

Bimstec and bcim initiatives and their importance for india



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Background

The emergence of regional economic cooperation among neighbouring countries is becoming a dominant feature of world economy. It means that globalisation has been escorted by regionalisation within different geographic regions of the world. It encouraged different countries and regions of the world specifically the countries of South-East Asia and North-East Asia to create collaborative ties with India. It results the formation of some sub-regional groupings which involves India as a member country.

In June 1997, a new sub-regional group called Bangladesh, India, Sri Lanka, Thailand - Economic Cooperation (BIST-EC) was established. The grouping expanded with the addition of Myanmar in August 1997, and of Bhutan and Nepal in February 2004, after that it came to be known as Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). The aim behind the formation of BIMSTEC was to create an enabling environment for rapid economic development, accelerate social progress in the sub-region and maintain close and beneficial cooperation with existing international and regional organizations. BIMSTEC was initiated with the goal to combine the 'Look West' policy of Thailand and ASEAN with the 'Look East' policy of India and South Asia. Initiated in 1991, India's Look East Policy marked a shift in India's foreign policy.

This forum has identified 14 areas for focused cooperation where a member country takes lead: India is the lead country for Transport and Communication, Tourism, Environment and Natural Disaster Management and Counter Terrorism and Transnational Crime. Bangladesh is for Trade and

Investment. Myanmar is for Energy and Agriculture. Sri Lanka is for Technology. Thailand is for Fisheries, People to People contact and Public Health. Nepal is for Poverty Alleviation. Bhutan is for Culture. It is thus evident that the BIMSTECs agenda for cooperation is quite elaborate and comprehensive.

The Bangladesh, China, India and Myanmar (BCIM) forum for regional cooperation, earlier known as the Kunming Initiative, is a Track II[1]initiative, which came into existence in 1999 and comprises Bangladesh, China, India and Myanmar. It advocates sub-regional cooperation on infrastructure development, enhancing economic integration and people-to-people contact by the member countries. This sub-region comprises of Bangladesh, Myanmar, North eastern states of India and southern provinces of China. The BCIM is conceptualised on the basis of Growth Zones, which involves cooperation between 3 or more member countries for the development of a geographically contiguous region comprising of a part or the whole of each of the participating nations. Growth zones facilitate pooling of resources, opportunity to blend cooperation in trade, investment, transport and communication in a planned way.

Importance and Potential of BIMSTEC and BCIM

India had closure ties and links with the BIMSTEC member countries, with the signing of BIMSTEC agreement India got an opportunity to revive its past links with its old partners. In the speech at the Second BIMSTEC Summit in New Delhi, the then Prime Minister of India stated that the 21st century belongs to Asia and Asia will be the engine of the world economic growth.

BIMSTEC is an important part of the wider Asian community. It has the <https://assignbuster.com/bimstec-and-bcim-initiatives-their-importance-for-india/>

potential of playing a vital role in the Asian community of nations linked by effective road, rail, air and shipping services across which there would be free movement of people, capital, ideas and goods[2].

BIMSTEC fosters socio-economic link between South Asia and Southeast Asia bringing together 1.3 billion people – accounting for 21 percent of the world population, and a combined GDP of US\$750 billion[3]. BIMSTEC could be India's gateway to forging an association with ASEAN through collaborations with Myanmar and Thailand. Additionally, it is an opportunity to create a grouping that excludes Pakistan and would also contribute to enhancing India's focus on balancing its interests to protect its strategic position in the region. Through a bilateral association with Myanmar, India's North East region can be integrated into the overall growth and development strategy.

Table: 1 Share of India's Export to BIMSTEC (in %)

<i>BIMSTEC</i>	<i>2006</i>	<i>2012</i>	<i>Growth Rate (%)</i>
Bangladesh	26.74	31.87	5.13
Sri Lanka	33.75	24.62	-9.13
Thailand	21.	22.	0.64

	66	30	
Nepal	14.	16.	1. 86
	84	70	
Myanmar	1. 99	3. 40	1. 41
Bhutan	1. 02	1. 10	0. 08
India's export to BIMSTEC (US\$ Billion)	6. 2	15. 5	-
India's export to world (US\$ Billion)	121.	290	-
	2		
BIMSTEC share in total India's export	5. 15	5. 35	0. 20

Source: ITC Trade Map (May 2014) Author's

Calculation

India's export to world has increased by 2. 4 times during the period 2006 to 2012. During the aforementioned period India's export to BIMSTEC member countries has increased by 2. 5 times. As revealed in Table 1, India's export to BIMSTEC member countries has increased, excluding Sri Lanka. With respect to the size of the economy, total export of India to BIMSTEC members is reckoned to be rather very low. Though India's export to BIMSTEC countries has increased by 2. 5 times but BIMSTEC percentage share in India's export has not increased proportionately. During 2006 to 2012 it has increased marginally by 0. 20 per cent.

Table: 2 Percentage share of
BIMSTEC export in 2011

	<i>Banglade</i>	<i>Bhuta</i>	<i>Indi</i>	<i>Myanm</i>	<i>Nepa</i>	<i>Sri</i>	<i>Thailan</i>
	<i>sh</i>	<i>n</i>	<i>a</i>	<i>ar</i>	<i>l</i>	<i>Lanka</i>	<i>d</i>
<i>Bangladesh</i>	-	..	..	..	..	..	..
<i>Bhutan</i>	0.56	-	5	0	0.06	0	0
<i>India</i>	72.15	91	-	14	97.46	90	97
<i>Myanmar</i>	..	..	..	-	..	..	..
<i>Nepal</i>	0.55	1	9	0	-	0	0
<i>Sri Lanka</i>	0.98	0	8	0	0.02	-	3
<i>Thailand</i>	25.75	8	78	86	2.45	10	-

Source: ITC Trade Map (May 2014) Author's Calculation

**(..) Country has not reported to ITC for this year*

Table 2 shows the country-wise share of intra-BIMSTEC trade as a percentage of their total trade in 2011. Among BIMSTEC member countries, India's export to Nepal (97.46 per cent) is highest and to Myanmar is lowest

(14 per cent) in 2011, as revealed in Table 2. India's import from BIMTEC member countries is less than 10 per cent, except Thailand (78 per cent). A wider look at the bilateral trade share from the table reveals that India and Thailand are the main destinations of trade for other member countries. Even though the intra-BIMSTEC trade share of these two countries are very low. This shows that large amount of trade potential is unexplored in this region.

BCIM covers a total area of 13.7 million sq. km- accounting for 9 per cent of world area, total population of about 2635 million- accounting for 40 per cent of the world population, and a combined GDP of US\$ 3485 billion- accounting for 7.3 per cent of the total GDP of the world[4]. BCIM is a good platform for a country like India to play a more active role in sub-regional grouping, thereby linking the twin objectives of developing India's isolated and relatively backward north east region and consolidating India's role as a significant and purposeful player in Asian regional initiatives.

The BCIM initiative has the potential to unlock the vast opportunity for growth and development in the region. After the first inter-governmental meeting in Yunan (China), Bangladesh-China-India-Myanmar Economic Corridor (BCIM-EC) was put on fast track basis. Combining the advantages of the two largest emerging economies of India and China with the rich natural and human resources possessed by Bangladesh and Myanmar, this economic corridor (EC) will enable the member countries to accelerate economic growth and greater access and connectivity with the global market. The BCIM-EC will also enable the member countries to foster closer ties on issues of common interests and develop strategies for regional development.

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This would lead to better understanding and mutual trust, and promote stability, prosperity and peace for the region. Once this EC is established, it will combine China-ASEAN Free Trade Area[5], ASEAN Free Trade Area and ASEAN-India Free Trade Area[6]. This would result in the creation of the largest FTA in the world and will also contribute to the free flow of goods, services and people thus serving as a gateway for greater cooperation between the Pacific and Indian Ocean. In fact, BCIM-EC is designed to translate advantages of geographical proximity, political relations and economic complementarity into strengths of practical cooperation and sustained growth, with the aim of achieving mutual benefit and common development.

India's export to world has increased by 2.4 times during the period 2006 to 2012. During the aforementioned period India's export to BCIM member countries has increased by 2.1 times. As revealed in Table 3, India's export to BCIM member countries has increased, excluding China. Though India's export to BCIM countries has increased by 2.1 times but BCIM percentage share in India's export has decreased by 0.96 per cent.

Table: 3 Share of India's Export to BCIM (in %)

<i>BCIM</i>	<i>2006</i>	<i>2012</i>	<i>Growth Rate (%)</i>
China	81.38	72.94	-8.43
Bangladesh	17.	24.	7.11

	33	45	
Myanmar	1. 29	2. 61	1. 32
India's export to BCIM (US\$ Billion)	9. 6	20. 2	-
India's export to world (US\$ Thousand)	121. 2	290	-
BCIM share in total India's export	7. 94	6. 97	-0. 96

Source: ITC Trade Map (May 2014) Author's Calculation

Issues and Challenges of BIMSTEC and BCIM

- China has shown interest in joining the BIMSTEC and some discussions have also taken place on merging the BCIM and BIMSTEC. If this happen, it would be a blow to India, as China is likely to dominate the regional sub-grouping and take away India's central role. Not only this, the objectives are at a variance, while BIMSTEC aims to create west to east connectivity, the BCIM is about forging North-South connectivity. This could create an atmosphere of geopolitical competitiveness among the two countries.
- Though India has given a nod for BCIM-EC but it seems unlikely that it would be realized in an early timeframe in any meaningful manner. The fact of the matter is, the BCIM-EC throws up a lot of security apprehensions for India which might hinder the progress of this initiative. These concerns are borne about insurgency in the North East

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India and their links with some Chinese elements and also China's claim on Arunachal Pradesh. And also the threat of Chinese economic exploitation in the North East India is the basis of India's hesitation. Unless there is a positive change in the nature of Sino-Indian relations except for hosting some Kolkata to Kunming car rallies and some other peripheral activities the substance in BCIM would remain absent. Substantive issues of BCIM would only receive attention when the geopolitics between both nations move towards a positive resonance.

- There are some challenges faced by BCIM in the form of tariff and non-tariff barriers, poor trade facilitation measures, lack of custom harmonisation, prevalence of informal trade and inadequate infrastructure at and beyond the borders resulting in obstacles to cross-border movement of goods. These impediments hike up the cost of doing business in the region, discourage trade-oriented investment and affect the competitiveness of entrepreneurs in the region. These bottlenecks need to be addressed in order to increase intra-regional trade and also strengthen global integration of the region.
- Energy security is consistently critical for economic development and growth. Energy security of a country is directly related to its economic security. Ensuring energy security remains a discouraging challenge for all the member countries of BIMSTEC. The grouping gives an opportunity to the member countries for joint exploration of untapped energy resources, collaborative investment in energy sector development and cross-border trade and movement in energy sector development within the region. Some member countries like

Bangladesh and Myanmar possess large gas reserves and some have

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untapped potential of hydropower such as Nepal and Bhutan. Whereas, members like India, Sri Lanka, and Thailand are major energy importers. Collaboration among them through joint development could result in better use of energy resources, benefiting both producer and consumer countries.

Suggestions and Recommendations

- In order to boost exports to BIMSTEC and BCIM countries, India should try to identify potential product groups which can be pushed into export market, identify major markets which can absorb a country's potential products, select the right manufacturing export units which can undertake the responsibility of entering the overseas markets, provide adequate & improved infrastructure to exporters, bring tariff rates in line with the international level in order to remove any bias against production for exports, allow exporters to borrow from the international markets if rates of interest are higher in the domestic markets, adopt strategic state intervention to promote exports aggressively and create necessary institutions and organizations which aid and promote exports, create special domestic financial facilities in term lending institutions for export related investment, check the domestic consumption of commodities which have great export potential so as to make surpluses available for exports and to make exporters cost and quality conscious.
- Tourism is another area of great potential through which the member countries could reap benefits through sub-regional cooperation.

Tourism is one of the main focus areas of the BIMSTEC and for India it

represents another opportunity to extract mileage for its LEP through cooperation with Myanmar to develop North-East Region (NER) as a tourist destination. NER of India is blessed with exotic flora and fauna, natural scenic beauty, unique performing arts and varied cuisine and handicrafts. Tourism in NER has an untapped business potential. Through the expansion of tourism within the region, the member countries would be able to collect more revenue and investment may therefore be increased.

- BIMSTEC countries by virtue of their strong traditional expertise have overabundance of products which can command high value in international markets if they adhere to quality standards. Among the member countries Thailand is the only country that has developed a sound marketing strategy for these products. This can be carried out in other member countries as well, like, India, Bangladesh, Sri Lanka etc. since all of them have a strong handicrafts sector.
- There is a scope to increase intra-BCIM trade by reducing tariff and non-tariff barriers, improving infrastructure, increasing investment flow and deepening of trade facilitation. Currently, the BCIM countries are utilising only 40 per cent of their trade potentials. This could increase manifold if necessary infrastructure is developed, ensuring more trade and investment flow in higher volume. Therefore, there is a need to create BCIM fund to remove infrastructure deficits and improve connectivity. There is also a need to introduce faster visa processing for higher intra-regional trade.
- The success of the BCIM initiative relies heavily on the participating country's ability and willingness to develop a suitable and reliable

infrastructure & connectivity to facilitate movement of goods and services. In the context of the current state of play, BCIM remains one of the least connected regions in the world. The BCIM members should focus on improving the state of connectivity within the region, and mobilising the required resources to build the necessary infrastructure. This must be seen in the context of a long term development strategy which will have greater outreach in enhancing the economic integration in the region.

Conclusion

It can be concluded with the above discussion that the success of BIMSTEC and BCIM sub-regional groupings will surely contribute to improve the position of India in the current global era and particularly to the progress of North-east region of India as well as its LEP. Definitely these regional groupings will help to India for making closer link with its proximate and immediate neighbours, to increase economic integration with Southeast Asia and Northeast Asia, to address security concerns of NER and the development of its untouched potential. Stronger bilateral relations between India- BIMSTEC and India-BCIM would be helpful to make Asia as more stable and prosperous region of the world. The proper implementation of these sub-regional groupings would also be helpful to control informal trade between their member countries.

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- [1] *Track-II initiatives are initiatives taken by the non-government section, whereas initiatives taken by the government section are known as Track-I Initiatives*
- [2] *Manmohan Singh, PMs Opening Remarks at the Second BIMSTEC Summit, Prime Minister’s Office, Press Information Bureau, Government of India, 13 November 2008, available at <http://pib.nic.in/newsite/erelease.aspx?relid=44790>*
- [3] *RIS Policy Briefs #12, “ Future Directions of BIMST-EC: Towards A Bay of Bengal Economic Community (BoBEC)”*
- [4] *Rahman, M., Rahman, H., & W. B. Shadat (2007), “ BCIM Economic Cooperation: Prospects and Challenges”, Centre for Policy Dialogue (CPD), Bangladesh.*
- [5] *The leaders of both China and ASEAN Member (AMS) signed the Framework Agreement on China-ASEAN Comprehensive Economic Cooperation at the sixth China-ASEAN Summit in November 2002. In November 2004, Chinese Premier Wen Jiabao and leaders of AMS witnessed the signing of the Agreement on Trade in Goods of the China-ASEAN FTA which entered into force in July 2005. In January 2007, the two parties signed the Agreement on Trade and Services, which entered into effect in July of the same year. In August 2009, the two parties signed the Agreement on Investment. The establishment of China-ASEAN free trade area enhances the close economic and trade*

relations between the two parties, and also contributes to the economic development of Asia and the world at large. (<http://fta.mofcom.gov.cn/topic/chinaasean.shtml>)

- [6] *ASEAN and India signed the framework Agreement on Comprehensive Economic Cooperation at the 2nd ASEAN-India Summit in 2003. The Framework Agreement envisages the establishment of an ASEAN-India Regional Trade and Investment Area (RTIA) as a long term objective.*