CHAPTER VI
CONCLUSION

Regionalism as a phenomenon cropped up with the promise of revolutionizing the global political and economic structure forever. Realization of economic integration in a geographical region through facilitating free trade across the boundaries of the nation-state was the foremost target of regionalism. As a paramount alternative to multilateralism, regionalism became the backbone of European integration and subsequently impelled the regional integration process in third world countries. Regionalism based on a high level of political and economic integration was assumed to be effective in enhancing collective self-reliance among the developing countries and stimulating growth and stability in the region. The advent of globalisation with provision for structural reforms further bolstered the process of regionalism. The relationship between globalisation and regionalism became complex due to ambiguity over the repercussions of the former on the latter. But in the course of time they came to underpin each other, thus signalling their profound interdependence. Consequently, it paved the way for cooperation among the states in functional areas through their participation in micro-regional organizations and helped them in establishing peace and security without upsetting the prevailing notion of sovereignty. In fact, regionalism posed no risk to the sovereignty of any nation; rather it became a proficient conduit through which states could foster trust and interdependence among themselves by initiating cooperation in areas of common interest. Under the impact of forces of globalisation and liberalisation, regionalism acquired a new and complex form of deeper regional integration manifested through sub-regional economic zones thereby steering the advance of new trend of sub-regionalism.

Sub-regionalism is a vital component of the phase of new regionalism and is congruent with an open model of regional cooperation pursuing faster trade and deep integration among geographically contiguous countries. Poor regions inept at forming large regional blocs like the EU due to lack of feasibility opted for sub-regional cooperation mechanisms as they involved little risk and less cost. Sub-regional cooperation zones are
characterized to be informal integration, flexible and open to global economy. These zones focusing upon a certain portion of the participating country and striving for integration in export and technology sectors are more likely to abate regional disparities. The global integration is possible through wide-scale pursuance of sub-regionalism as it has the potency to combat political and cultural barriers across the boundaries. Furthermore, sub-regionalism plays a predominant role in the consolidation of regional economies leading to economic growth and hence it has positive implications towards the foreign policy of the member states. The sub-regional initiatives primarily aimed at establishing growth triangles and quadrangles which are mainly economic concepts that involve the linking of adjacent areas of three or more countries with varying endowments of factors of production and comparative advantage. Unlike regionalism which first flourished in Europe, sub-regionalism boomed first in the Asia-Pacific region. The crucial events like the triumph of the US’ capitalism over the USSR’s communism, the problems arising from region-wide schemes like ASEAN and APEC, failure of the Uruguay Round, and the incapacity of low and poor countries to protect themselves from the worst effects of the trading blocs of the EU and NAFTA were responsible for the landmark move towards sub-regional cooperation in the Asia-Pacific region.

The Bay of Bengal region, being a part of Asia-Pacific region, has also witnessed rapid proliferation of sub-regional economic cooperation initiatives. This region is blessed with numerous untapped natural and mineral resources which are of huge economic and strategic potential for its littoral countries as well as global powers. The geostrategic significance of the Bay of Bengal region owes to its location between two diverse regional economic blocs — SAARC and ASEAN — connecting the Southeast Asian economies to the oil-rich Middle Eastern countries. In recent times, the BoB region has experienced viable growth in its strategic significance on account of its growing economic significance as well as growing competition among the countries across the ocean to influence the regional economy. The region has grown as a strategically critical point in the current geo-political context with the explicit concern towards maintaining regional security. In this backdrop, multiple sub-regional cooperation arrangements such as BIMSTEC, SASEC, BCIM, and many other groupings surfaced in this region with the intent of exploiting the geographical contiguity and intensive synergies for mutual benefit.
The trend of new regionalism in the Asian region sparked off with the formation of SAARC and BIMSTEC towards the end of the 20th century. The logic behind the formation of BIMSTEC was that the founding members viewed it as the only possibility to engage with other sub-regional economic blocs beyond their own regional confines as well as to accomplish their strategic and economic interests which, otherwise, would not have been possible in isolation. Moreover, the failure of SAARC to secure economic gains for the region propelled the move towards the formation of sub-regional initiatives such as BIMSTEC. Thailand and India by virtue of their preponderant presence in ASEAN and SAARC respectively played a vital role in the founding of BIMSTEC. This grouping has both regional and sub-regional characteristics. The BIMSTEC has expanded its sphere of action by shifting its focus from mere economic issues to non-economic and social issues by following a holistic development approach and endorsing agreements on various issues like free trade, counterterrorism, energy security etc. The smooth flow of intra-regional FDI among the member countries as well as multi-sectoral cooperation in the region has been possible due to the active role of BIMSTEC. India’s wilful inclusion in the BIMSTEC as its founding member was in its greater interest to strengthen its ties with the powerful ASEAN countries. The BIMSTEC has become an integral part of India’s Look East Policy and has helped India in overcoming the failings of SAARC and expediting its trade and investment linkages with other countries in the Bay of Bengal region. However, like SAARC, BIMSTEC has also witnessed sluggishness in its endeavour to integrate regional economies; this is chiefly due to the undue importance attached to the national interest and sovereignty by its individual member countries at the cost of an open economy.

The central aim of the present study is to explore BIMSTEC as a sub-regional initiative from both the theoretical point of view and the realistic point of view by throwing light on its performance in bringing about regional economic integration in the Bay of Bengal region. A comprehensive review of literature available on the subject enabled us to determine the research gap. At the end of the review, dearth of any significant work on the theoretical dimensions of BIMSTEC was found. Furthermore, it was also noticed non availability of up-to-date and comprehensive study on BIMSTEC’s functioning in its primary sectors of cooperation. The study therefore has strived to fill this gap. Consequently, the present study has been oriented to explore the theoretical aspects of BIMSTEC; as such it has applied various relevant theories of regionalism into BIMSTEC with an aim to illuminate the
theoretical and intellectual connotation of this particular sub-regional initiative. Again, the study has concentrated on analysing the BIMSTEC and its sector-wise performance in its six primary sectors. Further, the study revolved around the basic assumption that inadequate institutional and structural frameworks have resulted in the poor performance of BIMSTEC.

The theoretical framework of BIMSTEC has been developed by taking into consideration various theories available on regionalism and then analysing the relevance of these theories with respect to BIMSTEC. Theories like intergovernmentalism, federalism, functionalism, neo-functionalism, neoliberal institutionalism, and constructivism and New Regionalism Theory are the principal theories of regional integration. Sub-regionalism, being a recent development, lacks considerable theorisation although certain theories like neo-liberal institutionalism and new regionalism theory have due significance for explaining the new phenomenon of sub-regional cooperation. Though the academic literature available on regionalism and region is quite extensive, systematic studies have yet to be accomplished on the theorization of BIMSTEC. The attempt to put BIMSTEC into a theoretical framework of analysis requires a comparative analysis of available theories of regionalism. The mainstream theoretical literature on regionalism was mainly based upon European experience. But, with the resurrection of regionalism under the tutelage of globalisation and pursuance of an open-economy policy by the non-western countries led to a paradigm shift in intellectual thought on regional integration debarring the influence of the Eurocentric approach. Theories like constructivism, neoliberal institutionalism and New Regionalism Theory marked a departure from earlier Eurocentric theories of regionalism.

Functionalism, neoliberal institutionalism and New Regionalism Theory are more appropriate theories to explain the true nature of BIMSTEC. But, theories like neorealism, neo-functionalism, and constructivism are partially relevant in understanding BIMSTEC. The BIMSTEC fulfils the essentials of functionalism due to its primary focus on cooperation in technical and economic areas providing a common platform to its member countries to discuss and resolve their common problems. Functionalism’s conception of “spill over” holds relevance for BIMSTEC as it has become the driving force in facilitating functional integration in the BoB region. Neo-functionalism, explicating the slow, organic regional integration process in different parts of the world, can be applied to explain the growth and functioning of BIMSTEC as this grouping came out due to planned arrangements among its founding members. The attempt among the BIMSTEC states to push for early conclusion of
the proposed BIMSTEC Free Trade Agreement (FTA) so as to make optimum use of existing “complementaries” among them and to expand the stream of goods and services in the region signifies that BIMSTEC is more interested in functional integration as advocated by neo-functionalism. The paradigm of neoliberal institutionalism is suitably applicable to BIMSTEC in the Bay of Bengal region. In fact, neoliberal institutionalism emphasizes on increasing trade and investment through institutions, likewise BIMSTEC as an effective institution sprang up with the first and foremost goal of increasing trade and investment in the region and facilitating region-wide cooperation in crucial sectors. With due increase in the status of BIMSTEC as a major sub-regional grouping through annual summits and other ministerial level meetings, member countries would not dare to ignore it while determining their respective foreign policy. Neoliberal institutionalism claims increasing levels of interdependence and consequent international co-operation. Similarly, the expansion of priority areas for cooperation within BIMSTEC from an initial six to now fourteen sectors demonstrates that increasing interdependence among member countries had driven them to multiply their areas of cooperation and to form a cluster of sub-regional initiatives. The New Regionalism Theory for its dynamism is suitable to explain BIMSTEC. Though initially BIMSTEC was created for trade purposes, it has now diverted itself to a wide range of sectors in which it aimed at facilitating cooperation among member states. BIMSTEC, having membership of two sub-regions, has crossed geographical boundaries in promoting trade. In congruence with New Regionalism Theory, BIMSTEC has emerged as a heterogeneous, dynamic, and multidimensional organisation in terms of its constituents and functioning. It has not been restricted to be a trade forum only; rather it has become a multifaceted forum because of its inclusion of manifold issues within its ambit. From the theoretical perspective, it is learnt that no single theory is absolutely adequate to be applicable to BIMSTEC, but a mix of these theories would be more appropriate to be applied in conceptualising and explaining BIMSTEC.

With regard to trade and investment which is BIMSTEC’s primary sector, this region has enormous trade potential which has still remained largely untapped. However, with the formation of BIMSTEC, there has been a significant increase in compound annual growth rate (CAGR) of total trade among the member countries. Bilateral trade between them has also grown dramatically. By realising the significance of FDI for encouraging economic development, many countries, including the BIMSTEC members, have brought extensive
modifications in their FDI policy environment to lure foreign investments. Likewise, they have also focussed upon encouraging private sector participation. Almost all of these countries have adopted an open market economy with liberalisation of FDI. Subsequently, these countries have experienced gradual increase in FDI inflows. Since the formation of BIMSTEC, the FDI inflows show the growth trend. There has been a surge in FDI inflows in the BIMSTEC region from approximately US$ 320 million in 1990 to nearly US$ 60,856 million in 2015. Despite global financial crisis of 2008, the BIMSTEC member nations have sustained a steady growth rate of close to 6% per year as compared to other emerging regional economic blocs in the world. This was because of increased activity in sectors like energy, manufacturing, telecommunications and transportation. But, BIMSTEC has registered a slow progress in bringing about regional economic integration through the FTA. The BIMSTEC FTA is still not operationalized. The major hurdles in the process of conclusion of the BIMSTEC FTA is the lack of consensus on certain crucial issues like negative list, criteria for rules of origin, Non-Tariff Measures (NTMs) and Mutual Recognition Agreements (MRA).

Concerning transport and communication, it is found that the BIMSTEC region is still deprived of fair and enhanced transport and communication infrastructure facilities. Bangladesh has thrived with an extensive and well-organised transport system comprising road, rail, inland waterways, seaports and airports. Nepal and Bhutan, being landlocked countries, are bereft of inland waterway transport and seaport services; hence these countries are completely dependent on India and Bangladesh for maritime trade. Bhutan’s international trade mainly takes place through the Kolkata, Haldia (India) and Mongla (Bangladesh) maritime ports. The country has limited road transport services and no railway networks. In the case of Nepal, rugged terrain and unfavourable weather conditions are the main reasons behind Nepal’s deprivation of navigable waterways. India, Myanmar, Sri Lanka and Thailand have a large and diverse transportation network including land transport, water transport and air transport.

Regarding the transportation projects of BIMSTEC, the Kaladan Multimodal Transit Transport Project was initiated between the governments of both India and Myanmar in 2009 with a view to improve seamless connectivity between the mainland of India and its North Eastern Region (NER). The KMTTP is likely to enhance the development and economic growth of the North Eastern Region of India, by opening up the maritime trade route for
goods and services. This project shall reduce the severe pressure on the Siliguri Corridor or ‘Chicken’s Neck’ by paving the way for an alternative route to India’s North Eastern Region.

Similarly, the India–Myanmar–Thailand Trilateral Highway is a major cross-border road project involving India, Myanmar and Thailand on transport linkages. The Trilateral Highway is considered as a path-breaking and significant initiative as it, once completed, shall enhance the connectivity and movement of people and ideas among the countries. The foremost target of this project is to link the North Eastern Region of India with the Southeast Asian region. Though the construction of the project began in 2012 and was planned to be completed by 2015; however, lack of coordination between the countries, inadequate institutional support and complicated procedural issues stalled the progress of this project.

Recognising the need of improving different modes of transport linkages, particularly multimodal connectivity, for facilitating unrestricted passage of goods and people, the BIMSTEC countries have given their consensus to the transport and logistics policy framework and strategies in a technical advisory committee meeting. These countries have also agreed to carry out the transport cooperation programme for the purpose of ensuring greater physical connectivity and efficient transport and trade flows. In view of poor standards of infrastructure, absence of compatibility and railway gauge differences in the region, the BIMSTEC members ought to enhance cooperation in the sector of transport and cooperation. It is hoped that better connectivity through developed transportation and communication among these BIMSTEC countries shall unravel its hidden potential in accelerating closer economic ties and escalating harmony and unity among the people of the region.

As for the energy sector, the BIMSTEC region has an enormous potentiality. The prime objective of the energy sector of BIMSTEC is to ensure energy security of its member nations. The present significant projects endorsed in this sector are the Trans BIMSTEC Gas Pipeline Project, the Trans BIMSTEC Power Exchange and Development project, and the BIMSTEC Energy Centre in Bangalore and the energy trading networks between members.

The Trans BIMSTEC Gas Pipeline Project is an important project under the Oil and Gas subsector. Under this project, Thailand has agreed to share the knowledge and technology of converting natural gas resources into saleable products with other countries in the region. It is estimated that Myanmar has huge untapped gas reserves which can be tapped
with the help of energy deficient countries like India, Bangladesh, Sri Lanka and Thailand for mutual benefit. This initiative will help in attaining energy security in the region and subsequently contributes towards the socio-economic development of the member states. However, this project has not materialized so far, even though the project has been proposed during the First Energy Ministers Meeting in 2005.

Likewise, the BIMSTEC Trans Power Exchange and Development Project is a major initiative under the Power sub-sector of BIMSTEC. It was initiated for accelerating power trade among the member countries. This initiative will ensure energy security and thereby offer a win-win situation in the region as the member countries will get opportunities to share their surplus hydroelectric power with each other. Guided by the values of mutual cooperation and sustainable development, the member countries are eager to create grid interconnections for stable, unfailing and cost-effective electricity supply at affordable cost to the consumers of the region.

The BIMSTEC Energy sector’s programmes are a good initiative towards promoting energy security in the region. However, it is still in its first phase of implementation. It will take some time to materialize. Therefore, in the meantime, BIMSTEC member countries need to think in terms of entering into bilateral cooperation with each other, wherever multilateral framework is not productive and the progress is not of expected level. Due to geographically scattered position, a large portion of these resources are still untapped among these countries. Efforts must be made for ensuring effective regional cooperation in order to develop, distribute and ensure efficient utilization of these resources among the member countries. If the resources are efficiently and effectively utilized, it will be extremely beneficial and subsequently reinforce energy security among the member countries.

As for the tourism sector, the BIMSTEC region is known for its tourist attractions and holiday spots which could act as a medium of earning foreign exchange revenues and of generating employment for some of its member countries. This region has the potential to grow into one of the top tourist destinations in the globe. Geographical proximity among the countries adds to the region’s huge potential for tourism expansion. In addition, the presence of medical and wellness tourism attracts a large number of international tourists to visit this region for Ayurveda, yoga, meditation and massage therapies.
Indeed, the tourism sector has been rapidly growing in this region with remarkable effects on the national development of the respective countries. Some of the BIMSTEC countries such as Nepal and Bhutan have transformed tourism into their major industry and largest single foreign exchange earner. Yet, the tourism sector has not flourished in spite of introduction of a number of initiatives and investment of huge amounts of money for development in this sector. Other countries have also taken necessary steps to facilitate and promote tourism in this region, but a host of factors such as political instability, pandemic diseases, complicated travel procedures, poor connectivity, low levels of technology and safety and security have constrained the progress of tourism.

This study asserts that intra-regional tourism within this region ought to be improved. Following the EU and ASEAN governments, BIMSTEC ought to adopt appropriate steps to do away with the existing blockades by embarking on certain important issues such as creating and implementing a single common visa and open borders, using a single common currency, initiating collective cooperation and promoting religious and medical tourism.

Regarding technology, all BIMSTEC countries are having inferior levels of technology. This region, having enormous natural resources, has enough potential to accelerate economic development thorough trade and technological initiatives. Hence, from BIMSTEC’s perspective, technology cooperation has significant dimensions. The member countries can learn from each other’s experiences and share the available pool of technology particularly information technology, biotechnology, pharmaceutical and bio-informatics. They need to focus upon developing cooperation in the classical low technologies and then to move towards science-based high technologies. However, most of the member countries are in the stage of infancy with respect to technology development and technology transfer.

At present, India and Thailand have attained exponential growth in the technology sector thanks to their endeavour to open the economy to the global economy. India has preferred a judicious amalgam of indigenous and imported technologies. In Thailand, the technology transfer has been relevant in dealing with climate change issues such as inventory and mitigation, vulnerability and adaptation. The country has attached importance to cooperation in research work on climate change and in this regard it has access to “soft technology” in research methodologies. Bangladesh is performing poorly in this sector. The non-existence of an implementation strategy of the Science and Technology policy hindered
proper execution of issues of technology transfer. Nepal has made certain progress in the sector of IT thanks to several initiatives initiated by the Nepalese government. A few Nepalese IT companies are emerging in the international market. In Bhutan, remarkable progress has been achieved in centrally planned roll-outs of key foundational infrastructure and capitalisation of mature technologies despite being a relatively late entrant. With its immense hydropower generation capacity, the country has begun to take several technological initiatives in the South Asian region in recent times. In Myanmar, towards encouraging technology development and innovation, the government has initiated certain collective efforts towards loosening censorship laws, extending telecommunications licenses to foreign operators, and developing new legal frameworks for e-government and information and communications technology (ICT). Sri Lanka’s production and exports is still dependant on simple technology.

As for fisheries sector, the BIMSTEC region is blessed with huge fisheries resources and is home to an estimated approximation of 30 percent of global fishermen. Marine living resources constitute the main source of livelihoods of millions of coastal community people. The countries like Bangladesh, India, Thailand, Myanmar and Sri Lanka have an enormous quantity of both inland and marine capture fisheries and aquaculture potential. In these countries, fisheries are one of the highly profitable industries and are a major source of livelihood for a large number of people especially marginal people. It is also one of the major sources of export incomes and foreign exchange revenues. In land-locked countries like Nepal and Bhutan, aquaculture is the main source of livelihood for the rural populace. All of these countries have experienced a steady growth rate in fisheries’ output in recent years. There has been an upsurge in annual per capita fish consumption since fish are a rich source of protein.

The BIMSTEC countries have a share of nearly 10% in the total world fisheries export. However, because of dearth of scientific information on fisheries stock assessment, it is very tough for the BIMSTEC member countries to efficiently deal with their fisheries. In addition, inadequate capital support, lack of technology and poor market access are some of the obstacles which have hindered the growth of the fisheries sector. In this context, there must be sustainable efforts for the development and transformation of the fisheries sector under the aegis of BIMSTEC so as to enhance fruitful cooperation among the member states in this sector.
BIMSTEC is a key sub-regional economic cooperation forum. More than 1.3 billion people reside in these countries. The complementarities among the members are substantial. The limited success of SAARC in enhancing economic cooperation makes space for an alternative forum. BIMSTEC is an important initiative in this regard as it could avoid Indo-Pakistan political rivalry. It has the potential to help in realizing the goals of India’s “Look East Policy”. BIMSTEC has been the central key to India’s ‘Look East’ strategy that has provided a new dimension to New Delhi’s economic cooperation with the Southeast Asian countries.

BIMSTEC has successfully completed twenty years of its existence with remarkable achievements in ever-increasing cooperation among member countries. Yet, this organization has not been able to facilitate full regional economic integration with low levels of institutionalization. This organization is going through several woes which are listed below:

- Lack of capitals and proper coordination among member states.
- Irregularity in holding summit meetings as only three meetings were held so far with long intervals in between them.
- Absence of strong leadership on the part of leading states like India and Thailand.
- Unwillingness among the members to make much-needed investment in selected priority areas.
- Absence of a permanent secretariat for a long time.
- Prominence of other regional groupings like ASEAN which has overshadowed the role of BIMSTEC in the region.

The above factors including institutional failings have stood in the way of full success of BIMSTEC. The member countries must take suitable initiatives to combat all these challenges so as to fulfil the promise which was endorsed with the creation of BIMSTEC.

BIMSTEC is desired to work through a bottom-up rather than a top-down approach. It must follow a people-centric approach so as to connect people with the organization. It should restrict its attention to fewer priority areas for ensuring better implementation and achieving optimum gains instead of diverting its focus towards numerous areas with low
concrete achievements. Since the region has huge natural resources the logical corollary is that the organization needs to work towards efficient utilization of these resources for more productivity. The principal countries like India and Thailand should come forward to provide resilient leadership to BIMSTEC. Furthermore, the organization must take endeavours to deepen the physical and digital connectivity by taking advantage of regional synergies and geographical contiguities. Besides, the following steps must be undertaken in order to make this particular organization a successful and worthwhile initiative in the region:

- Collective partnership among the member countries must be worked out.
- Intra-regional investment needs to be increased.
- Role of the civil society and other non-state actors ought to be encouraged in the policy making process.
- Collaboration is pertinent in joint research and development in science and technology.
- Steps must be taken to facilitate higher levels of institutionalization within BIMSTEC and make its secretariat livelier. Further, a strong leadership must be provided to the organization.
- In the tourism sector, it is crucial to facilitate common visa and open borders, use of a Common Currency, promote religious and medical tourism and encourage collective cooperation.
- In the energy sector, efforts must be made to enhance cooperation in renewable energy resources utilization including the hydropower sector and to expand bilateral energy cooperation between member states.

It is hoped that with the well-timed implementation of the aforesaid reform measures, BIMSTEC will gain fresh momentum in transforming the developmental landscape in the region and impacting favourably towards peace, harmony, social and economic prosperity.