

**Third International Conference**  
*on*  
**Building a New BIMSTEC – Japan Comprehensive Economic  
Cooperation**

*Organised by*



**Centre for Studies in International  
Relations and Development (CSIRD)  
Kolkata**



**Asian Forum Japan  
Tokyo**

*Supported by*



**Sasakawa Peace Foundation (SPF), Tokyo**

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**TOKYO CONSENSUS 2007**

The Centre for Studies in International Relations and Development (CSIRD), in association with Asia Forum Japan (AFJ), held its third international conference on 'Building a New BIMSTEC – Japan Comprehensive Economic Cooperation' at Tokyo on 3 December 2007. The conference was held in collaboration with prominent Think Tanks of BIMSTEC countries, and supported by the Sasakawa Peace Foundation (SPF), Tokyo. This was aimed at contributing to the process of regional economic integration between BIMSTEC countries and Japan, and to provide inputs for the forthcoming Second BIMSTEC Summit to be held in India in 2008.

The Conference was the third in a series of Conferences on the subject launched by CSIRD in April 2005 and conducted in collaboration with noted think-tanks in BIMSTEC countries. The previous Conferences were held in Kolkata (December 2005) and Bangkok (December 2006).

The Conference was marked by interesting discussions, deliberation and exchange of opinions on the future prospect of BIMSTEC in general and of BIMSTEC–Japan cooperation in particular by knowledgeable and eminent scholars and experts from Bangladesh, India, Japan, Thailand, and Sri Lanka. Over 70 senior experts from think-tanks, governments,

universities, business enterprises, media and other stakeholders from different BIMSTEC countries and Japan, and also other countries and multilateral development organizations, such as the United Nations, took part. The programme was also attended by representatives of Japan's leading chambers of commerce and investment promotion organizations, BIMSTEC Centre, Bangkok, and the Asian Development Bank Institute (ADBI), Tokyo. The representatives of Foreign Missions of BIMSTEC nations and of other countries in Japan were also present. The participants also had luncheon meeting with Japan's DIET members on 4 December 2007, and also called on senior officials of METI and MOFA.

The inaugural session was addressed by Mr. Arjun Asrani, Chairman, India – Japan Forum and former Indian Ambassador to Japan, and Dr. B S Malik, President, CSIRD. The book, edited by Dr. Wisarn Pupphavesa, Advisor, TDRI, titled "BIMSTEC – Japan Comprehensive Economic Cooperation: A Step in the Future", was released in the inaugural session. The message of the Indian External Affairs Minister, Mr. Pranab Mukherjee, was read out to the participants.

This Note represents an agreed summary record of the discussion at the Conference.

The Conference noted that Japan and other Asian countries need to consider trade policy options in a "life without Doha" environment. Given Japan's rising economic exchanges with BIMSTEC countries, closer economic engagement between BIMSTEC and Japan becomes a natural phenomenon. However, such deepening of economic links requires a fuller evolution and maturing of BIMSTEC with a distinct regional economic identity. This makes it important to build awareness within the BIMSTEC countries about the immense gains that can be realized by a fusion of individual initiatives into a regional effort. The participants agreed that an approach focusing on rigorous research and dissemination of research output, as being done by CSIRD and its partner organizations from different BIMSTEC countries and Japan, was essential for improving regional awareness and knowledge about the region's economic capabilities.

The Conference deliberated on the economic, strategic and business perspectives in the context of BIMSTEC-Japan comprehensive economic cooperation with special reference to the integration of trade and investment regimes against the background of a rising Asia as a global economic power house. Issues related to trade and investment liberalization among BIMSTEC nations were extensively discussed and

debated. The Conference took note of the potential gains that such liberalization could yield and the significant role that Japan can play in promoting trade through capacity building, particularly in the areas of infrastructure and technology. Based on Computable General Equilibrium (CGE) models, studies specially prepared for the Conference indicated that an FTA between Japan and BIMSTEC would have a modest overall impact, with Thailand being the primary beneficiary. Developing BIMSTEC partners would also gain from market access, which as of now is often constrained by trade and non-trade distortions. The most significant gain would, however, be in the area of agriculture, which has often queered negotiations for other items. Most importantly, a BIMSTEC-Japan FTA would make a positive impact on removal of poverty. For the smaller economies, BIMSTEC-Japan cooperation could become, as the CGE modelling explained, the most important happening outside the realm of trade policy (e.g., technology transfer). It was also indicated that an FTA between BIMSTEC and Japan would be a 'win-win' for Japan and for BIMSTEC members alike in the fields of energy, technology, industry, and infrastructure development. The LDCs in BIMSTEC in fact stand to gain the most from enhanced cooperation between BIMSTEC and Japan. Japan's benefits would be no less as such an agreement could open for Japan wider and newer areas where it can offer help. Nevertheless, a combination of trade and aid policies between BIMSTEC and Japan has to consider issues of governance and the best practice towards harmonization (MRA) of trade in services.

However, the participants agreed that efforts to liberalize trade and investment within the region must proceed after ensuring that such attempts can positively influence poverty and unemployment in the region. Indeed, there was a clear consensus that integration within BIMSTEC had to be stepped up. Inclusion of Japan within the BIMSTEC would boost trade complementarities in the region while increased competition would force higher standards and quality in production and service. It was felt that a fully integrated BIMSTEC would be a stepping stone to pan-Asian integration. However, given the recent proliferation of bilateral and regional cooperation arrangements in the Asian continent, it was also appreciated that the BIMSTEC nations must put more emphasis on functional consolidation by gradually moving towards a common framework of principles, practices and procedures.

The wide-ranging discussions identified reduction of trade costs as a key step for facilitating integration. In this regard, lowering of transport costs by developing a stable and integrated transportation network covering road, rail, air and sea in the region becomes a matter of paramount

importance. The transportation network linking various countries has to progress after taking into consideration its socio-economic and ecological ramifications. Lowering of transport costs and trade barriers, as well as adoption of clear and transparent procedures and regulatory frameworks, is recognized as vital for attracting Japanese FDIs in the infrastructure sector. There are also immense scopes for cross-border infrastructure projects, particularly in energy and transportation, in the region. It was also agreed that the integration would get a big boost from the opening of a BIMSTEC Secretariat. It could provide accurate information on vital procedural issues relating to investment (e.g. intellectual property right protection, country-specific business and managerial practices, among others).

The demand for energy in the BIMSTEC region is going to increase at an exponential rate. Almost all the member countries excepting Bhutan and Myanmar are heavily energy deficit. In such a situation, Japan's know-how for renewable energy resources, apart from its technical and investment assistance, would be of great assistance to the BIMSTEC countries. The participants broadly identified energy, tourism, science & technology, education, disaster management, infrastructure and cultural and human resources development as some of the major areas that offer opportunities for fruitful cooperation within the region and with Japan. The conference also debated some strategic issues relating to Asian economic integration. It was also felt that within BIMSTEC there is a strong possibility of the emergence of well-knit production networks of small enterprises, which can further access larger Japanese and other global production networks.

The one common theme that ran throughout the deliberations was that BIMSTEC-Japan cooperation would prove mutually advantageous for both sides. The pattern of development, endowments and capabilities of BIMSTEC countries open new opportunities for Japan by way of investment in the infrastructure sector. Japan has the hardware and software both to meet the increasing demand for cross-border infrastructure in BIMSTEC. This will effectively subserve the broader objectives of promoting economic cooperation between BIMSTEC and Japan.

The Conference reiterated its firm belief that increased interaction between business associations and chambers of commerce within the region would enhance BIMSTEC cooperation through the evolution of wider business networks. Such interactions are also certain to facilitate Japanese business interest and long-term commercial involvement with

the region. It was felt that compilation of best managerial practices of BIMSTEC countries and Japan will be useful for greater interactions among the business enterprises.

The overwhelming consensus emerging from the Conference was that people-to-people contact among BIMSTEC countries is a necessary instrument for facilitating integration of BIMSTEC as well as with Japan. Such contact and the concomitant integration will also motivate Japanese economic interest in BIMSTEC. In this regard, the Track-II initiative being currently implemented by CSIRD and its partner organizations assumes considerable significance. The Conference urged further consolidation of the momentum gathered at the first International Conference held at Kolkata in December 2005 and the second International Conference held at Bangkok in December 2006. Participants also noted the progress in disseminating the research findings and policy advocacy made through country-level Dialogues under the aforesaid project, organized at Dhaka in July 2006 and at Colombo in August 2007.

The Conference strongly urged the governments of the region to consider the recommendations made by the BIMSTEC Network of Think Tanks (BNTT). It was also decided that the Conference could meet again in 2008 and make presentations based on ongoing research work. Participation of representatives of the BIMSTEC countries and of Japan in these conferences will help further the ideas generated by the Network through mutual discussions.

The Conference acknowledged the excellent arrangement and hospitality extended by the host organization – AFJ, Tokyo – and the generous support extended by the Sasakawa Peace Foundation, Tokyo to this initiative.

The Conference felt that the Report of the Conference should be submitted to the BIMSTEC Working Group (BWG), namely, the Thailand Government, through the Thailand Development Research Institute (TDRI), to the Japanese government through AFJ/SPF, and to the Indian Government by CSIRD.

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