

Asian Integration Process and BIMSTEC

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Contents

1. Introduction	1
2. Asian Way of Regionalism	3
3. Regional Cooperation in Asia	6
4. BIMSTEC: Building Bridges between South and South East Asia	7
5. Nuances of Sector Specific Cooperation:	11
Ingredients for Asian Integration	
5.1 Trade Reform and Facilitations	11
5.2 Transport Infrastructure and Connectivity	13
5.3 Energy Security	16
5.4 Tourism	18
5.5 Fisheries	21
6. Conclusion	22
References	23

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Biswajit Nag* and Debdeep De**

Abstract: Regional cooperation is a stepping stone for economic integration within a geographic region. It may be market-driven integration without any explicit agreement implying that private sector is actively engaged in bringing convergence among the economies. Economic integration may also be pursued through cooperation agreements among the countries of the region which are mainly policy-induced integration. Many regions across the world are engaged in comprehensive economic partnership agreements. This paper brings out the characteristics of BIMSTEC and argues that the BIMSTEC focus area has strong impact on the Asian way of integration.

1. Introduction

Regional cooperation is a stepping stone for economic integration within a geographic region. It may be market-driven integration without any explicit agreement implying that private sector is actively engaged in bringing convergence among the economies. Economic integration may also be pursued through cooperation agreements among the countries of the region which are mainly policy-induced integration.

Regional integration can vary in intensity. Full economic integration occurs when goods, services, and factors of production can flow freely and financial markets are unified among countries within a region. Under the assumption of standard neo-classical

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economics free trade always maximizes the global welfare if there is no distortion. But it is impossible to achieve this first best 'Pareto optimal' situation in real world, which is ridden by multiple distortions in the forms of tariffs, non-tariffs, exchange control, barrier on movement of factors of production and different political and economic set up. This situation motivates the need and existence of regional integration or regionalism. The process is also fueled by the slow progress of multilateral discussion. For instance, a group of countries enter into a Regional Trade Agreement (RTA) to facilitate economic integration. Under an RTA, different countries go for selective liberalization policies which are mutually agreed among them and at the same time keeping them protected from world competition. RTAs can take various forms indicating various levels of regional integration. Of late, we are observing that keeping RTA at the central stage, other agreements (such as agreements in transit trade, transport, ICT, trade facilitation and regional movement of people) are also being brought at the forefront to ensure a faster economic integration.

There are number of factors (all of them may not be economic in nature) that induce countries to get engaged in regional cooperation. It allows the participating countries to achieve larger economies of scale in production, attain specialization, increase competitiveness, diversify export basket and make use of their underutilized economic potential in terms of human, technological and natural resources with less possibilities of backsliding. It also helps countries also to come together and develop a common understanding on several regional issues (such as regional energy agreements).

Although an RTA sounds very promising for all the participating countries, it has to be noted that finding equitable ways to share the burdens and benefits of regional cooperation can be difficult and many countries may be unwilling or unable to cooperate because of economic and political reasons such as political tensions, lack of trust, high coordination costs and asymmetric distribution of costs and benefits of regional cooperation, etc. Moreover, there are strong incentives to behave strategically in separate issues so that a country can withdraw itself on a particular issue if not satisfied. So sometimes the benefits

of RTA may hard to achieve and it may fail to deliver results due to weak institutions and lack of proper enforcement mechanisms for ensuring fulfillment of commitments. Finally many literature claims that, RTAs may lead to ‘trade diversion’ which can limit the benefit from trade liberalization.

The recent trend tells us that many regions in the world are making an effort to develop comprehensive economic partnership agreements which are inclusive of many issues and are expected to reduce that risks related to a simple RTA. The coordinated effort of economic development undertaken by different regions has different nuances. This paper brings out the characteristics of BIMSTEC and argues that the BIMSTEC focus area has strong impact on the Asian way of integration.

2. Asian Way of Regionalism

In Asia though regional cooperation was initiated in late 1960s through formation of Association of South East Asian Nations (ASEAN), focus on economic and trade cooperation came quite late with the signing of ASEAN Preferential Trade Agreement in 1977. Later, South Asian countries formed South Asian Association for Regional Cooperation (SAARC) in 1985. The idea of SAARC was floated in early 1980s. Efforts have also been made by cross-subregional groups like Asia Pacific Economic Cooperation (APEC), Bangkok Agreement (converted to Asia Pacific Trade Agreement), BIMSTEC¹ and ASEAN+3.² Recently, countries are engaged in forming number of Bilateral Trade Agreements (BTAs). Japan and Korea Republic earlier mainly promoted multilateral cooperation and now have turned towards forming deeper economic cooperation through Economic Partnership Agreements (EPAs) with many countries in the region.

Regional cooperation in Asia Pacific region can not be disentangled any more as separate steps in building consensus on global multilateral framework. The two processes are intertwined with economic and financial liberalization. There are layers of cooperation; intergovernmental such as ASEAN, SAARC activity based such as Greater Mekong Sub region (GMS) and other growth areas which are mainly driven by private sectors.

Asian regionalism in recent years is mainly a reaction to the market (such as financial cooperation) not an evolutionary process (such as European Union). EU has a shared political objective and a long term cooperation framework, which is mainly driven by governments. EU has well crafted strategy for accession of non-member European countries and we have observed that its size has expanded over years. In contrast, ASEAN has gone for separate agreements such as ASEAN+3 to increase its market access maintaining its own sub-regional entity. The EU has gone for a process of financial as well as macroeconomic stability before it launched single currency 'Euro'. This was to ensure stable exchange rate between Euro and domestic currency in the money market before completely eliminating them. The smooth transition from domestic currency to single currency has been well crafted keeping in mind the possible hardship in the domestic economy. In contrast to this financial collaboration in Asian economies earlier limited to exchange of information among the selected Central Banks. The Chiang-Mai Initiative has been mainly to handle stock market volatility and severe exchange rate fluctuations. No agreement has been reached by major Asian economies to develop a regional macroeconomic management policy. EU monetary policy tried to achieve balance between exchange rate and other macroeconomic variables. Once the common market was fully developed then capital market was liberalized. However, in Asia, financial cooperation has come up to minimize the risk and shock of future crisis. Hence Asian models are evolving in a different way.

Trade is an engine of driver in ASEAN and East Asia, but South Asia is not yet ready for this. Even within ASEAN, divergent views are quite common for further integration mainly with China and India. As things stand today, every state has enormous autonomy over trade matters right from taxes to procedures. Through unilateral liberalization process many of the Asian economies achieved high growth. The contribution of RTAs in enhancing regional economic growth in Asia is a debatable issue. Due to diverse nature of economies integration process through economic cooperation has become complicated and slow. That does not imply that Asian economies need to wait for further convergence. Initial conditions are important but not decisive for

integration. EU has a compensation fund and made an inclusive process bringing poorer European countries also in this journey.

Supranational institutes such as EC, European Court of Justice played an important role in the European integration process. In Asia, by contrast, there are sub-regional efforts to develop supranational institutions but there is very little region wise institutionalization. EU regulations are mostly binding and supported by sanctions, where as Asian region is dominated by non-binding declarations and plans of actions. In case of EU, there has been harmony among France Germany, Italy and UK who played a major role in institutions building highlighting the loss of national sovereignty to be accompanied by strong compensation mechanism including provision of public goods from integration.

However, several studies mention that over enthusiasm within EU observed in recent times may not be that effective compared to its earlier policies mainly in 1980s and 1990s. The policies can not ensure that newly accessed poorer member will able to experience higher growth for catch-up. EU is also now party to proliferation of trade agreements. It started entering into Free Trade Agreements (FTAs) with far away countries like Chile and Mexico and South Africa. However, benefits from these agreements are not ensured for poorer countries.

In Asia, currently trade and investment relationships have created a group that would like to be the 'hub' and connected with individual agreements. However, regionalism has been the key for facilitating for faster growth driving the entire region. So the gravitational force depends on the strength and modus operandi of the Asian economies in a regional framework. The Asian integration process will lie in the evolving convergence mechanism among these powerful groups. On clue is lying hidden in the structure of BIMSTEC which focuses on the micro issues (sectoral cooperation) apart from the macro issues such as a trade agreement. This idea can develop another layer of cooperation which can reassure the integration process. The paper hovers around the BIMSTEC efforts as well as ideas to unearth this possibility.

3. Regional Cooperation in Asia

Regional Cooperation idea in the region was initiated after the Second World War but only in 1970s it got a proper shape. Some major sub-regional groups are ASEAN, SAARC and cross-sub-regional blocs are ASEAN Free Trade Area (APTA), APEC, BIMSTEC, etc. Bilateral trade pacts are also being pursued for deep integration. Earlier there were no major RTAs in North and East Asia. Sub-regions are also building up network with other countries and regions separately, for example, ASEAN+3, ASEAN-India. Though trade is the main vehicle of cooperation, other areas are also included in the cooperation activities.

Cooperation in Asia are through various modes of operation which include rule based trade cooperation mainly in the form of reduction of trade barriers for example AFTA, South Asian Free Trade Agreement (SAFTA), etc. In contrast to this, voluntary trade liberalization path is the rule with a common target (date) of free trade in APEC. Growth triangle or quadrilateral is another feature of Asian regional cooperation. These initiatives are taken within or outside any PTAs. Greater Mekong Sub-region (GMS) is one of such efforts (public sector driven). Singapore-Johar-Riau growth area is also an example but it is private sector driven. These agreements include trade, infrastructure development, and special economic zone (SEZ) for productions by private sector. Donor sponsored regional development is another feature in the region.

The building blocks for deeper regional integration in Asia are already in place. In East Asia, ASEAN is has moved its integration process by creating an ASEAN Economic Community in Southeast Asia. In South Asia, the decision of SAARC to go ahead with the free trade agreement SAFTA, is an attempt to align their economies to the tune of the integration process. In Central Asia, the ADB-initiated CAREC (Central Asia Regional Economic Cooperation) program can serve as a stimulus for building an economic bloc in Central Asia similar to SAARC or ASEAN. Several initiatives can provide bridges between sub regional economic blocs in Asia. The various economic cooperation initiatives that have emerged in Asia are not limited to

the formation of RTAs, but also include regional cooperation on infrastructure development that can support regional integration.

4. BIMSTEC: Building Bridges between South and South East Asia

BIMSTEC proposal was initiated in 1997 comprising Bangladesh, India, Myanmar, Sri Lanka, and Thailand. Though stalled by the 1997-98 financial and economic crises, since the holding of the first summit meeting of the member states in July 2004, BIMSTEC has come a long way to promote the idea of sub-regional cooperation comprising a region that has enormous untapped potential. This is a unique initiative in the sense its membership consists of nations from both South and Southeast Asian regions. The first level of convergence in consolidation of liberalization benefits is expected out of this initiatives understanding that both SAARC and ASEAN are at different levels of development in general. Later on, Nepal and Bhutan joined the initiative, the name has changed to Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation. BIMSTEC has a potential to increase the trade among member countries by taking advantage of their geographical location in the region of the Bay of Bengal and the Eastern coast of the Indian Ocean. Discussions have already been held with regard to building a Trans-Asian Highway linking the five countries and also setting up a BIMSTEC Airline connecting the capitals and important cities of the member countries. This will ensure that benefits from cooperation are achieved much faster.

BIMSTEC received a major boost with the signing of wide ranging agreements on certain critical areas. Understandably, much of the emphasis has been on the promotion of economic cooperation while downplaying the politico-strategic dimensions. Apart from endorsing the Framework Agreement on Free Trade Area, BIMSTEC members also signed agreement on counter-terrorism. BIMSTEC truly upholds the spirit of Asian regionalism as it integrates countries from different subregions and market forces have been given importance to drive the agreements and initiatives in different subsectors providing due importance to economically disturbing as well as sensitive issues such as cross border terrorism and transitional crime.

The uniqueness of BIMSETC is in multi-sectoral approach compared to other Asian blocs. This creates another layer of cooperation to ensure quicker integration. It started with initially with six sectors; viz. trade, technology, energy, transport, tourism and fisheries. These are extremely important sectors of this sub-region. Later other areas have also been included such as agriculture, environment, culture, public health, people-to-people contact and counter-terrorism. Complementarity in sectoral comparative advantage has been identified and proposed to ensure benefits for other member countries. For example, Bangladesh and Myanmar have natural gas reserve, Nepal and Bhutan have advantage in hydrological resource, coal reserves and thermal power capability is with India. Energy gap in the region can be easily be addressed through a corroborated regional energy policy through analyzing demand-supply gap, appropriate pricing policy and investment through proper technology. Some way forward has been made through proposing regional energy grid. However, region as whole require FDI to ensure the energy security and FDI should be invited through a regional window so that efficient usage of FDI is guaranteed. Apart from energy, in major sectors, BIMSTEC already initiated some projects to ensure the integration process. Table 1 provides the sector-wise projects in BIMSTEC.

There are several examples that existing country policies are in place and a regional sectoral policy is required to tune them for economic integration. There is already some flow of intra-regional FDI without even formal investment agreement. For example, Indian resource seeking FDI has gone to Sri Lanka in tyre sector to exploit Sri Lanka's advantage in rubber production and to cater other markets from Sri Lanka. Indian food processing company has invested in Nepal to cater Indian domestic market (RIS, 2002). Thai investment is expected to come in India in several SME sectors and developing Indian tourist destinations.

Cooperation in trade sector is much more structured as several good experiences are available with the policy makers. However, despite having a trade agreement in place, BIMSTEC is delayed in implementation. BIMSTEC has provided special emphasis on trade

Table 1: Sector wise Projects in BIMSTEC
(as on 2006-2007)

Sectors	Project Names
Trade and Investment	
Processed Food Trade & Investment Facilitation	1. Establishment of Free Trade Area (Working Group's Proposal)
- Banking Arrangement	2. Establishment of Federation of Processed Food Associations(WG)
- Standards and Conformity	3. Trade Facilitation in the BIMST-EC Sub-region (WG)
	4. Establishment of BIMST-EC Account Trade (Thai Proposal)
	5. Seminar on BIMST-EC Regulations, Standards & Conformity Assessment (Thai Proposal)
Tourism	
	1. Visit BIMST-EC Year (WG)
	2. Establishment of BIMST-EC Tourism Cooperation Centre(Thai Proposal)
	3. Feasibility Study on the Promotions of Religious Circuit in BIMST-EC (Thai Proposal)
	4. Training Program on Information Technology in Tourism (Thai Proposal)
	5. BIMST-EC Tourism Master Plan (Thai Proposal)
Energy	
- Natural Gas	1. Energy Infrastructure Development Project (Natural Gas) (WG)
- Renewable Energy	2. Demonstration Project for Small & Medium Scale Industries using Biomass Gasifier System (WG)
	3. Training Program on Renewable Energy Technologies and their application (WG)
	4. Strengthening Educational Infrastructure through the Use of Renewable Energy Technologies (WG)
Technology	
- Agro-based Technology	1. Database on traditional knowledge on food & function foods (WG)
- Information Technology	2. Low Cost Irrigation Project
	3. Collaborative Work on Policy & Development of Protocols of Genetically Modified Food (WG)
	4. Technology Exchange Program (Seed Techno, Micro-Irrigation System, Agro Machineries/tools) WG

Table 1 continued

Table 1 continued

Sectors	Project Names
Fishery	5. Training Programme (Detection of Antibiotic Residues/Food Toxins, Oceanography, Aqua Culture, Certified Reference material for Foods & Analytical Services, Herbal Drug Evaluation, Post Harvest Management Of Fruits, Vegetables, and Fish) (WG)
	6. BIMST-EC Website (WG)7. School Net Programme (WG)
	1. Directory on BIMST-EC Fishery Organizations (Thai Proposal)
	2. Directory of law and regulations on fisheries of BIMST-EC (Thai Proposal)
	3. Fisheries Training Program (Thai Proposal)
Transport & Communication	4. Exchange of Experts Program (Thai Proposal)
	5. Joint Survey of Migratory Fish Stock in Indian Ocean (Thai Proposal)
	1. Feasibility Study in Short-Sea Shipping Development (Thai Proposal)
	2. Preparation of BIMST-EC Framework Agreement on Multimodal Transport (Thai Proposal)
	3. Detailed Design of Kanchanaburi – Three pagoda Pass Railway line

Source: http://www.bimstec.org/project_3.html

facilitation including cross-border transportation issues as most of the members share common border. FDI from other Asian countries including Japan may help in overcoming these burdens.

During the process of trade cooperation, BIMSTEC is making an attempt to give importance on the horizontal specialization across the region. Sri Lanka may well emerge as the hub for rubber-based industries, Bangladesh for energy-intensive industries, Bhutan for forest-based industries and so on. These examples indicate first steps towards deeper integration.

However, apart from several physical barriers, soft barriers need to be addressed only by the leaders of the region. In case of trade, the issues related non-tariff measures, dispute settlement, etc, require urgent attention. In case of transport, several standards need to be harmonized. In ICT, regional cyber laws are a necessary condition. For movement of people with in the region issues related to visa-requirement also needs to be addressed. BIMSTEC framework offers enough flexibility to look into these areas and a more practical and positive mind-set may be the need of the hour to push these issues.

5. Nuances of Sector Specific Cooperation: Ingredients for Asian Integration

It has been observed that intra-regional export share has not grown within Asia much (ESCAP, 2004) despite the fact that some trade agreements are already operating. ASEAN's export share within the region in 1990s remained between 22-25% and for SAARC it has been below 5%. Successful trade blocs such as in EU and NAFTA this share was 67% and 59% respectively in 2000. Such a low intra-regional trade is due to the fact that coverage of these trade agreements are either limited or unable to address actual barriers to trade or even not being able to capture the essence of regional value chain in the production process. Limited trade facilitation is also responsible for this. The sectoral approach of BIMSTEC is very clear from this context. Though only few sectors are now being addressed, it is possible that in the due course sectoral negotiation in many other sectors will become very important.

5.1 Trade Reform and Facilitations

The BIMSTEC FTA was signed in 2004 but still it is not operational. The agreement provides the guidelines for the promotion of trade (both goods and services) and investment for achieving a free trade area. The identification of key sectors in goods is completed and the work is going on for services. Some of the key sectors identified for intensive interregional trade cooperation are furniture, textiles and clothing, drugs and pharmaceuticals, gems and jewellery, horticulture and floriculture, processed food, automotives and parts, rubber, tea and coffee, coconut and spices, etc. Implementation of trade facilitation

measures (harmonization of customs procedures, standards and conformity, mobility of business people), etc. are also identified as areas of further cooperation. BIMSTEC Chamber of Commerce follows up the issues with national business bodies and other agencies and currently is highlighting on the promotion of interregional banking and financial arrangements to facilitate joint-investment and business opportunities. Provision of technical cooperation and assistance are also sought to enhance the business activities (for example, English is identified second language in Thailand and member countries can assist Thailand in achieving better knowledge in English which is deemed to facilitate trade).

Table 2: Export of BIMSTEC (in US \$ Billion)

	1995	2000	2005	CAGR	% share in 2005
Asia Pacific	25.74	23.39	31.68	11.12	14.84
EU-25	19.12	20.48	17.9	8.12	8.38
Japan	12.88	10.12	8.21	4.04	3.84
NAFTA	19.53	23.83	17.53	7.67	8.21
Others	22.72	22.18	24.68	9.74	11.56
World	91.55	119.78	213.51	8.84	100.00

Source: World Integrated Trade Solutions

Table 3: Import of BIMSTEC (in US \$ Billion)

	1995	2000	2005	CAGR	% share in 2005
Asia Pacific	22.05	24.68	27.2	11.35	10.15
EU-25	17.64	14.95	13.65	6.27	5.09
Japan	21.65	14.57	11.24	2.12	4.2
NAFTA	12.22	9.68	7.44	3.76	2.78
Others	26.44	36.12	40.46	13.78	15.1
World	112.81	121.96	267.91	9.03	100..

Source: World Integrated Trade Solutions

In post financial crisis period, BIMSTEC's export and import growth has increased significantly (Tables 2 and 3). The major exports from BIMSTEC countries are textile, machineries (both mechanical and electrical), chemicals, plastics and rubber and agricultural products.

There are scopes of increasing intra-industry trade within the BIMSTEC region. Though BIMSTEC is making an attempt to leverage upon comparative advantage of different member countries linking the value chain but it is overlooking the fact that part of value chain may exist in other countries of ASEAN and SAARC. The FTA has 'accession' clause but there has not been much discussion regarding expansion to other effective countries (except Nepal and Bhutan). Sometimes, specific sectors of other non-member countries may be required to get linked to get the effect of complete integration of value chain and BIMSTEC is yet to explore this option.

Table 4: Intra-Group Export Growth* (%)

	1990-1995	1995-2002	2002-2005
ASEAN	23.79	2.53	20.82
Bangkok Agreement (APTA)	55.00	10.77	35.96
SAARC	18.58	4.19	33.56
BIMSTEC	26.58	4.73	23.26

* Compound Average Growth Rate

Source: Calculated from World Integrated Trade Solutions

5.2 Transport Infrastructure and Connectivity

Benefits of regional cooperation are often lost due to inadequate transport and communication links within the region. Major investments in development of regional public goods and regional infrastructural projects such as Asian Railway, Asian Highway, Asian Satellites, Asian information infrastructure (such as a broad band cable) need to be made. Such projects would not only facilitate trade and other economic exchanges within BIMSTEC but would also generate a lot of demand for the idle capacity for engineering and construction industry in the region. The transport network is highly interdependent in the region (as shown in Table 5). India shares common border with many of the members and hence land transport development is essential for these countries. Sri Lanka being island country is entirely dependant on sea transportation. Thailand does not have direct access to India, Nepal and Bhutan. Moreover, existing procedures at the border are cumbersome and time consuming. Regional cooperation in transport sector is essential in BIMSTEC to reduce the physical and non-physical

barriers and to enhance the efficiency in transporting goods internationally.

India shares land border with many countries in BIMSTEC. Among the land customs stations, only few are currently operational (such as between India and Myanmar only Moreh station is operational) and many of them are not functional mainly due to inadequate connectivity and infrastructure. Currently, most of the trade between India and Myanmar through Moreh and Tamu (in Myanmar) are characterized by border trade. Though there are significant prospect of trade among India, Myanmar and Thailand through this route lack of trade facilitation, infrastructure etc are severely limiting the prospect. This has significant development impact. In view of the regional geo-political setting, cross-border trade among the BIMSTEC countries is beneficial to the local population. However, its contribution largely depends on two factors: the export potential and the existence of suitable conditions for the growth of trade infrastructure.

Table 5: Transport Interdependence Matrix in BIMSTEC

	Bangladesh	India	Myanmar	Sri Lanka	Thailand
Bangladesh		Road, Rail*, Sea	Sea, Road	Sea	Sea
India	Road, Rail*, Sea		Sea	Sea	Sea
Myanmar	Sea, Road	Sea		Sea	Road, Sea
Sri Lanka	Sea	Sea	Sea		Sea
Thailand	Sea	Sea	Road, Sea	Sea	

Note: * Periodic

Source: “Towards BIMSTEC-Japan Comprehensive Cooperation in Transport Sector: Vision and Tasks Ahead” Surat Horachaikul, 2005.

On the whole, it appears that logistics efficiency of BIMSTEC region appears to be falling behind on the ground of inadequate transportation networks. Increased logistics costs stem from inadequate transport infrastructure, underdeveloped logistics and transport services, and bureaucratic import and export procedures. Coordination across national boundaries (in harmonization and simplification of

customs procedures, for instance, or information sharing), and in urban management (most important, in the implementation of land use policies for the location of roads, ports, and other infrastructure related to logistics) are need of the hour which BIMSTEC is making an attempt to address. The two-fold issues identified for this purpose is i) identification of new inter-modal linkages among countries and ii) improving efficiency of international land transport system of BIMSTEC.

BIMSTEC region has three critical components missing—harmonisation of railway network, all weather paved roads, and modern port – which are seriously hindering trade and integration. Another serious problem is the standard of the road condition particularly in Myanmar and, to a lesser extent, in Bangladesh. Except Thailand, all four countries have problems in maintaining in roadway to a level that would permit efficient transport using larger trucks. To develop the transport sector, investment is coming from India, Japan, Singapore etc. BIMSTEC is looking into the possibilities of regional investment in the transport sector. India has come forward and currently linking Indian roads with Myanmar roads. Development of regional economic corridors in BIMSTEC in the line of GMS East-West Corridors will facilitate investments as well as spur economic growth in this region. Similarly, BIMSTEC needs a harmonized railway network (currently gauges are different in different countries). Old network also requires to be renovated mainly between India and Myanmar and between Myanmar and Bangladesh. Currently Indian railways are engaged in modernizing the Indian part. All these exercises are linked to Asian Highway and Trans Asian railway project initiated by ESCAP. Hence, BIMSTEC provides due consideration to the Asian integration process while focusing on the border transport facility.

Along with the physical infrastructure, non-physical part also requires special attention. Currently, in the road sector, a trade consignment takes minimum 4 to 6 days for clearance from Indian border to Bangladesh side and vice versa. The present legal arrangement between India and Bangladesh prohibits Indian vehicle (or Bangladeshi vehicle) to cross each other's border for delivering

the consignment to the ultimate user(s). Generally a consignment needs minimum 22 documentations, more than 55 signatures, and minimum 116 copies for the final approval taking into account both sides (Subramanian, 1999; De and Ghosh, 2001). Cross-border trades between Thailand and Myanmar and between Nepal and Bhutan also face the similar situation. Simplified regional trade facilitation model may be developed along the line of other existing efforts. In this connection, BIMSTEC can learn lessons from SAARC and ASEAN easily as some of its members are party to those groups also. As a part of the overall integration process in Asia, a homogenous trade facilitation system is desired. However, till now no consensus has been reached. BIMSTEC's approach in this case will bring the bridge between ASEAN and SAARC and perhaps evolve a more simplified system. Finally, BIMSTEC is lacking its focus on ICT area which is closely linked to transport and trade. A common framework of cyber laws, integrated broadband connectivity and use of satellite facility for GPS and distance education are important issues which demand immediate attention.

5.3 Energy Security

Major countries of Asia are highly dependent upon oil and gas imports and could benefit by mutual cooperation in the area. The regional cooperation in the area of energy could cover, for instance, to ensure security and sustainability of energy supply, overseeing efficient utilization of natural energy resource in the region, rational management of energy demand, with due consideration of the environment, establishing policy framework and implementation modalities for setting up of energy networks in the region such a region-wide oil or gas grids, and coordinate, manage and monitor the implementation of such a network..

Each member countries of BIMSTEC have high-energy production potential. Moreover the geographical location of the BIMSTEC countries is endowed with vast untapped resources of energy. To meet the growing energy demand and to ensure the efficient management of this sector will require cooperation among the member countries. Some member countries in BIMSTEC like Bangladesh and

Myanmar have large gas reserves beyond their short and medium term domestic requirements and some have unexploited potential of hydropower such as Nepal and Bhutan. On the other hand, other 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 producing and consuming countries. The member countries will also need to cooperate in mobilizing capital for energy investment needs through investor friendly fiscal and regulatory policies. The appropriate policies governing energy resource development and management are closely related to economic and social development policies in the region. The analysis of demand supply gap in the energy sector in the region

Table 6: Energy Use in BIMSTEC

	2001	2002	2003	2004
Electric power consumption (kWh per capita)				
Bangladesh	113.94	121.56	127.67	139.55
India	403.03	416.60	434.81	457.32
Myanmar	66.83	97.89	101.11	103.61
Nepal	62.86	65.45	67.90	68.82
Sri Lanka	282.03	294.10	325.14	344.16
Thailand	1541.69	1655.91	1751.76	1864.58
Energy use (kg of oil equivalent per capita)				
Bangladesh	155.39	156.63	160.90	163.70
India	503.44	508.96	515.47	530.55
Myanmar	256.42	266.03	276.49	282.86
Nepal	336.98	333.72	335.89	340.53
Sri Lanka	422.70	417.74	448.92	485.00
Thailand	1260.88	1331.62	1405.71	1524.03
Energy imports, net (% of energy use)				
Bangladesh	20.80	20.26	20.16	19.30
India	17.99	18.22	17.88	18.50
Myanmar	-27.80	-26.44	-34.16	-34.23
Nepal	12.81	10.53	10.92	10.92
Sri Lanka	43.65	46.60	44.00	45.32
Thailand	45.27	45.64	45.64	48.39

Note: No data available for Bhutan

Source: World Development Indicators CD ROM 2005, World Bank.

is very crucial in reaching at any conclusion on the possibility and potentiality of cross border energy trade. Table 6 below provides information about the energy use in BIMSTEC region and their import status. Only Myanmar currently is exporting energy. However, potentiality of exporting is very high for Bangladesh and Bhutan if sufficient investment is made in the energy sector on the untapped reserves.

Currently, BIMSTEC is engaged in several projects. One of them is enhancement of intra-regional co-operation through an action plan for the development and utilization of natural gas, wind, solar and water/ tidal waves, energy sources. It is also involved in energy infrastructure development projects (natural gas). New and renewable sources of energy projects are also given importance. There is also a proposal of establishment of an energy information centre. A regional institutional mechanism is essential to collect and disseminate information on energy supply and demand of the individual countries for smooth regional energy trade. ASEAN has gone ahead with energy grid. Thailand being member of both BIMSTEC and ASEAN can act as a catalyst in linking the energy cooperation of BIMSTEC with that of ASEAN and thereby enhance the Asian integration process.

5.4 Tourism

Development of tourism can yield substantial benefit through a multiplier effect. In order to promote South Asia as a common tourist destination joint efforts are required in areas such as upgrading of infrastructure, improving air linkages, simplification and harmonization of administrative procedures, human resources development and joint marketing. In BIMSTEC, tourism has not achieved the same stage of development except in Thailand and to some extent in India. On the other hand ASEAN has definite plans for tourism and even intra-ASEAN movement of people for tourism purpose is encouraged.

Historically, the Governments of BIMSTEC countries have not given high priority to tourism. Since the early 1990s however, tourism came to be recognized as an important sector in most of the BIMSTEC

Table 7: Tourist Arrivals by Country of Destination

Countries	Tourist Arrivals (1000)						Change over preceding period (No. of times)	
	1990	1995	2000	2003	95/90	2000/95		
Bangladesh	115	156	200	207	1.35	1.28		
Bhutan	2	5	8	8	2.50	1.60		
India	1,707	2,124	2,649	2,726	1.24	1.25		
Myanmar	21	117	208	206	5.57	1.77		
Nepal	255	363	464	338	1.42	1.27		
Sri Lanka	298	403	400	501	1.35	0.9		
Thailand	5,299	6,952	9,579	10,820	1.31	1.37		
BIMSTEC 7	7,697	10,120	13,508	14,806	1.31	1.33		
East Asia & Pacific	54,598	81,354	111,660	122,000*	1.49	1.37		
South Asia	3,158	4,200	6,299	6,994	1.32	1.49		
World	457,306	565,000	697,000	804,249	1.20	1.23		

Source: World Tourism Organization (WTO), * 2002

member countries. Indeed, tourism is regarded as a vital means for the overall development of their economies: as a source of income; as a source of foreign exchange; as a means to correct deteriorating balance of payments and as a generator of employment. In India, tourism has been accorded an “Export Industry” status, thereby receiving benefits, which are usually extended to merchandise exporters.³ The Government of Bangladesh first recognized tourism as an important industry with the framing of a National Tourism Policy in 1992. In Myanmar, tourism has become a growth sector since economic policies were liberalized to create a market-oriented economy. The Myanmar Tourism Law of 1990 was revised in 1993 to promote systematic development and encourage private sector participation. For Thailand and Myanmar, the main markets are Japan and from Asia and the Pacific. Then again, although the Japanese market is second in importance in Myanmar, after Taiwan, it has been recognized as the potential market in the future. In the case of Sri Lanka, the major generating markets are UK, Germany and France from Europe, and Japan from Asia. Intra-regional tourism, particularly from India is also quite important. On the whole, it is noteworthy that Europe remains the biggest long-haul tourist market for BIMSTEC countries. Developing an integrated tourism programme for Buddhist circuits could serve ingredients for regional tourism development within BIMSTEC. This will eventually integrate India, Sri Lanka and Thailand in the tourism market.

Though it is recognized that tourism sector of BIMSTEC has significant potential, substantial effort has not yet been taken by BIMSTEC to develop the sector. Thus as shown in Table 7 the tourism sector in the region has not shown significant changes as measured by the arrival of the tourists in the region. It has not yet spelt out the sub sectors and its integration strategy with other sectors such as transport, human capital development etc. India and Thailand can share their experiences in this regard and develop a proper policy package for this purpose. Learning from ASEAN and GMS could be helpful to develop tourism related infrastructure; improve human resources in the tourism sector; promote pro-poor community-based sustainable tourism; encourage private sector participation and to facilitate the

movement of tourists to and within the BIMSTEC. Innovative models through public-private partnership may also provide rich dividends. For effective regional cooperation, BIMSTEC needs i) a tourism agreement, ii) development of safety and security norms and declarations of them, iii) development of a tourism information centre (including collection of tourist statistics), iv) policy for investment promotion in tourism sector and encouraging of regional investment, v) educational and training programmes and identification of institutions for that vi) streamlining of plans of actions, etc. BIMSTEC tourism policy can be linked with ASEAN and SAARC for better integration. ASEAN has already started integrating its policy with the help of China, Japan and Korea. Linking BIMSTEC with them may be a practical suggestion in this regard.

5.5 Fisheries

The fishery sector is rapidly developing in BIMSTEC due to increasing demand for fishery products in the international market. Due to lack of scientific information on fish stock assessment, it is difficult for the governments to effectively manage their fisheries, especially in commercial fisheries. High export earnings, both from the better price, larger catches at lower fishing cost when resources are abundant induced rapid increase in fishing effort which soon led to over exploitation and fishery resource degradation. Coastal small scale fishermen suffered from depleting fishery resources, due to lack of alternative sources of income. Large scale fishermen could shift to better fishing grounds. Some of large scale fishermen had earned high income during the period of resource abundance, thus had an access to investment in for non-fishing occupations.

Rapid development in coastal shrimp culture could lead to coastal resource degradation in lack of appropriate control on negative environmental impact from shrimp farming. There is a need for control and correction on this coastal resource degradation. On the other hand, development in coastal areas could lead to coastal environmental degradation, thus decreasing yield from coastal aquaculture.

Due to strong demand for primary fishery products, developed countries had reduced tariff rates on fresh/chilled/frozen products. But

problems of tariff escalation still prevailed in BIMSTEC. Tariff rates on processed seafood were relatively high which was difficult for exporting countries, mainly less developed countries, to earn foreign exchanges from value added products.

BIMSTEC fisheries do not have any sub sector. It can improve in terms of i) development of the directory on BIMST-EC Fishery Organizations, ii) development of regional common laws and regulations for fisheries iii) fisheries training programme including exchange of experts and iv) joint survey of migratory fish stock. BIMSTEC has focused on the efficient production system of fishing in the region. However, it has not yet developed any common stand regarding tariff escalation on fish products in several countries. Technology up gradation is required to face food standard related issues in many countries. BIMSTEC can scout for FDI in this sector. This will promote regional investment from Asian countries such as Japan and Korea and thus help integrating the production base and market.

6. Conclusion

BIMSTEC is a cross-subregional bloc, links South Asia with Southeast Asia. BIMSTEC FTA ensures a converging date with ASEAN LDCs and SAARC members. This will eventually help countries to reduce MFN tariff rates. The entire region expectedly will come out as a free trade area after 2016 significantly and after 2020 completely. However, issues related to non-tariff barrier need to be sorted out. Ideas can be drawn from ASEAN exercises. Trade Facilitation also requires serious attention. Agreement on Services in BIMSTEC can lead the similar issues in SAARC and it can accommodate same mechanism.

In transport, BIMSTEC helps the Asian integration process giving significant focus on cross border infrastructure development. However, soft issues in transport such as regulation, transit agreements, transport services, safety also require careful attention. BIMSTEC should develop a clear legal framework, transparency, pricing and taxation policy leading to risk sharing and management strategy regarding transport sector development. A best practice in this field will help others to develop the legal framework in the similar line and thereby

expedite the integration process. Integration of ICT for transport services development and socio-economic issues are equally important

Linking the National Policy with a Progressive Regional ICT Policy can help to solve many of the trade and transport related issues. Ideas can be drawn from e-ASEAN initiatives and SAARC programmes to integrate ICT technology with development objectives.

Finally, BIMSTEC's sector specific cross border cooperation should provide a new dimension to the Asian integration process through a creative development model. BIMSTEC has generated sufficient investment demand in all these areas. Optimal resource allocation considering the development need is essential and a regional discussion in this regard may prove useful.

Endnotes

- ¹ Initially it was Bangladesh, India, Myanmar, Sri Lanka, Thailand Economic Cooperation. This has been renamed as Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation after Bhutan and Nepal joined the group.
- ² ASEAN members and Japan, Republic of Korea and China.
- ³ See, Wijayasiri, p. 7.

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