbrella of 'Turant' Customs to usher in a Faceless, Paperless and Contactless Customs by way of a series of reforms, particularly in the COVID-19 period. A higher score for a country also helps businesses in their investment decisions.

Given the emerging trade facilitation arrangement (Table 4), it is possible that the BIMSTEC countries may negotiate regional agreement and protocols and if difficult then ratify the UNESCAP paperless trade agreement. But, they need to comply with:

- Publication of existing import-export regulations on the Internet
- Advance publication/notification of new regulations before their implementation (e.g. 30 days prior)
- Stakeholder consultation on new draft regulations (prior to their finalization)
- Independent appeal mechanism (for traders to appeal customs rulings and the rulings of other relevant trade control agencies)
- Risk management (as a basis for deciding whether a shipment will be physically inspected or not)
- Pre-arrival processing
- Post-clearance audit
- Separation of release from final determination of customs duties, taxes, fees and charges
- Establishment and publication of average release times
- Trade facilitation measures for authorized operators
- Expedited shipments
- Acceptance of paper or electronic copies of supporting documents required for import, export or transit formalities

Table 4: Emerging Trade Facilitation Arrangements

Country	BIMSTEC Coastal Shipping Agreement**	WTO TFA	UN Cross-border Paperless Trade Agreement
Bangladesh	Yes	Yes	Yes
Bhutan	Yes	Yes	No
India	Yes	Yes	No
Myanmar	Yes	Yes	No
Nepal	Yes	Yes	No
Sri Lanka	Yes	Yes	No
Thailand	Yes	Yes	No

Source: Author's own

Besides, in times of crisis, these measures minimise the physical interactions at the border crossing processes. Expediting standard formalities for the movement of goods not only reduces the time spent in physical interactions but also makes space and time for additional controls and sanitary measures required in light of COVID-19. This is particularly important for perishable products, such as agro-food and time-critical medical products, which are essential in the time of crisis, such as during the COVID-19 pandemic.

Paperless trade measures are important tools, complementing the implementation of the WTO TFA. Paperless trade can bring huge cost savings and efficiency gains to international trade transactions. Digital trade facilitation refers to the application of modern information and communication technologies (ICTs) to simplify and automate international trade procedures. Paperless trade generally refers to the conduct of international trade transactions using electronic rather than paper-based data and documents.

Table 5: Way Towards Customs Single Window

Country	Customs EDI	Land Port Community System	Customs Single Window	Customs Web portal
Bangladesh	Yes	No	No	Yes
Bhutan	Yes	No	No	Yes
India	Yes	No	Yes	Yes
Myanmar	Yes	No	No	No
Nepal	Yes	No	No	No
Sri Lanka	Yes	NA	No	Yes
Thailand	Yes	Yes	Yes	Yes

Source: Author's own

The advancement of information and communication technology (ICT) has expanded the application areas of paperless trade. It can also facilitate the flow of goods with the use of Radio Frequency Identification (RFID), mobile technology, and Geographical Positioning System (GPS) for enhancing security measures. In addition, application of paperless trade also facilitates efficient exchange of financial information among relevant parties.

India, Singapore, Malaysia, the Republic of Korea, China and Japan have been widely using computer system processes for the border clearance of export and import goods which provides online information to the trading community regarding shipment of consignments, pre-arrival processing, submission of trade-related documents, etc.

Another important measure under Paperless Trade Facilitation is to establish a single window system. For example, Article 49 of the ASEAN Trade in Goods Agreement (ATIGA) has a special emphasis on establishing National electronic single window and ASEAN electronic single window. Many countries across the world have already established the single window including India (Table 5). What is now needed is two-fold:

First, let BIMSTEC countries accept - regional single window, regional port community system - seaport and landport; and

Second, regional transit for BIMSTEC - passengers and vehicles.

Implementing the paperless trade environment will certainly add much-needed support to MSMEs who have suffered a lot from the COVID-19 pandemic in last two years or so. For them, marginal return from paperless trade is much higher than larger firms. In this case, gains from Bhutan and Nepal are expected to be much more and quite reasonable.

Border Haats, which are operational in four places, are good examples of paperless trade. Here, traders meet for exchange of goods but do not demand for papers. Ideally, in case of free trade driven economic union, trade documents disappear except for those for recording purpose.

To conclude, a set of policy recommendation are as follows:

- Assist BIMSTEC countries to have national single window and then moving to regional single window;
- Mechanism to monitor paperless trade achievements and benchmarking;
- Regional paperless trade agreement or adopt UN paperless trade agreement;
- More dialogue with the business community and conduct training and capacity building programme on paperless trade; and
- A network of CHAs and/or AEOs of BIMSTEC countries with support of ICC should be set-up which will add immense value in strengthening the paperless trade institutions in the region.

4. Concluding Remarks

BIMSTEC requires seamless multi-mode transport links and smooth and simplified transit facilities through the development and modernization of highways, railways, waterways and sea and air routes and promote synergy with other connectivity frameworks such as the ASEAN Master Plan on Connectivity 2025. The BIMSTEC Connectivity Master Plan is now completed, which has identified a total 267 projects with US\$ 124 billion investment opportunities for the region. Bay of Bengal ports offer high investment opportunities. The way forward would be to conclude the BIMSTEC Coastal Shipping Agreement and the BIMSTEC Motor Vehicle Agreement at the earliest.

Trade facilitation can speed up the BIMSTEC integration process. Moving to a regional single window in customs is worth undertaking, and to encourage paperless trade, the UN paperless trade agreement is the best option. India has made enormous progress in paperless trade and offers many best practices. India's East and Northeast India is rich in agri-horticulture. Paperless trade regime will certainly facilitate not only trade but also the value chains of processed food items from Northeast. Implementing the paperless trade environment will certainly add much-needed support to MSMEs who have suffered a lot from the COVID-19 pandemic in the last two years or so. The trade facilitation agenda of countries should be harmonisation of documentary requirements across the world.

Industry associations can lead the dialogue with the business community and conduct training and capacity building programmes. A network of CHAs and/or AEOs of BIMSTEC countries with support of industry associations should be set-up which will add immense value in strengthening the paperless trade institutions in the region.

BIMSTEC countries may like to develop a framework for cross-border trade through e-commerce and also set up appropriate regulatory and institutional mechanisms to enable digital payment for such trade. Promoting e-commerce trade will facilitate MSMEs, start-up enterprises, artisans and craftsmen to engage in cross-border trade in a cost-effective way. BIMSTEC countries may also set up a payments council, as done by the SAARC countries, to create an institutional mechanism for electronic and other modes of funds transfers among traders and investors across the borders. Following the India-Nepal model on UPI acknowledgement, the entire BIMSTEC region may think of a regional arrangement.

A key priority for India is to leverage its trade relations to foster competitiveness in its exports. In order to do so, it must be able to subject its domestic economy to high international product quality standards and best practices. Therefore, BIMSTEC economies must work on harmonisation of standards to create an integrated value chain across sectors. BIMSTEC countries can also sign Mutual Recognition Agreements (MRAs) in services sectors such as healthcare, education, tourism and other commercial services to promote collaboration in these fields.

Bay of Bengal countries also need development partners like Japan who can provide the investment, technology and infrastructure.

Bay of Bengal countries look at BIMSTEC as a tool for development, and the effectiveness of this tool needs to be reassessed in the post-COVID-19 period. The foregoing discussion tells us that regional integration can lead to substantial economic gains in the Bay of Bengal region, particularly in the post-COVID-19 period. In other words, regional integration in the Bay of Bengal can be a building block for global integration. However, the benefits of the regionalism are likely to depend on the integration spirit of the Bay of Bengal countries. This article postulates the next round of the integration of the Bay of Bengal region at a time when Coronavirus-driven pandemic has appeared as a common enemy to the entire region.

This article argues that regional cooperation could help in reducing the costs of pandemic-driven barriers. The responses to the pandemic also suggest a greater scope of regional cooperation among the countries in the Bay of Bengal region. Regional integration may help the Bay of Bengal countries overcome divisions that impede the flow of trade in goods and services, people and ideas, particularly when all members have been facing a common challenge to beat the pandemic.

Thailand is the current Chair of BIMSTEC and also the Chair of the connectivity pillar in the region. The recently held 5th Summit is likely to add further momentum to regional cooperation and integration in the Bay of Bengal region. Recommendations of this chapter may help overcome the common challenges and rebuild the region as the centre of gravity in the Indo-Pacific.

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Years of
BIMSTEC

BIMSTEC - A Holistic Perspective

Rajiv Bhatia

Introduction

In the third decade of the 21st century, regionalism in international affairs - the trend towards regional cooperation and integration - has attained special salience, as nations recognize the limits and vulnerabilities of both multilateralism and bilateralism. However, practices and institutions of regional cooperation do not spring up on their own. They are shaped by the commonality of geography, history, culture, ethnicity and economic complementarity, while the shared political will, and consciousness of a community serve as the vital oxygen to create and sustain them. That is how the European Union (EU) and the Association of South East Asian Nations (ASEAN), born respectively during 1952-57 and in 1967, became successful, going from strength to strength. On the other hand, South Asia began experimenting with regionalism much later: the South Asian Association for Regional Cooperation (SAARC) was established in 1985 and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) began its journey in 1997. Scholars agree that, while suitable lessons should be drawn from the EU and ASEAN, regional groupings in South Asia need to chart their own paths.

This applies particularly to BIMSTEC, a grouping that drew five members from South Asia (India, Bangladesh, Sri Lanka, Nepal and Bhutan) and two from Southeast Asia (Thailand and Myanmar). This visionary linkage between two clearly defined geopolitical regions was designed to inject the economic vitality of Southeast Asia into the scale and potential of economic development in a large part of South Asia. That is how the area of BIMSTEC was viewed initially - a sub-region or a link between the two regions. Twenty-five years later, there is now a growing perception among governments, academia, media, and business community that, on attaining adulthood, the BIMSTEC region is becoming the Bay of Bengal community in its own right. The very title of the declaration issued by the fourth summit (2018, Kathmandu) captured this important perception: "Towards a Peaceful, Prosperous and Sustainable Bay of Bengal Region". It may still be an ambition, but the trend needs to be factored in, as we present a comprehensive assessment of BIMSTEC's performance and prospects in its silver jubilee year.

This chapter examines the grouping's journey in the past two and a half decades in the regional and international context; and analyses the institution's political, economic and social dimensions through its unfolding evolution. In the end, it offers a set of considered policy suggestions aimed at making BIMSTEC a more effective organization.

Twenty-five years - change of an era

As the sun was setting on the 20th century, the 1990s presented America's 'unipolar moment' in full glory in world politics. In Asia, the political and security leadership of

the US was unchallenged. Taking full advantage of this valuable umbrella, six nations of ASEAN (Indonesia, Malaysia, Thailand, Singapore, Philippines and Brunei) attained enviable economic progress. Emboldened by their achievements and the legacy of bloody conflicts behind them, ASEAN expanded, taking into its fold Vietnam in 1995, Lao PDR and Myanmar in 1997, and Cambodia in 1999. Myanmar could have joined SAARC but its conscious preference for ASEAN drew the line separating ASEAN from SAARC.¹

India's need for trade and investment linkages with Southeast Asia for a full blossoming of its economic liberalization programme started in the early 1990s; its recognition of the strategic importance of Myanmar for security and development of the North Eastern Region of India; the government's 'Look East' Policy; and Thailand's innovative approach of establishing a connection between the two regions - all this combined to give birth to BIMSTEC.

In the first decade of the 21st century, the shift of power from the west to the east began. It was accelerated by the global financial crisis of 2008-09. This was marked first by the economic rise of China, ASEAN and India. Later, the strategic assertiveness and aggressiveness by China on its periphery and globally appeared as a new factor. A wide array of contentious issues - escalating economic competition, disputes relating to the South and East China Sea, Taiwan, Hong Kong, China's intrusions in eastern Ladakh, Covid-related tensions and the turmoil in Afghanistan sharpened the US-China contestation. The rejuvenation of the Quad (composed of the US, India, Japan and Australia), the creation of AUKUS (comprising the US, UK and Australia)) and the coming into force of the Regional Comprehensive Economic Partnership (RCEP) became the defining features of Asian geopolitics in recent years. All stakeholders in Asia - regional and national - had to find ways to cope with the seismic changes in the political and economic environment. BIMSTEC was no exception.

A more specific development was the crisis in SAARC, post-2014, created by Pakistan's insistence on continuing with its cross-border terrorism against India and its reluctance to let connectivity projects move forward in South Asia. As the 19th SAARC summit, due to be held in 2016, was deferred indefinitely, India decided to impart exceptional energy to BIMSTEC by convening the first-ever Retreat of its top leaders and also their first-ever outreach summit with the BRICS leaders from Brazil, Russia, China, South Africa, besides India. As a result of deliberations at the Retreat, the idea of BIMSTEC was redefined and expanded. A diplomatic process for purposeful pro-activism and institutional reform was unleashed. It produced concrete results at the Kathmandu summit in 2018. The Covid era, stretching from March 2020 till the present, slowed down the momentum. But behind-the-scenes government activity ensured that the regional grouping stood at the cusp of a major rejuvenation in January 2022.

Trajectory through past summits

What novel turns and twists could the next five to ten years bring into the BIMSTEC story?

The answer partly lies in a critical appraisal of the outcomes of the past summits and partly in developments relating to some of the member-states.

The Bangkok Declaration² needs to be mentioned here for two reasons. First, it envisaged common action to promote "sub-regional cooperation" in eight specific areas: trade, investment and industry, technology, human resource development, tourism, agriculture, energy, and infrastructure and transportation. Second, it laid down two fundamental principles for the grouping's work, namely respect for principles of sovereign equality and political independence and non-interference in internal affairs; and cooperation within the grouping would be "an addition to and not be a substitute" for bilateral, regional or multilateral cooperation involving the member-states.

The first summit (2004, Bangkok)³ decided to expand the list of areas of cooperation by adding fisheries and people-to-people contact. Further, it agreed to explore cooperation in 12 other areas ranging from culture and education to public health and national disaster mitigation and management. The leaders thought it fit "to intensify cooperation in the sustainable use of the marine resources of the Bay of Bengal, and also bring combatting international terrorism and transnational crime under the grouping's purview. Significantly, they called for "timely completion" of the Free Trade Area (FTA) negotiations, to realize the full potential of BIMSTEC, a goal that remained elusive even after 17 years.

The second summit (2008, New Delhi)⁴ portrayed BIMSTEC as "a regional cooperation grouping" for the first time. It decided to strengthen cooperation in all areas of activities within its framework "so as to promote regional cooperation and cohesion." The decision to establish a Permanent Secretariat was taken at this summit. The Secretariat based in Dhaka was inaugurated in September 2014.

The third summit (2014, Nay pyi taw)⁵ drew considerable international attention as Myanmar hosted it, having moved into the new phase of hybrid democracy after a long military rule. Much emphasis was laid on poverty alleviation and "deeper economic and social cooperation." The leaders pushed for "early finalization" of the Agreements on Services and Investment, a task that is yet to be completed at the time of writing. They set "end of 2014" as the deadline for the conclusion of the Agreement on Trade in Goods, but It could not be adhered to as negotiations remained inconclusive to date. Progress was, however, registered in the signing of several important agreements on combatting international terrorism, the establishment of the Cultural Industries Commission, and the Center for Weather and Climate. Another achievement was the continuing work to develop physical connectivity and progress secured in the BIMSTEC Transport Infrastructure and Logistics Study (BTILS), which was supported by the Asian Development Bank (ADB). The leaders also welcomed the setting up of the BIMSTEC Network of Policy Think Tanks.

The Leaders' Retreat (2016, Goa, India)⁶ was an informal summit of some consequence. A spurt of new energy was visible in the grouping through a vivid demonstration of political will symbolized by a solemn pledge "to work collectively towards making BIMSTEC stronger, more effective and result-oriented." The Retreat was followed by the BRICS-BIMSTEC Outreach Summit on the same day, drawing considerable international attention to the unique grouping representing South Asia and Southeast Asia.

Among the decisions taken at the Retreat, a few should be mentioned here. The participants reiterated their commitment to BIMSTEC "as an organization promoting regional cooperation and integration in the Bay of Bengal Region." They spoke of their resolve to countering terrorism "in all its forms and manifestations," adding, "There should be no glorification of terrorists as martyrs". The importance of the development of connectivity was emphasized as "the key to promote regional integration" and, in this context, the goal to negotiate a Motor Vehicle Agreement was flagged.

Moreover, the potential of the fisheries sector as a contributor to food security was recognized by the leaders, by highlighting that "the Bay of Bengal is home to over thirty percent of the world's fishermen". From there, it was logical to bring two new items on the BIMSTEC agenda, namely the Blue Economy⁷ and the mountain eco-systems including biodiversity. On energy, the Retreat decided to accelerate efforts to develop "a comprehensive plan for energy cooperation", while stressing the need for an early signing of the MOU on Grid Interconnection and an early operationalization of the Energy Center. Concerning the FTA, the leaders chose to "direct" the Trade Negotiating Committee and the Working Groups to expedite the finalization of its constituent Agreements. Five years later, BIMSTEC is yet to arrive at this destination.

The fourth summit (2018, Kathmandu)⁸ highlighted BIMSTEC's "unique position as a bridge linking South Asia and Southeast Asia" and reiterated its commitment to deepen cooperation in order to transform the organization into "an effective platform to promote peace, prosperity and sustainability." The summit's declaration reflected the member-states' common interest in strengthening the multilateral system by reforming it "to make it relevant to contemporary global challenges." A specific mention was made to present "a collective voice" to safeguard their shared interest for "a fair, just, rule-based, equitable and transparent world order."

But the Kathmandu summit will be remembered for the important and far-reaching decisions it took to launch the process of institutional reform. Its core elements are: drafting of the charter; creation of a Permanent Working Committee to deal with administrative and financial matters of the Secretariat; exploring the possibility to establish a BIMSTEC Development Fund (BDF); enhancing the institutional capacity of the Secretariat; increasing the visibility and stature of BIMSTEC in international fora; and ordering an exercise "to review, restructure and rationalize" the existing areas of cooperation. The leaders also articulated their commitment "to the timely holding of

Summit and other meetings of the BIMSTEC mechanisms." Ironically, the fifth summit did not materialize in 2020 nor in 2021. However, work at the level of foreign ministers continued, which led to a productive outcome at the 17th Ministerial Meeting on 1 April 2021.⁹ The foreign ministers decided that, subject to the approval of the fifth summit, BIMSTEC cooperation would take place under seven sectors, with each member-state serving as the lead in coordinating activities for one assigned sector.¹⁰

This is where political and economic developments in a few member-states, hinted above, become relevant to explaining the loss of momentum, post-Kathmandu summit. During 2018-21, three trends proved negative for BIMSTEC. First, the continued presence of about 1.1 million Rohingya refugees in Bangladesh, who were driven there by the Myanmar military's harsh actions, created a serious crisis in Bangladesh-Myanmar relations. Despite the two countries having concluded a formal agreement on the safe return of the refugees, the repatriation process remained stalled. Second, the military coup in Myanmar on 1 February 2021 derailed its experiment in limited democracy, leading to much violence, insecurity and instability. The contested authority of the new dispensation in Nay pyi taw made it difficult to carry forward with collaborative projects within BIMSTEC. Third, Sri Lanka - the chair of BIMSTEC - was compelled to deal with a grave economic crisis and serious challenges arising from the spread of the Covid pandemic, which combined to sap its zeal for leading the grouping energetically.

Different dimensions

The foregoing capture of the evolution of the regional environment and the agenda and outcomes of past conferences enables us to undertake a critical evaluation of BIMSTEC's different dimensions: political, security, economic, and social.

Political and security dimensions

As was noted earlier, the grouping transformed itself from being a mere instrument of limited technical cooperation into a community of and for the people of the Bay of Bengal region, imbued with a larger purpose. "We all belong to the Bay of Bengal community," declared Prime Minister Dr. Manmohan Singh in 2008.¹¹ He reiterated this view six years later by stressing: "Ours is a natural grouping of countries. We are bound by geography and linked by history."¹² Subsequently, Prime Minister Narendra Modi aptly elaborated the grouping's scope by pinpointing that it connected not only South Asia and Southeast Asia but also "the Great Himalayas and the Bay of Bengal." Referring to the member-states' shared values, history, way of life, and interlinked destinies, he asserted, "BIMSTEC represents a common space for peace and development."¹³ Other leaders echoed similar views from time to time.

As a result, the grouping's deliberations and their outcomes have been focused on projecting a common view of the member-states on an increasing number of regional and global issues, besides concentrating on forging and expanding intra-BIMSTEC

cooperation. This trend needs to be consolidated and expanded further. A common vision, backed by coordinated diplomacy from the top leadership down to operational levels, should help in raising BIMSTEC's profile in the future. This is best illustrated by its work in three specific domains, namely security, Humanitarian Disaster and Relief Assistance (HADR), and climate change.

During 2017-19, the National Security Advisers (NSAs) of the member countries held three meetings and succeeded in developing a practical framework of mutual cooperation, covering counter-terrorism, intelligence sharing, cyber security and coastal security. Two important legal instruments - the convention on cooperation to combat international terrorism that came into force in March 2021, and the convention on mutual legal assistance in criminal matters which is ready for signing at the next summit - have already given a concrete form to security cooperation. Other areas drawing the authorities' attention include emerging space technologies for addressing security challenges and the nurturing of a Track 1.5 BIMSTEC Security Dialogue Forum, which was set up following the first meeting of the NSAs in March 2017. At their third meeting, they agreed "to pool their collective resources to upgrade capacities in training, equipment, R&D and sharing of experiences to deal with emerging threats."¹⁴ The grouping's joint working group on counter-terrorism and transnational crime and its six sub-groups have been continuously engaged in strengthening cooperation further.¹⁵

Disaster management is another sector where the grouping has achieved considerable progress. Its Centre for Weather and Climate, hosted by India, has been functioning well and is equipped with state-of-the-art facilities to provide early disaster warnings. However, some experts argue that involving people closely with disaster management plans is necessary. Sohini Bose and Anasua Basu Ray Chaudhury made a strong case for the Country-Based Disaster Risk Management (CBDRM) which would help the grouping "progress from a bureaucratic approach to a more people-centric one which is essential to revive a sense of common belonging in the Bay."¹⁶ The Covid pandemic added "a new dimension to disaster management", as Foreign Secretary Harsh Vardhan Shringla pointed out.¹⁷ The PANEX-21-humanitarian assistance and disaster relief exercise was undertaken in the backdrop of the pandemic, in December 2021.

Climate change in a region bound by the Himalayas and the Bay of Bengal where one-fifth of humanity lives, is another enormous challenge. The fourth summit, while going through a sectoral review, decided to explore the possibility to establish an Inter-Governmental Expert Group "to develop a plan of action for a collective response to climate change for the region."¹⁸ Later, it was decided to establish a Joint Working Group on Environment and Climate.

Economic dimensions

Turning to the economic dimensions, it is worth stressing that the BIMSTEC region as the home of 1.7 billion people or 22% of the global population that produces a combined

GDP of only \$3.8 trillion or 4.3% of the world's GDP, stands at a low level of development and yet it shows a high potential for growth in the future. Promoting economic cooperation has been the earliest and the principal objective behind the formation of this grouping. This is also the sphere where BIMSTEC's ambition outstrips its actual achievement. Nowhere is this more evident than in its endeavours to conclude the FTA agreements. The FTA Framework Agreement was signed in 2004 but, as mentioned above, its constituent elements are not yet in place. Nor are there any firm deadlines available for achieving this goal. The present position, according to the Secretariat,¹⁹ is as follows. Of the seven agreements needed, drafts of only two i.e., the Agreement on Dispute Settlement Procedures and Mechanism, and the Second Protocol to Amend the Framework Agreement are "ready." The remaining five Agreements, namely on Trade in Goods, Trade in Services, Investment, Cooperation and Mutual Assistance in Customs Matters, and Trade Facilitation are still work in progress.

Meanwhile, the economic situation in member countries and the region has changed beyond recognition. RCEP has come into force, which includes Thailand and Myanmar and excludes India which quit the negotiations in their final phase. COVID-19 has fully exposed the vulnerabilities of dependence on global supply chains largely anchored in one country - China. Thailand, Bangladesh and Sri Lanka have found it difficult to offer trade concessions sought by India, whereas India has almost exhausted the scope of reducing trade barriers for its neighbours. Bangladesh is heading to elevation from its present status as an LDC to a developing country in 2024. Above all, the business sentiment in India first turned against FTAs as such, driven by the perception that previous agreements signed with ASEAN and others did not assist in export growth. Subsequently, the government chose to launch a quest for negotiating FTAs with a variety of partners: UAE, UK, EU, Australia, Israel and Canada. This list does not include BIMSTEC for reasons that remain unclear.

In short, the "world and India have changed a lot since the BIMSTEC FTA was mooted two decades ago," noted Pratim Ranjan Bose. His well-researched assessment indicated that an FTA is "no magic wand to improve trade and, most importantly, investment, which helps optimize growth prospects."²⁰ Instead, the focus of government efforts needs to shift to trade facilitation and physical and other forms of intra-regional connectivity. Yet it is clear that BIMSTEC leaders may find it difficult to walk away from the FTA goal altogether. What the fifth summit does on this score will be watched with interest.

Connectivity

Connectivity has been another dominant theme in deliberations throughout the 25-year history. As Prabir De aptly put it, "Regional connectivity is at the core of BIMSTEC cooperation."²¹ Without an effective network of road, rail, air, shipping, power and digital links, the Bay of Bengal community may remain an aspiration only. The Master Plan for Transport Connectivity developed through collective efforts for years is now

ready to be unveiled at the fifth summit. It has identified 264 projects requiring an investment of \$126 billion during the 2018-28 period. According to official sources, projects worth 55.2 billion are already at different stages of implementation. India fully recognizes "the need to now collectively develop a strategy for financing and implementing the Transport Connectivity Master Plan."²²

Energy cooperation

Another priority area is to enhance energy cooperation and expand the electricity trade. The signing of the MOU for the Establishment of BIMSTEC Grid Interconnection at the fourth summit was meant to facilitate progress in this regard. This, together with the Energy Center already set up, seeks to promote energy security for the region by promoting power trade and the development of clean energy, with a focus on hydropower and other forms of renewable energy. Success in working out a comprehensive plan for energy cooperation can make a big difference in accelerating economic development. Further, technology development, through a coordinated effort by the Technology Transfer Exchange (TTE) based in Sri Lanka, has the potential to forge enhanced cooperation in multiple sectors such as agriculture, health, MSMEs, disaster management, and trade.

Social dimensions

Finally, the social dimensions of BIMSTEC which include areas of soft power - education, culture, tourism, media, academia, and civil society - are also imbued with enormous importance. To put it simply, they serve to bring the people closer together, thereby strengthening the sense of commonness. This is at the root of deepening regional identity. India's northeastern and southern regions play a leading role in connecting themselves with the adjacent external neighbourhood, covering respectively Nepal, Bhutan, Bangladesh, Myanmar and Thailand on the one hand, and Sri Lanka on the other. Thus, people-to-people contacts can become a powerful driving force.

Policy suggestions

For a long time, the BIMSTEC process was marked by a high degree of informality, without an institutional structure. Discontent with the grouping's underperformance and the need for its sustained rejuvenation lie behind the reform package developed in recent years, including the formulation of the BIMSTEC Charter which will be adopted at the fifth summit. This productive process received considerable impetus from a plethora of studies, recommendations and suggestions offered by the region's strategic community.²³

In the above backdrop, it may be desirable to pinpoint at least six policy suggestions, listed below, for consideration by governments and other stakeholders:

1. *Leadership*: All member-states of BIMSTEC are equal. The institution works on the principle of consensus and specific consent of a member, wherever necessary. But it can do with a more effective leadership model. This could be devised at two levels. Formally, a troika system consisting of the present, past and future chairs should be put in place to ensure political continuity and consistency. Further, at the informal level, a prudent combination of the top leaders of Thailand (representing Southeast Asia), Bangladesh (representing the host country of BIMSTEC Secretariat) and India (representing South Asia) should serve as 'the friend, philosopher and guide' of the grouping.
2. *Annual summit*: Successful regional groupings such as the EU and ASEAN hold meetings of their top leaders frequently and regularly. It is time to take a leaf from their books but in a calibrated manner. BIMSTEC should initiate a healthy practice of annual summit comprising a formal session, preceded by an informal retreat to be attended by leaders only. Once started, the tradition should not be broken. If a leader is unable to attend, his No. 2 or a high-level designated representative could attend the annual summit.
3. *Financial resources*: In respect of connectivity and other projects, the grouping needs sizeable funds. A serious drive may be launched to obtain them through all interested multilateral agencies including the EU that shows new keenness to be engaged through its Global Gateway plan. The efforts to launch the BIMSTEC Development Fund need to be expedited.
4. *External partners*: After a candid internal dialogue, BIMSTEC should craft a stand-alone policy to engage external partners in a balanced manner and with a strict focus on the region's interests.
5. *Business and industry*: A full-scale involvement of business and industry with BIMSTEC initiatives, schemes and projects is essential. A comprehensive drive to secure it should be devised and implemented. The first critical step for the governments is to listen to the business sector and act on their collective advice.
6. *'Third Space'*: The role of the 'Third Space' comprising civil society, think tanks, universities, women and youth leaders, and parliamentarians is of heightened importance now. BIMSTEC should not be a mere G2G club but a vibrant association of 'Third Space' stakeholders, driven by a deeply shared sense of community.

Conclusion

In short, the time has now come for BIMSTEC to re-invent itself.²⁴ This will raise people's confidence in their leaders as well as in their own collective future in the Bay of Bengal region.

In order to ensure "a paradigm-shift in raising the level of our cooperation and regional integration"²⁵ as suggested by External Affairs Minister S. Jaishankar, what is needed is not merely 'a whole-of-the-government' but a 'whole-of-the-society' approach concerning the region's potential and challenges in the coming decade.

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A Connectivity-Driven Approach to Inter-Regional Cooperation: BIMSTEC as a Bridge Between South Asia and Southeast Asia

Madhu Raman Acharya

The Imperatives

There are a lot of underutilized complementarities and potentials of economic cooperation between South Asia and Southeast Asia. There are several imperatives for the two regions to cooperate and integrate with each other.

Together, South Asia and South East Asia include 18 countries covering 1.7 billion people and a combined GDP of \$6.3 trillion (2021). Both South Asia and Southeast Asia are among the fastest growing regions of the world. Most of the world's fastest growing economies, including that of Bangladesh, Cambodia, India and Vietnam, are from these two regions.

With its members located around the Bay of Bengal, BIMSTEC connects countries in South Asia and Southeast Asia and provide geographical contiguity between them. BIMSTEC has the potential of becoming a bridge between the two regions, for which it requires better connectivity, including through a network of road, rail, air, and sea routes. Through better connectivity and regional integration, the BIMSTEC region can advance its true growth potentials in a transformative manner, while serving as a connectivity bridge between South Asia and Southeast Asia.

Inter-regional economic integration and level of engagement between the two regions is limited. There is limited integration of trade, investment, and financial flows between these two regions, mainly due to bottlenecks and gaps in trade infrastructure, financial markets, trade facilitation, trade barriers, and weak regional cooperation.^[1] Only India and to some extent Sri Lanka and Bangladesh from South Asia have strong economic linkages and engagement with the countries of Southeast Asia.

According to available projections, better economic integration between East and South Asia could result into a net gain of 2% GDP growth.^[2] Better connectivity between South Asia and Southeast Asia will help expand markets, enhance competitiveness, attract FDI, reduce trade costs, close development gaps and enhance peace and security and stability in the region.^[3] There are several advantages of connectivity. It helps boost trade, lower production costs and increase predictability and efficiency of supply chains. A well-established connectivity brings benefits for flow of investments and tourists and people-to-people contacts and cultural exchanges. There are huge potential gains from close connectivity and integration between South Asia and Southeast Asia. A study has identified there could be as much as \$568 billion the GDP of the two regions in best case

scenario of better connectivity and economic integration including through removal of all tariff barriers, 50% reduction in non-tariff barriers and reduction in trade costs by 15%.^[4]

South Asia and Southeast Asia have registered a steady increase in cross-regional trade, from \$4 billion in 1990 to \$90 billion in 2013.^[5] The volume of cross-regional trade has been increasing in the recent decade, despite the very little connectivity and economic integration between the two regions. As both the regions have embraced outward-oriented trade and economy policies and have engaged in regional economic integration, there are potentials for increasing cross-regional trade between the two regions. There is some cross-regional flow of Foreign Direct Investment (FDI), especially between India and ASEAN. The two regions can enhance more trade and FDI flows in either direction, provided there is better connectivity and coordination policies between the two regions.

Connectivity in the Making

As regions, South Asia and Southeast Asia have longstanding connections between them. Historically, there has been movement of people, goods and services across the two regions since the ancient times. There were many trade and pilgrimage routes that helped the people of the two regions reach out to each other. That included tea, silk and spice trade routes. There have been well-established maritime links between the two regions since the medieval times. Some of these connections were truncated in recent centuries due to colonialism and creation of boundaries between states. Slowly, the two regions are getting better connected, especially after the growth of regional cooperation institutions in both regions.

Since its inception, BIMSTEC has included transport connectivity under its regional cooperation priorities. Connectivity (formerly Transport and Communication) is among the 14 sectors under the BIMSTEC's agreed areas of cooperation. An expert group working in this sector has identified transportation, crossborder facilitation, multimodal transport and logistics, infrastructure development, aviation, maritime transport and communication as priority areas under this sector. The BIMSTEC Transport, Infrastructure and Logistics Study (BTILS) conducted with the support of the Asian Development Bank (ADB) in 2007 and adopted by BIMSTEC in 2009 had identified connectivity projects regarding transport and logistics in the region. The BTILS has been complemented with yet another ADB study completed in 2014, which identified some 167 projects to enhance connectivity in the Bay of Bengal Region with a total estimated cost of \$45-50 billion.^[6] Many of these projects have already been implemented, according to the ADB.

In their Goa retreat in 2016, the BIMSTEC leaders emphasized greater physical and economic connectivity and pledged to advance multimodal transport connectivity by air, land, road and waterways. They also contemplated a motor vehicle agreement, a coastal shipping agreement and a BIMSTEC wide connectivity master plan. The Fourth BIMSTEC summit in Kathmandu in 2018 pledged to create a seamless multimodal

transport linkage for smooth, synchronized and simplified transport facilities through the development of highways, railways, waterways, sea routes, and airways in the region.

The BIMSTEC Master Plan for Transport Connectivity

In the Fifth BIMSTEC Summit held in Colombo on 30 March 2022, the BIMSTEC leaders resolved to "intensify regional cooperation to strengthen economic and physical connectivity to enhance regional trade, investment, tourism, technology, energy and other forms of exchanges".^[7] The summit also adopted the BIMSTEC Master Plan for Transport Connectivity (BMPTC) which comprises proposals including a 10-year strategy and action plan for improving transport linkages covering roads, railways, ports and maritime routes, inland water, civil aviation and airports, multimodal transport, trade facilitation, and human resource development in the connectivity sector. It has identified 141 "flagship" projects to enhance connectivity in the Bay of Bengal region at an estimated cost of \$47.0 billion.

The BMPTC envisions a "seamless multimodal connectivity between and across the BIMSTEC members to enhance transport and trade linkages with other regions". It has recognized transport connectivity as a "key enabler to economic integration".^[8] It is supposed to be a "strategic plan that guides actions and promotes synergy among various connectivity frameworks available in the region". Such frameworks include the ASEAN Master Plan on Connectivity 2025 (MPAC), the Ayeyawady-Chao-Phraya-Mekong Economic Cooperation Strategy (AMECS), the Indian Ocean Rim Association (IORA), and the Mekong-Ganga Cooperation (MGC).

The BMPTC is expected to serve as a connectivity bridge between South and South East Asia. It is also envisaged that it would complement the existing and developing bilateral, trilateral and multilateral connectivity strategies as building blocks to regional connectivity. Given the potentials and complementarities that exist between the two regions, the BMPTC cannot be said to be too ambitious, except that there are challenges for its implementation. There are prospects for linking the BIMSTEC connectivity with the Asia Highway and Trans Asian Railway networks under the auspices of UNESCAP.

Together with the adoption of the BIMSTEC Charter, the adoption of this Master Plan can be described as a big breakthrough in the regional association's two decades efforts towards better regional economic integration. Among other things, the BIMSTEC Charter aims "To establish multidimensional connectivity, promote synergy among connectivity frameworks in the region, as a key enabler to economic integration for shared prosperity" among the purposes of the regional association.^[9] That is among its transformative objectives which has the potential of linking South Asia with Southeast Asia.

Multimodal approach to connectivity

Since its beginning, BIMSTEC has identified multimodal transport for promoting connectivity in the region. The BTILS was based on the multi-modal approach to

connectivity, involving road, rail, sea and air transport connectivity.

Bilaterally, between India and Myanmar, the Kaladan Multimodal Transit Transport Project is nearing completion. It involves linking the Indian seaport in Kolkata with Sittwe seaport in Myanmar via shipping, then to Paletwa in Myanmar through inland water transport in the Kaladan River, then to Indo-Myanmar border by road, and to Lowngtai in Mizoram in India.

The BMPTC recognizes the importance of multimodal transport connectivity for the seamless movement of freight and passengers using multiple modes of transport involving road, rail, waterways etc. for lowering transport, trade and other transaction costs. It seeks to establish multimodal and intermodal transport linkages, support initiatives that combine the use of different modes of transport, including dry ports as well as transport corridors.

Border connectivity

Cross-border connectivity is of crucial importance in boosting regional economic integration. Easy border crossing is a prerequisite for seamless connectivity. The BTILS had identified projects under border connectivity including that between Thailand and Myanmar. It also identified construction of dry ports in the member countries. The BMPTC recognizes the significance of upgrading border linkages including the land borders, maritime borders and ports and better transport arrangements to allow easier border crossings.

Better border connectivity between South Asia and Southeast Asia requires upgrading the border roads, especially between Bangladesh and Myanmar and that between India and Myanmar. Some progress has been made in upgrading border links between Bangladesh and Myanmar after the completion of the Balukhali-Gundum border road between the two countries in 2018. The border crossings were not designed for a smooth inter-regional connectivity. The border roads and border infrastructure connecting the two regions need to be upgraded.

Road

Road connectivity among the BIMSTEC countries is uneven. All member states are members of the Asian Highway network initiative. The BTILS identified 14 road projects, including upgradation of border roads. A few of them also have inter-regional dimension. The BMPTC has identified arterial highways that need to be upgraded for a smooth transport connectivity in the region. The proposed India-Myanmar-Thailand Trilateral Highway that is under construction can provide an arterial link between South Asia and Southeast Asia.

All BIMSTEC countries are members of the Asian Highway initiative under the auspices of UNESCAP. That could offer better surface connectivity between South Asia and Southeast Asia. The level of road infrastructure in the Asian Highway network is not up to the mark. The BIMSTEC countries need to upgrade their arterial highways to the Asian Highway Standards, at least on par with that of the ASEAN countries.

Rail

Imagine a weekly or monthly rail pass that could allow people to travel across South and Southeast Asia. That would have a transformative impact on boosting inter-regional tourism. A BIMSTEC-wide rail connectivity would be a great enhancer of trade, tourism and people-to-people contacts. Though the BIMSTEC region has the world's largest rail networks (130,000 km track length), rail transport has become a less preferred mode of connectivity among the member countries. That owes to the existing difference in the railway tracks including in meter gauge. Each rail network in the member countries is working independently. That needs integration and harmonization. The BTILS identified 12 projects to enhance rail connectivity. A few of them also have inter-regional dimensions.

The BMPTC has recognized priority projects in railways between the BIMSTEC member countries. It aims at enhancing rail connectivity, developing rail networks, and linking of the rail planning and scheduling of the member states. Its strategies include prioritization of rail access to ports, land borders and dry ports and their hinterlands, development of rail-based Buddhist and temple tourism circuits, and exchange of information on railway development programs. But the BMPTC does not envisage inter-regional railway connectivity between South Asia and Southeast Asia.

The Trans Asia Railway (TAR) project launched under the auspices of UNESCAP has identified missing links and gaps especially for freight container movement across Asia and to Europe. Its Southern Corridor between Istanbul and Thailand is supposed to pass through New Delhi, Kolkata, Dhaka and Yangon with links to Malaysia and Singapore and to Yunnan Province in China. It seeks to link the main capitals and industrial centers, growth zones and sea ports and dry ports and integration of road and rail network *en route*. There are missing railway links between South Asia and Southeast Asia. Among those identified include the rail links between Thailand and Myanmar (250 km). The railway network in both regions have varying gauge standards. They need to be harmonized. There are issues of agreements and institutional arrangement for better operational efficiency of the railways between South Asia and Southeast Asia. Both regions would stand to gain from the implementation of the TAR projects for a better railway connectivity.

Ports

The bulk of trade between South and Southeast Asia occurs via sea routes. Better connectivity via the sea routes and upgradation of seaports in both the regions would

significantly augment cross-regional trade flows in either direction and reduce trade and transaction costs in both regions. Upgradation and development of ports are among the identified projects under the BTILS. The seaports in the region have problems of depth (Kolkata and Haldia), width (Chittagong), limited accessibility (Yangon) that lead to congestion, trans-shipment requirement and delays. That needs to be fixed. Both regions need more deep-sea ports and floating container terminals. The proposed Mekong-India Economic Corridor (MIEC) which seeks to link Indian ports with that in the Greater Mekong Sub-region (GMS) in Vietnam, Cambodia, Thailand via the Dawei Port in Myanmar, has prospects for future connectivity.

The BMPTC recognizes the importance of upgrading the port access road together with the upgrading of sea ports for enhancing transport connectivity in the region. These access roads would connect the sea ports with their hinterland regions. In some cases, the sea ports would need intermodal connectivity.

Air

Air connectivity helps boost trade, tourism and people-to-people contacts. It can help ferry high-value goods and perishable cargo from one place to another in a short period of time. At present, five out of ten ASEAN countries (Brunei, Cambodia, Indonesia, Lao PDR and the Philippines) do not have direct flights with any South Asian country. Under its "Act East" policy, India is eyeing to improve its air connectivity with Southeast Asian nations. There are recommendations for improving air connectivity between Southeast Asia and India for starting direct cargo flights through signing of an ASEAN-India air transport agreement, improvement in air transport infrastructure, and promotion of the Buddhist circuit flight.^[10] If the ASEAN-India air connectivity is extended to other BIMSTEC members, there would be better connectivity between Southeast Asia and South Asia. Southeast Asia has adopted a unified aviation market under its ASEAN Single Aviation Market (ASAM) policy. Two members of BIMSTEC, Myanmar and Thailand, are already part of that market. If that can be extended to other BIMSTEC members, it can help develop better air connectivity between the two regions.

The BMPTC seeks to upgrade the air transport infrastructure, including that of airports to meet the regional demand for air transport. But it would only pursue the upgradation of airports in on a demand-based priority. It also seeks to develop air freight facilities and services within the region. However, the BMPTC does not adequately address the inter-regional air connectivity issues in its entirety. The two regions need more direct flights between their cities. For that, air services agreements could be concluded at the regional level and private airlines can be encouraged with different incentives for more direct flights between the two regions.

Inland waterways

There are some prospects of enhancing connectivity among the two regions through

inland waterways. The BMPTC has adopted the development of sustainable and economically viable inland transport among its key strategies for connectivity. That requires regulatory frameworks and infrastructure, including inland water ports and terminals. The Kaladan Multimodal Transit Transport Project between India and Myanmar seeks to utilize inland waterways in the Kaladan River. Similar projects can enhance better inland water connectivity between the two regions.

Trade Facilitation

The BMPTC acknowledges the importance of trade facilitation measures for boosting intra-regional connectivity. It has identified key strategies for trade facilitation including development of border infrastructure at the main land border crossings, development of inland clearance/container depots, review and rationalization of documentation requirements in relation to import and export clearance, development of mutual recognition agreements, upgrading of existing ICT systems within customs administrations, establishment of national single windows, and upgradation of logistical systems for reducing transport time and costs. Implementation of these strategies would generate positive vibe for connectivity across the region and beyond.

Trade facilitation is among the identified subsectors in the Trade, Investment and Development sector, which is among the identified areas of cooperation in BIMSTEC. The proposed BIMSTEC Free Trade Agreement that the members are still negotiating as per the framework agreement to that effect concluded in 2004 is supposed to cover trade facilitation together with trade in goods and services and investment. Its conclusion would have a lasting impact on boosting trade and investment in the region.

Both South Asia and Southeast Asia have entered into free trade pacts in their respective regions. India and ASEAN have a free trade pact. South Asia and Southeast will stand to gain mutually if they were to conclude an inter-regional free trade pact that would allow the two regions to create trade and investment zones.

Soft connectivity

Apart from the hard connectivity that allows construction, upgradation and linking of infrastructure across regions, there is need to establish soft connectivity through signing of agreements, policy harmonization, regulatory frameworks and institutional coordination. The BTILS had identified simplification and harmonization of import and export documents, automated systems in customs and IT upgrades in the member countries.

The BMPTC has adopted a holistic approach to transport connectivity that would require hard as well as soft connectivity. It recognizes the importance of signing agreements, institutional system and policy harmonization. In this regard, an early conclusion of the proposed Coastal Shipping Agreement and the Motor Vehicle Agreement (MVA) are of crucial importance to boosting connectivity in the region. The MVA is expected to include regulation of passenger as well as cargo vehicular traffic among the BIMSTEC

member countries. That would be an important step towards making connectivity smooth within the region. Similar agreements would be required between BIMSTEC and ASEAN to make transportation smooth between South Asia and Southeast Asia. There is also a proposal for a BIMSTEC Framework Agreement on Transit, Trans-shipment and Movement of Vehicular Traffic between and among BIMSTEC Member Countries. The experience of BBIN suggests that an MVA will not be easy, as four member countries in the BBIN who are also members of the BIMSTEC have not been able to implement their MVA as yet.

Half the Story

Though a comprehensive document in itself, the BMPTC is only half of the story, as it only includes transport connectivity and does not adequately cover issues related to energy grids and markets, trade and investment zones, economic corridors, financial connectivity, and digital connectivity. Though these sectors are covered in the other areas of cooperation, they have not been included in the BMPTC itself. While it seeks to enhance synergy and coordination with similar connectivity frameworks of the adjoining regions and associations, the BMPTC is basically an intra-regional framework for transport connectivity. Thus, there is no explicit planning for inter-regional linkages between South and Southeast Asia, for which BIMSTEC hopes to serve as a "bridge". Connectivity in the remaining aspects must be given due attention within or outside the BMPTC.

Economic Corridors

An important way for enhancing connectivity between South Asia and Southeast Asia would be to develop integrated economic corridors. That would allow upgradation and harmonization of infrastructure and maximization of logistical efficiency in transport, trade and investment in both regions. In the context of South Asia, economic corridors are described as the "next stage in regional economic cooperation". Economic corridors can be "catalyst for regional integration" and "driver for inclusive growth". They also provide "spatial focus" for regional cooperation within a contiguous area, help attract investments and generate economic activity and trade^[11]. ^[12]. The Greater Mekong Subregion (GMS) has identified such corridors involving multimodal connectivity. The 2015 ADB study has identified missing links in the economic corridors in India, Myanmar, Lao PDR, Cambodia and Vietnam.^[13] In this context, the SAARC Regional Multimodal Transport Study (SMRTS) has identified 10 regional road corridors, 5 regional rail corridors, 2 inland waterways corridors, 10 maritime gateways and 16 aviation gateways. Its implementation would go a long way towards establishing economic corridors in the region.

The proposed Kolkata-Ho Chi Minh Corridor (4,430 km) can link South Asia and Southeast Asia. It has several bottlenecks and missing links in India, Myanmar, Thailand, the Lao PDR, Vietnam and Cambodia, which can be upgraded with a total investment of

\$3billion.^[14] It requires harmonization of railway gauge standards in different countries to avoid trans-shipment for movement of cargo traffic. The operationalization of that corridor would also require better transit and transport agreements between the two regions.

The proposed Bangladesh, China, India and Myanmar (BCIM) Economic Corridor has potential for enhancing connectivity across the two regions as well as with China. But it has received low priority in implementation owing to security and political considerations. Its inclusion in China's BRI, which has seen India's reservation, has overshadowed its potential to augment inter-regional connectivity through economic corridors. If pursued earnestly, economic benefits from such corridor connectivity would certainly outweigh their political and security dimensions.

The Mekong India Economic Corridor (MIEC) involves integration of Myanmar, Thailand, Cambodia and Vietnam with India through its east coast. It proposes to connect Ho Chi Minh City in Vietnam with Dawei in Myanmar via Bangkok in Thailand and Phnom Penh in Cambodia to Chennai in India through the development of trade and investment linkages. If extended to other countries in South Asia and Southeast Asia, such corridor initiatives can have long-lasting impacts on connectivity between the two regions.

The BMPTC does not adequately address the issues of economic corridors in their inter-regional dimensions. BIMSTEC can seek to integrate its corridor development strategy with a view to enhancing its capacity to serve as a connecting bridge in the economic as well as transit transport corridors across the two regions.

Digital connectivity

Seamless connectivity requires a smooth digital connectivity through CT-related infrastructure and software. Digital connectivity is not covered in the BIMSTEC sectors or subsectors of cooperation. Because of difference in levels of advancement of ICT among the BIMSTEC members, the region needs to harmonize digital connectivity in order to advance its benefits for inter-regional connectivity. Together, South Asia and Southeast Asia constitute a major hub for IT-related services exports. They can collaborate through better connectivity in this sector. That would require upgrading crossborder digital infrastructure. The two regions can immensely benefit from the implementation of the Asia-Pacific Information Superhighway (AP-IS) under the auspices of UNESCAP. It aims to increase broadband Internet connectivity and improve the Internet infrastructure in the two regions. This will require high-speed Internet connectivity within and between the two regions.

Energy Grid

There exists huge potential for inter-regional energy trade between South Asia and Southeast Asia. That requires connecting the two regions through energy grid and creation of an energy market, mainly in the areas of hydropower and gas pipelines. But

the cross-regional energy trade remains hindered due poor synchronization of grids, pipelines, agreements, market barriers and political resistance.^[15] There can be substantive cross-regional investment flows, provided there are better institutional and infrastructure linkages with the sub-regional initiatives such as in SASEC and BBIN.

In the 1990's, there was a proposal to develop a gas pipeline between Myanmar, Bangladesh and India, but was aborted in absence of consensus. Given the completion in 2014 of the China-Myanmar Pipelines, which includes gas and crude oil pipelines, such proposals to connect gas pipelines between South Asia and Southeast Asia should be explored with renewed interest. There will also need to have cross-border transmission lines between the two regions.

The 2018 MoU for Establishment of the BIMSTEC Grid Interconnection provides a framework for grid connection and cross-border energy trade within the region. Similar arrangement will be necessary between BIMSTEC and ASEAN to make energy grid and market access available to each other.

Financial connectivity

The two regions can cooperate better in financial connectivity, closing cooperation gaps between central banks of the member states. For example, the SAARC Finance, a regional body of central banks in South Asia, should seek to establish better cooperation with similar institutions in ASEAN and make use of the available mechanisms such as the Regional Currency Swap Arrangement and the Asian Clearing Union. The two regions should seek to establish links between their capital markets as well. This is an area in which BIMSTEC can help develop some mechanism acceptable to both regions.

ASEAN's Comprehensive Investment Agreement (ACIA) offers better flow of financial capital and flow of intra-regional investment among its members. That will be not just available to Thailand and Myanmar, two Southeast Asian nations in BIMSTEC, but also to other BIMSTEC members in South Asia, if BIMSTEC chooses to adopt a similar agreement on investment. BIMSTEC will take a long time to catch up with ASEAN.

People-to-people connectivity and tourism

The BIMSTEC countries share rich cultural links including the Buddhist heritage that can become a big boost to inter-regional tourism, provided there is better land and air connectivity between the two regions. In this regard. The BIMSTEC countries need to further pursue the Buddhist circuit tourism connecting the Buddhist sites in Bhutan, Bangladesh, India, Myanmar, Nepal, Sri Lanka, and Thailand.

The BMPTC has identified development of Buddhist and temple tourism circuits as one of the strategies for transport connectivity. It seeks to upgrade road and rail links and air connectivity for enhancing the Buddhist and temple circuit tourism. But it does not address the tourism connectivity comprehensively. The BIMSTEC and ASEAN countries

can work together to strengthen connectivity among the Buddhist heritage sites, which are in abundance in both regions. That can serve as a strong connecting bond between South Asia and Southeast Asia, both regions with a huge concentration of Buddhist heritage sites.

Bottlenecks and Challenges

The BIMSTEC countries is not without challenges that drag regional economic integration and connectivity both within and outside the subregion.

An ADB study has identified that the economic ties between Southeast Asia and South Asia regions have been limited and hindered by bottlenecks in infrastructure, financial markets, trade facilitation, trade barriers and limited regional cooperation and that improving transport and energy connectivity was the crucial building block for greater economic integration between the two regions.^[16] Surface transport including road, rail and water transport between the two regions remains truncated in absence of infrastructure related to connectivity and necessary agreements between them. South Asia is far less integrated regionally than Southeast Asia.

The different levels of economic development pose different preferences and choices, which can sometimes work as a drag in regional cooperation. That was among the delay in finalization of the BIMSTEC FTA. BIMSTEC's multi-sectoral approach to cooperation and inclusion of too many sectors within its bounds dilutes the efforts for connectivity and economic integration, often focussing on issues of marginal importance, and without a macro perspective for better regional economic integration. South Asia and Southeast Asia have yet to identify complementarities towards inter-regional cooperation for a better connectivity and economic integration.

There are institutional bottlenecks in both regions, especially in coordination of cross-regional connectivity. There are overlapping sectors and responsibilities between SAARC, BIMSTEC, SASEC, BBIN and ASEAN. The connectivity scenario is also complicated by the existence of security concerns in the cross-border movement of trade and people, as the areas connecting the two regions lie in security-sensitive areas including issues of insurgency, refugee movement, illegal trade and cross-border migration.

Funding Connectivity Projects

The ADB study cited above had estimated the total investment cost for projects to enhance cross-regional connectivity in highways, railroads, ports, and energy trading at \$73.1 billion.^[17] That would include \$17.8 billion for roads, \$33.7 billion for railroads, \$11.1 billion for ports, and \$10.5 billion for energy projects. The investment costs for enhancing connectivity between the two regions, including that identified by the BMPTC, can be significantly higher.

The two regions should collectively explore such funding through their own resources as well as through collaborative funding available in the region and beyond. Under its Act East Policy, India has been launching projects for connectivity with the countries in Southeast Asia, mainly with Myanmar and Thailand. Many of the connectivity, initiatives between the two regions are bilateral or trilateral. They can be made inter-regional.

The BMPTC acknowledges the difficulties associated with the implementation of the identified projects, for which funding will have to come from national governments as well as from regional institutions and international development partners. ADB has been supporting BIMSTEC in the transport connectivity sector since the inception of the BTILS. It has supported the formulation of the BMPTC. It can be expected that ADB partnership would be available in implementing the projects identified by the BMPTC.

The ASEAN Investment Fund provides funding for cross-regional connectivity projects. The proposed BIMSTEC Development Fund (BDF), as agreed by the BIMSTEC Ministerial Meeting in 2021, can also offer windows for funding connectivity projects within the region as well as that between South and Southeast Asia. It should act like a regional development bank and take up projects independently. There may be windows for funding proposals in various other regional funding institutions and banks.

The two regions can also factor in China, especially for funding connectivity projects, including through its network of banks and BRI. Given the strategic importance of the two regions and economic rise of China, big connectivity proposals must envisage connectivity with China, which has significant economic relations with both South Asia and Southeast Asia. The trade volume between China and South Asia had crossed \$100 billion. With India, China has an annual bilateral trade of over \$90 billion. ASEAN is China's largest trading partner. In 2020, China-ASEAN trade volume reached \$684.6 billion. China's BRI covers almost all countries of the two regions. There is some complementarity between the economies of China and two regions. The former exports manufactured goods, while the latter regions have export potentials on primary products, semi-finished goods and resource-based products.^[18] China and ASEAN already have a free framework agreement for establishing free trade area.

The BMPTC has acknowledged key challenges and critical success factors for its implementation, including political will and commitment of the member states, funding through national development plans, regulatory framework for implementation, signing of transport-related agreements, development of bankable projects, partnership with the private sector, addressing the social and environmental concerns as well as human resources development and a robust monitoring of and leadership in implementation.

Conclusion

Like the 2015 ADB study had identified, South Asia and Southeast Asia should adopt an integrated and broad-based approach to connectivity between the two regions. That would involve investment in cross-border transport and energy infrastructure, trade facilitation, infrastructure financing at national and regional levels, national and regional policy reforms and better institutions to ensure coordination. BIMSTEC can serve as a linchpin in establishing such inter-regional linkages, including through the implementation of its recently-adopted Master Plan for transport connectivity. Because BIMSTEC serves as a connecting bridge between the two regions, both regions would stand to gain in supporting the implementation of the BIMSTEC Connectivity Master Plan.

The two regions will require a connectivity-driven approach to regional economic integration that would build upon the connectivity initiatives in the respective regions. That would involve identification of missing links in connectivity between the two regions and introduction of a planned approach to connectivity development through mutually-agreed regional and multilateral financing arrangements. Further, the two regional associations can jointly explore connectivity, preferably assisted by a regional development bank, multilateral funding agency or collaboration between the development funds of the regional associations in the respective regional associations.

The BIMSTEC Charter has opened room for admission of new members from among the countries that have territorial contiguity or dependence on the Bay of Bengal for trade and transport. It also allows room for new observers that show interest and are able to contribute to the activities of BIMSTEC. This can pave way for allowing more countries of Southeast Asia to become its members, or at least observers. The BIMSTEC Charter also provides for the sub-regional association to conclude agreement with other countries or sub-regional, regional and international organization to fulfill its purposes. This can be utilized to further advance connectivity between South and Southeast Asia, including through conclusion of agreements, public private partnership, investment projects, borrowing from regional funding mechanism and launching joint projects to the satisfaction of both the regions.

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The Way Ahead is more Promising than the View Through the Rear View Mirror

Indrajit Coomaraswamy

International trade has played a dynamic role in promoting growth, reducing poverty and creating more and higher value employment throughout history. In recent times, regional trading blocs have gained increasing salience, particularly as there has been a long-running impasse at the Doha Round of Multilateral Trade Negotiations. However, South Asia has been a laggard with both trade and investment flows being the lowest of any region in the world. Intra-regional trade accounts for 50 percent of total trade in East Asia and the Pacific and 22 percent in Sub-Saharan Africa. It accounts for only 5 percent in South Asia. Research done by the World Bank has demonstrated that trade in goods within South Asia could be about USD 67 billion rather than 23 billion (2018). It must however be recognized that there are considerable trade flows among South Asian countries through informal channels and third countries.

South Asian countries have tended to have trade regimes which have negated the positive effects of geography and proximity. This note for the publication to mark the 25th Anniversary of the Bay of Bengal Initiative on Multi-sectoral Economic and Technical Cooperation (BIMSTEC) seeks to convey the positive message that the way forward for the seven countries of this grouping is more promising than the view one sees through the rear view mirror. First, it seeks to identify the causal factors which have constrained greater regional cooperation in the past. It then lists changes which hold promise for the future. A concluding section focuses on the potential within BIMSTEC to promote growth and development among member states.

The World Bank publication "A Glass half full: the promise of regional trade in South Asia," (S.Kathuria (ed), 2018) demonstrates that trading regimes in South Asia continue to discriminate against other countries in the region. The conclusion reached is that "incremental yet concrete steps, aimed at tapping the potential for deeper integration are appropriate." BIMSTEC is well positioned to play a substantive role in this agenda.

Glass half empty: The view through the rear view mirror.

There is huge potential for greater regional trade and exchange in South Asia. Realisation of this potential can fuel growth and improve standards of living at an accelerated pace. Leaving this potential untapped becomes even more unjustifiable when there is so much poverty in a region which accounts for a third of the world's poor. Deeper cooperation on trade, investment, connectivity and energy can have a transformative impact on the sustainable development of countries in the region. All countries in the region, irrespective of size, location and endowments, can gain from greater regional cooperation, while acknowledging that the impact is not symmetric.

Gains from deeper cooperation are more prominent among land-locked countries and relatively isolated sub-regions as a consequence of better transport and connectivity. Consumers gain from access to a greater variety of goods and services. Producers gain from increased access to investment, inputs, production networks and markets.

Given the overwhelming evidence supporting the benefits of increased regional cooperation, and the success achieved in other regions, it becomes important to understand and address the key constraints which have held back greater regional cooperation in this region. The gap between potential and actual trade has been widening. The degree of trade attrition between countries (Gravity Model) is such that there are extremely high levels of potential international trade amongst South Asian countries.

One message which comes through clearly is the role that a **trust deficit** has played in constraining regional cooperation. The complex and often challenging nation-building processes as well as the asymmetry in the sizes of countries have been important causal factors for this trust deficit. There is evidence that where there is trust among the people, the prospects for regional cooperation are greater. The composition of the BIMSTEC membership excludes the most intractable source of tension within the region. The challenges inherent in Indo-Pakistan relations have held back progress within the South Asian Association for Regional Cooperation (SAARC). Not only does trust boost economic relations but also economic relations can boost trust. The successful experiences of cross-border local markets on the Indo-Bangladesh border (HAATS) demonstrates the possibilities that arise when trust among communities is leveraged.

There are a number of other barriers which have marred the perspective through the rear view mirror. South Asian countries discriminate significantly against each other. According to the overall trade restrictiveness index, **tariff and non-tariff barriers** are significantly higher against imports from regional countries than they are from the rest of the world. There has been some tariff liberalization in South Asia since the 1980's. However, tariffs continue to be high with average tariffs amounting to 13.6 percent-double the global average of 6.3 per cent (2016). In addition, each country maintains a long sensitive list of products which are excluded from tariff liberalization.

While there has been some tariff reduction under the South Asia Free Trade Agreement (SAFTA), several regional countries have simultaneously introduced **para-tariffs**. Not only do these undermine tariff liberalisation but these are not part of the phase-out programme under SAFTA or other FTAs in the region. This reduces the preference margins for SAFTA parties.

Historically, **poor connectivity** has resulted in **high costs of trade**. Trading costs are determined by the quality of transportation and logistics infrastructure and the efficacy of customs and border procedures. These are significantly higher within South Asia. The average level of trade costs is said to be 20 percent higher than in East Asia.

Complicated and non-transparent **non-tariff barriers** have also served to erode market access. Non-tariff measures can be legitimately imposed to maintain sanitary and phytosanitary standards. However, they become trade barriers if they are more burdensome than necessary to achieve a legitimate goal. Port restrictions and border testing are examples of such non-tariff barriers.

One may conclude that despite its substantial potential, trade among South Asian countries has been significantly impeded by tariffs and para-tariffs; high costs of trade as a result of poor transport and logistics infrastructure; inefficient trade facilitation; and complicated and non-transparent non-tariff barriers. Restrictive visa measures have also been a barrier to trade and investment by hampering the mobility of businessmen.

Poor information flows have also contributed to the disappointing level of regional cooperation. Mechanisms to monitor, collate and resolve complaints related to trade and investment would be useful facilitation measures which improve the Doing Business environment. Much can also be achieved by reducing **information asymmetry** regarding prospects for imports and exports, as well as procedures related to trade and investment. This can be supported by modern information technology.

Transport connectivity between countries in the region has also been poor and has contributed to increasing the transaction costs of doing cross-border business.

While there have been a number of major constraints and bottlenecks which have impeded regional cooperation in the past, there are signs of movement to a new dispensation on a number of these fronts.

The way forward offers more promise.

While regional cooperation has had a very mixed record to date in this region, there have been a number of developments which give cause for greater optimism about the future. There seems to be tangible evidence that indicates that the tide could well be turning. There have been significant advances in the **BBIN sub-region** (Bangladesh, Bhutan, India & Nepal) in the northeast of the subcontinent. Road and rail transport; water management; and power generation and grid connectivity have all seen considerable progress through strengthened cooperation in that region.

The overall landscape is also evolving to become more propitious for fruitful regional cooperation. Some of the key successes mentioned above have served **to reduce the trust deficit** through addressing key challenges. However, this is still a work-in-progress and continued attention needs to be paid to creating greater confidence among the countries in the region.

More concerted efforts are also being *made to increase economic ties between South and South East Asia*. The presence of Myanmar and Thailand, as BIMSTEC members, gives the grouping the opportunity to serve as a gateway to developing greater economic links in both directions.

Developments globally as well as regionally have also created a more advantageous landscape for greater economic and technical cooperation. **Globally**, a combination of increased geopolitical tensions and a quest for greater resilience in the post-pandemic era have propelled a relocation of investment resulting in a diversification of supply chains. This has already created new opportunities for BIMSTEC countries, particularly Bangladesh, India and Thailand. As some BIMSTEC members acquire greater complexity and diversity in their supply chains, this can percolate to other countries through the creation of opportunities for production sharing networks. This becomes more likely provided the enabling conditions in terms of macroeconomic and political stability, a conducive Doing Business Environment, trade facilitation and a competitive labour market are in place.

Turning to BIMSTEC member countries, there a number of **trends in India** which have the potential to increase the relevance and effectiveness of BIMSTEC. There is a general consensus that India is likely to be the fastest-growing large economy in the coming years. The demographic dynamics are strongly positive and India is benefiting from being seen as a buffer that needs to be built up against what is perceived as the threat posed by the rise of China. BIMSTEC members can benefit from both the advance of India and the considerable financial and economic prowess of China.

India's "**Neighbourhood First**" policy can give a positive impetus to economic activity in the BIMSTEC region. Historically the manufacturing sector in India has been inward-looking and inefficient. The recent focus on developing the manufacturing sector, as evidenced by plans unveiled in the recent budget, signal a significantly increased inclination on the part of India to capitalize on global supply chains. This fits in with the perception of India's role in the global economy mentioned above.

The rise of first Japan and then China, boosted growth and development in East and South East Asia, through the supply chains which were created. If Indian manufacturing enjoys a period of rapid growth, the possibility of replicating this phenomenon within the BIMSTEC region becomes a tenable proposition. BIMSTEC as a grouping should seek to create the enabling conditions for this to happen.

In this respect, the improvements in the **physical infrastructure** in the region have opened up new opportunities. In the past, while member countries enjoyed proximity, poor infrastructure increased cross-border transaction costs. Now roads, railways, ports, airports, power supply and other infrastructure are improving in member countries. This should facilitate greater investment and trade links within the region with India playing the lead role in the so-called "Wild geese formation." **The General Sales Tax (GST)** which has sought to create "one tax, one market and one nation" can also be a useful building block in reducing transaction costs and facilitating the emergence of cross-border production networks.

While there is an upbeat assessment of India's prospects, there are also other economies which are progressing rapidly enough to be engines of increased trade and investment within the region. **Thailand** emerged from the East Asian crisis as a very robust economy with a diversified and complex export basket. The Thai economy has demonstrated considerable resilience during the crises that have taken place since then and the group can focus more on seeing how it can leverage opportunities that can be created through greater linkages to the Thai economy and through it ASEAN. **Bangladesh** has also experienced remarkable development in recent years and can be another source of dynamism within the grouping. **Sri Lanka**, with its extremely strategic location near the major sea lanes, is very well positioned to be a major logistical hub for the region. It also has considerable potential to be a centre for leisure and recreational activity for the increasing middle classes among the 1.7 billion people who live in the BIMSTEC countries. In addition, the new Port City offers a world class Doing Business and living environment. Greater focus should also be given to taking advantage of the endowments of Bhutan, Myanmar and Nepal for the benefit of these respective countries as well as for the BIMSTEC membership as a whole.

Conclusion

There are a number of developments within member countries, the region and globally which offer new opportunities for BIMSTEC countries to enhance the value they obtain from membership of the association. The forthcoming summit presents an opportunity to give impetus to developments which are already gaining salience. It is a moment where strong leadership can have a transformative impact. A worthy outcome as BIMSTEC celebrates its 25th anniversary.



Years of
BIMSTEC

Boosting up the flows of intra-trade through connecting the connectivity in BIMSTEC

Watcharas Leelawath

Apparently, the cooperation under BIMSTEC has been impressively progressing after the establishment of the BIMSTEC Secretariat in September 2014. The Secretariat serves as a catalyst mechanism for closer collaboration among the seven member states. The 5th BIMSTEC Summit in Colombo in March 2022 marked the historical moment of economic integration of its member states around the Bay of Bengal. The BIMSTEC Charter was signed by the leaders of all seven member states along with three other important documents on criminal matters, cooperation between training institutions and technology transfer facility. To live up to the determination for economic and social cooperation of BIMSTEC since its inception, it required tremendous efforts from member states on a wide range of areas such as agriculture and food, trade and investment, science and technology, tourism development and sustainable development. Hence, this article places the emphasis solely on the connectivity aspect of BIMSTEC cooperation. Three key dimensions of connectivity including physical, regulatory and digital connectivity are in focus. Connecting all these dimensions of connectivity would potentially facilitate intra-trade and investment among the BIMSTEC member states themselves, and link South Asia and Southeast Asia together. This is for BIMSTEC to further reap mutual benefits from more solid regional integration and stronger economic cooperation.

Expanding the networks of multimodal physical connectivity

Physical connectivity is the fundamental requirement for conducting all economic activities. The multimodal transport connectivity is essential to promote synergy and shared sustainable prosperity in the region. With such recognition, the BIMSTEC Master Plan for Transport Connectivity has been developed with technical assistance for the Asian Development Bank (ADB). The primary objective is to push forward for tightening economic integration within BIMSTEC as well as between BIMSTEC and ASEAN regions through improving transport linkages and border crossings throughout South Asia and Southeast Asia. The Master Plan was adopted at the BIMSTEC 5th Summit in Colombo in March 2022. It is the guiding document for BIMSTEC member states for taking strategic actions to enhance and upgrade all modes of transport connectivity. Key identified coverages in the Master Plan are roads and road transport, railways and rail transports, ports and maritime transport, inland water transport, civil aviation and airports development, multimodal and intermodal transport, trade facilitation as well as human resources development.¹

¹ Asian Development Bank. BIMSTEC Master Plan for Transport Connectivity (April 2022)

This Master Plan is quite ambitious for BIMSTEC member states to follow and achieve the targets, but this is not impossible. It requires strong political will from the governments together with technical and financial assistance from international organisations and development partners. The Master Plan has clearly identified 141 flagship projects with a total amount of estimated funding of USD 48.7 billion. A lot of attention has been given to road connectivity in comparison to other modes of transport. Out of 141 projects, 112 projects are targeted to strengthening road connectivity in the region. Though the budgets have been estimated for most of the flagship projects at the 2018 price, the possible sources of funding have not yet been identified for a number of identified flagship projects. Therefore, solid regional cooperation and determined commitments are very much vital for making progress in multimodal networks of physical connectivity in the BIMSTEC region.

One of the priorities for connecting road networks in the region is the India-Myanmar-Thailand (IMT) trilateral highway, which links India to Myanmar, Thailand and then further to Southeast Asia countries. This is an important part for India's Look East policy, which is now Act East policy. The highway is 1408 km. connecting Maesot, which is located in Tak Province and share the border with Myawwady in Myanmar, to Moreh in the State of Manipur in the northeastern part of India. The highway passes through Myawaddy, Yangon, Mandalay, Began and Rakhine of Myanmar. It serves as a land bridge linking India and other BIMSTEC South Asian countries to access to Thailand and other Southeast Asian countries. This is because the IMT trilateral highway connects to the East-West Economic Corridor (EWEC) in Maesot. The EWEC passes through several major cities in the Greater Mekong Sub-region (GMS), namely, Tak and Mukdahan provinces in Thailand, Savannakhet in Lao PDR as well as Hue and Danang in Vietnam. Generally, road transport is the cheapest mode of transportation. The more efficient physical connectivity would lower the logistics costs and enhance competitiveness for BIMSTEC business communities. Thus, this particular trilateral highway is an important BIMSTEC economic corridor that opens up numerous opportunities for trade and allows more extensive integration of regional value chains between South Asia and Southeast Asia.

Although roads are the dominant physical transport infrastructure, port and maritime transport infrastructure plays a significant role in accommodating the flows of trade among BIMSTEC member states and with external trading partners. In total, 25 flagship projects for developing deeper water ports and improving container handling performance have been identified in the BIMSTEC Master Plan for Transport Connectivity. The construction of decent ports and maritime facilities together with the road infrastructure definitely improves the networks of multimodal transportation. Especially for the landlocked countries like Bhutan and Nepal, the better networks of multimodal transportation help improve logistics efficiency and reduce the barriers to export to bigger markets. As listed in the BIMSTEC Master Plan for Transport Connectivity, the development of Payra Port and upgrading of Mongla Port in

Bangladesh would potentially generate economic benefits for Bhutan and Nepal as well, not just for Bangladesh.

To build up stronger links between India and Sri Lanka to Myanmar, Thailand and further to other Southeast Asian countries, the upgrading of container handling equipment and the development of port facilities on both west and east sides of the Bay of Bengal in India, Sri Lanka and Myanmar are very much crucial. The development of new port in Tamil Nadu, the deepening of harbor basin and approach channel in V.O. Chidambaranar Port Trust, the expansion of inner and outer harbors at Paradip Port, the expansion of Colombo Port combined with the construction of new port facilities in Thilawa, Dawei and Kyaukphyu in Myanmar would certainly reduce traffic congestion as well as time and cost of transportation across the Bay of Bengal, which in turn, will enhance export competitiveness of BIMSTEC member states. Then, intra-trade among BIMSTEC member states and inter-regional trade with ASEAN member countries would eventually boost up.

Embracing and reinforcing the regulatory connectivity

Physical connectivity is necessary, but only physical connectivity is not sufficient. The regulatory connectivity plays an important role in reducing and eliminating barriers to trade and investment within the BIMSTEC region. Regulatory barriers need to be weakened and removed so as to allow cross-border trade among BIMSTEC member states to flow more easily, more quickly and be less costly. Hence, attention is given to tariff barriers and existing trade facilitation-related regulations imposed by national and local governments. With regard to regional trade, the negotiations on the Framework Agreement on the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation Free Trade Area or BIMSTEC FTA must be expedited. The delay in concluding the BIMSTEC FTA negotiations means opportunity loss for BIMSTEC member states. As far as trade facilitation is concerned, bilateral and regional cooperative agreements and implementations at the national and local level are needed in a way to enhance the efficiency for trade and ultimately bring down trade costs for BIMSTEC suppliers.

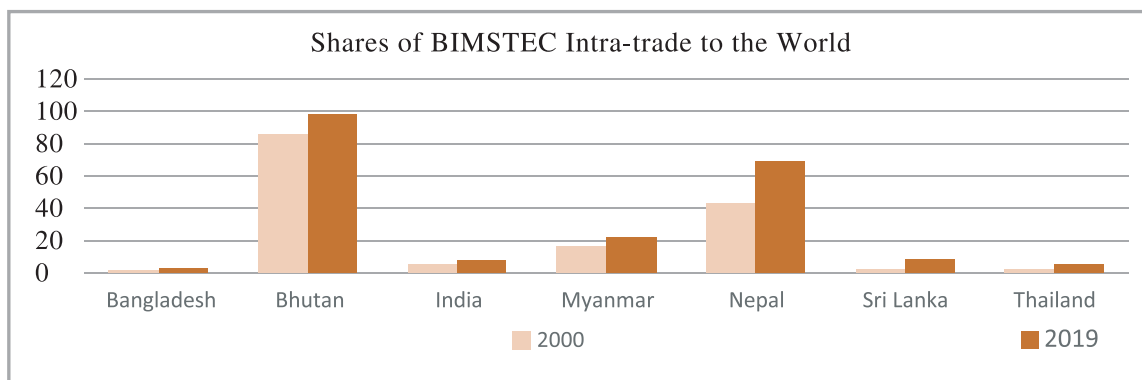
BIMSTEC FTA: Driving force for stronger regional integration

Generally speaking, the BIMSTEC FTA could be a great compliment to existing economic cooperation agreements involving BIMSTEC member states. These include South Asian Association for Regional Cooperation (SAARC), South Asia Free Trade Area (SAFTA) and ASEAN-India Free Trade Area (AIFTA). At the moment, the AIFTA, which entered into force in January 2010, is the only free trade agreement framework that links a BIMSTEC's South Asian member state and Southeast Asian member states together. The BIMSTEC FTA would give tremendous opportunities for all other South Asian member states of BIMSTEC to tighten up economic partnership with ASEAN.

Apart from India, the size of other BIMSTEC member states is relatively small. It is not easy to stimulate economic growth only through their own respective domestic consumption. The BIMSTEC FTA would be a mechanism for relatively small member states to stimulate their economic growth through the expansion of market access across the regions. In addition, the BIMSTEC FTA would be a channel for BIMSTEC member states to strengthen the regional value chains among themselves, and to integrate well in the value chains with ASEAN member countries.

Consider trade dependency of small landlocked countries in BIMSTEC, namely Bhutan and Nepal. Figure 1 illustrates the BIMSTEC member states' share of intra-BIMSTEC exports to the exports to all trading partners in the world. It is clearly seen that Bhutan and Nepal rely heavily on trade with BIMSTEC member states, while such shares for other five BIMSTEC member states ranged from 3 percent to 9 percent.² For Bhutan and Nepal, the shares of intra-BIMSTEC trade in 2019 accounted for 97.59 percent and 68.85 percent, respectively. Not surprisingly, India is the biggest trading partner of both countries. Thus, the BIMSTEC FTA, together with better road links to access to ports in India and Bangladesh, would allow their export destinations and sources of imports to be more diversified. Then the countries would be less dependent on exports and imports with India.

Figure 1: BIMSTEC member states' shares of intra-BIMSTEC exports to their exports to the world



Source: Prabir De (2021). Calculated from DOTS, IMF.

Regarding the progress of BIMSTEC FTA negotiations, the Economic Ministers of BIMSTEC member states have agreed to initiate the negotiations for the Framework Agreement on the BIMSTEC Free Trade Area in February 2004. The primary objective is to improve trade and investment cooperation for the mutual economic prosperity of all BIMSTEC member states. The BIMSTEC Trade Negotiating Committee (TNC) has been

² Prabir De, 'Regional integration in Bay of Bengal region in post-COVID-19 period' (2021) ARTNeT Working Paper Series No. 204/2021 <<https://www.unescap.org/kp/2021/regional-integration-bay-bengal-region-post-covid-19-period>> accessed 18 May 2022

set up with the main function to conduct the negotiations for the agreements on goods, services and investment. But so far, the agreements have not been concluded yet, even though there have been 21 rounds of negotiations. This is the longest duration of FTA negotiations for many of the member states. Lots of opportunity loss would be incurred from the prolonged BIMSTEC FTA negotiations.

Interestingly, the development agenda has received great attention under the negotiations of BIMSTEC FTA. The draft agreement illustrates that special and differential treatments have been given to the BIMSTEC least developed member states namely Bangladesh, Bhutan, Nepal and Myanmar. According to the schedules for tariff concessions for normal track products, it will take longer time for these four countries compared to the other three developing countries. For products under fast track, tariff concessions take shorter for the four LDC member states. The LDC member states would have to reduce and eliminate tariff on normal track products by June 2021, while India, Sri Lanka and Thailand would have to do so by June 2021. These dates were specified in the draft agreement. Certainly, the dates would have to be pushed further upon the conclusion of the BIMSTEC FTA negotiations.

One of the important pending issues for BIMSTEC FTA negotiations is the issue of the rules of origin. The draft rules for determination of origin of goods is one of the annexes of the draft agreement on trade in goods. According to this annex, the regional value content is applied to LDC and non-LDC member states of BIMSTEC. The regional value content is required at 30 percent for LDC member states, while it is 35 percent for non-LDC member states.³ The implication is that it would be easier for LDC member states to be eligible for tariff preferences when they export the products that are produced from high proportion of raw materials from non-BIMSTEC member states. Moreover, the matter on the modality for accumulation still remains under discussion. In comparison with full cumulation, the regional cumulation would be a simpler modality for BIMSTEC member states. Such modality potentially allows greater flows of intra-trade and creates stronger links for the regional value chains in BIMSTEC. At the same time, the adoption of such modality would tend to attract foreign direct investment from external partners.

Considering economic development gaps across BIMSTEC, the special and differential treatments to LDC member states under BIMSTEC FTA set up a level playing field for both LDC and non-LDC member states. The BIMSTEC FTA would be the driving force for stronger economic integration and could be a mechanism for speeding up economic recovery process for all BIMSTEC member states.

Enhancing efficiency for cross-border trade facilitation

Trade facilitation is another component in the BIMSTEC Master Plan for Transport

³ Jayshree Sengupta, 'BIMSTEC-FTA-A new hope for enhance regional trade' (2017) ORF Issue Brief No 198/2017 <<https://www.orfonline.org/research/bimstec-fta-new-hope-enhanced-regional-trade/>> accessed 15 May 2022

Connectivity. The identified flagship projects under this specific component comprehensively covers all aspects of trade facilitation including upgrading facilities and equipment, simplification and harmonisation of procedures and documentation, and the adoption of digital technology for trade facilitation. Apart from technological implementation, it is crucial to adjust regulations and legal frameworks to accommodate the acceptance of electronic submission and verification of documents. According to the Plan, the flagship projects identified for improving regulatory connectivity include, for instance, the rationalisation of documentation requirements, and customs reform and modernisation. These flagship projects are aimed to reduce the bottleneck problem at the customs checkpoints.

For land border crossing, some lessons could be drawn from the GMS. The single window inspection (SWI) and single stop customs inspection (SSI) cooperation should be promoted among the BIMSTEC member states. The SWI allows the export-import information required from different government agencies to be inspected and submitted at one single point at the border checkpoint. While the SSI allows the cargo inspection to be carried out only once in the territory of importing country, instead of carrying out the inspection two times upon departure from exporting country and upon the arrival at importing country. Both SWI and SSI would reduce the duplication of document submission, shorten time for inspection and clearance, and in turn, enhance the efficiency and transparency of trade facilitation system.

Better bridging digital connectivity

Besides physical connectivity and regulatory connectivity, digital connectivity is also an enabling factor for facilitating and simplifying the flow of trade among all BIMSTEC member states. Digitalisation in trade indeed enhances the efficiency and transparency of custom procedures and compliance of trade regulations. It is important to promote and intensify the electronic exchange of data, electronic submission of documents as well as electronic verification for pre-arrival customs processing and clearance. Fortunately, the digital transformation has been progressively embraced recently in response to the COVID-19 pandemic. Good practices have been implemented within BIMSTEC and other regions. These should be continued and developed further. With pre-arrival processes, risk assessment can be conducted and the decision to release goods can be made prior to the arrival of goods at the border checkpoints. Also, there is a need to respond to the increasing trend of cross-border e-commerce. Therefore, the flows of large and small items traded internationally could be through digital connectivity. The implementation of trade digitalisation provides a better chance to reduce time and costs of transportation. In turn, it alleviates the bottleneck problems at the custom points and border areas. Eventually, it improves the competitiveness and facilitates the flows of goods within BIMSTEC and external partners.

In May 2016, the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific was adopted as a UN treaty.⁴ The primary objective is to promote cross-border paperless trade through the electronic exchange of data and documents and interoperability of national and regional single window systems. The framework is open to 53 member countries of United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). The BIMSTEC member states are included. So far, only Bangladesh has ratified the Framework Agreement. All other BIMSTEC member states are encouraged to participate in this Framework Agreement, which is a compliment to the WTO Trade Facilitation Agreement. To support the implementation of paperless trade transactions, knowledge sharing and capacity building are needed. And importantly, the action plan for each of BIMSTEC member states must be realistic and independent, but coordinatively formulated in the way that suit the status of digital readiness of the country. This is to ensure that the implementation of paperless trade transactions would bring significant benefits to all businesses in the BIMSTEC member states.

External partnership for development cooperation: Supporting factor for bridging the connectivity

It is important for the BIMSTEC Secretariat to strengthen the cooperation and explore the opportunity for collaboration with international organisations and development partners. The organisations like the World Bank, Asian Development Bank (ADB), Asian Infrastructure Investment Bank (AIIB) play roles in providing not only loans and grants for developing countries for the construction of physical infrastructure, but also technical and financial assistance for improving multimodal transportation networks. The World Trade Organisation (WTO), International Trade Center (ITC), UN agencies and intergovernmental development cooperation agencies play big parts in providing knowledge, policy advisory as well as capacity development for human resources for BIMSTEC member states. The examples of tangible outcomes from such cooperation include the BIMSTEC Transport Infrastructure and Logistics Study, the BIMSTEC Master Plan for Transport Connectivity, construction of Kawkareik-Eindu Road, upgrading of East-West Highway, Colombo Suburban Railway Development Project and many other infrastructure upgrading projects from ADB and World Bank.

Regarding the cooperation with development partners, a body of BIMSTEC dialogue partners should be established. The dialogue partner countries would comprise of the developed and developing countries that have mandates in providing financial and technical assistance for narrowing development gaps for LDC and other developing countries. The partnership with dialogue partners would lead to closer collaboration with the BIMSTEC Secretariat and member states in coming up with initiatives and appropriate interventions for strengthening physical, regulatory and digital connectivity

⁴ UNESCAP. Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific (May 2016)

for BIMSTEC member states. The development cooperation agencies like the United States Agency for International Development (USAID), Swiss Agency for Development Cooperation (SDC), New Zealand Aid Programme (NZAP) and Japan International Cooperation Agency (JICA), just to name some, are driving forces for poverty reduction and sustainable development in developing countries and least developed countries. These agencies have their mission in supporting the implementation of development cooperation projects with the aim to make better tangible changes in the countries that the assistance is provided. Competitiveness enhancement, strengthening connectivity and digital economy are common strategic priorities for these partners in the recent years. Good examples for the partnership include JICA's support on the construction of roads and bridges as well as the improvement of transport system in Myanmar, Sri Lanka and India. The technical and financial assistance from international organisations and development partners would absolutely help catalyse the connecting of the connectivity among BIMSTEC member states.

Conclusion

To boost up the volume of trade among the BIMSTEC member states, three key dimensions of connectivity, which are physical, regulatory and digital connectivity, must be aggressively connected. As for physical connectivity, the BIMSTEC Master Plan for Transport Connectivity adopted at the 5th BIMSTEC Summit in March 2022 provides the guidance for BIMSTEC member states to take active actions in upgrading and expanding the networks of roads, railways, port and maritime as well as aviation transport. A number of flagship projects have been identified and total budget has been estimated. This Plan is quite ambitious, so it requires solid political will and strong cooperation to drive active implementation.

With regard to regulatory connectivity, it is very much essential to lessen and remove regulatory barriers to trade through the establishment of BIMSTEC FTA and enhancing the efficiency of trade facilitation system. The FTA would serve as a platform for BIMSTEC member states to stimulate economic growth through intra-BIMSTEC trade and to strengthen economic partnership with ASEAN. Special and differential treatments are given to LDC member states of BIMSTEC to create a level playing field with the expectation that all member states would gain equitable benefits from the BIMSTEC FTA. For enhancing the efficiency of trade facilitation, simplification and harmonisation of customs procedures are needed. Also, cooperation on single window inspection and single stop inspection should be promoted with the objective to lower costs and shorten time for clearance at the border checkpoints.

Last but not least, digital connectivity is also an enabling factor to facilitate the flows of trade in BIMSTEC. Indeed, it enhances the efficiency and transparency of custom procedures and regulatory compliances. Electronic exchange of data and electronic verification for customs processing need to be promoted and intensified in order to make

trade flow more easy and less costly. The BIMSTEC member states are encouraged to participate in the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific so as to expedite the implementation of trade digitalisation in their respective countries.

Furthermore, in order to speed up the connecting of all three dimensions of connectivity, support from international organisations and development partners is crucial. A body of dialogue partners should be set up to work closely with the BIMSTEC Secretariat and member states. Technical and financial assistance from external partners would help narrow the development gaps as well as strengthen connectivity among BIMSTEC member states themselves, and between BIMSTEC and ASEAN member states.



Years of
BIMSTEC

Potentials of BIMSTEC as a Vibrant Regional Organization and Its Trade and Regional Integration Process for Catching Up with the Advanced Economies

Damaru Ballabha Paudel

1. Introduction

The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) was established to create an enabling environment for the rapid economic development of the Bay of Bengal region. The founding leaders of BIMSTEC had the desire to develop a firm foundation for joint action to promote cooperation in the areas of trade, investment, technological exchange, and other inter-related regions in a spirit of equality and partnership, thereby contributing towards peace, progress, and prosperity in the area.¹

The leaders adopted the BIMSTEC Charter and approved the reconstituted sectors and sub-sectors of cooperation at the Fifth Summit held in Colombo, Sri Lanka on 30 March 2022. Now BIMSTEC has broadly seven sectors each led by a member state. Bangladesh leads the trade, investment, and development sector; Bhutan - environment and climate change sector; India - security sector (with sub-sectors-counter-terrorism and transnational crime, disaster management, and energy), Myanmar - agriculture and food security sector (with sub-sectors: agriculture, fisheries, and livestock); Nepal - people-to-people contact sector (with sub-sectors: culture, tourism, people-to-people contact forums); Sri Lanka - science, technology, and innovation sector (with sub-sectors: technology, public health, and human resource development) and Thailand - connectivity sector.

BIMSTEC bridges two vibrant growth areas (South and Southeast Asia) and the Bay of Bengal is a very important trading route for many countries. About 25% of the world's traded goods, 70-80% of China's energy imports, and 90% or more energy imports of South Korea and Japan all flow through the Strait of Malacca, the southern end of the bay.² BIMSTEC as a regional group has much potential which can help this region to grow together, enhance regional trade and support the regional integration process. With combined efforts, BIMSTEC can catch up with the advanced economies of the world at a faster pace which will be discussed in the following chapters.

2. Potentials of the BIMSTEC Region

2.1 BIMSTEC: A Region with a Huge Market

BIMSTEC covers 3.69% of the global surface area and about 1.74 billion people (22.05% of the global population) live in this region. India, Myanmar, and Thailand are the three biggest countries in surface areas while Bhutan and Sri Lanka are the smallest.

Bangladesh and Nepal are almost similar in size (see table 1).

Table 1: BIMSTEC Surface Area and Population

Member State	Surface area			Population in 2021			
	in 1000 sq km	% of BIMSTEC	% of World	in millions	% of BIMSTEC	% of World	Density (persons/sq km)
Bangladesh	147.57	3.03	0.11	166.30	9.58	2.11	1240
Bhutan	38.39	0.79	0.03	0.80	0.05	0.01	20
India	3287.26	67.42	2.49	1393.40	80.24	17.69	455
Myanmar	676.59	13.88	0.51	54.80	3.16	0.70	82
Nepal	147.18	3.02	0.11	29.70	1.71	0.38	196
Sri Lanka	65.61	1.35	0.05	21.50	1.24	0.27	350
Thailand	513.12	10.52	0.39	70.00	4.03	0.89	136
BIMSTEC	4875.72	100.00	3.69	1736.50	100.00	22.05	353
World	132,025.20		100.00	7875.00		100.00	60

Source: Author's own, based on World Bank database³ and United Nations Population Fund database.⁴

Since BIMSTEC has more than one-fifth of the world's population, it has been a huge market for goods and services. In terms of size of population, India and Bangladesh have the largest population. Bangladesh is the most densely populated country in the world with 1240 persons living in one square kilometer. BIMSTEC's average population density (353 persons per square km) is much higher than the world average (60 persons per square km).

2.2 BIMSTEC: A Region with a Large Population Dividend

The BIMSTEC region is endowed with a large population dividend. More than two-thirds (67.59%) of the population of the BIMSTEC region is of working age (15-64 years).

Table 2 illustrates that the average percentage of the working-age population in BIMSTEC is higher than the world average (64.50%). Thailand has the largest percentage (70.20%) of the working-age population among BIMSTEC member states while Sri Lanka has the lowest (65.0%). However, all the member states have a larger population dividend than the world average (64.50%). Population dividend is a good asset for economic development.

Table 2: Population Dividend and Agricultural Factor Productivity

Member State	% of the working-age population (15-64)	Labour productivity (USD/person)	Land productivity (USD/hectare)
Bangladesh	68.40	910	2641
Bhutan	69.10	961	405
India	67.40	1244	1506
Myanmar	68.40	1706	1659
Nepal	66.00	546	1528
Sri Lanka	65.00	1458	1149
Thailand	70.20	2727	1474
BIMSTEC	67.59	1365	1480
World	64.50	6918	1021

Source: United Nations Population Fund database⁵ and Economic Research Service database.⁶

The average labour productivity of the BIMSTEC region (USD1365/person) is much lower than the world average (USD 6918/person). Among the BIMSTEC member states Thailand has the highest labour productivity (USD 2727/person) while Nepal has the lowest labour productivity (USD 546/person). In the process of economic transformation, labour productivity increases. This shows that the average level of development of the BIMSTEC region is lower than the world average.

On the other hand, compared to labour productivity, the land productivity of the BIMSTEC region is better. The average land productivity of the BIMSTEC region (USD 1480 /hectare) is higher than the world average (USD 1021/hectare). Among the BIMSTEC member states Bangladesh has the highest land productivity (USD 2641/hectare) while Bhutan has the lowest land productivity (USD 405/hectare). Land is a fixed factor of production as it cannot be created. However, the use of high-yielding varieties, land consolidation, proper use of fertilizers and machinery, land utilization policy, etc., can increase land productivity.

2.3 BIMSTEC: A Rapidly Growing Region

The BIMSTEC region is a rapidly growing region in terms of gross domestic product (GDP). In the decade (1971-1980), the average GDP growth of BIMSTEC was lower (3.95%) than the world average (4.02%). However, the BIMSTEC region showed constantly higher growth than the world in the other four consecutive decades. Compared to the world average (3.18%), BIMSTEC had 5.45% growth in 1981-1990 which slightly decreased to 5.19% (vs 3.00% of world average) in 1991-2000, increased to 6.74% in 2001-2010 (vs 3.01% of world average) and decreased to 4.69% (vs 2.39% of world average) in the last decade (2011-2020).

Table 3: GDP Growth Rate in the Decades

Country	Average GDP Growth Rate of Decades (%)				
	1971-1980	1981-1990	1991-2000	2001-2010	2011-2020
Bangladesh	1.76	4.02	4.68	5.58	6.55
Bhutan	1.51	10.05	4.64	8.93	3.92
India	3.69	5.57	5.60	6.75	5.09
Myanmar	5.24	1.63	6.67	12.18	6.60
Nepal	2.94	4.79	5.00	3.93	4.30
Sri Lanka	5.00	4.20	5.22	5.20	4.09
Thailand	7.48	7.89	4.53	4.62	2.29
BIMSTEC	3.95	5.45	5.19	6.74	4.69
World	4.02	3.18	3.00	3.01	2.39

Source: Author's own, based on World Bank database.⁷

Among BIMSTEC member states, Bangladesh has maintained an increasing growth rate in the consecutive decades reaching an average of 6.55% growth rate in 2011-2020. However, the growth rate of other member states faced many ups and downs. In the last decade (2011-2020), Myanmar had the highest GDP growth rate (6.60%) followed by Bangladesh (6.55%), India (5.09%), and Nepal (4.30%). On the contrary, Thailand has the lowest growth rate (2.29%) in this decade followed by Bhutan (3.92%) and Sri Lanka (4.09%).

As the BIMSTEC region has a high growth rate, it is a vibrant and potential region. Among the least developed countries (LDCs) of BIMSTEC, Bangladesh and Nepal have already fulfilled the criteria to upgrade into developing countries (DCs) by 2026.⁸ Bangladesh has a better possibility for an earlier catch up with the advanced countries if it can maintain its current growth rate and exports.

2.4 BIMSTEC: A Region with Potential for Capital Accumulation

The BIMSTEC region had a very low average foreign direct investment (FDI) net inflow (0.96% of GDP) in 1981-2000 compared to the world average FDI net inflow of the same period (1.27% of GDP). It reached 1.63% of GDP in 2001-2020 with a slight increase. However, it was also far less than the average world FDI net inflow (2.78%) in the same period (see table 4).

The average FDI net inflow in the BIMSTEC member states was about 0-4% of GDP in both periods. Two member states of BIMSTEC which are also members of ASEAN (Myanmar and Thailand) had the highest FDI net inflow while Nepal, Bangladesh, and Bhutan had the lowest.

Table 4: Foreign Direct Investment Inflow and Outflow

Average FDI Net Inflow/Net Outflow (as % of GDP)				
Country	Net Inflow		Net Outflow	
	1981-2000	2001-2020	1981-2000	2001-2020
Bangladesh	0.09	0.89	0.00	0.08
Bhutan	0.07	1.15	0.00	0.00
India	0.25	1.71	0.02	0.60
Myanmar	3.36	3.57	0.00	0.00
Nepal	0.08	0.26	0.00	0.00
Sri Lanka	0.98	1.25	0.03	0.10
Thailand	1.87	2.55	0.16	1.71
BIMSTEC	0.96	1.63	0.03	0.36
World	1.27	2.78	1.29	2.57

Source: Author's own, based on World Bank database.⁹

Some of the member states of BIMSTEC such as Bhutan, Myanmar, and Nepal have no FDI net outflow in both periods because their national policies are somehow restrictive to allow them to invest abroad. However, Thailand, India, Sri Lanka, and Bangladesh have some FDI net outflow.

2.5 BIMSTEC: A Region with a Growing Number of Billionaires

The number of globally ranked dollar billionaires reached 195 in 2021 in the BIMSTEC region.¹⁰ India has 166 dollar billionaires followed by Thailand (26) and Nepal (1). The other member states do not have any dollar billionaires. As the region is growing rapidly, some of the rich business houses are accumulating billions of dollars and investing them in their multinational companies.

Increasing numbers of billionaires in a country will help in employment generation and the growth of the national economy. However, if not directed in the productive sectors by the government policies, it may also widen the gap between the haves and the have-nots.

In 2021, the combined economy of BIMSTEC constituted a total of US\$ 4.03 trillion with an average per capita GDP of USD 2372. Among the BIMSTEC member states, Thailand, Sri Lanka, and Bhutan are above the average and other members are below (see table 5).

Table 5: Income, Competitiveness, and Billionaires in the BIMSTEC Member States

Member State	GDP in 2021 (Billion USD)	Per capita Income in 2021 (USD)	Global Rank of Economy in 2021	World Competitiveness Ranking in 2019	Number of Globally Ranked Billionaires in 2021
Bangladesh	356.0	2,139	42	105	-
Bhutan	2.5	3,296	180	-	-
India	2946.1	2,116	6	68	166
Myanmar	66.7	1,246	77	-	-
Nepal	34.3	1,173	102	108	1
Sri Lanka	80.8	3,666	70	84	-
Thailand	546.2	7,809	26	40	28
BIMSTEC	4032.6	2,372			

Source: Compiled by the author based on World Bank data¹¹, World Economic Forum data¹² and Forbes.¹³

India has the largest size of GDP in the BIMSTEC region which is in the global 6th rank followed by Thailand in 26th rank and Bangladesh in 42nd rank. Thailand is the most competitive among BIMSTEC member states ranking 40th in the world followed by India at 68th and Sri Lanka at 84th.

2.6 BIMSTEC: A Region with a Growing Service Sector

The average contribution of the agriculture sector of BIMSTEC member states in their economy (17.14%) is far more than the world average (6.34%). Their industrial sector's average contribution (29.15%) is a little higher than the world average (28.94%). However, the service sector's contribution (53.70%) is lower than the world average (64.72%), but it is growing faster than other sectors.

Most of the BIMSTEC member states import raw material/intermediate goods for industry and add substantive value to it and send the final product to the international market. Therefore, their agricultural sector is shrinking while industry and service sectors are growing. However, Nepal has a different scenario as it has a less industrial base but more service sector contribution. On average the service sector of BIMSTEC member states is growing fast.

Table 6: Contribution of Agriculture, Industry and Service in GDP

Country	Agriculture	Industry	Service	2001-2020
Bangladesh	14.06	30.54	55.40	100.00
Bhutan	20.23	34.91	44.86	100.00
India	20.19	25.92	53.89	100.00
Myanmar	21.98	36.25	41.77	100.00
Nepal	26.43	12.52	61.05	100.00
Sri Lanka	8.48	30.85	60.67	100.00
Thailand	8.64	33.09	58.27	100.00
BIMSTEC	17.14	29.15	53.70	100.00
World	6.34	28.94	64.72	100.00

Source: Author's own, based on World Bank database.¹⁴

2.7 BIMSTEC: A Region with Potentials of Regional Value Chains

The BIMSTEC region is endowed with cheap labor forces as two-thirds of its population is of working age. It has huge potential for creating regional value chains (RVCs) using micro small and medium enterprises (MSMEs). RVCs can offer opportunities to the BIMSTEC member states to use the backward and forward linkages in their economies to generate multiplier effects. BIMSTEC as a manufacturing hub can create opportunities in the region to climb up the value chain ladder by using the region to boost their competitiveness and produce and export higher value-added products.

Regional industrial clusters can be made to produce regionally branded products. For example, the textile and clothing industry's value chains link from raw cotton to readymade garments (RMG). India is the top producer of cotton in the world which could supply cotton bales in this region. Thailand is good at producing fabrics while Sri Lanka has a competitive advantage in textile designs, and Bangladesh is more competitive in manufacturing readymade garments using those fabrics and designs. Pharmaceuticals production is also a prospective sector in the BIMSTEC region as India, Thailand, and Bangladesh have a good base to produce medicines.

As an economic hub, the BIMSTEC region may have an enormous opportunity to produce manufacturing goods by enhancing the regional capacities of value chains through MSMEs. Similarly, BIMSTEC has the potential to use regional values chains in tourism, construction, financial intermediaries, transport connectivity, and communication sectors.

The process of integration of multi-national enterprises (MNEs) and MSMEs through RVCs create different linkages in an economy generating multiplier effects for economic growth.

2.7 BIMSTEC: A Region with Huge Tourism Potentials

Tourism is one of the major sub-sectors of the people-to-people contact sector of BIMSTEC cooperation among the seven reconstituted sectors of BIMSTEC and this sub-sector is led by Nepal.¹⁵ The promotion of intra-regional, inter-regional, and region-bound tourism is one of the priority areas of BIMSTEC cooperation.

The BIMSTEC leaders have mandated to run circuits tourism and recently, BIMSTEC member states have identified destinations to include in five major tourism circuits called Buddhist circuits, temple circuits, eco-tourism circuits, cruise circuits, and adventure circuits.

Tourism can contribute to the socio-economic development of the BIMSTEC region both by facilitating people-to-people contact as well as creating remunerative jobs for our youths. Due to the civilizational, historical, and cultural linkages in this region, the BIMSTEC region has huge potential for the development of tourism circuits.

2.8 BIMSTEC: A Region with Huge Potential for Clean Energy

In the future, the world would be moving towards clean energy for sustainable development. There is no doubt that the BIMSTEC region has a huge potential for clean energy as it is endowed with abundant natural resources comprising tons of natural gas, a huge capacity of hydropower, and renewable energy potential. As most of the economies of BIMSTEC Member States are the fastest-growing economies, their developmental needs and the daily energy needs of the huge population in this region have created an enormous energy demand.

Therefore, BIMSTEC being a bridging organization between South and Southeast Asia, has provided an opportunity to explore how regional collaboration may build on the energy cooperation between these two regional groupings to ensure the sustainable use of energy in the future. Recently the Energy Ministers in the 3rd Energy Ministers' Meeting has recognized the urgent need to promote energy cooperation and energy trade among the Member States for achieving energy security and greater economic integration in the region.

3. Trade Engagement of BIMSTEC Outside and Within

3.1 Trade of BIMSTEC Member States in Global Markets

The BIMSTEC Member States are open to foreign trade. They are day by day exploring the comparative advantage of their economy to produce goods that can be sold in international markets. They are also trying to gain economies of scale and economies of scope. I summarize and show the major exporting and importing items of the BIMSTEC Member States and their top export and import destination in 2021 in table 7.

Table 7: BIMSTEC Member States' Major Exports and Imports to Global Markets

Member State	Top Export Items	Top Import Items	Top Trading Partners
Bangladesh	Knitwear and woven garments, jute and jute goods, frozen food, leather, pharmaceuticals, etc.	Cotton, machinery and vehicles, mineral fuels and oils, electrical machinery and equipment, iron and steel.	Export: United States, Germany, United Kingdom, Spain, France Import: China, India, Singapore, Hong Kong, Indonesia
Bhutan	Electricity, wood and rubber, silicon, boulders, cement, pebbles, gravel, stone, gypsum, dolomite	Oil and fuels, base metals, machinery and electrical appliances, vehicles	Export: India, Bangladesh, Italy, Nepal, China Import: India, China, Singapore, Thailand, Nepal
India	Engineering goods, Petroleum, jewelry, chemicals, electronics pharmaceuticals, cotton	Mineral fuels, waxes, and bituminous substances; pearls, precious and semi-precious stones; machinery and equipment; nuclear reactors, boilers	Export: USA, China United Arab Emirates (UAE), Hong Kong, Bangladesh Import: China, India, Singapore, Hong Kong, Indonesia
Myanmar	Oil and natural gas, vegetables, wood, fish, clothing, rubber, and fruits	fuel, vegetable oil, vehicles, pharmaceutical products, construction equipment, polymers, tires, and machinery	Export: China, India, Japan, South Korea, Germany Import: China, Japan, India, Indonesia, Germany
Nepal	Soya-bean oil; palm oil; yarns; woolen carpet; jute products; readymade garments;	Petroleum; gold, iron and steel, clothes, pharmaceuticals, electronics, vehicles;	Export: India, Bangladesh, Germany, France, Canada Import: India, China, Indonesia, Argentina, South Korea.
Sri Lanka	Textiles and garments, tea, spices, gems, coconut products, rubber, and fish.	Petroleum, textile fabrics, foodstuffs and machinery, and transportation equipment.	Export: United States, United Kingdom, Germany, Belgium, and Italy. Import: India, China, Iran, and Singapore.
Thailand	Auto parts & accessories, computers, equipment & parts, rubber products, plastic pallets, precious stones, chemicals	Raw materials and intermediate goods, crude oil, machinery, chemicals, iron & steel, electrical integrated circuits, base metals	Export: China, Japan, the United States, European Union, Malaysia. Import: Japan, China European Union, United Arab Emirates, United States.

Source: Author's own, based on World Integrated Trade Solution (WITS).¹⁶

3.2 Intra-regional Trade of BIMSTEC Member States

I have summarized the items that are exported to and imported from partner member states of BIMSTEC in table 8. Each member state has specific items to sell and purchase from other member states. This is making intra-regional trade in the BIMSTEC region possible.

Table 8: Intra-BIMSTEC Exports and Imports

Member State	Major Export to BIMSTEC Members	Major Import from BIMSTEC Members
Bangladesh	Raw hides and skins and leather, articles of apparel, not knit or crocheted, fish, crustaceans, mollusks, aquatics, invertebrates, pharmaceuticals	Cotton, cereals, machinery, electronics, nuclear reactors, boilers, iron and steel, plastics, salt, sulfur, earth, stone, plaster, lime, and cement
Bhutan	Electricity, salt, sulfur, earth, stone, plaster, lime, cement, wood, rubber, silicon, boulders, pebbles, gravel, stone, gypsum, dolomite	Mineral fuels, oils, distillation products, machinery, nuclear reactors, boilers, electrical, electronic equipment, vehicles, iron and steel, cereals, plastics
India	Cotton, cereals, iron and steel, mineral fuels, machinery, nuclear reactors, boilers, Pearls, precious stones, metals, coins, Iron and steel, Vehicles, organic chemicals, fish, crustaceans, mollusks, aquatics invertebrates, aluminum	Pearls, precious stones, metals, coins, animal, vegetable fats and oils, cleavage products, coffee, tea, mate and spices, articles of apparel, not knit or crocheted, organic chemicals, copper
Myanmar	Edible vegetables and certain roots and tubers, edible fruits, nuts, peel of citrus fruit, melons, wood and articles of wood, wood charcoal, cereals, coffee, tea, mate and spices, rubbers, fish, crustaceans, mollusks, aquatics, invertebrates, oil seed, fruits, grain, seed	Machinery, nuclear reactors, boilers, vehicles, pharmaceutical products, iron and steel, plastics, mineral fuels, oils, distillation products, beverages, spirits and vinegar, electrical, electronic equipment, miscellaneous edible preparations, cereal, flour, starch, milk preparations and products
Nepal	Soya-bean oil, Cardamom, the Woven fabric of jute; Black tea, Mixtures of juices etc.	Diesel; Semi - finished products of iron or non-alloy steel; Refined petroleum; liquified petroleum gas; milled rice and paddy, etc.
Sri Lanka	Mineral fuels, oils, distillation products, coffee, tea, mate and spices, edible fruits, nuts, peel of citrus fruit, melons, pearls, precious stones, metals, coins	Pharmaceutical products, rubbers, plastics, sugars, and sugar confectionery, cotton, mineral fuels, oils, distillation products, iron and steel, knitted or crocheted fabric, machinery, nuclear reactors, boilers, vehicles
Thailand	Polymers of ethylene, propylene, etc in primary, chemical products, machinery and parts the roof and refine fuels, Page, animal and vegetable fats and oils, Iron and steel and their products, precious stones and jewelry, motor cars, parts, and accessories, beverages	Natural gas, jewelry, gems, silver bars, and gold, machinery and parts thereof, plants and plants, products, other metal ores, metal waste scrap, and products, chemical products, iron and steel, and their products, fresh, frozen, and dried foods, pharmaceutical products, motor cars, parts, and accessories

Source: Author's own, based on World Integrated Trade Solution (WITS) .¹⁷

3.3 Regional and Global Trade Engagement of BIMSTEC Member States

In 2020 the total global trade was US\$ 34.91 trillion while global trade of BIMSTEC was US\$ 1.23 trillion constituting only 3.53% of total global trade. The intra-regional trade in the same year was US\$ 77.00 billion. The intra-regional trade of BIMSTEC, out of its global trade, was only 6.25% (as shown in table 7). This shows that BIMSTEC is a less integrated region compared to ASEAN (intra-regional trade of 24%) and the European Union (intra-regional trade of 64%).¹⁸

Table 9: BIMSTEC Trade Engagement in 2020

Country	Intra-BIMSTEC trade		BIMSTEC global trade		Intra-regional trade share in global trade (%)
	Volume (in million USD)	Share of countries (%)	Volume (in million USD)	Share in BIMSTEC global trade (%)	
Bangladesh	8,202.62	10.65	76,604.44	6.22	10.71
Bhutan	2,667.97	3.46	2,880.09	0.23	92.64
India	30,491.36	39.60	643,630.43	52.23	4.74
Myanmar	6,446.47	8.37	34,584.50	2.81	18.64
Nepal	7,243.43	9.41	11,398.99	0.93	63.54
Sri Lanka	4,314.61	5.60	26,782.12	2.17	16.11
Thailand	17,640.88	22.91	436,348.36	35.41	4.04
BIMSTEC	77,007.33	100.00	1,232,228.92	100.00	6.25

Source: Author's own, based on DOTS database.¹⁹

In 2020, India had the highest (39.60%) trade share among member states while Bhutan had the lowest (3.46%). Similarly, India had the highest (52.23%) trade share in BIMSTEC global trade while Bhutan had the lowest (0.23%). In the intra-regional trade share in global trade, 92.64% of Bhutan's trade was within the BIMSTEC region (highest) and 4.04% of Thailand's trade was within the BIMSTEC region (lowest).

3.4 Historical Aspects of Intra-Regional Trade in BIMSTEC Before and After Establishment of BIMSTEC

BIMSTEC was established on 6 June 1997 through the Bangkok Declaration. After seven years of establishment of BIMSTEC, the states agreed to establish the BIMSTEC Free Trade Area (FTA) Framework Agreement on 08 February 2004 to stimulate trade and investment and attract outsiders to trade with and invest in BIMSTEC.

Table 7 shows the comparative data of intra-regional trade in BIMSTEC before and after 23 years of its establishment. Intra-regional trade was USD 444.45 million (2.52%) in 1974 while reached a height of USD 96094.88 million (6.37%) in 2018. It decreased in 2019 and 2020 due to the effect of the COVID-19 pandemic.

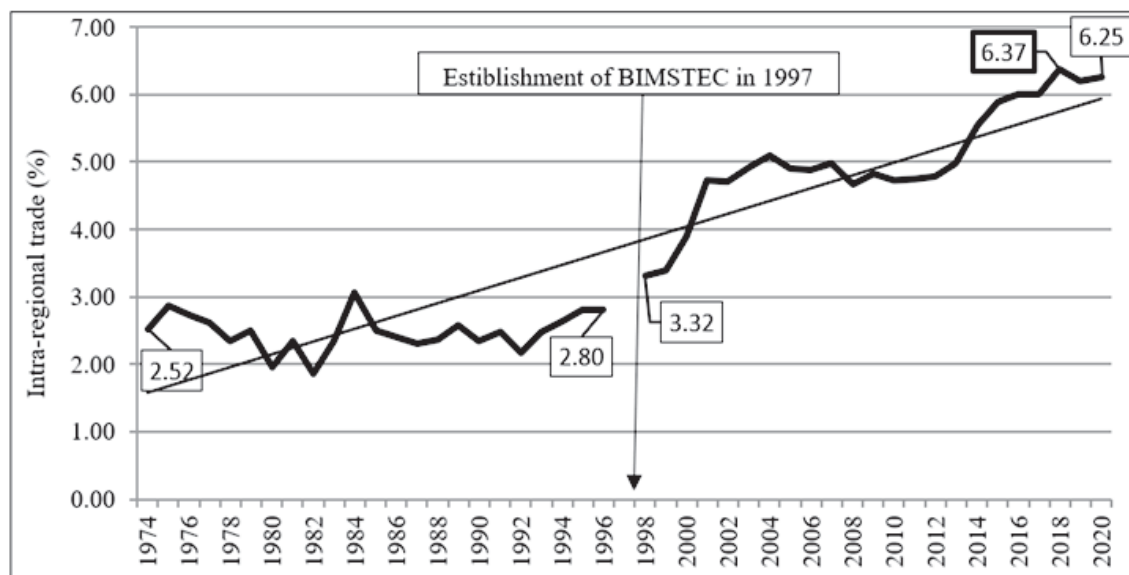
Table 10: Intra-Regional Trade in BIMSTEC Before and After Establishment

Year	Intra-regional Trade			Year	Intra-regional Trade	
	USD millions	Share (%)			USD millions	Share (%)
1974	444.45	2.52	Establishment of BIMSTEC in 1997 (Intra-regional trade: USD 6,333.25 or 2.83%)	1998	6724.31	3.32
1975	553.92	2.87		1999	7514.57	3.38
1976	529.77	2.73		2000	10137.19	3.90
1977	631.59	2.62		2001	12035.57	4.72
1978	670.15	2.35		2002	12966.09	4.71
1979	900.93	2.50		2003	16168.72	4.93
1980	915.35	1.96		2004	20863.12	5.10
1981	1083.98	2.34		2005	25236.05	4.90
1982	862.79	1.86		2006	30017.86	4.88
1983	1065.22	2.36		2007	37178.45	4.97
1984	1495.26	3.05		2008	44298.11	4.67
1985	1219.08	2.51		2009	37654.15	4.83
1986	1199.99	2.41		2010	49084.05	4.73
1987	1392.71	2.30		2011	63288.11	4.74
1988	1837.36	2.37		2012	65690.43	4.78
1989	2321.42	2.57		2013	68876.27	4.98
1990	2582.79	2.35		2014	75892.78	5.54
1991	2893.48	2.48		2015	70860.69	5.89
1992	2835.25	2.18		2016	70009.22	6.00
1993	3512.14	2.47		2017	81385.06	6.00
1994	4460.33	2.64		2018	96094.88	6.37
1995	6277.20	2.81		2019	90841.66	6.20
1996	6293.99	2.80		2020	77007.33	6.25

Source: Author's own, based on DOTS database.²⁰

The chronological data of intra-regional trade of BIMSTEC shows that it has increased over time but not substantially. Delay in the agreement on the constituent agreements of FTA is clearly shown by the nature of the data.

The trend of intra-regional trade share in BIMSTEC is increasing at a slow rate (see figure 1). It was 2.52% in 1974 and reached 2.80% in 1996. BIMSTEC was established in 1997 when the intra-regional trade was 2.83%. It gradually increased to 3.32% in 1998. The highest share was noticed in 2018 (6.37%) after which it decreased to 6.25% in 2020.

Graph 1: Intra-Regional Trade in BIMSTEC

Source: Data from Table 10

3.5 BIMSTEC Free Trade Area and Its Constituent Agreements

The BIMSTEC members are bound by different trade agreements. The five-member states who are also part of the South Asian Association for Regional Cooperation (SAARC) are bound by the South Asian Free Trade Area (SAFTA). Similarly, as Association of Southeast Asian Nations (ASEAN) members, Myanmar and Thailand are signatories of the ASEAN Free Trade Area. India, Myanmar, and Thailand have the ASEAN-India Comprehensive Economic Cooperation Agreement. India also has bilateral trade pacts with Bhutan, Nepal, Sri Lanka, and Thailand. Sri Lanka and Thailand also have bilateral trade deals.²¹

The BIMSTEC Free Trade Area (FTA) framework agreement was signed in February 2004 and included six constituent agreements - Agreement on Trade in Goods, Agreement on Trade in Services, Agreement on Investment, Agreement on Cooperation and Mutual Assistance in Customs Matters, Agreement on Rules of Origin and Operational Certification Procedures, and Agreement on Trade Facilitation.²²

The BIMSTEC FTA covers areas such as the progressive elimination of tariffs and non-tariff barriers; liberalization of trade in services; establishing an open and competitive investment regime; establishing effective trade and investment facilitating measures; establishing appropriate mechanisms for the implementation and simplification of customs procedures, and developing mutual recognition arrangements.

BIMSTEC tariff reduction is divided into fast and normal tracks and two categories; developing countries (India, Sri Lanka, and Thailand) and least developed countries (LDCs) (Bangladesh, Bhutan, Myanmar, and Nepal). It also recognizes that LDCs in the region need to be accorded special and differential treatment given their development needs. Some products are listed in the negative list and will see no tariff reduction. The trade negotiating committee (TNC) held its first meeting in September 2004. The TNC has several working groups to assist in the negotiations, including those on rules of origin, trade in services, investment, and Trade Facilitation.²³

The TNC has held 21 rounds of negotiations to finalize constituent agreements under the BIMSTEC FTA but has been unable to conclude any deal due to a lack of consensus on important issues. At the 21st meeting in 2018, several core elements related to the Agreement on Trade in Goods, and its rules of origin and product-specific rules were agreed upon.²⁴

Agreements on the trade in goods and customs cooperation are expected to be signed soon. Customs cooperation and trade facilitation agreements are being negotiated to remove non-tariff barriers (NTBs). Although the BIMSTEC Economic Forum and BIMSTEC Business Forum were established to promote partnerships between governments and the private sector, the former has been passive since 2011 and the latter since 2016.²⁵

BIMSTEC is not a substitute but an addition to the existing platforms. This is why the FTA must not duplicate or contradict existing or proposed bilateral, regional and multilateral agreements, and must incorporate the spirit of these trade agreements.

4. Regional Integration Process in BIMSTEC

4.1. Stages of Regional Integration

In the process of globalization, the economies of different countries have become interdependent and interconnected. The integration of the economy passes through regionalization to globalization in mainly 6 stages. They are- (1) preferential trading agreement (2) free trade area (3) custom territory (4) common market (5) economic union (6) full economic integration.

While assessing, depending upon the steps of economic integration, none of the economies in the world are in stage 6. The European Union passing from stage 1 is now in stage 5. As the ASEAN region pursues its goal of becoming a highly integrated and cohesive economic zone by 2025, in line with the vision of the ASEAN Economic Community, this region is progressing towards stage 3 while the SAARC region is in stage 2. However, BIMSTEC has entered stage 2 but needs a conclusion of constituent agreements of FTA without delay to maintain stage 2.

4.2. Dimensions of Regional Integration for BIMSTEC

The process of regional integration mainly involves eight dimensions for regional integration for BIMSTEC. They are presented in table 11 as (1) integration of industries and value chains, (2) integration of financial systems, (3) integration of trade and investment, (4) integration of knowledge and technology, (5) integration of climate and environment, (6) integration of infrastructure connectivity, (7) integration of people's connectivity, and (8) integration of institutions and mechanisms.

Table 11: Regional Integration in BIMSTEC

Industries/Value Chains	Financial Systems	Trade and Investment
<ul style="list-style-type: none"> ❖ Regional industrial clusters ❖ Regional value chains via MSMEs ❖ Forward and backward linkages ❖ Regionally branded products 	<ul style="list-style-type: none"> ❖ Regional financial policy ❖ Regional banks and financial institutes ❖ Regional capital markets 	<ul style="list-style-type: none"> ❖ Free trade of goods and services ❖ Free inflow/outflow of capital ❖ Regional supply chains
Knowledge/Technology	Integration in BIMSTEC Region	Climate/Environment
<ul style="list-style-type: none"> ❖ Common regional technology ❖ Sharing of best practices ❖ Transfer of technology 		<ul style="list-style-type: none"> ❖ Sustainable use of regional natural resources ❖ Climate change impact reduction ❖ Disaster warning system
Infrastructure Connectivity	Institutions/Mechanisms	People's Connectivity
<ul style="list-style-type: none"> ❖ Cross-border transport networks (road, railways, airlines, waterways, shipments) ❖ Grid interconnection and energy trade ❖ Common projects 	<ul style="list-style-type: none"> ❖ BIMSTEC meetings ❖ BIMSTEC centers ❖ BIMSTEC entities ❖ Common policies ❖ Joint research and innovations 	<ul style="list-style-type: none"> ❖ Common visa and free movement ❖ BIMSTEC tourism circuits ❖ Common cultural heritage ❖ People's forums ❖ Education and health networks

Source: Author's own, based on different sources.

5. Creation of Opportunity Cost and Interdependency in BIMSTEC

Capital and labor are movable factors of production as they move to places where there is a higher opportunity cost for them. The factors of production of BIMSTEC member states are underutilized and there is an enormous possibility for efficiency gain in the economy (either from reducing inputs and producing the same level of output or producing more output with the same level of inputs).

Moreover, the transfer of knowledge and technology plays a vital role in efficiency gain in developing countries. Efficiency gain will increase the size of the pie of the economy causing high economic growth. Transfer of capital from capital abundant countries to capital scarce countries is very important in the process of economic development. Multi-national enterprises (MNEs) in developed countries invest their money in developing

countries because they have better opportunities of gaining profit in developing countries than in developed countries.

On the other hand, the micro, small, and medium-sized enterprises (MSMEs) in developing countries have capital and technology shortages with fewer marketing opportunities. The collaboration between MNEs and MSMEs is a win-win situation for both of them which will help to create Global Value Chains (GVCs).

MNEs do not have much opportunity to gain profit in developed economies (due to rising input prices and stagnating markets) where there is already full efficiency gain and no further space for the growth of the economy without innovation. Therefore, MNEs in developed countries require new business and production strategies to cut costs and are drawn to invest and shift their factories to developing countries (to reduce transaction costs) where the labor input is cheaper. This is to harness the lucrative benefit of factor endowments and comparative advantage of labor resources in developing countries.

Furthermore, MNEs also may produce some part of their product brand in one country and another part in other countries cost-effectively and assemble the parts in a different country for the exportable final product. This motivates the MNEs in developed countries to make partnerships with SMEs in developing countries creating interdependency in GVCs.

6. Opportunities in BIMSTEC

There is steady economic growth in the BIMSTEC Member States with enormous domestic demand and favorable demography (cheap labor force). Robust economic growth (more than 5% on average), endowments of natural resources, expanding middle class, increasingly well-educated population, diversified economy, and intensive regional integration initiatives are the main causes of attraction of outsiders towards the BIMSTEC region.

This year BIMSTEC is going to celebrate its silver jubilee (25th anniversary) on 6 June 2022. BIMSTEC member states have more than two decades of engagement with each other and recently they have adopted the BIMSTEC Charter. Furthermore, the rationalization and reconstitution of 14 sectors of cooperation into seven sectors and sub-sectors each led by a member state have created many opportunities in the BIMSTEC region.

The Member States can now make a plan of action for the sector they lead with a long-term strategic vision and priorities. They can explore more partnerships with multilateral organizations such as the World Bank, Asian Development Bank (already working with), International Food Policy Research Institute (IFPRI), Organization for Economic Cooperation and Development (OECD), European Union (EU), and also with similar regional organizations such as ASEAN, Indian Ocean Rim Association (IORA), etc. in terms of the issues related to sharing the best practices, investment, education and skills, MSMEs, good regulatory practice, connectivity, tourism and public-private partnership (PPP).

Like in the ASEAN region, MSMEs can play a vital role in BIMSTEC as part of GVCs by combining the movement of capital (investment), labour (employment), transfer of technology, international trade, and promoting research and development, invention and innovation.

BIMSTEC region has an even cheaper labor endowment and big domestic markets than the ASEAN region. Therefore, MNEs in advanced economies have a better opportunity to bring investment in the forms of FDI, joint venture capital, and partnership (e.g., service contract, contract manufacturing, marketing agreements, franchising, licensing agreements, research collaborations, etc.) and utilize local resources through MSMEs in the BIMSTEC member states.

The best practices of MNEs-SMEs collaboration in the ASEAN region can be taken as an example for the BIMSTEC region and be applied with some modifications as per the need of FDI receiving member states.

There are many opportunities to prosper together in the BIMSTEC region. Deeper regional trade and connectivity will reduce the isolation of India's northeastern states and the two landlocked BIMSTEC countries (Bhutan and Nepal) since they will benefit from a reduction in transaction costs among the other countries. Therefore, regional connectivity lies at the core of promoting enhanced transport linkages and intra-regional trade and its development requires a set of coordinated policies and strategies.²⁶

Businesses in the region can also benefit from better access to markets in South and Southeast Asia and can create regional value chains through small and medium enterprises that integrate into the global value chains. In addition, free trade reduces monopoly, lowers prices, and increases economic efficiency. The informal trade can be diverted to official channels and bring revenue and other benefits with the barrier-free trade provisions.

7. Challenges in BIMSTEC

The challenges faced by all the member states of the BIMSTEC region are not always the same, given that they are at different stages of development. As the more advanced economies of the BIMSTEC region such as India, Sri Lanka, and Thailand come under the increasing pressure of declining cost advantages and increasing middle class, they will need more investment and human capital in the skills- and technology-intensive segments of the economy.

On the other hand, the less developed economies of the BIMSTEC region (e.g., Bangladesh, Bhutan, Myanmar, and Nepal) will have to address more fundamental issues, such as basic infrastructure, as a first step towards supporting linkages for regional integration.

In 2020, the average tariff rate in intra-regional trade in South Asia was 5.4 percent, which was higher than in ASEAN (1.5 percent), Latin America (1.3 percent), and Africa (2.6 percent).²⁷ Since tariffs are already low, they are no longer the major barrier to intra-regional trade, but the cost and time to trade remain relatively high. The tariffs have been reduced as a result of global, regional, and bilateral agreements.

However, compared to the tariffs, non-tariff barriers and issues such as a lack of connectivity and infrastructure, high transaction costs, complex customs procedures, and huge informal cross-border trade are obstacles to smooth intra-regional trade. Various domestic compulsions have also prolonged the trade negotiations. The BIMSTEC tariff reduction list is wider than other agreements, and some member states appear to be apprehensive of losing customs revenue and significant harm to domestic industries if the FTA is implemented.²⁸

The COVID-19 pandemic has underlined the need to develop an uninterrupted supply chain for food, medicines, and other basic essential commodities. With the global supply chain severely disrupted as a result of the pandemic, there is an opportunity for more intra-regional trade among the BIMSTEC countries. To seize this opportunity, member states should agree on some trade facilitation measures, including the simplification of customs procedures, the introduction of an electronic tracking system for cross-border container movement, and the acceptance of electronic versions of export-import related documents. They should also conclude the pending BIMSTEC FTA and BIMSTEC Customs Cooperation Agreement to increase the volume of intra-regional trade.

Trade facilitation measures need to be accompanied by efficient transport connectivity to ensure the easy movement of goods and people. Renewed emphasis will be needed to develop a resilient regional transport connectivity system capable of withstanding future disruptions. In this milieu, BIMSTEC member states should consider harnessing the unexploited potential of intra-regional trade to speed up their recovery from the pandemic.

8. Conclusion

At the Fifth BIMSTEC Summit, the BIMSTEC leaders urged the member states to expedite the conclusion of pending legal instruments. The 17th Ministerial Meeting has stressed the importance of enhancing intra-regional trade and investment for economic recovery in the post-COVID 19 periods and called upon the member states to continue the work on the Agreement on Trade in Goods and the Agreement on Cooperation and Mutual Assistance in Customs Matters.

Furthermore, the leaders and the ministers have also encouraged the member states to put in place trade facilitation measures including simplification of customs procedures, the introduction of an electronic tracking system for cross-border container movement, mutual recognition arrangements, and acceptance of electronic copies of export-import related

documents. The FTA will grant all BIMSTEC member states greater market access since it connects South Asia, one of the least economically integrated regions, and Southeast Asia, one of the most integrated regions.

To conclude, the member states, as envisioned by the leaders, need to intensify regional cooperation to strengthen economic and physical connectivity to enhance regional trade, investment, tourism, technology, energy, and other forms of exchanges, including offsetting the economic losses caused by the pandemic to catch up with the advanced economies of the world at a faster rate.

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ADB and BIMSTEC Partnership for Advancing Regional Cooperation and Integration in the Bay of Bengal Region

Kenichi Yokoyama

I. Introduction

1. The Asian Development Bank (ADB) attaches great importance to advancing regional cooperation and integration (RCI) among its developing member countries (DMCs). This is clearly reflected in Article 1 of the ADB Charter, which states that the bank's "purpose" is to foster economic growth and cooperation, and contribute to accelerating the economic development of these countries both collectively and individually. ADB's first formal regional cooperation policy, adopted in 1994, defined the bank's role in supporting RCI. In 2006, the policy set out the four pillars of ADB's support for RCI—cross-border infrastructure (hard and soft), trade and investment, monetary and financial cooperation, and regional public goods. Two years later, ADB's Strategy 2020 made RCI a strategic agenda and a core area of operations. Strategy 2030, the current long-term strategy adopted in 2018, made RCI an operational priority.¹

2. RCI is at the heart of ADB's work with the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), a partnership that began in 2005 when the bank commenced its technical and financial assistance to BIMSTEC. ADB works closely with BIMSTEC to advance RCI in South Asia and Southeast Asia through (i) research and knowledge outreach, (ii) institutional strengthening, and (iii) regional policy dialogues. ADB also supports BIMSTEC through technical assistance (TA) projects and project financing under Greater Mekong Sub-region (GMS) and South Asia Subregional Economic Cooperation (SASEC) programs.

3. ADB's role in advancing RCI in South Asia and Southeast Asia through its support for BIMSTEC and its Member States is evolving and expanding. In the early years of the partnership this focused on research in transport connectivity. But this has gradually widened to also cover institutional strengthening and regional policy dialogue on a wider range of areas, including trade, tourism, financing, and people-to-people exchange. ADB-supported studies are helping shape RCI policies and programs. Institutional strengthening and regional policy dialogue activities have progressively equipped BIMSTEC with the capacity and knowledge to plan, implement, and monitor these policies and programs.

4. To mark the 25th anniversary of BIMSTEC's founding, ADB and the BIMSTEC Secretariat signed a landmark institutionalized cooperation agreement in the form of a Memorandum of Understanding (MOU) on 24 February 2022, which is expected to

¹ ADB. 2018. Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific. Manila.

deepen the ADB and BIMSTEC partnership for furthering RCI in the Bay of Bengal region.

II. ADB's Partnership with BIMSTEC

5. ADB's partnership with and support for BIMSTEC started with the BIMSTEC Transport Infrastructure and Logistics Study (BTILS).² The study recommended policies to clear transport infrastructure and logistics bottlenecks. Endorsed at a BIMSTEC Ministerial Meeting in December 2009, BTILS became the blueprint for transport cooperation among BIMSTEC Member States.

6. The ADB-supported BTILS II, which came out in 2018, updated and enhanced BTILS.³ It identified 167 transport and trade-facilitation projects, some supported by ADB through its country and regional operations under the GMS and SASEC programs. These included the Railway Sector Investment Programs (Bangladesh and India), the Air Transport Connectivity Enhancement Project (Nepal), and the SASEC Road Connectivity Investment Programs (Bangladesh, Bhutan, India, Nepal, and Sri Lanka). Soft infrastructure projects proposed under BTILS II included trade-facilitation reforms for national single windows, streamlining documents, and customs automation, which were part of ADB's policy-based loans and grants for Bangladesh, Bhutan, India, and Nepal.

7. In October 2016, the heads of BIMSTEC Member States in Goa called for a master plan on transport connectivity to guide actions and promote synergies among various connectivity frameworks in the BIMSTEC sub-region to further improve transport connectivity, intra-regional trade, and cross-border value chains in the BIMSTEC sub-region. ADB responded to the leaders' call by supporting the preparation of the BIMSTEC Master Plan for Transport Connectivity. The Master Plan received the strong backing of the leaders of BIMSTEC Member States, who recognize its potential for advancing RCI and economic prosperity. The plan was adopted at the 5th BIMSTEC Summit in March 2022.

8. The Master Plan is designed to guide policies, programs, and projects to promote seamless multimodal transport linkages and simplified transit facilities between South Asia and Southeast Asia.⁴ Key features of the plan include upgrading border and port access roads, and arterial links to borders and ports; improving the rail connectivity of landlocked Bhutan and Nepal, and between ports and their hinterlands; deepening ports and improving container handling; and expanding airport capacity. Given that better port infrastructure and access holds the greatest potential for strengthening transport connectivity between South Asia and Southeast Asia, a strategy emphasizing South Asia-Southeast Asia maritime connectivity could be pursued based on ADB studies on maritime cooperation under SASEC.

² ADB. 2008. BIMSTEC Transport Infrastructure and Logistics Study. Manila

³ ADB. 2018. Updating and Enhancement of the BIMSTEC Transport Infrastructure and Logistics Study. Manila.

⁴ ADB. 2022. BIMSTEC Master Plan for Transport Connectivity. Manila.

9. Another key feature of ADB's support for BIMSETC is its work to facilitate regional policy dialogues, and build institutional capabilities and capacity. Good examples include ADB's assistance in organizing the 3rd BIMSTEC Summit and its related events held in March 2014, and the conduct of all the BIMSTEC Transport Connectivity Working Group meetings. ADB also supported knowledge sharing between BIMSTEC and ASEAN, UNESCAP, and other regional and international organizations. Capacity building and institutional strengthening support was also provided to the newly established BIMSTEC Secretariat, including the development and maintenance of the BIMSTEC website.

10. Recently, ADB has responded quickly to the request of BIMSTEC to prepare timely and relevant studies to tap the great opportunities of its Member States on tourism, trade facilitation, and transport infrastructure financing.

11. Prompted by the collapse of tourism caused by the COVID-19 pandemic, ADB assisted BIMSTEC to prepare a study, *Leveraging Thematic Circuits for BIMSTEC Tourism Development*, which analyzes ways to revive tourism industries of BIMSTEC through the thematic circuits. The study provides valuable inputs that will be needed for drawing up a comprehensive strategy on developing tourism in the BIMSTEC sub-region. The study's recommendations include improving tourism infrastructure, stimulating the sustainable development of the thematic circuits using marketing and branding, and focusing on developing human resources for meeting public and private sector tourism development needs.

12. *The BIMSTEC Trade Facilitation Strategic Framework 2030* was prepared to respond to BIMSTEC's call for promoting intraregional trade by reducing non-tariff barriers. It identifies non-tariff barriers to trade in the sub-region, and provides a structured approach to enhancing the trade-facilitation environment. This effort has four main components: (i) soft infrastructure, including the promotion of increased remote processing and clearances, automation, and the rationalization of documentation; (ii) hard infrastructure, including developing land border facilities, inland clearance container depots, dry ports, and testing laboratories; (iii) logistics, including promoting advanced logistical applications and strengthening linkages between national single windows and port community systems; and (iv) building institutional capacity and promoting mutual cooperation among Member States to facilitate the technical skills transfer.

13. To meet the financing gaps of the projects included in the Master Plan, ADB supported the study on *Financing for Transport Connectivity Infrastructure*, which assesses the financing landscape for infrastructure in the BIMSTEC sub-region, and analyzes the various modes for financing transport infrastructure including public-private partnerships. The study's key recommendations include (i) ensuring adequate enablers for the strategy, planning, coordination, and implementation of projects; (ii) formulating standard contractual agreements and harmonizing technical standards that can be used in

regional projects; and (iii) setting up a BIMSTEC regional fund to help address funding challenges and to better control project preparation and implementation timelines.

III. ADB's Support for BIMSTEC under the GMS and SASEC Programs

14. ADB's projects and technical assistance provided to GMS and SASEC reinforce the support to BIMSTEC above. SASEC priority projects are consistent with the findings of ADB-supported connectivity studies for BIMSTEC (e.g., BTILS) and the South Asian Association for Regional Cooperation (SAARC).⁵ The priorities identified in these studies influenced the selection of priority SASEC corridors and investment projects in the SASEC Operational Plan 2016-2025. GMS priorities are also set by ADB-supported transport and corridor studies. The findings of the Master Plan will contribute to the updating of GMS and SASEC connectivity priorities.

15. **South Asia Sub-regional Economic Cooperation.** (SASEC) promoted regional cooperation in six sectors in 2001 and was rationalized in 2011 to focus on three sectors—transport, trade facilitation, and energy. The results of cooperation in these three sectors have been substantial in tackling some key cross-border constraints impeding trade and economic cooperation among SASEC countries. Recommendations in BTILS and BTILS II contributed to refinements to SASEC priority projects. The SASEC Operational Plan 2016-2025 was the grouping's first comprehensive strategic long-term plan; it prioritized the development of multimodal transport corridors and added economic-corridor development as an area of cooperation. In 2017, the SASEC Vision was adopted to generate synergies among member countries by leveraging resources, industries, and gateways to increase development impacts.

16. Virtual meetings of SASEC nodal officials and working groups in 2020 endorsed the directions of the operational plan and proposed a 3-year action plan for 2022-2024, to be prepared as rolling plans updated every year, to accelerate multimodal corridor development by proactive investment project prioritization, preparation, and implementation by its member countries with the facilitation of ADB resident missions. The action plan has measures to improve access to key gateway ports for enhancing regional value chains and upgrading ports along the Bay of Bengal, which are consistent with BIMSTEC's maritime connectivity program. Recent ADB-supported transport projects in the sub-region focus on completing sections of multimodal corridors and improving the links of BIMSTEC's landlocked countries to gateways.

17. ADB is supporting SASEC efforts to harmonize the trading systems and enhance the logistics efficiency of member countries. The support focuses on expediting cargo clearance, reducing transaction costs, and ensuring efficient compliance management. Another thrust of this support is achieving better coordination in the development of

⁵ ADB supported the preparation of the SAARC Regional Multimodal Transport Study, completed in 2006 and endorsed at the 2007 SAARC Summit in Delhi. The study identified 10 road corridors, 5 rail corridors, and 2 inland waterway corridors, and contained an action plan to remove constraints to connectivity and trade.

cross-border facilities, combined with a multitrack approach for facilitating transnational movements of people and goods. These transport and trade facilitation initiatives under SASEC are consistent with the priorities in BTILS II and the Master Plan. The SASEC program will-subject to further consultations with member countries-be working on strengthening institutional arrangements.

18. Greater Mekong Subregion. (GMS) countries are benefitting from improved cross-border transport connectivity and economic corridor development, including projects under the GMS Regional Investment Framework 2022. They are also implementing the softer aspects of transport development under the GMS Sub-regional Transport Forum, including studies on road asset management and road safety. Soft transport infrastructure issues, such as road safety management, are also being addressed by the SASEC program.

19. Economic corridor development under the GMS program involves both infrastructure and soft components and supporting trade efforts, with all three main corridors covering key sections in GMS countries that are critical for connectivity with South Asia-as called for by BTILS II.⁶ Transport and trade facilitation in the GMS program is embodied in the Cross-Border Transport Facilitation Agreement (CBTA), a single comprehensive legal instrument that covers all nonphysical measures for cross-border land transport.⁷ The CBTA's thrusts are consistent with the trade facilitation strategies in BTILS II and the Master Plan.

20. The GMS program will reach a critical crossroads in 2022 at the conclusion of the Second GMS Strategic Framework 2012-2022, the Ha Noi Action Plan 2018-2022, and the GMS Regional Investment Framework 2022, all of which have been guiding the GMS program over the last decade.⁸ New directions and plans that recognize recent trends and challenges are in the GMS Strategy 2030, adopted by the GMS ministers in 2019 and endorsed at the 7th GMS Summit in 2021. The strategy calls for innovative approaches to utilize digitization and spatial development, and to tap private sector solutions and for the more open participation of stakeholders.

IV. The Way Forward for ADB's Support for BIMSTEC

21. In March 2022, during the BIMSTEC Summit, the heads of the Member States signed the BIMSTEC Charter, clearly stipulating its objectives, principles, and organizational setup and arrangements to pursue the aim of accelerating economic growth and social progress of the region. During the process leading towards the Summit,

⁶ In 2018, the GMS North-South Economic Corridor was expanded to include the Mandalay-Tamu link, part of the India-Malaysia-Thailand Growth Triangle Program's Trilateral Highway Project linking India to Thailand.

⁷ ADB. 2011. Greater Mekong Subregion Cross-Border Transport Facilitation Agreement Instruments and Drafting History. Manila.

⁸ ADB. 2018. The GMS Ha Noi Action Plan 2018-2022. Manila; ADB. 2022. GMS Economic Cooperation Program: Regional Investment Framework 2022. Manila.

ADB and the BIMSTEC Secretariat signed an MOU in February 2022 specifying the cooperation arrangements. ADB appreciates and is privileged to see this as the Secretariat's first MOU with an international organization, and look forward to close collaboration with BIMSTEC to support augmenting their programs and outputs. Under the MOU, ADB will provide technical and financial assistance to BIMSTEC for planning and managing RCI projects and programs, including information exchange, knowledge products, policy dialogue, and knowledge sharing and institutional development activities.

22. BIMSTEC has an ambitious economic and social advancement agenda. Many good progresses have been achieved so far with the efforts of the BIMSEC Member States and the support of development partners. These progresses can be accelerated across various areas including those facing challenges because of enormous resource requirements that have yet to be met, and institutional capacity and systems constraints to tackle the complex development challenges. The MOU provides great opportunity for ADB and BIMSTEC to collaborate more closely to accelerate RCI in the sub-region, particularly in the areas of transport connectivity, trade facilitation, tourism development, and infrastructure financing.

23. One area that ADB will place significant focus is to support the implementation of the Transport Master Plan, which was requested by BIMSTEC. Adopted in the 2022 Summit, the Master Plan has identified 267 projects with an estimated cost of \$126 billion to build, expand, and modernize transport projects. Using the SASEC forum and network of ADB resident missions, ADB is taking stock of the status of these projects and formulating a three-year rolling action plan. On these bases, ADB will facilitate BIMSTEC Secretariat to organize a workshop later this year to discuss the initial progress and arrangements for its implementation, including the financing arrangements of some of the Master Plan projects.

24. ADB would also like to expand the cooperation to other important areas such as energy, environment and climate change, and people-to-people exchange. Following another request from BIMSTEC, ADB is preparing the BIMSTEC grid interconnection Master Plan to provide a framework to enhance power grid connectivity across Member States. The focus of the plan is on the development of inter-connecting transmission line infrastructure to facilitate the intra-BIMSTEC power trade and enhance energy cooperation and gradual evolution to market-based power trade. Likewise, the recently completed BIMSTEC tourism study may also be upgraded to set out holistic regional strategy and plans (encompassing infrastructure, marketing and branding, capacity building, skills development, etc.) covering key the matic circuits across the region, seeking the inputs of Member States and private sector stakeholders. This has huge developmental potentials. ADB may also work with BIMSTEC to develop action plan on climate change, disaster risk management, and environmental conservation.

25. Along with these, ADB will continue to support regional policy dialogues, knowledge sharing, and capacity building activities. Facilitation of knowledge exchange and dialogues with ASEAN, UNESCAP, and other international organizations will also be an important area of engagement. As to the direct engagement with BIMSTEC Secretariat, the first ADB-supported institutional development activity on team building, leadership, and emotional intelligence was held in Dhaka in April 2022 for the Secretariat officials and staff.

26. The geographical contiguity, abundant natural and human resources, rich historical linkages, and common cultural heritage present great potential for BIMSTEC to further promote RCI in the identified areas. With the renewed commitment of the leaders at the 5th BIMSTEC Summit to the program's cause of promoting peace, prosperity, and sustainable development, ADB, for its part, is committed to accelerating and expanding its support to BIMSTEC under Strategy 2030 and through the GMS and SASEC programs to achieve a prosperous, sustainable, resilient, and inclusive Bay of Bengal region.

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The BIMSTEC Secretariat

The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) comprises seven member states namely, Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand. It was established following the signing of the Bangkok Declaration on 6 June 1997. As a sector driven organisation, BIMSTEC works in seven priority areas of cooperation - Trade, Investment and Development; Environment and Climate Change; Security; Agriculture and Food Security; People-to-People Contact; Science, Technology and Innovation; and Connectivity. Each sector is led by a member state who is also responsible for developing the Plans of Action in the respective area for implementation through mutual collaboration and cooperation.

Following the signing of the Memorandum of Association on the Establishment of the BIMSTEC Secretariat on 4 March 2014 during the Third BIMSTEC Summit held in Nay Pyi Taw, Myanmar, the BIMSTEC Secretariat was established in Dhaka, Bangladesh. The Prime Minister of the People's Republic of Bangladesh, Her Excellency Sheikh Hasina inaugurated the BIMSTEC Secretariat on 13 September 2014.

The Secretariat is headed by the Secretary General assisted by the seven Directors deputed from the member states and other supporting staff. The Secretariat functions as a coordinating body for the implementation of BIMSTEC programmes and as a communication channel between the member states and the organisation.



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