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Breathing New Life into BIMSTEC: Challenges and Imperatives

ABSTRACT

This paper explores the various opportunities and challenges of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation or BIMSTEC, a unique inter-regional grouping composed of aspiring member countries from South Asia and Southeast Asia. While the grouping has massive potential to contribute to regional cooperation, this paper explores the capabilities of the organisation in terms of meeting the expectations of renewed vigour that have manifested in recent years, underscores the necessary reforms required for such rejuvenation, and analyses the question of whether member states can rise above their propensities towards bilateral engagements in order to effectively utilise the platform offered by BIMSTEC.

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INTRODUCTION

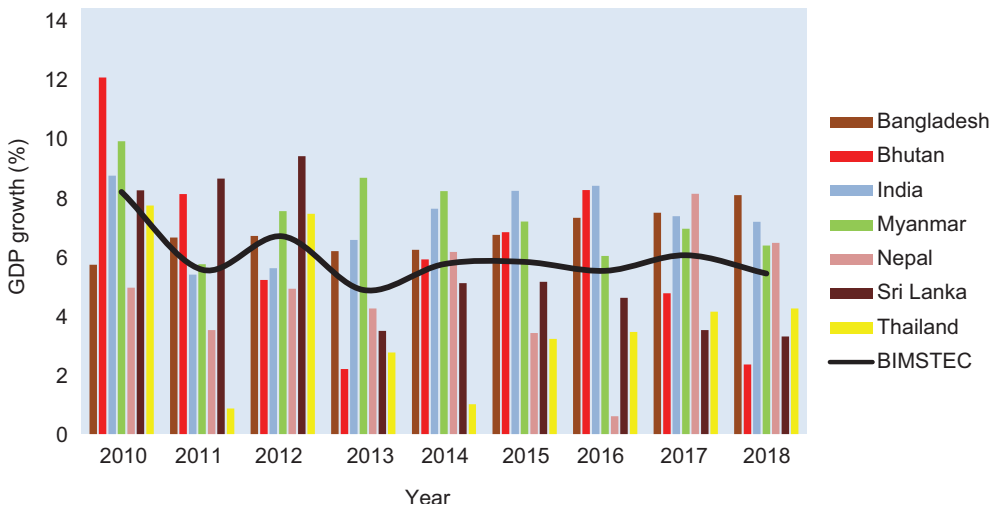
Connectivity between nations or economies across regions is widely considered critical to development. In many parts of the world, efforts towards establishing meaningful networks of linkages and the restructuring of existing ones are underway. In this context, the role of regional groupings like the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) becomes significant as they offer the institutional basis through which efforts for enhancement of connectivity may be undertaken. By facilitating dialogue and creating opportune environments for cross-border cooperation, organisations like the BIMSTEC are uniquely poised to further economic interactions and contribute to the shaping of regions which are more integrated and are better able to cope with global transformations that inevitably affect each and every country.

In recent years, a resurgent Asia is increasingly facing disruptions such as the fourth industrial revolution and free movement of financial capital across economies. In such a backdrop, BIMSTEC, as an organisation focused on sector-specific cooperation, allows scope for combating threats and reaping opportunities that require a transboundary regional approach.

The BIMSTEC—originally IST-EC (India, Sri Lanka, Thailand-Economic Cooperation) and later BIST-EC (Bangladesh, India, Sri Lanka, Thailand-Economic Cooperation)—comprises Sri Lanka, India, Nepal, Bhutan, Bangladesh, Myanmar and Thailand. The member countries have identified 14 sectors of cooperation: trade, technology, energy, transport and communication, tourism, fisheries, agriculture, public health, poverty alleviation, counterterrorism, environment,

culture, people-to-people contact and climate change. The BIMSTEC region comprises 1.6 billion people with a combined GDP of US\$ 2.8 trillion. Over the past five years, member countries have maintained an average economic growth trajectory of 6.5 percent (Figure 1).

Figure 1. Annual GDP Growth Rates of BIMSTEC Nations (%)



Source: Authors' own using World Bank data.¹

Envisioned as a bridge between South Asia and Southeast Asia, the BIMSTEC formed in 1997 has, after almost two decades, resurfaced in the geopolitical imagination of its member countries. As far as regional and sub-regional groupings are concerned, the BIMSTEC has maintained a low profile for most of its existence. Activities of the grouping have been slow with the first ever summit level meeting held in 2004, seven years after the organisation was formed. Over the last couple of years, however, interest in the BIMSTEC has gathered momentum. This calls for an examination of not only the reasons for its revival, but the potential opportunities that the organisation can harness and the scope for its success.

THE BEARINGS OF REGIONALISM

Regional organisations emerged around the world after World War II with the aim of promoting cooperation amongst groups of countries in geographically contiguous areas. These organisations were formed to foster cooperation in issues such as security, economy and politics. Essentially, regionalism and their agencies—regional organisations—are transnational in nature as they seek to facilitate collaboration amongst countries located in the same region. In this sense, the BIMSTEC is singular in nature as it straddles two regions—South Asia and Southeast Asia. While earlier it was understood that regional groupings operate primarily through the theory of functionalism which indicates that certain functions are better accomplished through collective action, greater emphasis is now accorded to the idea of neo-functionalism which underscores the importance of the interplay between politics and economics in determining inter-state behaviour.²

The 1980s witnessed the rise of what is referred to as “new regionalism”—the creation of new trade blocs, or else the strengthening of existing ones. The BIMSTEC was also formed with the aim of strengthening economic cooperation and improving the socio-economic conditions of member countries. Economic regionalism assumed significance with the growth of export-led economies, the transition of many countries to a market economy, and the realisation that through the utilisation of the platform provided by regional organisations, many countries had a better opportunity of exercising influence at global bodies like the World Trade Organization (WTO).³ At the same time, it is also true that countries in the South Asian and Southeast Asian regions have typically engaged bilaterally rather than multilaterally, which could be due to either one of two reasons: the absence of effective institutional mechanisms, or as the ramification of

political dynamics which often become complex with the participation of more than two countries. At the same time, however, smaller countries generally prefer multilateral frameworks of engagement that offer a check on asymmetries of power which may exist in a bilateral context.

At its core, regionalism provides a platform for different countries to pool their strengths and create solutions to challenges that they cannot address by themselves. In a world that is increasingly interdependent and in the face of circumstances and predicaments that are unique to rapidly evolving socio-economic systems, it is all the more essential and largely natural for countries to work together. Thus, integration of countries around the Bay of Bengal—the largest bay in the world—is at the heart of BIMSTEC. By focusing on sector-specific aspects, the organisation creates opportunities for countries to work incrementally towards the mitigation of endemic issues and, in the process, forge deeper ties which can be sustained beyond the compass of identified sectors of functioning.

The Re-emergence of BIMSTEC: Reactive Regionalism?

While the BIMSTEC arrived with potential as well as promise, as an organisation it has remained largely dormant for the better part of its existence. The reason for this can be attributed to factors such as the absence of any immediate threat which may spur cooperation amongst member countries; the structural weaknesses which have hindered the grouping from assuming a more active role; and domestic political issues overshadowing the requirement for multilateral engagements. Over the last few years however, there has been a marked shift as member countries indicated the intent to revive the organisation and build up their participation.

It is noteworthy that this development coincides with a renewed interest in the Bay of Bengal as a region for enhancing maritime connectivity and commerce. In the wake of an increasingly assertive China, regional geopolitics in South Asia and Southeast Asia since the turn of the millennium, and more so since 2010, have revolved and continue to do so primarily around questions of geostrategy and the preservation of a rules-based order. Beijing's footprints have expanded in the Bay and the country's 'market imperialistic' designs loom large across the region.⁴ China finds immense opportunities to exploit both the input and the product markets in the region that offers cheap labour, a repository of natural resources, and a young population with incomes rising at one of the highest rates in the world.

Beijing has sought to diversify its sources of acquiring energy while also creating access for its landlocked southwestern provinces, especially Yunnan, through the "bridgehead" strategy.⁵ China's presence in the Bay is also linked to the much more expansive Belt and Road Initiative (BRI). The province of Yunnan assumed significance as the commercial interactions of China with Southeast Asia increased and the government announced the Yunnanese strategy in 2010⁶ to act as a bridgehead to both South and Southeast Asia. Yunnan is also vital for securing oil and gas from Myanmar. From Kyaukphyu in the Sittwe province in Myanmar to the city of Ruili in Yunnan, China, the 771-km-long crude oil pipeline has been in operation since 2017 and the gas pipeline, which runs parallel, extends from Ramree Island in Myanmar to Yunnan.⁷

Besides energy, securing maritime access to the Bay of the Bengal as well as strengthening its naval attendance is also an important component of China's presence in the Bay. China has not only periodically announced its presence in the Bay via submarines and other

vessels, it has also assisted countries like Bangladesh and Myanmar to raise their naval capabilities through vessels, anti-ship missiles and patrol crafts. Despite Beijing's assurances to the contrary, the BRI has induced concerns amongst countries in the region due to the persistent ambiguities regarding the extent and intent of China's engagement. All BIMSTEC members, except India and Bhutan, are signatories to the BRI with Beijing's influence most pronounced in Nepal and Myanmar and also in Sri Lanka and Bangladesh, albeit to a varying degree. India has been wary of the BRI for geopolitical reasons, trade deficits and possible market incursions and there is a divergence in thinking among other member nations in terms of their approach towards China and BRI.

In order to balance China's growing involvement, many countries have signalled their intent for deeper cooperation with India. India has been engaged in naval modernisation programmes in Myanmar and Sri Lanka as well as connectivity and infrastructural engagements with all BIMSTEC member countries.

The re-emergence of the BIMSTEC therefore is indicative of "reactive regionalism" as it has come as a response to the growing influence of China in the region as well as the recognition of the futility of SAARC.⁸ As opposed to this, "proactive regionalism" involves tapping dormant opportunities through cooperation or joint endeavours. If the renewed interest in the BIMSTEC is to be sustained, then member countries should play a more proactive role by investing in essential resources. Otherwise, the organisation will once again recede into the background. Indeed, SAARC and BIMSTEC should not be viewed as alternatives to be picked up only when the circumstances prompt, but rather as separate entities with scope for both to function complementarily. The success of regionalism has largely depended on proactive steps driven

by political will. What pulled BIMSTEC back for a long time was lack of political will; even today, little resources have been invested in this institution to make it a formidable success, despite the noise being made around it of late.

STUBBORN CHALLENGES TO BIMSTEC REVIVAL

Much Needed Institutional Internal Reforms

It has long been acknowledged that for BIMSTEC to be able to effectively operate, several reforms are necessary in the structure of the organisation. Persisting organisational weaknesses, inconsistent levels of commitment and a general ambiguity regarding how to engage with other institutional actors have been the key reasons hampering the functioning of the organisation.⁹ The dormancy that has beset the organisation for two decades is largely due to two factors—absence of effective and sustained political will among member countries and following from this, a lack of resources in terms of both finances as well as manpower which could have kept the workings of BIMSTEC active and extant.

The most important feature of the Kathmandu Declaration is that it identifies the much required institutional reforms for the organisation. A total of 13 aspects have been identified in the Kathmandu Declaration for empowering the grouping and for expanding its scope and efficacy. Of the 13 aspects, the key reforms are as follows. First, it recommends the adoption of the BIMSTEC Charter which is an extension of the Bangkok Declaration of 1997 and maps the vision and objectives of the organisation together with the responsibilities of all member countries. Second, it calls for the establishment of a BIMSTEC Permanent Working Committee and BIMSTEC Centres and Entities. The former

will be tasked with the administrative and financial matters of the organisation, scheduling of meetings and looking into the operational aspects of the BIMSTEC. Third, the Declaration directs the concerned entities of member countries to assess the scope of establishing a BIMSTEC Development Fund which will comprise contributions of member countries and be expended towards research and planning, financing of projects and other activities. Fourth, it was acknowledged that enhancement of the institutional capacity of the Secretariat is vital to improve operational capacity and to coordinate the implementation of programmes and projects under the purview of the organisation. Fifth, it was decided that efforts would be made to improve the visibility of BIMSTEC. This is essential as even after being in existence for over two decades, there is very little visibility of the grouping in international forums. Besides these aspects, the Declaration also saw member countries agreeing to expedite pending internal decisions and step up cooperation among members.

These structural reforms would be crucial in the forthcoming years and would test the intent of member countries to cooperate through the institutional platform of BIMSTEC. The possibility of a permanent representative—similar to the UN—at the Secretariat in Dhaka is also under consideration to enable ambassadors of member countries to meet on a regular basis to discuss issues related to the grouping. Such an arrangement will facilitate a greater frequency of interactions to monitor the progress of the organisation. On paper, the summit in Kathmandu Declaration is dynamic as it presents a vision, acknowledges necessary reforms and mentions—albeit in broad and general terms—the course for forward action. It also acknowledges that cooperation and pooling together of individual strengths will be beneficial for their betterment and hence the willingness of the seven members to revive the BIMSTEC.

Physical Infrastructure

The BIMSTEC region is beleaguered by poor road and rail connectivity, insufficient last-mile links and cumbersome customs and clearance procedures which hamper trade. Physical infrastructure is essential for linking the region not only in terms of boosting connectivity and trade but also for facilitating people-to-people interactions. The Bay region has been increasingly attracting the involvement of extra-regional powers for whom a key area of association is the creation of new physical networks. While the many agreements that are in the pipeline are estimated to be beneficial for improving regional communication and infrastructure, the onus of implementation and devising mechanisms which would facilitate rather debilitate linkages rests on the will of the member countries. In the absence of intent, the BIMSTEC would once again be resigned to paper with little to show for its years of existence.

The coming years will most likely be characterised by a “theater of convergence and competition for China’s Belt and Road Initiative, India’s Act East policy, and the Asia–Africa Growth Corridor.”¹⁰ It is up to the BIMSTEC members to navigate and steer the revived momentum effectively in order to weigh in more on convergences. As Xavier writes, the Bay would be at an advantage if it is able to recapture the interconnectivity of the past.¹¹ For BIMSTEC to evolve into a functional and vibrant platform, it is imperative that expanding and deepening connectivity among the Bay littorals be treated with utmost importance.

Negotiations and Implementations: A ‘Not so Good’ History of Divergent National Visions

There exist significant asymmetries among the BIMSTEC countries which cannot be overlooked when it comes to conducting negotiations

as well as implementations. For instance, in terms of socio-economic development, despite being politically sensitive, Thailand has made great strides and graduated from a low-income country to an upper-income country in a very short time span,¹² with strong indicators in education, healthcare and social security together with extensive infrastructure and communication projects. Sri Lanka has the best social security indicators in South Asia¹³ with significant decrease in poverty. Political stability remains key to the country's future development and economic prosperity. Nepal has a dynamic services sector with tourism being a vital component of the economy which aims to reach middle-income status by 2030. After many years of political instability, Kathmandu in recent years has become comparatively more stable than it was previously. The main challenge lies in the domestic political climate. Compared to other member countries, Myanmar is possibly the most unreliable in terms of its domestic politics which has an international bearing due to the Rohingya crisis.

Myanmar is rich in natural resources and offers cheap labour like Bangladesh. As the only carbon-negative country in the world, Bhutan is understandably protective about the conservation of its environment and has grown steadily with hydropower being the dominant contributor to its economy which has helped in narrowing the current account deficit with sustainable public finances.¹⁴ The momentum that BIMSTEC seems to be gaining needs to be maintained taking cognizance of these asymmetries so that the strengths of individual member countries can be leveraged for the success of the organisation.

Connected histories have the potential to bring together as well as create divisions and this aspect has played a significant role in the development of bilateral and multilateral relations among the BIMSTEC member countries. In the post-colonial years, these

countries experienced a bumpy ride and are today at various levels of socio-economic progress. While the baggage of history has at different moments over the years proven to be a thorn, the future may prove to be shaped by approaches to contemporary issues which are delinked from the bearings of the past.

POTENTIAL OPPORTUNITIES FOR BIMSTEC

In Conjunction with National Geo-economic/ Political Aspirations

The objectives of the BIMSTEC are in conjunction with India's policies of 'Neighbourhood First' and 'Act East' which are geared towards enhancing physical connectivity through the establishment of new and upgradation of existing road, rail and maritime linkages to boost trade and people-to-people interactions. As the largest economy in BIMSTEC, India has a leading role to play in the organisation, and New Delhi in recent years has expressed its intent in building deeper ties with its neighbouring countries (which includes all BIMSTEC members). Mention must be made here of the country's Northeastern states which geographically and strategically form the gateway of South Asia to Southeast Asia. The Northeastern states are a vital land connect between the two regions and can play an important role in terms of being an economic corridor. As has been the general situation with land connectivity networks in South Asia, for decades the potential of the Northeastern states has remained under-utilised. Renewing these land connects would offer a much needed fillip to the reinvigoration of the BIMSTEC as well as to boost the socio-economic prospects of these states.

For the landlocked countries of Bhutan and Nepal, greater integration with BIMSTEC implies increased opportunities for access

to the Bay of Bengal and also to the countries of Southeast Asia. By straddling South and Southeast Asia, BIMSTEC offers chances for a greater maritime role for Sri Lanka which is already a developed maritime hub in South Asia. Conversely, BIMSTEC provides Thailand and Myanmar with connectivity and access to South Asia and hence also enables them to balance their involvements with Beijing.

For these reasons, besides the impetus provided by concerns regarding China, countries of the region have been stepping up engagements between and among themselves in recent years. While these engagements have been taking place mostly bilaterally, in the context of BIMSTEC too, there has been momentum among members. In both the Leaders' Retreat held in 2016 and the Fourth Summit held in 2018, member countries affirmed that pending agreements would be finalised and deeper cooperation would be sought. Agreements that are pending finalisation include BIMSTEC Convention on Mutual Legal Assistance in Criminal Matters, BIMSTEC Convention on Cooperation in Combating International Terrorism, Transnational Organized Crime and Illicit Drug Trafficking, BIMSTEC Free Trade Area negotiations, establishment of BIMSTEC Cultural Industries Commission and BIMSTEC Cultural Industries Observatory and implementation of the BIMSTEC Transport Infrastructure and Logistics Study and the BIMSTEC Poverty Plan of Action.¹⁵ The BIMSTEC Memorandum of Understanding on Grid Interconnection was signed in 2017 for facilitating energy cooperation, optimal utilisation of energy resources and the development of regional electricity networks. The first ever military exercise MILEX was held in 2018 which saw the participation of the militaries of all members except Nepal and intended to augment interoperability and exchange best practices on counterterrorism.

Connectivity and Trade

Connectivity and trade are among the priority areas for cooperation among BIMSTEC members and given that the region is one of the least integrated in the world, there is a lot of scope to enhance connectivity and thereby strengthen intra-region trade links. Besides the pending agreements mentioned earlier, the BIMSTEC Coastal Shipping Agreement (CSA) and BIMSTEC Motor Vehicle Agreement (MVA) are also in the offing. The CSA aims to facilitate shipping along the coastlines within a distance of 20 nautical miles to boost trade among member countries.¹⁶ Once it is in effect, the agreement will ease the movement of cargo with the use of smaller vessels better suited for movement along the coast and reduce expenses. A draft agreement prepared by the Ministry of Shipping, Government of India in 2017 is awaiting its finalisation. The CSA also involves ‘Connect the Connectivities’¹⁷—an initiative proposed by Thailand for connecting BIMSTEC members via a network of ports.

A text for the MVA was also drafted in 2018 and it seeks to integrate existing bilateral, trilateral and multilateral connectivity projects such as the Kaladan Multimodal Transit Transport Project and the Trilateral Highway under the MVA.¹⁸ The MVA is expected to enable seamless movement of cargo by road and address or to begin with, at least mitigate the multifarious challenges faced in cross-border trade. The MVA is also likely to ease the movement of people among member countries. Nevertheless, it is probable that agreement on the BIMSTEC MVA would not be smooth sailing. Concerns have already been raised by Thailand regarding domestic transport owners who would be at a disadvantage because vehicles from the origin country would be able to enter and move within any other member country. Similarly, it is also possible that Bhutan, which backed out of the Bangladesh–Bhutan–

India–Nepal (BBIN) MVA citing environmental concerns, would object to the BIMSTEC MVA for the same reasons. Due to Bhutan’s reservations, Bangladesh, India and Nepal are likely to move ahead with the passenger and cargo protocols for the implementation of the MVA as discussed at the latest meeting of the grouping in February 2020 which took place after two years.¹⁹

While negotiations on a BIMSTEC Free Trade Agreement (FTA) have been underway since 2004, it is often contended that the FTAs may not always be beneficial for the parties concerned. While regional trade agreements enable the integration of Micro, Small and Medium Enterprises with regional and global value chains and diversify consumer choice, FTAs can also result in disproportionate benefits for members despite creating jobs and alleviating poverty.²⁰ India, for instance, entered into a number of FTAs between 2000–2010 which resulted in an increase in the country’s trade deficit due to higher demand for imported commodities and a weakening of tariff and non-tariff barriers. Nonetheless, FTAs are often preferred as over time, they can lead to a levelling of capacities, boost productivity and improve quality. Finalisation of the FTA is also incumbent upon the improvement of connectivity linkages.

In this context, there may be a feeling in certain corners that since India has lately moved out of the Regional Comprehensive Economic Partnership (RCEP), it may also go slow with the BIMSTEC FTA. However, the conditions prevailing in the case of RCEP are not the ones prevailing for BIMSTEC. There are much greater complementarities in trade that exist in BIMSTEC from the Indian perspective than what existed for RCEP. It has also been argued that the long-term costs of India’s participation in RCEP are high and can exceed the benefits!²¹ However, such cost heads do not prevail for BIMSTEC. From that

perspective as also from the perspective of scale, BIMSTEC FTA and RCEP cannot be compared, and decisions pertaining to one cannot bear upon the other.

Till date the following have been discussed: (i) tariff concessions on trade in goods; (ii) customs cooperation; (iii) trade in services; (iv) investment cooperation; and (v) dispute settlement with four draft agreements on—trade in goods; rules of origin; dispute settlement; and customs. A study on value chains in the BIMSTEC region²² found that while the involvement of BIMSTEC member countries in global value chains has steadily increased during 1995–2011, the participation of India has been more global than regional while the participation of Thailand has been more regional than global; and the backward linkage participation of Thailand made the production of relatively high-value added products and services possible while India remained restricted to the production of relatively low-value added products and services. The study also found that the creation of regional production networks would make way for the integration of some of the regional value chains with global ones.²³

Limited purchasing power, inadequate production capabilities, substantial informal trade and restricted product categories are responsible for the very low trade among the member countries.²⁴ However, as seen in Tables 1 and 2, intra-regional trade is higher within the bloc compared to the global share with there being a greater degree of commercial exchanges among members except India and Thailand as these two countries are more exposed to global trade than other member countries. The trade intensity indices (the ratios of a trading partner's share to a country/region's total trade and the share of world trade with the same trading partner) within the regional bloc in 2017 for Bangladesh (3.05), Bhutan (24.18), Myanmar (5.32), Nepal (17.32),

and Sri Lanka (4.96) indicate the heavy dependence of the nations on intra-regional trade. This evidently displays the excellent potential to develop a free trade area or a free economic zone to reap the benefits.²⁵

Table 1. Trade Intensity Index of Member Countries within the Regional Bloc

Year	Bangladesh	Bhutan	India	Myanmar	Nepal	Sri Lanka	Thailand
2004	4.97	35.68	1.67	15.32	26.50	6.70	1.07
2005	4.58	34.78	1.45	16.18	26.08	7.40	1.08
2006	3.96	30.02	1.30	17.40	25.34	6.99	1.12
2007	4.11	30.32	1.25	14.74	24.24	7.43	1.12
2008	4.13	29.60	1.00	14.47	21.63	5.98	1.11
2009	3.38	28.49	0.93	14.09	19.60	4.83	1.17
2010	3.41	23.99	0.89	11.87	19.44	5.05	1.01
2011	3.28	22.00	0.87	9.05	18.68	5.52	1.04
2012	3.01	23.80	0.88	10.03	18.47	4.95	0.98
2013	2.95	24.77	0.96	8.06	18.25	4.11	1.05
2014	3.00	25.04	1.11	6.83	18.40	4.86	1.12
2015	2.74	24.30	1.16	6.35	16.98	6.16	1.12
2016	2.74	25.56	1.20	6.35	18.18	4.77	1.06
2017	3.05	24.18	1.11	5.32	17.32	4.96	1.10

Source: Asian Development Bank.²⁶

Table 2. Trade Share of BIMSTEC with the World

Year	Trade share	Year	Trade share
2004	4.91	2011	4.74
2005	4.77	2012	4.78
2006	4.74	2013	4.98
2007	4.89	2014	5.56
2008	4.66	2015	5.89
2009	4.82	2016	6.00
2010	4.74	2017	6.00

Source: Asian Development Bank.²⁷

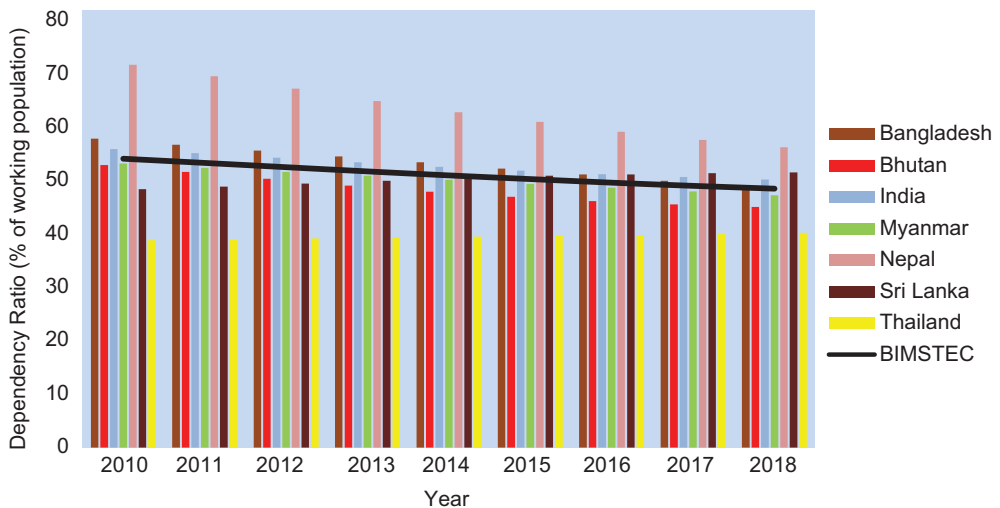
Resources and Capital

As far as the four-capital taxonomy (namely, physical, human, natural and social capitals) is concerned, with the exception of physical capital the BIMSTEC region is rich in all the other three forms. The massive mineral resources, forests and river basins provide a huge natural capital base, e.g., while the GDP of Bhutan is around US\$ 2.6 billion, the value of ecosystem services provided by its natural capital is US\$ 15.5 billion per year, as estimated by Robert Costanza and colleagues.²⁸ In large parts of India as well, such natural capital valuation exercises have yielded similar results.²⁹ Mountains cover a considerable part of the BIMSTEC region and are another important source of ecosystem services which throws into relief the importance of cooperation at the institutional level to harness the benefits through sustainable methods. On the other hand, the massive natural capital base of river basins besides which civilisations have thrived, the huge metal and mineral deposits, and forests pose the potential for creating a generic organic comparative advantage in international trade of many nature-based commodities, though largely such advantages are yet to be exploited.³⁰

India's east and northeast, Bangladesh and Myanmar offer a pool of cheap human capital while western India, Thailand and Sri Lanka offer a product market with a large consumer base. Low labour costs continue to be an important driver for Bangladesh with a growing consumption rate together with expanding urbanisation and reliance on manufacturing and agriculture. In recent years, the country has emerged as the largest freelancing community with 600,000 IT freelancers.³¹ The region now comprises a population which is largely young (Figure 2). This demographic is aspirational and ambitious and arguably removed from the lived memory of the colonial era. And it is this demographic which is poised to shape the political landscape in

the years to come. In India for instance, the working age population has grown larger since 2018³² than the dependent population, and this period of demographic dividend is expected to remain for 37 years, until 2055. According to the United Nations Population Fund (UNFPA), this shift in population structure creates potential for rapid growth, provided there are good social indicators, i.e., quality education, good health and decent employment.

Figure 2. Dependency Ratio



Source: Authors' own using World Bank data³³.

The deep-rooted social values in the region form the foundation of social capital. While the population age structure is ideal for tapping into growth potential, the social indicators are not uniform across the BIMSTEC region and in many cases not ideal for matching estimates of rapid growth. The opportunity of harnessing the growth potential is hence finite and realising the dividend would entail necessary investments and measures that would enable the conditions for enhancing the capabilities of the youth. Establishing a BIMSTEC young

leaders' forum for instance may be a good starting point to tap into the potential offered by the young generation.

Fresh Areas of Cooperation

BIMSTEC members have also deliberated on the issue of South Asian members being more vulnerable to the impact of climate change. The Bay, which is at the best of times a turbulent maritime space, has witnessed a rise in the occurrence of cyclones with 20 out of 23 major cyclone disasters in the world taking place in the Bay and directly affecting India and Bangladesh.³⁴ Bay adjacent countries have faced a steady decline in annual rainfall leading to droughts and flash-floods. Risks associated with climate include human security, loss of livelihoods, food security, water supply, health and economic growth. With BIMSTEC members being reliant on steady development which is contingent upon economic growth, transboundary collaboration is necessary for coping with and addressing related challenges.³⁵

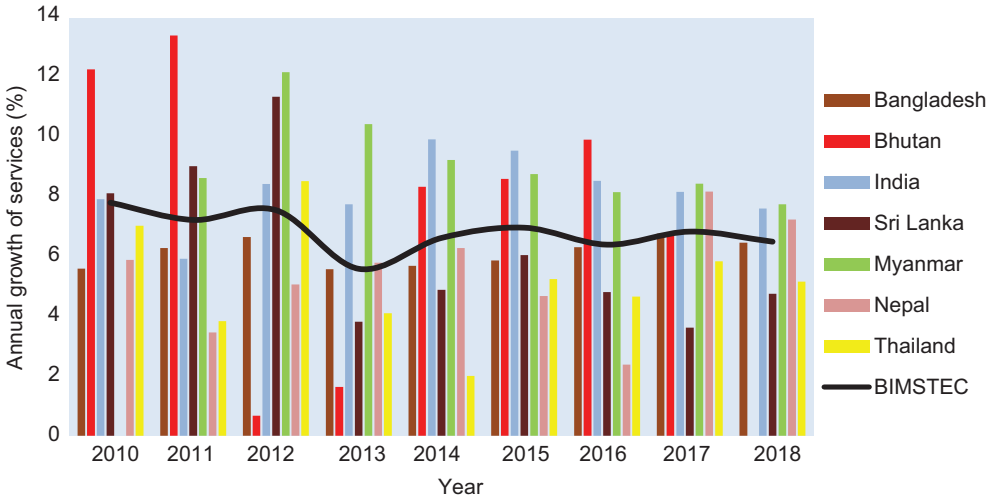
Acknowledging these imperatives, climate change was added as a priority area for cooperation in 2009 and in 2018 resolved to implement the Paris Agreement on climate change. In December 2019, Department of Agricultural Research & Education, Ministry of Agriculture & Farmers' Welfare and Indian Council of Agricultural Research organised a seminar among BIMSTEC members on climate smart farming systems to discuss the facilitation of farming systems which would ensure greater productivity and resilience to climate change through the utilisation of ecological approaches.³⁶ While agriculture is likely to be worst hit, habitat loss and climate induced migration are also vital concerns. More action on adapting to climate change, ensuring climate financing, the adoption of green technologies, impact

monitoring mechanisms, a climate action plan and inter-governmental policy coordination will be required from the BIMSTEC members.³⁷

The services sector in the region has developed organically and continues to grow promising to be the growth-engine of the region and is providing the foundation for comparative advantage for the trade of the region with the rest of the world.³⁸ It is interesting to note the growth in services sector from Figures 3 and 4. It becomes clear that the average growth in services in the BIMSTEC as a whole has been in the range of five to eight percent from year to year over the last decade. Moreover, the bigger nations like India and Thailand have even revealed 8–10 percent growth in certain years. Given that the sectoral composition of GDP has changed significantly in recent years over the last three decades in this region, with agricultural or the primary sector growth figures reaching a plateau with very low labour productivity, and the industry not being able to absorb the ‘surplus labour’ in the primary sector, hence the overall growth of the BIMSTEC nations has been driven largely by the services sector. Further, in almost all the larger nations (with the exception of Bhutan and Myanmar), services sector contributes 54–62 percent of the GDP by employing 25–30 percent of the workforce. The figures are exactly the opposite for agriculture, while manufacturing languishes in the 20–30 percent range in the cases of both employment and value addition to GDP.³⁹ This clearly implies that labour (or human capital) productivity is the highest in the services as compared to all other sectors, and will continue to do so.

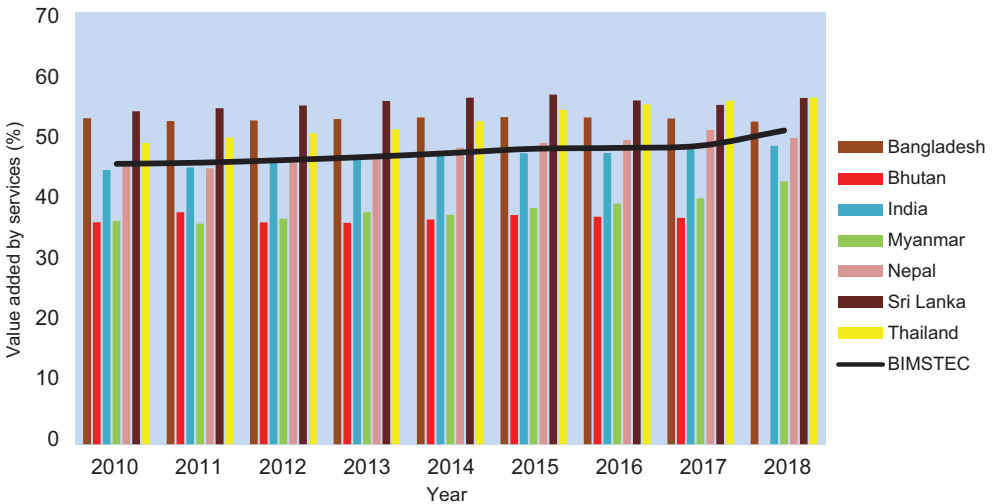
The expansive inroads being made by digital technology is rapidly transforming the nature of cross-country interactions and in turn highlighting new areas of cooperation like cyber security, data protection, involvement and use of technology in trade, intellectual

Figure 3. Annual Growth of Services



Source: Authors' own using World Bank data⁴⁰.

Figure 4. Value Added by Services (% of GDP)



Source: Authors' own using World Bank data⁴¹.

property rights and the requirement of commensurate regulatory mechanisms. Within the BIMSTEC framework, Sri Lanka is the lead country for cooperation in the sectors of agro-based technologies, food processing, herbal products, biotechnology and Information and Communication Technology.⁴² The region is relatively new to the swift advances being made globally in technology and digitalisation and entails dynamic approaches coupled with the requisite skilling to adapt to these advances.

CONCLUSION

A significant marker of the renewed energy amongst BIMSTEC member countries is the Kathmandu Declaration adopted at the fourth summit of the BIMSTEC in 2018. Titled *Towards a Peaceful, Prosperous and Sustainable Bay of Bengal Region*, the document focuses on boosting ties in the Bay of Bengal region by strengthening collective efforts. It highlighted the issues of multidimensional connectivity, trade and investment, poverty alleviation, and combating terrorism as most vital and requiring immediate attention. The Declaration underscores the preservation of a rules-based international order together with the need for robust institutional mechanisms. It also emphasises on building common positions on important issues.


The amount of activity that the BIMSTEC has witnessed in the past few years has been uncharacteristic for the region in question and is itself an indicator of the aspirations of member countries. What is crucial at this stage is to make efforts towards a realistic assessment of the impediments that have typically hampered cooperation, and the development of constructive approaches to mitigate the same. At the same time, it is also true that after the boost during 2016–2018, there has again been little progress over the past several months.

It is pertinent to note that amidst the ongoing global pandemic of COVID-19, an emergency video conference of SAARC heads of state was convened by India to bring together resources and expertise of member nations for addressing the pandemic along with the decision to set up an emergency fund. While the move *prima facie* indicates that the scope of dialogue and action is still open for SAARC, its prospects will depend on measures taken in the aftermath of the crisis, and the role of Islamabad in terms of whether the grouping will revive itself minus Pakistan. Opinion at the moment appears to be divided with some SAARC members like Bangladesh, Nepal, Afghanistan, Sri Lanka and India willing to make it active again, while others like Maldives and Bhutan remain lukewarm about it.

There are two principal factors concerning BIMSTEC which can be effectively leveraged by the organisation. First, the aims and objectives of the institution are in tandem with the aspirations of all member countries and the fact that bilateral equations of the members are cordial is a big advantage. Second, since it comprises countries that belong to two regions, BIMSTEC is uniquely positioned in coupling the strengths of both. In fact, there are deliberations among policymakers about the possibilities of a closer institutional cooperation between the BIMSTEC and ASEAN and also involving other non-members on the basis of collaboration regarding specific issues, or in other words a BIMSTEC Plus format. In this sense, the BIMSTEC also stands to underwrite the larger Indo-Pacific region through better infrastructure and communications, expanded maritime links and seamless trade flows.⁴³

Comprising a region which is rife with opportunities, the BIMSTEC once again is at the threshold of a lot of promise and potential. In many ways, as discussed earlier, the challenges faced by the organisation are

also prospective advantages. What is required at the moment is the sustenance of the momentum for which political will among member countries is imperative. It has been noticed that many bilateral and multilateral initiatives have languished in the absence of sufficient political intent. The absence of political will can be attributed to a number of factors such as the lack of leadership; Thailand and India, the two biggest economies of the bloc being more involved in domestic matters; political uncertainties in Myanmar and Nepal; among others. Hence, considering that the BIMSTEC comprises members having diverse interests and aspirations together with asymmetries in terms of political and socio-economic capacities, it is all the more necessary that members systematise decision-making and operations to facilitate the organisation's functioning. Therefore, the two-level game that nations need to indulge in the BIMSTEC region often weakens the platform, and has not allowed it to flourish to the extent possible. Further, it needs to be noted that one of the bigger nations, India, has always preferred bilateral platforms to resolve issues of contention than multilateral platforms.⁴⁴

Poised as it is at the moment, the BIMSTEC should focus on attainable goals to realise its adopted resolutions. It is also crucial for the BIMSTEC to focus on enhancing its visibility which is essential for building its presence in public consciousness and preserve and sustain the interest that has been generated. 

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