

BIMSTEC: Relevance and Challenges

Amitendu Palit, Rahul Choudhury and Silvia Tieri

Executive Summary

As a collective of countries around the Bay of Bengal rim, the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) is unique as a cross-regional grouping between South and Southeast Asia. India is the largest economy of the group, followed by Thailand, Bangladesh, Sri Lanka, Myanmar, Nepal and Bhutan. However, despite being in existence for two decades with a detailed work agenda for cooperation and political congeniality among members, BIMSTEC has hardly progressed. Hopes of the grouping picking up momentum have increased after its 4th Summit in Nepal on 30 and 31 August 2018 which resulted in important decisions like intra-member energy grid connectivity. Prospects of a BIMSTEC free trade agreement (FTA) also appear brighter.

This paper reflects on the composition, potential, priorities and recent developments for BIMSTEC. Concerns over regional geopolitics impeding progress continue to remain. Fast progress also requires the members prioritising the BIMSTEC agenda, particularly on the FTA. As the grouping's largest economies, India and Thailand need to be proactive in this regard. Nevertheless, the positive outcomes from the 4th Summit, as well as encouraging developments like improvement in intra-member transport connectivity, are important steps forward. The main challenge for BIMSTEC is to avoid getting marginalised in the current Asian regionalism discourse dominated by other large upcoming connectivity projects such as the Belt and Road Initiative and the Free and Open Indo-Pacific.

Background

The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) initially came into being as the Bangladesh, India, Sri Lanka, and Thailand-Economic Cooperation (BIST-EC). Proposed by Thailand and formalised in Bangkok in 1997, the combination was the first attempt to “build a bridge linking South and Southeast Asia”.¹ Intra-regional integration between South and Southeast Asia strengthened with the inclusion of Myanmar in 1998, followed by Nepal and Bhutan in 2004. The inclusion of Nepal and Bhutan added a deeper and wider expanse to the territorial and economic geography of BIMSTEC, by drawing in more of South Asia. In 2004, the group rechristened itself to its current identity – the *Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation*. The origins of BIMSTEC pre-date another cross-regional initiative between South and Southeast Asia – the Mekong-Ganga Cooperation (MGC)² – established in November 2000. With a combined economic size of around US\$3.5 trillion (S\$4.84 trillion) and a total population of almost 1.7 billion, BIMSTEC is a sizeable economic geography and a

¹ AFP, 'Lanka in BISTEC: new link to SE Asia', Sunday Times (8 June 1997), www.sundaytimes.lk/970608/news5.html). Accessed on 25 July 2018.

² The Mekong-Ganga Cooperation comprises India, Cambodia, Lao PDR, Myanmar, Thailand and Vietnam.

large market. It is also economically heterogeneous, given the variation in per capita incomes from US\$835 (S\$1,156) [Nepal] to US\$6,593 (S\$9,126) [Thailand] (Table 1). The size of the grouping is overwhelmingly influenced by India, which accounts for 74 per cent of its total economy and 80 per cent of its population. Thailand is the second largest economy, accounting for 13 per cent of BIMSTEC's gross domestic product, while Bangladesh accounts for almost 10 per cent of its population (Table 1).

Table 1: Economic Indicators of BIMSTEC member nations in 2017

S/No	Country	Per Capita GDP (US\$)	GDP (US\$ Billion)	Population (Million)	FDI Stock (Million)	Trade of Goods & Services (US\$ Million)
1	Bangladesh	1,516.5	249.72	164.7	14,557	95,979
2	Bhutan	3,110.2	2.51	0.8	190	1,949
3	India	1,939.6	2,597.49	1,339.2	377,683	1,094,673
4	Myanmar	1,298.9	69.32	53.4	27,806	NA
5	Nepal	835.1	24.47	29.3	1,608	14,052
6	Sri Lanka	4,065.2	87.17	21.4	11,070	44,275
7	Thailand	6,593.8	455.22	69.0	219,368	54,4345

Source: World Bank and UNCTAD

Priority Areas

The BIST-EC's declaration comprised eight areas of potential cooperation. These included trade, investment and industry, technology, human resources development, tourism, agriculture, energy, infrastructure and transportation.³ Cooperation among BIMSTEC members now extends to 14 sectors, ranging from agriculture to public health, which were progressively identified during various ministerial meetings of the forum. Work on each of these areas is monitored by a BIMSTEC member designated as the "Lead Country" (or "Chair Country"), which coordinates with an Expert Group in the implementation of sector-relevant projects.

In addition, two specialised centres have been created to support sectoral cooperation. These are the Energy Centre, focusing on setting the agenda for a concerted energy policy, and the Centre on Weather and Climate, proposed by India during the 1st BIMSTEC Summit and created in 2014 to tackle the transnational threat of climate change.⁴ A BIMSTEC Business Council has also been established to provide a platform to encourage trade and business among member nations.

What BIMSTEC Offers

BIMSTEC is focused less on geo-politics and more on common regional concerns of economic and social development. This should have made it a more fast-moving process. From a South Asian perspective, BIMSTEC allows its members to engage

³ UNCTAD, 'Declaration on the Establishment of the Bangladesh-India-Sri Lanka-Thailand Economic Cooperation (Bist-Ec)', unctad.org/Sections/dite_tobedeleted/ia/docs/compendium/en/BIMSTEC_declaration.PDF. Accessed on 20 July 2018.

⁴ A. Roy, 'BIMSTEC and climate change: Setting a common agenda', *ORF* (Issue No. 203, October 2017), www.orfonline.org/research/bimstec-climate-change-setting-common-agenda/. Accessed on 5 October 2018.

deeper among themselves on a common platform. To an extent, it can cover the deficiencies of the South Asian Association for Regional Cooperation (SAARC) in its attempt to evolve into a meaningful platform for regional cooperation and development in South Asia. The effectiveness of SAARC as a regional forum has been affected by the estranged ties between India and Pakistan – the two largest countries of the subcontinent. Such issues do not affect BIMSTEC. The presence of two large Asian economies – India and Thailand – also balances the economic strength within the group, which is a source of comfort for the other members and reduces their fear of dominance.⁵ The success of BIMSTEC would also help the South and Southeast Asian countries expedite other arrangements/projects involving both regions, such as the MGC, the Asian Trilateral Highway⁶ and the Bangladesh-China-India-Myanmar⁷.

The Indian Perspective

For India, BIMSTEC has been an important political milestone and can assume greater political and economic significance in the future. India's participation as a founding member of the grouping marked an important step forward in its engagement with regionalism. BIMSTEC also fits well in line with India's active strategic interests in increasing interface with its Eastern neighborhood, as outlined in its 'Look East' policy and further expanded in the 'Act East' policy.⁸ BIMSTEC has the ability to connect India's landlocked Northeast with the Himalayan states of Bhutan and Nepal on the one hand, and part of the large economic community around the Bay of Bengal rim on the other. Engagement in BIMSTEC has proceeded in parallel with New Delhi's deeper engagement with the Association of Southeast Asian Nations (ASEAN), with which India's relationship has now been elevated to that of a strategic partner since December 2012.

The difficulties encountered by SAARC in achieving its full potential, including the economic possibilities, have made India keen on exploiting the opportunities from BIMSTEC. One of India's key interests is to promote a BIMSTEC Free Trade Agreement (FTA). This can help to deepen its economic links both with ASEAN as well as South Asia. A successful BIMSTEC FTA can be instrumental in developing India's North Eastern region as a commercial and business hub for Southeast Asia.

BIMSTEC FTA

BIMSTEC adopted a framework to negotiate a FTA in 2004. The Trade Negotiation Committee of BIMSTEC was instructed to expedite its task and conclude the FTA by

⁵ J. Bhattacharjee, 'SAARC vs BIMSTEC: The search for the Ideal Platform for Regional Co-operation', *ORF* (Issue No 226, January 2018), www.orfonline.org/research/saarc-vs-bimstec-the-search-for-the-ideal-platform-for-regional-cooperation/. Accessed on 5 October 2018.

⁶ The Asian Trilateral Highway connects Moreh (India) with Mae Sot (Thailand) via Imphal-Mandalay (Myanmar) and Bangkok (Thailand).

⁷ The Bangladesh–China–India–Myanmar Forum for Regional Cooperation (BCIM) is a sub-regional organisation of Asian nations aimed at greater integration of trade and investment between the four countries.

⁸ The Look East Policy was launched in 1992 and was upgraded and rechristened Act East Policy in 2014.

2014. However, little progress was achieved in this regard. India further pushed the issue during the BIMSTEC leaders' meeting in Goa, India, in 2016.⁹

Apart from India's interests in pushing for the BIMSTEC FTA, the latter holds considerable appeal for all members. A modern FTA allowing sufficient market access among members in goods, services and investment can help in accelerating economic ties among members. The FTA can help in deepening cross-border production links among members and generate new value chains,¹⁰ particularly if it can rationalise various non-tariff measures.¹¹

For the FTA to come into force in the near future, it is imperative that the members overcome some of the major impediments. One such obstacle is the degree of preferential market access that already exists between several BIMSTEC members through other trade agreements. South Asian BIMSTEC members are part of the South Asian Free Trade Agreement, India has bilateral trade agreements with Sri Lanka and Thailand and is linked to Thailand and Myanmar through the India-ASEAN FTA. India's access to the Southeast Asian markets is expected to be further enhanced by the completion of the ongoing Regional Comprehensive Economic Partnership talks. From an Indian perspective, as well as from that of some of the other members, engagement with the same partners in multiple forums might reduce the impetus for another FTA. The progress on the FTA depends largely on the roles played by India and Thailand. Several market access issues, such as the liberal movement of professionals and easy investment conditions in retail operations, are specific demands of India and Thailand. The eventual perceptions of the FTA might also be influenced by the preference of members like Nepal to include China in BIMSTEC,¹² which, both from the economic and strategic vantage points, might complicate the prospects of progress. Nonetheless, the progress on internal connectivity initiatives, such as the transport movement between India, Bangladesh and Nepal, and the advancement of the India-Myanmar-Thailand trilateral highway, are encouraging conditions for progress on a broader trade agreement.

4th BIMSTEC Summit

The 4th BIMSTEC Summit was held in Kathmandu, Nepal on 30 and 31 August 2018. The Summit discussed a variety of issues, including combating terrorism, strengthening regional connectivity, creating robust institutional arrangements for expanding regional co-operation, and enhancing trade and investment among members. The Summit agreed to enhance cooperation in the fields of agriculture, energy, technology, public health and culture. The Summit expressed concern over the adverse impact of climate change and global warming on the fragile Himalayan and mountain eco-systems and their inter-linkages with the Bay of Bengal and the Indian Ocean. In this regard, strengthening cooperation on protecting and preserving

⁹ PTI, 'India pushes for consensus to conclude BIMSTEC free trade pact', *Financial Express* (14 October 2016), www.financialexpress.com/india-news/india-pushes-for-consensus-to-conclude-bimstec-free-trade-pact/418209/. Accessed on 4 August 2018.

¹⁰ P. De, 'Big ideas to shape BIMSTEC's future', *East Asia Forum* (15 September 2017).

¹¹ ASSOCHAM, 'BIMSTEC Economic Integration: Opportunities and Challenges', ASSOCHAM (July 2016).

¹² B. Baral, 'BIMSTEC and the Nepal-India-China Triangle', *The Diplomat* (29 August 2018).

the regional environment to minimise the adverse impact of climate change on local lives and livelihoods appears to have emerged as a priority for the group.¹³

The highpoint of the Summit was the signing of a memorandum of understanding (MoU) among the member nations to establish the BIMSTEC Grid Interconnection. This MoU will provide a framework to cooperate in the implementation of grid interconnections for trade in electricity with a view to promoting rational and optimal power transmission in the BIMSTEC region.¹⁴ This MoU will facilitate the productive use of regional energy resources for mutual benefit on a non-discriminatory basis; promote efficient, economic and secure operation of the power system through the development of regional electricity networks; mobilise capital investment for generating additional capacity; and facilitate power exchange through cross-border connections. The development is significant in two respects. First, it can make a difference to the improvement of electricity supply in the region, given the acute shortage of electricity encountered by several BIMSTEC members. The latter have agreed to take concrete measures to initiate the harmonisation of technical, planning and operational standards to remove barriers to grid interconnections. Second, the model of sharing electricity from the surplus-generating parts of the region to its deficient corners is an ideal framework to expand regional connectivity and can inspire the group to proceed on other forms of infrastructure connectivity as well as in institutional cooperation.

Conclusion

BIMSTEC has been around for more than two decades. It is unfortunate that it has not been able to gather momentum and has remained a low-profile and under-discussed regional association. Several of the issues that BIMSTEC is now discussing were identified years before in earlier BIMSTEC discussions. Unfortunately, BIMSTEC is yet to come out with substantive achievements in these areas. Progress in most of its mandated areas of co-operation is less than satisfactory, including that on the FTA, whose framework was adopted way back in 2004.

The recently concluded 4th Summit offers some hope for tangible progress in the future. Energy connectivity is an important plank of regional cooperation and can galvanise BIMSTEC into action. However, there are concerns over regional geopolitics coming in the way of future projects. This is evident from Nepal and Thailand not participating in the first BIMSTEC anti-terror military exercise conducted at Pune in India from 10 to 16 September 2018, right after the Summit.¹⁵ The proximate reason for the non-participation of these countries was their reluctance to convey the impression to China that BIMSTEC might evolve into an anti-China military forum. While many other issues pertaining to economic, social and human development might not witness such fractures among the members, BIMSTEC must

¹³ BIMSTEC, 'Fourth BIMSTEC Summit Declaration', drive.google.com/file/d/0Bw5iVdDDVNCRTko2ek02Y1F0T3hQemM1NTdjUy1icGZUOGMw/view. Accessed on 5 October 2018.

¹⁴ Press Information Bureau, 'Cabinet approves the Signing and Ratification of MoU for Establishment of the BIMSTEC Grid Interconnection', *PTI* (12 April 2017), pib.nic.in/newsite/PrintRelease.aspx?relid=160976, Accessed on 5 September 2018.

¹⁵ R. Pandit, 'Nepal to stay away from BIMSTEC anti-terror military exercise', *The Times of India*, (8 September 2018) timesofindia.indiatimes.com/india/nepal-to-stay-away-from-bimstec-anti-terror-military-exercise/articleshow/65735379.cms. Accessed on 30 September 2018.

figure out a way of prospering its agenda at a time when other regional projects, such as the Belt and Road Initiative, the Free and Open Indo-Pacific and the Asia-Africa Growth Corridor are far ahead in securing regional participation. BIMSTEC's great challenge is to stay relevant in the contemporary discourse on Asian regionalism, where it risks getting marginalised. Shaking off inertia and proceeding fast on priority areas is of great importance for BIMSTEC, as are efforts to gain greater visibility among the Bay of Bengal community.

.

Dr Amitendu Palit is a Senior Research Fellow and Research Lead (Trade and Economic Policy) at the Institute of South Asian Studies (ISAS), an autonomous research institute at the National University of Singapore. He can be contacted at isasap@nus.edu.sg. Dr Rahul Choudhury is a Visiting Research Fellow at ISAS. He can be contacted at rahulchoudhury@nus.edu.sg. Ms Silvia Tieri is a Research Assistant at ISAS and can be contacted at isasts@nus.edu.sg. The authors bear full responsibility for the facts cited and opinions expressed in this paper.