

BIMSTEC @ 20

BIMSTEC: Overcoming Inertia to Serve as a Truly Strategic Platform

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ABSTRACT Two decades since its inception, the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) has yet to truly succeed as an instrument of regional integration. The primary reason for the group's slow progress is general inertia, or lack of interest amongst its members. There have also been more pressing national and regional issues that have overtaken the group's development. This is set to change under the impetus provided by geopolitical and geoeconomic shifts in the global and regional landscape. India's initiative to invite the BIMSTEC leadership to the BRICS (Brazil, Russia, India, China and South Africa) Summit in Goa in October 2016 was a much-needed boost to the organisation's profile, launching BIMSTEC into a more meaningful and potentially strategic role in subregional cooperation.

INTRODUCTION

The BRICS–BIMSTEC Summit held in Goa in October last year, which included Afghanistan and Maldives, was high on rhetoric. However, the summit was marred by its members' differences over the issue of Pakistan-sponsored terrorism,¹ and by most indications, the future of BIMSTEC as a bridge between SAARC (South Asian Association for Regional Cooperation) and ASEAN (Association of Southeast Asian Nations) is no longer sustainable. BIMSTEC's

goals, therefore, are being redefined to add ballast to India's 'Act East Policy'. The urgency of this task must be seen in the context of China's Belt and Road Initiative (BRI) and the compelling strategic challenge posed by China's muscular geoeconomic and geopolitical interventions in Asia, particularly in India's neighbourhood. Indeed, Asia is the world's new arena of economic growth and cooperation, as well as rivalry and contestations. Though

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maritime disputes in the South China Sea attract global attention, the Bay of Bengal has moved centre stage as the next strategic and economic arena in the Asia-Pacific region. Both BIMSTEC and ASEAN have seminal roles in reintegrating the Bay of Bengal as an economic hub and strategic space.

Asia's geoeconomic landscape is marked by the two fastest-growing economies globally: China and India. South Asian countries such as Bangladesh and Sri Lanka are posting annual GDP (gross domestic product) growth rates of more than six percent.² Myanmar is waiting in the wings to take off economically as it struggles with its political transition. Average annual GDP growth rates in the ASEAN countries are projected at around 4.8–4.9 percent. As ASEAN's fastest-growing economy this year, expanding at 7.4 percent, Myanmar will be leading the pack, followed by Cambodia. At the bottom end will be oil-rich Brunei, growing at 1.1 percent, and the developed economy of Singapore at three percent. Among other major players, Indonesia will grow at 5.2 percent, followed by Malaysia at 4.7 percent, and Thailand at a more moderate 3.4 percent. GDP growth rates in the developed economies such as Australia, Japan, South Korea and Singapore, while lower, remain stable and range between one and three percent.³

The China-sponsored and funded BRI is not the only regional integration initiative in Asia. There are other initiatives of varying ambition and scope. These initiatives may be more modest than the BRI, but they will not only promote integration in Asia but also connect Asia with Africa, the latter being home to some of the world's fastest-growing economies. India is a participant in several of these initiatives, as it supports economic connectivity in Asia and has encouraged connectivity projects such as the

North–South Transport Corridor via Chabahar in Iran.⁴

In Europe, last year's BREXIT has dealt a blow to integration. The US' Trump administration, meanwhile, is actively seeking to renegotiate free trade agreements (FTAs) even as it has abandoned the Trans-Pacific Partnership (TPP). The Transatlantic Trade and Investment Partnership (TTIP) has similarly been rendered a non-starter. Both the TTIP and TPP have been touted as the gold standard of trade deals, with Trade-Related Aspects of Intellectual Property Rights and Intellectual Property Rights standards, covering issues beyond border regulatory standards. In Asia, the Regional Comprehensive Economic Partnership (RCEP) is moving at snail's pace.

The overall picture, therefore, is that some areas show brighter prospects than others and today there is no single way of describing the future of regional integration.

REGIONAL INTEGRATION: WINNERS AND LOSERS

The era of globalisation and expansion of regional trade organisations appears to have gone past its peak and is now receding, except in Asia. For one, the World Trade Organization (WTO) has become dormant and new FTAs are on hold, though an important agreement—WTO's Trade Facilitation Agreement (TFA)—came into force only on February 2017. The agreement aims to cut through bureaucratic redtape and streamline cumbersome customs procedures by expediting the movement, release, and clearance of goods. It also provides technical assistance and capacity-building for all signatory governments that have ratified the agreement and that request such help.⁵

In South Asia, the most important regional organisation, SAARC, is now moribund. In

November last year, the 19th SAARC Summit was scheduled to be held in Islamabad; it was cancelled after four other nations decided to boycott, following India's move to isolate Islamabad for its support of terrorism directed primarily against India. The Pakistan Army believes that its corporate interest is best served by perpetuating hostility towards India and blocking all moves to normalise the two countries' relations. This policy serves China's interest of using Pakistan as a proxy against India. Therefore, Pakistan has directed its energies towards deepening its integration with China, its all-weather ally, via the China–Pakistan Economic Corridor and by blocking all connectivity projects in SAARC and between Central Asia and India. Continental India is, thus, blocked westward and has had to look eastward, as it did in the past when Buddhism, trade and culture spread in Asia during the time of the Kalinga, Chola and Pallava kingdoms.

India has signed and ratified the TFA and set up a National Committee on Trade Facilitation headed by the Cabinet Secretary. Implementation of this agreement will lead to simplification of border-management procedures and adoption of new transparency measures. This will reduce transaction costs of imports and exports, and facilitate smooth movement of goods across borders. So far, 112 members have ratified the TFA, including India. Together with the Goods and Services Tax (GST) implemented by India in July this year, these reforms will facilitate doing business, including within BIMSTEC.

South Asia accounts for less than two percent of world trade and around five percent of Asia's trade, and remains the least integrated region in the world.⁶ It even lags behind sub-Saharan Africa, the Middle East and North Africa. High intra-regional trade and foreign

direct investment (FDI) barriers are very much part of the problem. Intra-South Asia trade is heavily biased towards extra-regional markets. India's trade with its neighbours, for example, is under three percent of its total trade. Meanwhile, SAARC will remain dormant until Pakistan becomes a more responsible stakeholder in South Asia. The onus is now on BIMSTEC countries to make up for the deficit created by a crippled SAARC.⁷

BIMSTEC: TIME TO STEP UP

The BIMSTEC countries are home to a population of around 1.5 billion, approximately 21 percent of global population, with a cumulative GDP of US\$2.5 trillion.⁸ The annual GDP growth rate has averaged around six percent.⁹

Despite having the potential to enhance regional cooperation, BIMSTEC has been sluggish, and so far—due to lack of resources, disinterest, and poor coordination among its member states—has held only three summit meetings: Thailand, 2004; India, 2008; and Myanmar, 2014. The next summit is scheduled for Nepal later this year. The BIMSTEC permanent secretariat was finally set up in Dhaka in 2014. BIMSTEC has identified 14 priority sectors and has signed an FTA (2004) and a Convention on Cooperation in Combating International Terrorism, Transnational Organized Crime and Illicit Drug Trafficking (2009).¹⁰ Implementation has been slow, however.

Growth in intra-BIMSTEC trade, too, has been marginal. Several countries in the group have low rankings in the World Bank's 2016 "Ease of Doing Business" index, the best being Thailand (46/190). Bangladesh is at 176, India at 130, and Sri Lanka at 110.¹¹ The World Bank's "Logistics Performance" index, which uses six

indicators (customs, infrastructure, international shipments, logistics competence, tracking/tracing, timelines), ranks India and Thailand at 35/100 and 45/100, respectively.¹² The other countries are far behind. Various other impediments slow down cross-border private-sector investment, among them, deficiencies in transport and financial connectivity. Very few banks of member countries are allowed to operate across borders in other BIMSTEC countries. Further, the lack of harmonised regulatory regimes constricts trade and investment. Many more obstacles persist in the financial domain, such as capital controls, subsidies and price controls.

In this Asian and global landscape, the salience of BIMSTEC has grown for India to secure its strategic space in the neighbourhood and the Bay of Bengal region. While India is the lead country for four priority sectors—transportation and communication, environment and disaster management, tourism, and counterterrorism and transnational crime—BIMSTEC has to move into areas of strategic cooperation. The organisation is now in discussions for a mutual legal assistance treaty (MLAT) and a motor vehicle agreement (MVA), as well as regarding issues of counterterrorism, power grid connectivity, trade facilitation, and coastal shipping. The trilateral maritime security initiative with Maldives and Sri Lanka can be expanded to the five BIMSTEC countries in the Bay of Bengal littoral. India's Sagarmala project, still at an early stage, can be integrated into the cooperation framework of BIMSTEC. Detailed project reports and feasibility studies are now underway, and the Government of India has announced the creation of the Sagarmala Development Company that will be responsible for identifying port-led projects, assessing risks, structuring the bidding process, and providing

equity support to states and regions. The Asia–Africa Growth Corridor, meanwhile, is another vision that needs to be dovetailed into BIMSTEC's components of development and cooperation projects, quality infrastructure and institutional connectivity, enhancing capacities and skills, and people-to-people partnership. BIMSTEC can function as the hub for connecting Asia-Pacific and the Bay of Bengal with Africa.

Other infrastructure projects are in the pipeline. Among them, a 2015 Asian Development Bank (ADB) study mentions the following:¹³

- Kaladan project;
- A new deep-water port (Kolkata/Haldia), with road and rail access;
- A new container terminal in Chittagong and a new deep-water port (Payra) serving Chittagong;
- Better road connections to the Port of Thilawa; improved port connectivity in East Dagon Township of greater Yangon; development of a new port at Dawei, as well as a deep-water port at Kyaukpyu; and
- Expansion of South Harbour in Colombo; expansion of the deep-water port of Hambantota with a SEZ.

At the 15th BIMSTEC Ministerial Meeting held in Kathmandu in August, India's External Affairs Minister Sushma Swaraj said that this regional organisation was the “natural choice” for India to fulfil its foreign-policy objectives in the neighbourhood towards the East. Swaraj also stressed that strategies to counter terrorism and violent extremism will move centrestage in BIMSTEC, given the centrality of peace and security for development.¹⁴

The joint statement issued after the Kathmandu meeting sums up the future agenda

for BIMSTEC. While a host of domains have been identified for future cooperation, the fiscal constraints demand a prioritisation of sectors for time-bound implementation.¹⁵ A few success stories under the BIMSTEC banner can galvanise interest in the region, and other neighbouring countries can be invited to join specific projects. The India–Myanmar–Thailand trilateral highway project is one such initiative, wherein Bangladesh, Cambodia, Laos and Vietnam can be included, making this an important connectivity corridor from India to Vietnam. A similar plan for railway connectivity is feasible and must be pursued with vigour. International funding agencies such as the ADB have worked on regional and subregional connectivity, and new funding agencies like the BRICS’ Asian Infrastructure Investment Bank (AIIB) can be tapped for international funding.

It is clear that the BIMSTEC FTA should be accorded top priority, along with connectivity, energy, and counterterrorism. A BIMSTEC FTA should provide significant advantages to the least developed countries in the grouping. Yet, this important initiative has languished, overtaken by other regional and bilateral FTAs. FTAs can establish regional and subregional manufacturing and other value chains, boosting development and employment. This will be immensely valuable for India’s less-developed northeastern states. It will also help in the software of trade facilitation in domains such as customs procedures, harmonisation of standards, transborder testing, certification institutions, and non-tariff barriers. As for hard infrastructure, border-trading facilities will improve and reduce cost of trading. Further integration is conceivable, too. For instance, if the special economic zone (SEZ) for India in Bangladesh succeeds, then the FTA will help in attracting Indian manufacturing companies into the SEZ.

The BIMSTEC electricity grid connectivity agreement should be operationalised as soon as possible. A regional and subregional electricity grid can lead to wheeling of power across borders, trading of power, and creation of transmission projects with clear advantages for all countries. Pipelines for oil, gas and petroleum products are another important aspect of energy cooperation. An India-Nepal pipeline is currently being constructed, and talks on another one from India to Bangladesh are also underway. Energy-rich Myanmar can also be brought into the pipeline grid when the hydrocarbon potential of the Bay of Bengal is exploited. As BIMSTEC matures with the successful implementation of its current projects, the future participation of Indonesia and Malaysia will only foster further development.

BIMSTEC seems to be the ideal vehicle available for India to pursue its geostrategic and geoeconomic goals in the Bay of Bengal and the Asia-Pacific in the face of intense competition from China. India has many natural advantages, including its traditional ties with BIMSTEC member countries. Further, with Pakistan absent from this group, there are no major disputes or irritants that can impede cooperation. India’s northeastern states, which lack connectivity and development, will benefit from the renewed focus on BIMSTEC. It will be in the long-term interest of India’s Northeast to have the special laws on investment be drafted for both domestic and FDI for this region.

It is noteworthy that three countries—Myanmar, Sri Lanka and Thailand—were represented by junior foreign affairs ministers during the Kathmandu summit in August. This indicates, albeit obliquely, that BIMSTEC is still not attractive enough for these countries to invest high-level political capital.

While the joint statement lays out the agenda for action, it also reads like a “to-do” list, even after two decades of BIMSTEC’s existence. BIMSTEC must now move into a rapid implementation stage, for which the necessary resources should be injected into the Dhaka-

based secretariat. Given the limited resources available, it will be prudent to divert resources from less critical areas to BIMSTEC to realise its undisputed potential as a subregional organisation and a strategic vehicle for India’s foreign-policy goals. [ORF](#)

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