

# Transforming Eastern South Asia: Relevance of BIMSTEC

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## **Commentary**

### **Transforming Eastern South Asia: Relevance of BIMSTEC**

Smruti S. Pattanaik

**O**f late the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) is receiving sincere attention from its member countries as an organisation that has the potential to transform the region's political and economic future. This is because there are several bilateral and sub-regional ongoing projects that are seeking to connect the region and bind them together into one economic whole. Apart from this, after the cancellation of the SAARC (South Asian Association for Regional Cooperation) summit in 2017, many would see the BIMSTEC as an alternative to SAARC. Though the Ministry of External Affairs of India continues to consider SAARC as an important regional cooperation mechanism and emphasises its relevance, BIMSTEC appears to be the flavour of the season. The general belief is that BIMSTEC does not have the limitations that the India-Pakistan conflict imposes on SAARC; therefore, it can be transformative institutional mechanism for regional cooperation. However, the fact that this forum has been in existence for more than 20 years without any significant achievement to its credit, would tell us a different story. This commentary seeks to analyse whether SAARC's failure can be BIMSTEC's gain? It examines the challenges before the BIMSTEC and its possible future as a regional cooperation mechanism.

BIMSTEC occupied the attention of many, when India decided to invite BIMSTEC members to join the BRICS summit in Goa, as part of BRICS-BIMSTEC Outreach Summit. In the aftermath of the cancellation of Islamabad SAARC summit, it was generally believed that important members common to both these organisations would be more serious in their efforts to energise the BIMSTEC as a regional cooperation mechanism, which can promote regional integration in the eastern South Asian region; while the western part of southern Asia can wait till India and Pakistan sort out their problems and are willing to cooperate within SAARC. At the BIMSTEC leaders' meeting in Goa, the joint statement emphasised that, 'geographical contiguity, abundant natural and human resources, rich historical linkages and shared cultural heritage [would] provide BIMSTEC the ideal platform to promote peace, stability and prosperity in our region.'<sup>1</sup> In fact, apart from the Rohingya refugee issue that has come up as a security challenge, all the countries of the region share excellent bilateral relations and of late they are engaging each other well enough to bring about surface transport integration and enhance bilateral trade. The BIMSTEC member states are also members of several other regional and sub-regional cooperation forums and are parties to various bilateral initiatives that are being operationalised in the

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region, to boost regional economic cooperation. Therefore, SAARC's failure does not have to be BIMSTEC's gain, as the two regional organisations have different geographical spreads and BIMSTEC is focussed on eastern South Asia. The member countries of BIMSTEC are wedded to the idea of economic integration and willing to put their political differences aside.

BIMSTEC has identified 14 areas where meaningful cooperation is possible. Taking the experience of SAARC into account, the emphasis is now on narrowing down and focussing on areas where significant progress has already been made. The problem with SAARC is, that it is good on initiatives, but poor in implementation. A lack of consensus, because of unresolved bilateral issues often derailed SAARC. In the context of BIMSTEC, members share contiguous geographical space and borders that are porous although some of these areas are hotbeds of insurgent activities. Unlike SAARC, there is a realisation among these states that cooperation is absolutely essential for addressing these issues in the interest of regional stability. There is a broad consensus on addressing common security concerns collectively. Unlike SAARC, BIMSTEC does not have to grapple with the definition of terrorism, though there are several clauses that can help countries protect their interests.

### **Focussing on priority areas: optimising the existing opportunity with the region**

BIMSTEC needs to focus on a few priority areas. They are: trade and connectivity; energy cooperation; terrorism and transnational crimes. In these identified areas, there is already significant cooperation at the bilateral level, as also at the sub-regional level. Integrating these projects into BIMSTEC would provide a fillip to the regional cooperation mechanism, by showcasing its success in these areas which is very important if the organisation wants to have traction at people's level.

#### *BIMSTEC trade and connectivity*

On the question of trade and connectivity, the BIMSTEC Free Trade Agreement (FTA) and Agreements on Services and Investment and Trade Facilitation are still pending before various working groups and hopefully, they would be signed during the Kathmandu summit, later this year. The convergence of interest among the BIMSTEC countries is much stronger, compared to the SAARC. Already ASEAN and India have a FTA, which was signed in 2009. The countries of the BIMSTEC region had agreed on a Framework Agreement on FTA at the 6th Ministerial Meeting, except for Dhaka, which joined in August 2004. A Trade Negotiating Committee (TNC) was set up in 2004 to cover wide range of issues from free trade, rule of origin, trade in service, investment, trade facilitation etc. A Working Group on the Rules of Origin (WG-RoO) and the Working Group on the Dispute Settlement Mechanism (WG-DSM) and customs cooperation have been constituted. There are several initiatives which show the way forward, India's bilateral Free Trade Agreement (FTA) with Sri Lanka which is likely to be elevated to an Economic and Technology Co-operation Agreement (ETCA) in the near future, its agreement with Bangladesh and Nepal on Bilateral investment Protection and Promotion Act (BIPA), the India-ASEAN FTA are some of the initiatives that are existing. A regional trade pact will iron out the bilateral zero-sum politics and reduce apprehensions at the domestic level by providing equal access to market by regulating tariff. However it is the non-tariff and para-tariff

measures that are affecting trade in the region. At the bilateral level, the countries are taking measures to remove these obstacles.

Connectivity has been one of top priorities for India and also for the member countries of the BIMSTEC. India is the lead country for the connectivity projects. Already, several bilateral and trilateral projects are underway and are in various stages of development. For example, several road and rail projects are being implemented across India, Bangladesh, Nepal and Bhutan even though a majority of them form part of projects that are being undertaken, under credit lines provided by India. These four countries have already signed the Bangladesh-Bhutan-India-Nepal Motor Vehicle Agreement (BBIN MVA), even though Bhutan is yet to ratify the MVA. The BIMSTEC MVA is likely to complement some of the sub-regional and bilateral connectivity projects in this region. While India has an Act East policy that emphasises on strengthening historical linkages between India and South East Asia, Bangladesh also has a look east policy in place since 2002. Both Nepal and Bhutan are keen to be part of regional connectivity projects to diversify their exports dependency on Indian ports that are facing congestion and making export-import costly. India, in fact, has taken a lead with massive investments in infrastructure sectors, both in India and in the neighbouring countries.

India is deeply engaged in building the Kaladan<sup>2</sup> port and the 1,400 km-long trilateral highways between Moreh in India and Mae Sot in Thailand, via Myanmar, which are likely to be completed next year. There are proposals for this connectivity to be extended into Cambodia, Vietnam and Lao PDR. Another Rs 6,000 crore project is under way for the four-laning of the 300 km Aizawl-Tuipang highway to ensure faster movement of goods between Sittwe and Aizawal. There are other ongoing projects to enhance transport connectivity in the Indian northeastern region. One of these projects involves a road that is 110-kilometres long, which is being readied to go from Paletwa to Kaletwa to Zorinpui along the Indian border. The second one is 90-kilometres long, and runs from the Indo-Myanmar border at Zorinpui to the Aizawl-Saiha National Highway at Lawngtlai, in Mizoram, India. All these road networks can be part of BIMSTEC connectivity project.

The BIMSTEC Transport Logistics and Infrastructure Study (BTLIS), was commissioned in 2007 and conducted by the ADB was submitted in 2009. This report was endorsed at the BIMSTEC ministerial meeting. This report, identified 165 projects for connecting the region.<sup>3</sup> Of these 35 projects are in the road sector, 12 projects in the railway sector, 9 projects are for expanding airport capacities, developing freight services and facilities as well as the development of support facilities for LCC. The rest of the projects are concentrated on the development of deeper water ports, container handling at Kolkata and Thilawa in Myanmar and trade facilitation in Chittagong.<sup>4</sup> The report also recommended: upgrading the road infrastructure to Asian Highway Class I or II category by 2020; improving border roads to make them suitable for modern vehicles; and also identified the missing links that inhibit connectivity. The report also argued for a regional rail network that would enable the transportation of goods and passengers at a cheaper rate. For example, development options include the building of a new gauge changing facility near Tongi, the creation of a dual gauge link to Agartala/Imphal/Tamu and restoration of the broad gauge link between Chilahati and Haldibari.<sup>5</sup>

In the BIMSTEC MVA meeting held in May 2018, Thailand emphasised that the local transport companies should be given priority for operating in the BIMSTEC MVA. Unlike Thailand, India allows 100 per cent foreign investment in the transport

sector. Thailand has proposed that the transport companies that seek to operate in the area should have 51 per cent domestic stake in the respective host countries.<sup>6</sup> It is likely that the BIMSTEC MVA would be finalised at the summit meeting that is to be held in Kathmandu in August this year.

India is providing economic aid to dredge inland waterways to keep them navigation-friendly. These routes can be used by the BIMSTEC countries for trade and transit. In the first meeting of the Working Group held on November 27–28, 2017, member countries discussed the draft text of BIMSTEC Coastal Shipping Agreement prepared by the Ministry of Shipping, government of India.<sup>7</sup> It is believed that the transportation of goods via coastal shipping would be cheaper and relieve congestions at land ports. Already India has signed a bilateral agreement with Bangladesh with regard to coastal shipping and now there is a standard operating procedure (SOP) in place. It needs to be mentioned that a coastal shipping project is already being operationalised between India and Bangladesh. Similarly, Bangladesh is developing its ports at Chittagong and Mongla and is building a new port at Matarbari. Port facilities in Sri Lanka are also good and they can become part of the BIMSTEC connectivity project.

#### *Energy grids and energy trade within BIMSTEC*

The second most important area for the BIMSTEC is energy connectivity. Energy security is at the core of industrialisation and can provide a boost to trade, mainly exports. Most of the BIMSTEC countries are energy deficient. Dependence on energy especially on oil and gas, would continue for some time in the future. Many of the member states are endowed with hydro resources; however, their potential to generate electricity remains low. In many cases, electricity export, as a factor in trade, remains the most neglected subject. Grid connectivity, the pricing of electricity, the role of private players who have invested in the energy production have all become significant. The SAARC energy grid has got the member states' consent and the BBIN energy grid has already been agreed upon. On the bilateral front, India and Bangladesh are working on grid connectivity. Already India and Nepal and India-Bhutan are connected through grid and India has invested in major hydro projects in Nepal and Bhutan. In fact, Bhutan has been able to benefit considerably from exporting electricity to India.

The installed hydropower capacity of 1,615 MW in Bhutan constitutes less than 6 per cent of its total hydropower potential of 30,000 MW. Most of these projects (mainly Chukha, Kurichu, Dagachu, Basochhu, Tala) have been built with Indian support, initially on an economic assistance basis which now has much higher soft loan content.<sup>8</sup> It is expected that 1,416 MW of electricity will be generated through the joint cooperation between India and Bhutan. The Royal Monetary Authority of Bhutan in its annual report, has stated that electricity export constitutes 37.57 per cent of Bhutan's export earnings from India and domestically, it contributes about 19.40 per cent of the total revenue.<sup>9</sup> This figure demonstrates that hydro-electricity can be the lynchpin for the economic development of Bhutan. The mutual dependence factor here is demonstrated by the fact that in winter, India supplies electricity to Bhutan as the capacity of the hydro-power potential in Bhutan is greatly reduced, due to the seasonal variation in rain fall. Bangladesh, as a power deficit country, has shown interest in purchasing power from Bhutan and India has agreed to facilitate the cross-border power trade. Bangladesh has agreed to invest a billion US dollars in the 1,125MW Dorjilung hydropower project on the Kirichu River, in the Lhuentse district

of Bhutan. The three countries—India, Bangladesh and Bhutan—are poised to work out the modalities for power transmission between Bhutan and Bangladesh.<sup>10</sup>

India and Nepal have hydropower cooperation agreements in place to generate electricity. However, Nepal's hydro potential remains untapped as many of the projects are mired in controversy. Recently, India has agreed to construct the Arun III. Electricity is imported by the Indian states of Uttar Pradesh, Bihar and Uttarakhand, through cross-border power transmission lines that have been installed for the purpose. Power Transmission Company Nepal Limited (PTCNL) in which the Nepal Electricity Authority and Indian companies have a 50 per cent share each and the Cross-Border Power Transmission Company Limited (CPTCL)<sup>11</sup> of India are engaged in building the 90 km Dhalkebar-Muzaffarpur 1200 MW double circuit capacity cross-border transmission line. In February 2016, a 400kV cross-border line was inaugurated by Prime Minister Narendra Modi. Two other transmission lines, Raxaul-Parwanipur and Kataiya-Kushaha, are being commissioned with grant assistance from India.<sup>12</sup> At present, India is supplying electricity to Nepal, but with the hydropower capacity being developed now, the situation is likely to change very soon. Other transmission lines being planned are Bhutwal-Gorakhpur, Duhabi-Purnea, Lamki-Bareilly and Anarmani-Siliguri.

Japan is engaged in the construction of 1,200-MW Matarbari Ultra Super Critical Coal-Fired Power Project in the Chittagong Division of Bangladesh. The grid connection between Bheramara (Bangladesh) and Behrampur (Paschim Banga) in India has already been completed with a loan from the ADB. A 1,320-MW coal-based thermal power plant unit at Rampal in Bangladesh has been commissioned by the National Thermal Power Corporation (NTPC) of India, at a cost of \$1.5 billion.

There are several energy infrastructure projects that are already operational in the region. Therefore, BIMSTEC can optimise the use of existing infrastructure and add to the missing infrastructure to optimise energy trade. Though SAARC countries have agreed to the establishment of a SAARC energy grid, BIMSTEC has to take advantage of the existing energy grids and facilitate cross border energy trade as part of the regional cooperation initiative.

### **Cooperation on terrorism**

Cooperation on countering terrorism is emerging as an important sphere for bilateral cooperation. The countries that are members of BIMSTEC share porous borders that are often used by smugglers to trade in weapons and contraband. Groups having cross-border ethno-cultural and linguistic affinities have often used the porous border to organise themselves and plan attacks, taking advantage of the non-cooperation among the neighbouring countries. The BIMSTEC Convention on Cooperation in Combating International Terrorism, Transnational Organised Crime and Illicit Drug Trafficking, was signed in Myanmar on December 11, 2009 and has been ratified by all member states, except for Nepal and Bhutan. It is encouraging to note that all the member states have participated in the joint working groups meetings relating to the 2009 convention. The convention speaks of international terrorism, terror financing, sharing of information between the countries, including cooperation between the Law Enforcement Agencies of the member states. In this context, and taking into account, the cross border aspect, BIMSTEC held its first National Security Advisors' meet in Delhi in 2017. Later in the same year, the Institute for Defence Studies and Analyses (IDSA), New Delhi, held the first Track 1.5 Dialogue on Security Cooperation among

the BIMSTEC countries. The suggestions made during dialogue included: Building up the capacity of the security forces; pooling resources to monitor terror activities; and sharing intelligence to combat terrorism and cyber crimes. India also held the first capacity building workshop for the security forces of the BIMSTEC countries, in Hyderabad in 2017.

Individually, all the member states have taken measures to deal with the threat of terrorism. Their domestic laws are geared to fulfil the various commitments of the member states to international regimes on terrorism and terror financing. Several bilateral measures have been undertaken between the member states to manage the cross border links between the terrorist groups. In 2010, India and Bangladesh signed an agreement on Combating International Terrorism, Organised Crime and Illicit Drug Trafficking and have a robust cooperation on intelligence sharing on terror-related activities. The two countries have instituted home minister level talks and their two militaries conduct joint counter terror exercises known as the *Sampriti series*. Bangladesh has a policy of 'zero-tolerance' on terrorism and in the last 10 years has taken several measures to counter the threat internally. It has established a Counter Terrorism and Transnational Crime Unit within the Dhaka Metropolitan Police that can operate independently for terror operations, throughout the country, without consulting the local government. The two countries also share real time intelligence and jointly investigated the Burdwan blast.

Between India and Nepal, the two countries have instituted the Nepal-India Bilateral Consultative Group on Security Issues (NIBCGSI) that meets annually. India and Nepal hold Joint Military Exercises known as *Surya Kiran*. Both the countries also share intelligence, especially on cross-border matters. The Indo-Sri Lanka Joint Training Exercise *Mitra Shakti* is geared to the sharing of intelligence on terrorism-related issues and joint intervention in times of need. The India-Sri Lanka agreement on cooperation to combat terrorism and illicit drug trafficking is part of their bilateral cooperation mechanism.

India and Myanmar have extensive cooperation on countering terrorism and cross border crimes. They have institutionalised cooperation through regular, coordinated patrolling initiatives. Like Bangladesh, Myanmar significantly contributes to India's security, by not allowing Indian insurgent groups to take shelter in that country. Myanmar and Thailand have also institutionalised cooperation on terrorism, drug trafficking and for managing their border. It would be an achievement if BIMSTEC countries could hold joint anti-terror exercise, and cooperate in the maritime domain to combat terrorism comprehensively apart from real-time intelligence sharing.

## Conclusion

It can be argued that there exist various degrees of cooperation on all the three issues, identified as priority areas of engagement, between the BIMSTEC member countries. The assumption here is that while bilateral cooperation addresses specific bilateral problems, regional cooperation will help the region to deal with these issues much more comprehensively and collectively. BIMSTEC, as an organisation, does not need to reinvent the wheel. Rather, it needs to tap into existing mechanisms to make faster progress. It needs to be noted that BIMSTEC celebrated 20 years of its existence last year. However, the organisation has not yet been recognised as a credible forum for regional cooperation because of the lack of political will and leadership. It is only in the recent past, that the eastern South Asian region has begun receiving the

attention of governments and they are now willing to invest in infrastructure which will make seamless trade and transit a possibility. The cooperation on energy and the interconnection of grids will also boost economic integration. However, trade and economic integration would only be possible if the region is stable and manages to attract foreign investment.

Though SAARC has its own relevance in terms of regional cooperation and can connect the region to Central Asia, BIMSTEC can link South Asia with Southeast Asia. Sub-regional cooperation like the BBIN has shown that if there is political will, the economic hurdles can be overcome with relative ease. BIMSTEC, which now boasts of a Secretariat, is now capable of acting more proactively to bring the governments together. Unlike SAARC, there are no protracted conflicts between BIMSTEC countries and therefore, it holds more promise for future cooperation, among like-minded countries that are growing economies. Among the 14 identified areas for regional cooperation within BIMSTEC, there is already substantial cooperation for creating connectivity, for energy cooperation and transnational crimes and terrorism. Therefore, it is these areas that need to be tapped as priority areas of engagement.

While SAARC failed to make a connection with the people, BIMSTEC needs to overcome its 'governmentality' and set an agenda that is relevant for the people. People to people cooperation would be significant but first BIMSTEC needs to make the transition to result-oriented goals, rather than getting bogged down with the many issues that are included in its agenda. India needs to play a critical role in turning BIMSTEC into a vehicle for inter-regional cooperation, rather than viewing it as an alternative to SAARC. BIMSTEC has its own relevance and would be a gateway for India to connect to Southeast Asia. On May 12, 2018 India signed a landmark Agreement with Myanmar on Land Border Crossing, to allow people from both countries to cross the land border with a passport and visa. One can think of similar initiatives that can be taken by other countries of the region to facilitate people-to-people contact. Initiative should be taken to replicate the cooperation that exists between India and Myanmar, as part of BIMSTEC initiative to encourage people-to-people interaction across the borders. It is time to reinvent the BIMSTEC as a vehicle for linking two regions that have like-minded countries that are at present pursuing agendas that are bilateral. BIMSTEC is the vehicle that the member countries can utilise to make the transition, from a bilateral to regional framework.

## Notes

1. BIMSTEC Leaders' Retreat 2016 Outcome Document, October 17, 2016, [http://www.mea.gov.in/bilateral-documents.htm?dtl/27501/BIMSTEC\\_Leaders\\_Retreat\\_2016\\_Outcome\\_Document](http://www.mea.gov.in/bilateral-documents.htm?dtl/27501/BIMSTEC_Leaders_Retreat_2016_Outcome_Document) (Accessed on May 12, 2018).
2. Known as the Chhimtuipui river in Mizoram.
3. Asian Development Bank, Technical assistant Consultant Report, *Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Transport Infrastructure and Logistics Study (BTILS)*, January 2008, p7, <https://www.adb.org/sites/default/files/project-document/65311/38396-01-reg-tacr.pdf> BTLIS. Accessed on 15 May 2018
4. Mohammad Shafiur Rahman, Director BIMSTEC Secretariat, 'Promoting Transport Connectivity in Southern Asia: A BIMSTEC Perspective', November 2014, <http://www.unescap.org/sites/default/files/Rahman-Shafiqur-RPDSTCSA-20nov2014.pdf>
5. Asian Development Bank, Technical assistant Consultant Report fn. 3



6. 'Thailand expresses concern over BIMSTEC motor vehicle pact', April 11, 2017, [http://www.business-standard.com/article/pti-stories/thailand-expresses-concern-over-bimstec-motor-vehicle-pact-118041100722\\_1.html](http://www.business-standard.com/article/pti-stories/thailand-expresses-concern-over-bimstec-motor-vehicle-pact-118041100722_1.html) (accessed on May 16, 2018).
7. Press Information Bureau, Government of India, Ministry of Shipping, 'BIMSTEC Member States discuss draft text of Coastal Shipping Agreement', December 1, 2017
8. Chhukha Hydroelectric project was fully funded by the Indian government with a 60 per cent grant and 40 per cent loan given at 5 per cent interest rate per annum; however, for the Tala Hydroelectric project the interest rate on the loan was increased to 9 per cent. For the Puntshangchu I project, the funding modality was reversed, that is, it composed of 40 per cent grant and 60 per cent loan, with 10 percent interest rate on loan. Now the funding modality has become stricter consisting of 70 per cent loan and 30 per cent grant at a 10 per cent interest rate, for recent projects such as Mangdechu project. See Sangay Chopel, 'Export Price of Electricity in Bhutan: The Case of Mangdechhu Hydroelectric Project,' *Journal of Bhutan Studies*, Vol.32, Summer 2015, p.2
9. Monetary Authority of Bhutan, *Annual Report 2016-17*, p.51 <https://www.rma.org.bt/RMA%20Publication/Annual%20Report/annual%20report%20%202016-2017.pdf> (Accessed on May 14, 2018).
10. <https://www.drukgreen.bt/index.php/other-news/956-bangladesh-to-invest-in-bhutan-s-hydro-power> (Accessed on May 15, 2018).
11. Wholly owned subsidiary of IL & FS IDC Limited (Infrastructure Leasing & Financial Services and Infrastructure Development Corporation) with a provision for equity participation from Nepal Electricity Authority (26%), Powergrid (26%), Power Trading Corporation (11%) & others; SJVNL confirmed equity participation up to 26%)
12. Press Information Bureau, Government of India, Ministry of Power, 30 December 2016, <http://pib.nic.in/newsite/PrintRelease.aspx?relid=156022>