



**BIMSTEC**  
**KATHMANDU SUMMIT 2018**

# RECOMMENDATIONS FOR FOURTH BIMSTEC SUMMIT

**Kathmandu, Nepal**  
**August 30-31, 2018**

# **Recommendations for Fourth BIMSTEC Summit**

**Kathmandu, Nepal**

**August 30-31, 2018**

The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) was established as a regional cooperation initiative to promote cooperation among the South and South-East Asian countries. Currently, the membership of BIMSTEC includes seven countries: five from South Asia (India, Bangladesh, Nepal, Bhutan, and Sri Lanka) and two from South-East Asia (Myanmar and Thailand). The grouping has its unique existence as a bridge between the two major regions of Asia, i.e. South Asia and South-East Asia. Since its inception the grouping has cherished a wide mandate involving 14 diverse areas of cooperation among the member states including trade & investment, technology, transport & communication, agriculture, tourism, fisheries, energy, public health, people-to-people contact, culture, climate change, environment and disaster risk management, poverty alleviation, and counter terrorism & transnational crime.

In 2017, BIMSTEC has completed 20 years of its existence. In its 20 years of engagement across different sectors, BIMSTEC has achieved several milestones to its credit particularly in narrowing the differences and building common grounds for strengthening economic, social and cultural relationship among the member states. However, the progress in some areas of regional cooperation in BIMSTEC has been relatively slow against the timeline set earlier. Moreover, the changed geo-political environment in the South Asia and in the world over the past few years have necessitated prioritization of certain pillars of cooperation and widening of the scope of cooperation in new areas. Both Track-I and Track-II have contributed to the BIMSTEC discourse over the years.

In light of the evolving geo-political environment, achievement of regional goals and the challenges faced by the region, the think tanks from the BIMSTEC countries have prepared the following recommendations for the upcoming 4<sup>th</sup> BIMSTEC Summit.

## **Main Recommendations**

### **1. Identify Priority Areas of Cooperation**

So far BIMSTEC has embarked upon 14 pillars of cooperation, which include trade and investment; transport and communication; energy; tourism; technology; fisheries; agriculture; public health; poverty alleviation; counter-terrorism and transnational crime; environment and natural disaster management; culture; people-to-people contact and climate change. Given varying level of economic development, diverse resource endowments, rich cultural and civilizational linkages, all these 14 pillars are important for strengthening cooperation among the BIMSTEC countries which, in turn, would contribute to higher and inclusive development of the people of the region. Looking at the pace of progress of these pillars of cooperation in the last two decades, it is increasingly felt that prioritization of certain areas of cooperation as 'low-hanging fruits' is not a bad idea to win the trust and confidence of the people of BIMSTEC region especially when the wounds of Global Economic Recession of

2008-09 and stalemate in SAARC Process are still felt in the region. In order to optimally utilize the time and resources of the member states and BIMSTEC Secretariat in particular, certain sectors may be identified as priority sectors so as to yield tangible benefits within a reasonable time period. This may require institutional, procedural and attitudinal changes in different processes of current engagement as multiplicity of instruments and processes may prove inefficient and sub-optimal. Moreover, expeditious implementation of identified projects particularly connectivity, tourism and science & technology may be given special emphasis.

## **2. Regularly Assess Project Implementation**

Along with prioritization of pillars of cooperation, it is equally important to monitor the progress of various projects and programmes identified by BIMSTEC for implementation from time to time. Timely monitoring and effective resolution of difficulties in meeting the targets may bring much-needed momentum to the overall cooperation process. BIMSTEC Secretariat may form a Unit within the Secretariat to lead this process and work in close cooperation with the governments of the member states. Information technology tools including interactive dashboard can be deployed for dissemination of real time progress of projects in the region. In addition, proper documentation and sharing of activities to be undertaken during the entire project cycle with the member states may sensitize them about their contribution to the success of the projects.

## **3. Explore Modalities of Financial Cooperation**

Financial cooperation is an important pillar of cooperation for a number of regional organizations including ASEAN. The severity and magnitude of welfare loss that the world faced due to financial crises in the 1990s and the recent crises in the United States, Greece, Iceland, Turkey, etc. reminds the urgency of strengthening regional financial cooperation. In the aftermath of the East Asian Financial Crisis in 1997, ASEAN facilitated the creation of currency swap arrangements (known as Chiang Mai Initiative) and undertook necessary measures to develop local bond markets to address the problem of 'twin mismatch'. As BIMSTEC gears up for prioritization of areas of cooperation including new areas, time is ripe for exploring some form of financial cooperation among the member states including ASEAN-type instruments. Random and large spells of exchange rate volatility weaken export competitiveness of BIMSTEC countries regionally as well as globally. In addition, the cost of hedging for uncertain exchange rate fluctuations is apparently high especially for small countries like Nepal and Bhutan. The social desirability of currency swap arrangements between BIMSTEC member states and trade in local currency is high. BIMSTEC may consider inclusion of financial cooperation as a pillar of cooperation.

## **4. Empower BIMSTEC Secretariat**

The current budgetary allocation towards BIMSTEC secretariat should be increased to facilitate BIMSTEC activities. The BIMSTEC should be able to attract genius, whose ambitions should be matched with proper incentives. We need to produce institutional champions who can steer the organization the shared vision of regional cooperation, who can persevere relentlessly amidst the never ending crises, bottlenecks, and uncertainties. The incentives should be designed considering all economic, social and moral benefits.

## **5. Strengthen BNPTT**

Track-II has been an effective medium for expression of scholarly opinion and public aspirations of member countries in the context of regional economic cooperation. BIMSTEC already has the BIMSTEC Network of Policy Think Tanks (BNPTT) which regularly meets and interacts over contemporary issues of mutual interest to the member states. This process has to be reinvigorated with clear focus and mandates. As a think tank of the regional organization, it would play a catalytic role in consolidating research programmes, dissemination of key research findings and exchange of scholars, organizations and so on.

## **6. Conduct Studies on Sustainable Development Goals**

The level of social and economic development varies across the BIMSTEC region. Member countries have their own unique strengths and challenges. Besides national policies, the Sustainable Development Goals (SDGs) provide a global unified framework for collective action towards elimination of poverty, unemployment and myriad of development problems. BIMSTEC countries can explore the possible ways they can share each other's expertise and experience for timely achievement of SDGs. It would require studies and deliberations among regional experts to ascertain the critical sectors and the nature of cooperation.

## **7. Pilot Cross-Border Development Projects**

Local level development is an important pillar of development cooperation. In that sense, BIMSTEC is uniquely placed to support the cause of promoting development projects that address the immediate development challenges of local areas in different regions of the member states. Identification of suitable cross-border development projects is a pragmatic step in that direction. Member states may consider this proposal as it would go a long way in cementing people-to-people partnerships.

## **8. Initiate Sub-Regional Growth Quadrangles**

Spatial development models in the form of growth triangles, growth quadrangles, economic corridors, transport corridors, etc. have special relevance for the regions that present asymmetric distribution of resources and skills over space. Growth Quadrangles can address structural rigidities in meeting developmental aspirations by improving physical connectivity among growing and lagging regions, promoting local entrepreneurship based on local resources by linking the 'growth centres' to resource-rich and labour-surplus regions. Well-coordinated investment flows between the different regions can stimulate optimum utilization of local natural and human resources. These quadrangles may be instrumental in ensuring harmonious regional development in the BIMSTEC region.

## **Sectoral Recommendations**

### **1. Trade & Investment**

#### **Adopt 'Single Undertaking Approach' in BIMSTEC FTA**

Intra-regional trade (IRT) of BIMSTEC is increasing steadily since 2000, and showing upward trends in recent years, despite global downturn. Comparing intra-regional trade of BIMSTEC with seven other important groupings of the world including Mercosur, Andean,

SADC, APTA, LAIA, SAARC and BRICS reveals that IRT ratio of BIMSTEC is not significantly different from those groupings. In that sense, FTA among BIMSTEC countries can expand intra-regional trade which seems to have driven the pace of FTA negotiations. The Trade Negotiating Committee (TNC) has already held 20 rounds of negotiations mainly focused on Trade in Goods. Unlike Trade in Goods, the pace of negotiations on Trade in Services and Agreement on Investment has not reached any conclusive stage. Given the development priorities faced by the member countries and pace of negotiations on other Constituent Agreements, it is proposed that a 'single undertaking' approach may be adopted by BIMSTEC instead of the focus on early conclusion of Trade in Goods. Specific focus should be given to simplification and implementation of Rules of Origin; creation of BIMSTEC Trade Portal and BIMSTEC Repository for identification of trade-distorting effects of non-tariff measures and harmonization of testing and certification procedures; streamlining domestic rules and procedures to facilitate temporary cross-border movement of natural persons and business persons, and regulatory harmonization and mutual recognition of professional qualifications for promoting trade in services among the BIMSTEC countries.

### **Strengthen Regional Value Chains**

Rich and diverse endowment of natural resources, abundant labour force and strong consumption demand provide a strong case for trade complementarity in BIMSTEC region. Along with trade in finished goods, the potential for participation in regional value chains in certain sectors such as processed food, textile and clothing, light engineering goods, etc. can be efficiently harnessed. It is imperative to strengthen regional value chains by investing in skill formation, industrial training and value addition. Regional economies in BIMSTEC could become the part of global value chains, which would lead to high growth, create jobs, and reduce poverty. Since a sizeable fraction of local population in the region depends on agriculture for livelihood; value addition in agriculture especially in food processing needs to be given importance. A study may be conducted to assess the prospects of regional value chains in the BIMSTEC region.

### **Create Robust Trade Facilitation Systems**

Trade facilitation is a catalyst for trade promotion in the BIMSTEC region. With gradual lowering of tariff rates on traded products, export competitiveness is mainly explained by cost differential accruing from improved trade facilitation. Robust trade facilitation would lower trade costs and may lead to faster expansion of trade among the member states in BIMSTEC. Trade facilitation could add to comparative advantage of a country and enhance gains from trade. Simplification of customs procedures, streamlining of export and import documentations, single window platforms like SWIFT, market-friendly legal and regulatory systems are crucial components of trade facilitation reforms. BIMSTEC member states on their own are at different stages of development of trade facilitation infrastructure and services. Sharing of expertise and technology among member states may improve intra-regional trade as well as regional value chain. India and Thailand that are believed to have relatively better trade facilitation systems may extend their support to develop regional infrastructure and systems of trade facilitation. It would also require harmonization of trade practices across the seven countries for effective cost reduction and trade expansion. BIMSTEC member states may consider signing the BIMSTEC Trade Facilitation Agreement.

A BIMSTEC Working Group may be set up to design regional trade facilitation action plan and implementation strategy.

### **Undertake Studies on Implications of Mega-RTAs**

The growing tendency towards formation of mega-RTAs may not be a healthy trend for all the countries. In particular, mega-FTAs such as RCEP, CFTA, CPTPP and Pacific Alliance that claim to be high-quality trade agreements do present certain features which need to be fully understood by all countries of the world. Besides presenting asymmetric membership structures with very dissimilar development trajectories, these mega-RTAs advocate for inclusion of labour standards, environmental standards, regulatory standards, and several WTO-Plus and WTO-Extra issues. At the same time, these mega-RTAs might have some positive lessons to offer as well. It is imperative for the BIMSTEC countries to assess the rise of such mega-RTAs which have potential to emerge as trade blocs for the member states so as to develop common understanding to seize opportunities or to tackle the challenges resulting from these large economic groupings.

### **Focus on Mutual Recognition Agreements**

Services sectors have experienced strong growth in the BIMSTEC states over the past decade. With spread of information technology and digital payments, the provision of and cross-border trade in services has become relative smoother than before. Movement of professionals could open up opportunities for expanding the contribution of services to GDP. Recognition of educational qualifications and trainings by the member states for work and movement of professionals, consultants and skilled personnel from one country to another in BIMSTEC region is key to promotion of trade in the coming years. BIMSTEC should consider Mutual Recognition Agreements (MRAs) among the member states in various fields of technical and professional degrees offered in their countries.

### **Promote Digital Economy**

The spread of information technology has created vast opportunities in digital economy. The current buzz of Industrial Revolution 4.0 is all about digital economy. Digital economy not only enables leapfrogging of economies from agriculture to services but provides scope for rapid growth. India and other South Asian countries have witnessed services growth precisely because of increasingly higher use of ICT in managing the respective economies. Digital economy is the universe of activities in the IT and IT-enabled services and application of IT in manufacturing and industrial processes. In the realm of digital economy, big data, Internet of Things, block chain and artificial intelligence are some of those promising segments for expansion of economic activity. BIMSTEC member states recognize the potential of digital economy for economic diversification, delivery of public services, and sustainable growth. Necessary steps should be taken to explore the specific areas in which BIMSTEC member states can cooperate with each other to seize opportunities in the digital economy sector. BIMSTEC can give special focus on cross-border e-commerce and digital connectivity.

### **Explore Opportunities in Mountain Economy**

Mountains cover a significant part of the geographical area of BIMSTEC region especially in Nepal, Bhutan, India and Myanmar. In fact, mountains constitute more than 80 per cent of Nepal's landmass. The Himalayas, one of the largest mountain ranges of the world,

contributes enormously to the lives of the people in Nepal and Bhutan. In Nepal, Everest, Annapurna and Langtang regions are major destinations for mountain tourism. The Himalayas on the Bhutanese, Indian and Myanmar sides are a rich natural treasure. For centuries, mountains have been the prime source of high-quality freshwater, renewable energy, forest products, environmental goods such as timber, fuelwood, carbon storage & non-wood forest products, and numerous environmental services including biodiversity, hydropower, herbs, organic foods, etc. As per an estimate, mountains contain about one-third of all plant species and cover 17 of 34 global biodiversity hot-spots. Further, Mount Kenya in East Africa is the only source of freshwater for more than 7 million people which signify the contribution of mountains to mankind. Studies indicate the vast potential of mountains from two important angles: one, as a source of foods, energy, water and biodiversity, and the other, economic value of mountain products for the indigenous people living in the mountain regions and for the downstream areas.

Landlocked countries like Nepal and Bhutan can leverage mountains for diversification of livelihood options of the people living on the mountains and contribute towards poverty alleviation. The Bay of Bengal region is gifted with long coastlines as well as long mountain ranges. From that perspective, BIMSTEC can harness the potential of blue economy and mountain economy. Oceans and mountains are natural ecosystems that provide numerous environmental services to the people living in the region. The potential of mountain economy may be studied for the BIMSTEC region for generating suitable action points. BIMSTEC may derive some practices followed by the existing regional and sub-regional mechanisms for sustainable mountain development including International Centre for Integrated Mountain Development (ICIMOD), Consortium for Sustainable Development of the Andean Ecoregion (CONDESAN), the Andean Community, International Conventions for the Alps and the Carpathians, and so on. Member states may explore the possibility of cooperation in labeling mountain products to make them attractive for trade in the region, undertake measures to popularize mountain tourism as a niche segment, proper valuation and commercialization of mountain goods, among others.

### **Harness Blue Economy for Inclusive Development**

The long coastline of BIMSTEC countries offers huge potential for expansion of blue economy. India alone has a coastline of 7,500 kms which can be efficiently utilized for activating blue economy activities in the region. Blue economy comprising of sectors including fisheries, ports & shipping, coastal tourism, offshore renewable energy, deep sea minerals, marine biotechnology, etc. can expand economic activity and contribute to employment creation and inclusive development. Fish processing, food additives, drugs, marine tourism and cruise tourism are some of the emerging sectors of blue economy which can lift millions out of poverty and widens their occupational choices. It may require the regional economies to find modalities of sharing technical expertise, skilled human resources and adaptive national legislations to support investment in research & development and technology development in different applied fields of blue economy. BIMSTEC member states may consider designing a regional cooperation plan for BIMSTEC blue economy. To begin with, certain sectors may be chosen for formulating the exact modality of cooperation among the member states.

## **2. Connectivity**

### **Expediently Implement Multimodal Connectivity Projects**

Connectivity is an important pillar of BIMSTEC cooperation. Improving physical connectivity in the region by road, rail, water and air has assumed renewed priority in the recent discourses on BIMSTEC. The finalization of Motor Vehicle Agreement is expected to boost passenger and cargo traffic among the BIMSTEC countries. Agreement on Coastal Shipping is also a major step towards enhancing connectivity in the region. In particular, connecting the border areas of India, Bangladesh, Myanmar, Nepal and Bhutan is increasingly gaining attention of the people and policy makers. Many believed that improved connectivity would facilitate greater mobility and enhance people-to-people contact. The multimodal connectivity projects initiated by India to enhance connectivity between the North Eastern states of India and Myanmar have received good response from the region. The *Kaladan* Multimodal Project is a flagship regional connectivity projects in the BIMSTEC region. BIMSTEC should complete the ongoing transport corridor projects, particularly Trilateral Highway and the Motor Vehicle Agreement and the *Kaladan* multi-modal transit transport project. Member states may seek support from ADB and other multilateral development banks.

## **3. People-to-People Contact**

### **Create Tourism Circuits**

BIMSTEC region presents rich flora and fauna and is home to a large number of tourist hot-spots. The mountain terrain especially the Himalayas, coastal towns along the Bay of Bengal, cultural and religious sites has enormous potential for building tourist networks in the BIMSTEC region. Some of the proposed tourism circuits in Nepal are Buddhist Circuits, *Ramayan* Circuit, *Muktinath* and *Janakpur* Circuit, etc. Similar circuits can be identified in other BIMSTEC member states as well. In addition, the prospects of eco-tourism and medical tourism in the region are also bright. Tourism is one of the 14 areas of cooperation in BIMSTEC. To unlock this vast potential, BIMSTEC member states shall facilitate development of new tourism circuits in the region.

### **Establish Student Exchange Programme/Youth Development Programme**

In order to stimulate people-to-people interactions, Student Exchange Programmes for the students of BIMSTEC member states may be established. The nominated students can visit universities/colleges in the region to learn the civilisational and historical linkages that existed among the people of the region in the past and to understand the great diversity of education, arts, culture, food, lifestyles and so on. This would help advance the region-wide knowledge about BIMSTEC, which, in turn, would contribute massively to the future evolution of development discourse in the BIMSTEC region. Likewise, the importance of youth in development programmes and their role as harbingers of peace, prosperity and people-to-people interactions needs to be considered in the BIMSTEC process.



### **Emphasize Visibility and Institutionalization of Processes**

Many believe that BIMSTEC lacks the desired speed and momentum compared to its regional peers like ASEAN. The best way to break the logjam and create enabling conditions is to increase the visibility of the organization in the Asian region and institutionalization of different processes of regional cooperation especially for promoting people-to-people contact and cultural cooperation. It would not only reduce trust deficit among the member states but also build 'we-feeling' among the people of BIMSTEC region for working towards the common goal of poverty alleviation, expansion of trade & commerce, and achieving inclusive growth.

### **Establish Network of NGOs**

The contribution of NGOs and civil society in promoting regional cooperation for trade, investment and development is crucial. The NGOs and civil society sensitizes the people and the governments about the areas where the governments and/or markets often fail and articulate public support for intervention in those areas. There are a number of NGOs working in the BIMSTEC countries with focus on specific socio-economic problems faced by the people in the region. While some NGOs are somewhat related to the BIMSTEC process, it would be highly productive to create a Network of NGOs in the BIMSTEC region. The motivation for such an institution is to foster collective wisdom and articulation of ideas and perspectives of non-governmental entities into the BIMSTEC process.

### **Expand Mandate of South Asian University**

The core objectives of the University consist of three elements i.e. building a culture of understanding and regional consciousness; nurturing a new class of liberal, bright and quality leadership and building the capacity of regional countries in science, technology and other disciplines. The mandate of the South Asian University may be expanded to cover BIMSTEC issues and connecting the sub-region within BIMSTEC. Faculty and student exchange programs for BIMSTEC member states may be initiated at institutes of eminence in each country to ensure people to people contact as well as undertaking research in focus areas for BIMSTEC.

### **Streamline Medical Visa Rules and Regulations**

Several patients from Bangladesh and other countries in the region visit to India and Thailand for medical treatment. It would necessitate simplification of visa processes and affordable connectivity routes. Visa application procedure has been already simplified by India. It is imperative to assess the steps undertaken by BIMSTEC member states in this regard. Medical visa rules and processes may be streamlined further by the member states to extend affordable healthcare to the people of region.

## **4. Counter Terrorism & Transnational Crimes**

### **Take Steps for Drug Prevention and Trafficking**

The menace of drugs and its ill-effects on the people of the region especially the youth was highlighted by the experts from Bhutan. It is a growing phenomenon globally as well as in the BIMSTEC region. Necessary measures are warranted by the BIMSTEC countries to contain the spread of this social evil. The BIMSTEC Security Dialogue series may address

the new challenges of non-traditional security and evolve mechanisms for joint action. Legal aid and assistance is a crucial instrument for combating counter terrorism and transnational crimes. The BIMSTEC Convention on Mutual Legal Assistance in Criminal Matters may be finalized soon.

## **5. Science & Technology**

### **Develop Action Plans for Climate Change, Environment and Risk Management**

The threats of climate change, environment pollution, frequent occurrence of natural disasters, growing spread of killer diseases and other natural and health hazards is being increasingly felt worldwide. BIMSTEC has already a pillar on environment & disaster management to strengthen regional cooperation. The leaders reiterated the importance of closer cooperation in disaster management through joint exercises, sharing of information through early warning system, adoption of preventive measures, joint action on relief and rehabilitation, and capacity building. The BIMSTEC Centre for Weather and Climate based in New Delhi may develop action plans for climate change risk assessment and mitigation in the BIMSTEC region.

### **Create Regional Solar Grid**

Solar energy is a major source of renewable and clean energy. As a part of the Paris Agreement, countries across the globe in general and BIMSTEC in particular have taken a vow to undertake mitigation and adaption measures to halt the rise in global temperature. One of the most daunting challenges is to reduce use of fossil fuels in energy generation within BIMSTEC region and harness solar energy as an alternate source of energy. The potential of solar energy as a source of energy supply in the BIMSTEC region has been underlined in the past. Given the shortfalls in conventional energy supply, the establishment of a Regional Solar Grid would be a pragmatic step in this regard.