

Strengthening BIMSTEC Regionalism in Uncertain Global Times

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Summary

The fifth summit of the leaders of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) on 30 March 2022 was an important landmark in supporting regional cooperation between South Asia and Southeast Asia. However, an unfinished agenda awaits the incoming Thai Chair of BIMSTEC, including the conclusion of the BIMSTEC Free Trade Agreement, promoting digital transformation, supporting gender equality and strengthening the Secretariat.

The devastating impact of the COVID-19 pandemic, closely followed by the [economic fallout](#) of the Russia-Ukraine conflict, have disrupted the expected global recovery in 2022-2023. The global economy is entering a more uncertain and challenging time with increasing geopolitical and economic risks. This is translating into rising commodity prices, spiralling inflation, slower growth and volatile capital flows. There are concerns that the global economy could be hit by a second recession in three years which would hurt developing economies harder. Some developing economies face a [challenging macroeconomic outlook](#) of stagflation, higher external debt and rising poverty.

South Asia looking east and Southeast Asia looking west offer a route to mitigate global risks and reap opportunities for renewed trade-led growth across Asia, which remains one of the world's most dynamic regions. Decades of outward-oriented development strategies have transformed East and Southeast Asia from a poor agricultural backwater to a global industrial powerhouse. International experience suggests that [closer and effective regional cooperation alongside multilateralism](#) can be a vehicle for mutual prosperity and peace.

Established in 1997, the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) is a relatively young regional institution by global standards. It covers five economies in South Asia (Bangladesh, Bhutan, India, Nepal and Sri Lanka) and two economies in Southeast Asia (Myanmar and Thailand). These economies cover diverse geographical, historical, cultural and developmental circumstances. In recent years, India has been one of Asia's fastest-growing economies with a large middle class, while Thailand is a key member of the Association of Southeast Asian Nations (ASEAN) at the centre of global supply chain trade. The [economic potential](#) of the grouping is underlined by BIMSTEC members accounting for as much as 22 per cent of the world's population and about four per cent of the world's gross domestic product.

BIMSTEC has proceeded gradually and carefully to build the institution and foster regional cooperation. In 2014, a permanent BIMSTEC Secretariat was established in Dhaka, headed by a secretary-general with seven country directors from its members. Several priority

sectors of cooperation were recently identified and rationalised to seven broad areas. Some BIMSTEC centres have been set up on priority subjects for the region.

A notable milestone was the 5th BIMSTEC Summit among the heads of state, conducted in hybrid mode on 30 March 2022. Hosted by Sri Lanka, the then BIMSTEC Chair, the Summit has contributed towards closer regionalism. [Important outcomes](#) included the approval of the BIMSTEC Charter, BIMSTEC Master Plan for Transport Connectivity and the BIMSTEC Convention on Mutual Legal Assistance in Criminal Matters. Members have also committed to work collectively on the finalisation of the BIMSTEC Coastal Shipping Agreement and Motor Vehicles Agreement, further enhancing the facilitation of transport and peoples' movement.

Seamless sustainable multi-modal transport links and synergy with other connectivity frameworks like the ASEAN Master Plan on Connectivity 2025 are what BIMSTEC economies need to support cross-border trade for economic recovery. Improving trade facilitation can speed up the BIMSTEC integration process. Accordingly, moving to a single regional window in customs and a paperless trade regime can help to lower trade costs and facilitate cross-border business.

More has to be done, however, to build on these achievements and strengthen BIMSTEC as an effective regional organisation tuned to the needs of the new uncertain era. For a start, there is the long-running unfinished agenda item of concluding a BIMSTEC Free Trade Agreement (FTA), which has been under negotiation since 2004. A comprehensive BIMSTEC FTA can aid to reduce barriers to trade and investment and help businesses join global supply chains. The region displays significant complementarity between the members, which bodes well for mutually beneficial trade. The foundation of BIMSTEC's economic growth has been an open, rules-based multilateral trading system. Therefore, bringing the BIMSTEC FTA to a successful conclusion within a reasonable timetable is worthwhile. Along with it, the reduction of regulatory barriers to foreign direct investment in the region will promote growth and integration of regional and global supply chains.

Furthermore, significant work is needed to prepare the BIMSTEC members to embrace the potential of the fast-moving digital economy. This means investment in 5G technologies and related infrastructure, adopting a business-friendly regulatory approach to e-commerce and investing in digital skills. It is also imperative to promote greater gender equality in education and the workplace, creating the same opportunities and pay scale for women and men. These will foster more jobs, income and entrepreneurship across the BIMSTEC countries.

Fulfilling the economic promise of the BIMSTEC Charter and the proposed development agenda under the 'new normal' may not be achieved without empowering the Secretariat. The Secretariat needs to be adequately resourced and have sufficient delegated powers to fulfil its role as a coordinator of activities across BIMSTEC members. In an encouraging sign, Indian Prime Minister Narendra Modi [announced](#) during the 5th Summit that India would provide US\$1 million (S\$1.35 million) to increase the operational budget of the Secretariat. Other members should follow suit. With the increased resources, there is also a need to

develop a roadmap for the capacity building of the Secretariat and officials in member countries.

In the final analysis, the 5th BIMSTEC Summit will be remembered for its important achievements. Nonetheless, the group still requires upgrading to support regional cooperation and economic development of its diverse membership in uncertain times. Until this occurs, BIMSTEC is likely to remain a work in progress and fall short of meeting the aspirations of its members and their populace. There is a large in-tray for Thailand, the incoming Chair of BIMSTEC.

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