

## **BIMSTEC and BCIM Initiatives and their Importance for India**

*Aparna Sharma\**  
*Chetna K Rathore\*\**

### **Contents**

<b>1. Abstract.....</b>	<b>2</b>
<b>2. Introduction.....</b>	<b>2</b>
<b>3. Importance and Potential of BIMSTEC and BCIM.....</b>	<b>3</b>
<b>4. Need of Development and Potential of North-Eastern Region of India.....</b>	<b>8</b>
<b>5. Foreign Direct Investment to Indian States.....</b>	<b>10</b>
<b>6. Comparison between BIMSTEC and BCIM.....</b>	<b>12</b>
<b>7. Recent Developments.....</b>	<b>15</b>
<b>8. Conclusion and Recommendations .....</b>	<b>17</b>
<b>9. References.....</b>	<b>19</b>

© CUTS International 2015. This Discussion Paper is produced by CUTS to inform, educate and provoke debate on issues of trade and development. Readers are encouraged to quote or reproduce material from this paper for their own use, but as the copyright holder, CUTS requests due acknowledgement and a copy of the publication.

This Discussion Paper was researched and written for CUTS Centre for International Trade, Economics & Environment (CUTS CITEE), D-217, Bhaskar Marg, Bani Park, Jaipur 302016, India, Ph: 91.141.2282821, Fax: 91.141.2282485, Email: cuts@cuts.org, Web: [www.cuts-international.org](http://www.cuts-international.org).

\* Research Associate, CUTS CITEE.

\*\*Intern with CUTS CITEE and pursuing MA (Economics) from the University of Rajasthan.

The views expressed here are those of the authors and not that of CUTS International.

## **1. Abstract**

*India used multilateralism as a primary tool to facilitate and improve its ties with the countries of South and South-East Asia and North-East Asia. India has tangled with two important sub-regional groupings to boost economic relationship with its neighbour countries. In 1997, Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and in 1999, Bangladesh, China, India and Myanmar (BCIM) sub-regional groups were formed including India as a member country. Both the forums have their own importance in different aspects for India having a common aim of regional integration and trade facilitation. This Paper is about the potential of these initiatives including analysis of trade relations between India and other countries and a comparative analysis between BIMSTEC and BCIM initiatives followed by conclusion and key recommendations.*

## **2. Introduction**

One of the cornerstones of India's strategy has been to develop the country economically and technologically. Since the emergence of regional economic cooperation among neighbouring countries is becoming a dominant feature of the world's economy, India's policy has also been adapting these collaborative measures to restore its traditional links and integrate India with its immediate and extended neighbourhood specifically the countries of South-East Asia and North-East Asia. These networks would facilitate trade and investment, exchange of energy, promotion of tourism and increase of communication links. India was largely disengaged with most of the South-East Asian countries during the Cold War. In 1990s, when Cold War ended, the new government was constituted, under the leadership of Prime Minister P V Narasimha Rao. At that time, India was ready to liberalise its economy and open it to the world, particularly to the South-East Asian countries and wanted to break away from the paradigms of the past. This created the essence of 'Look East Policy' (LEP) of India in the year 1991 with the aim to enhance economic relations with the Association of South East Asian Nations (ASEAN). It further paved the way to cooperate with other East Asian countries including China, Japan and South Korea in extended social, political and economic fields.

Therefore, India has involved with a number of regional and sub-regional initiatives and framework. The term sub-regional describes an aggregate of counties, which are members of one or more regional associations who are assumed to be integrated to work on the growth polygons based on particular transnational but contiguous area. For instance, Bangladesh-China-India-Myanmar (BCIM) framework is one such initiative, which has recently been given a push by India and China. BIMSTEC is another such initiative for sub-regional integration. India also has a trilateral dialogue with Myanmar and Thailand dealing with the same issues. There is Ganga-Mekong Initiative to link countries of Mekong Basin (Myanmar, Thailand, Cambodia, Laos and Vietnam) with India.

The evolution of BIMSTEC took place when Bangladesh, India, Sri Lanka, Thailand – Economic Cooperation (BIST-EC) was formed at a meeting in June 1997 in Bangkok. It was renamed as BIMSTEC when Myanmar joined in December 1997. Later, it incorporated Nepal and Bhutan in February 2004. The name of the grouping was changed to Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) during 1<sup>st</sup> Summit Meeting held at Bangkok in July 2004. With the primary goal of technical and economic cooperation it has identified 14 priority areas where the member countries lead. India is a lead country for Transport and Communication, Tourism, Environment and Disaster Management and Counter Terrorism and Transnational Crime. The aim behind the formation of BIMSTEC was to create an enabling environment for rapid economic development, accelerate social progress in the sub-region and maintain close and beneficial cooperation with the existing international and regional organisations. BIMSTEC was initiated with the goal to combine the 'Look West' policy of Thailand and ASEAN with the 'Look East' policy of India and South Asia.

The Kunming initiative currently known as the BCIM Economic Connectivity forum was a Track-II initiative, clustering specifically the land-locked frontier area, which began its journey in August 1999 in Kunming, China. After 14 years of dialogue and cooperation, presently BCIM forum has become an important sub-regional cooperation mechanism in the region, aiming at greater infrastructural development and enhancing economic integration, linking the Bay of Bengal with India's North-Eastern Region (NER) and people to people contact between these four countries both at public and private sector level. Hence, it has become a Track-I initiative with the prospects of the objectives of BCIM being realised after the discussions between China's Prime Minister Li and India's Prime Minister Manmohan Singh and the events, which took place in 2013.<sup>1</sup>

In this Paper, authors have discussed the potential of BIMSTEC and BCIM and its importance for India along with the comparison of the trade relations between India and other BIMSTEC and BCIM countries. North-East region of India is landlocked by five countries, therefore, the impact of these sub-regional groupings over this region have been discussed, followed by comparative analysis between the BIMSTEC and BCIM. And in the end, the latest trends in these countries and few key recommendations have been provided with conclusion.

### **3. Importance and Potential of BIMSTEC and BCIM**

While discussing about the South and Southeast Asian regional cooperation, the South Asian Association for Regional Cooperation (SAARC) came into being in December 1985, with the adoption of its Charter in Dhaka. The objectives were to promote the welfare and improve the quality of life of the people of South Asia by accelerating economic growth in the region and building up mutual trust among the member states. SAARC covers 3 percent of world's total

---

<sup>1</sup> Initiatives taken by the government section are known as Track-I Initiatives, whereas Track-II initiatives are initiatives taken by the non-government section.

area but acquires 21 percent population of the world. It could not make India much developed despite of India's domination over 70 percent of SAARC's area. The reasons comprised political differences, inequalities between India and its neighbouring countries and bilateral issues between India and Pakistan.<sup>2</sup> Not to be left behind, India must develop strategies by taking cognisance of the evolving scenario and take advantage of the emerging possibilities. In the backdrop, BIMSTEC and BCIM could prove to be an important opportunity in the transformative journey that India aspires to undertake in near to medium-term future.

## **BIMSTEC**

As mentioned earlier, the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC, comprising Bangladesh, Bhutan, India, Myanmar, Nepal, Thailand, and Sri Lanka) will be a viable option for India to forge an effective regional group to promote broader economic integration. BIMSTEC acts as a bridge between the two regional groupings in Asia, viz., SAARC and ASEAN and has received a major impetus after signing of the framework agreement for free trade in 2004 and the entry of Bhutan and Nepal as new members. India had closure ties and links with the BIMSTEC member countries and after signing BIMSTEC agreement India acquired an opportunity to revive its past relations with its old partners. BIMSTEC fosters socio-economic link between South Asia and South-East Asia is a home to around 1.5bn people, which constitute around 22 percent of the global population with a combined Gross Domestic Product (GDP) of 2.7tn economy.<sup>3</sup> Additionally, it would also contribute to enhance India's focus on balancing its interests to protect its strategic position in the region. Through a bilateral association with Myanmar, India's North-East region can be integrated for overall growth and development strategy.

The most important driving force should be the BIMSTEC Free Trade Area (FTA). While a Framework Agreement has been signed, it is yet to be implemented. The agreed conclusions of the BIMST-EC Economic Ministerial Retreat held in Bangkok, Thailand, on August 7<sup>th</sup> 1998 mentioned that the BIMSTEC should aim and strive to develop into a FTA and focus on the activities that facilitate trade, increase investments and promote technical cooperation among the member countries. It is driven by the need for strengthening economic cooperation in the region to realise the potential of trade and development fully for the benefit of the members. The objectives of this agreement is to strengthen and enhance economic, trade and investment cooperation, progressively liberalise and promote the key areas by closer cooperation among the parties and bridge the development gap between the member countries.<sup>4</sup>

These objectives are to be fulfilled by taking measures for comprehensive FTA. This can be acquired by elimination of tariff and non-tariff barriers substantially in all trade goods, providing provisions for special and differential treatment and rendering flexibility to the

---

<sup>2</sup> Please refer <http://southasiajournal.net/prospect-of-a-saarc-power-grid/>

<sup>3</sup> <http://www.bimstec.org/index.php?page=overview>

<sup>4</sup> <http://investmentpolicyhub.unctad.org/Download/TreatyFile/3099>

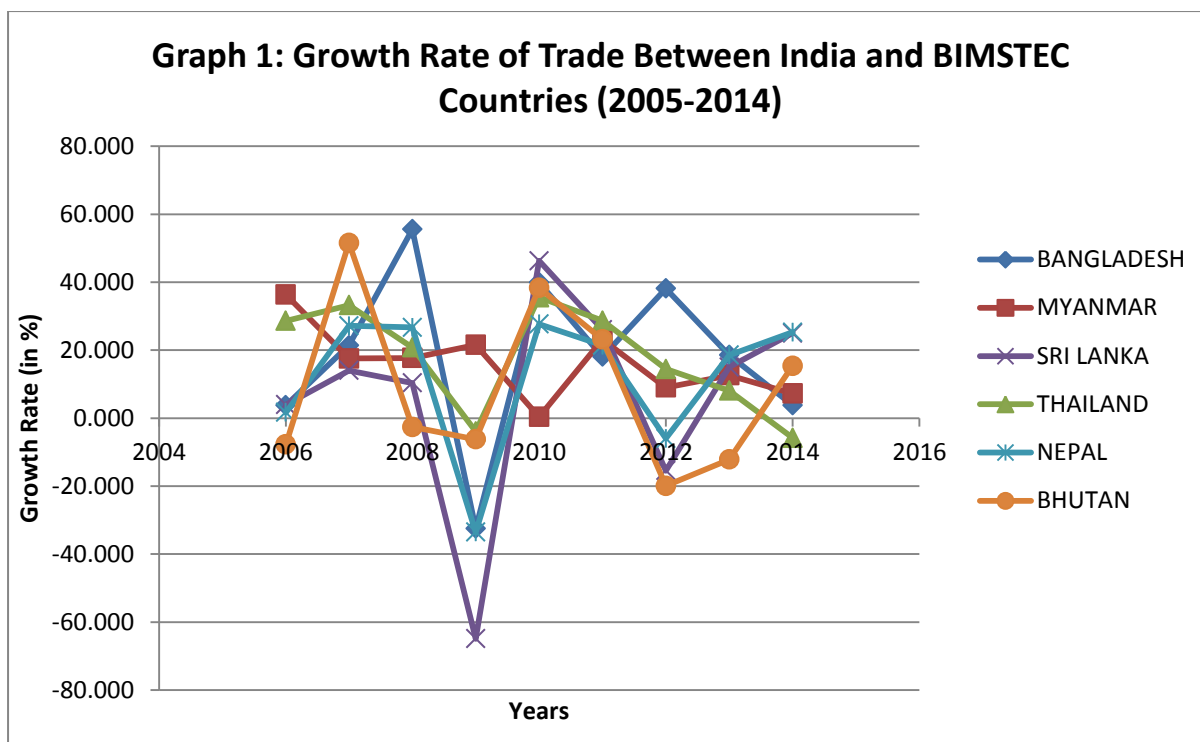
least developed countries, simplification of customs' procedures and development of mutual recognition arrangements, etc. The special thrust of this regional grouping is on the energy sector and transportation. Some member countries are endowed with rich hydrocarbon and hydropower potential, which could be developed for the benefit of the region. The grouping plans to work together for a Trans-BIMST-EC natural gas pipeline.

Dispute settlement mechanism has been adopted in December 2005, which states that the parties shall establish appropriate formal dispute settlement procedures and mechanism for the purpose of this Agreement. Any dispute arising between the parties regarding the interpretation, application or implementation of the same should be settled amicably through mutual consultations.

BIMSTEC countries trade shows positive compound annual growth rate (CAGR), which is 25.16 percent (2005-2014), highest CAGR (2005-2014) in terms of trade was found with Thailand (30.43 percent) and the least was found with Bhutan (7.7 percent). Whereas the growth rate of total trade of India in 2014 was -3 percent, it was 10.37 percent with the BIMSTEC countries and in 2010 it was 41.29 percent, which is measured to be the highest in a decade. Moreover, the share of BIMSTEC countries in India's total trade was 3.89 percent whereas in exports it was 6.74 percent and in imports was found to be 1.94 percent in 2014. This shows that there is a large scope in trading with the BIMSTEC countries and the share of trade with BIMSTEC countries is significantly low as of now.<sup>5</sup>

<b>Table 1: Compound Growth Rate of BIMSTEC Countries in India's Trade (In US\$mn)</b>			
<b>BIMSTEC</b>	<b>2005</b>	<b>2014</b>	<b>CAGR (in %)</b>
Bangladesh	1,823.49	6,772.51	27.14
Myanmar	606.41	2,261.29	27.29
Sri lanka	2,507.78	7,026.95	18.02
Thailand	2,255.86	9,119.46	30.43
Nepal	1,222.49	4,754.16	28.89
Bhutan	195.19	3,44.71	7.66
BIMSTEC 6	8,611.22	30,279.1	25.16
BIMSTEC 6's share in India's trade (in %)	3.57	3.9	
Note: 1.CAGR = Compounded annual growth rate 2. BIMSTEC 6 includes Bangladesh, Bhutan, Myanmar, Nepal, Sri Lanka and Thailand. Source: ITC Trade Map (August 2015) Author's Calculation			

<sup>5</sup> <http://www.trademap.org/Index.aspx>



Source: ITC Trade Map (August 2015)

Author's Calculation

## BCIM

The primary focus of the sub-regional groupings with consideration of India's 'Look East' policy is to facilitate trade and connectivity between the landlocked and underdeveloped North-East region of India. Bangladesh, India, China and Myanmar-Economic Corridor (BCIM-EC) is another sub-regional grouping that seeks to deepen friendly cooperation among the four member nations. It also aims at linking South Asia with South-East and East Asia by building multi-modal connectivity, harnessing economic complementarities and enhancing people-to-people relations. The BCIM region is one of the richest regions in the world in terms of natural, mineral and other resources. The region covers 9 percent of the world's total area, which is 13.7mn sq. +km, total population of about 2819mn accounting for 40 percent of the world population with 7.3 percent of the global Gross Domestic Product (GDP) (Rahman *et al* 2007). Furthermore, the BCIM has the potential to generate enormous economic benefits in the arena of trade, investment, energy, transport and communication. BCIM is a good platform for a country like India to play a more active role in sub-regional grouping and thereby linking the twin objectives of developing India's isolated and relatively backward North-East region and consolidating India's role as a significant and focussed player in regional Asian initiatives.

The BCIM initiative has the capacity to unlock the vast opportunity for growth and development in the region. After the first inter-governmental meeting in Yunan (China), Bangladesh-China-India-Myanmar Economic Corridor (BCIM-EC) was placed on fast track mode. Initially, the member nations will identify realistic and achievable infrastructure

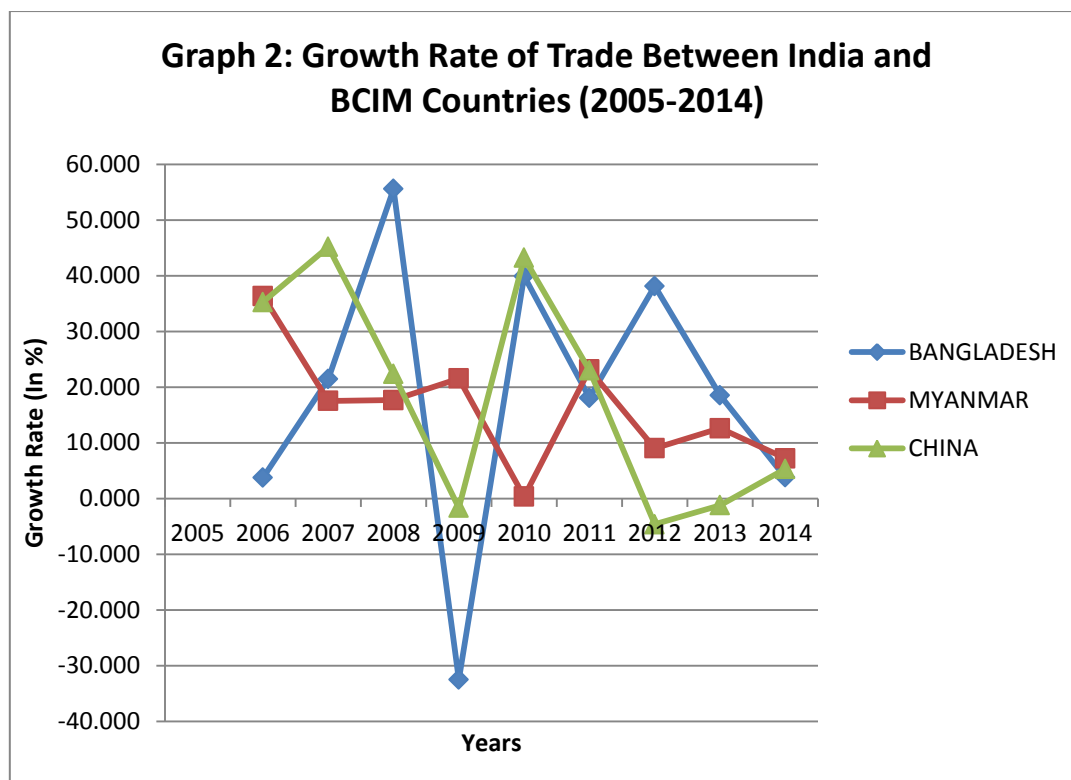
projects to expand the physical connectivity. The implementation of several ambitious projects and subsequent linking of all the four countries will open up the entire NER to South-East and East Asia. Combining the advantages of the two largest emerging economies i. e. India and China with the rich natural and human resources possessed by Bangladesh and Myanmar, this EC will enable the member countries to have an accelerated economic growth and provide greater access and connectivity with the global market.

This would further lead to better understanding and mutual trust and promote stability, prosperity and peace in the region. Once this EC is established, it will combine China-ASEAN Free Trade Area, ASEAN Free Trade Area and ASEAN-India Free Trade Area. This would in turn result in the creation of the largest FTA in the world and will also contribute to the free flow of goods, services and people and will serve as a gateway for greater cooperation between the Pacific and Indian Ocean.

Bangladesh is recovering its deficit trade balance faster than India. India is recently lacking huge population with more inflation and other economic problems. But Indian Prime Minister is hopeful that such a situation will not last long. Economic growth has slowed down at present and efforts are being made to overcome the situation (Singh, 2013). For the falling exchange rate of rupee, overseas funds have pulled out nearly 12bn from India's stock and debt markets (Rabbany *et al* 2013). It is found that India was facing a lot of deficit in balance of trade as was importing more. But after the regulation of its trade policy recently, it is in a much stronger place as far as balance of trade is concerned.

The Table 2 shows positive CAGR (2005-2014) between India and BCIM countries that is 30.80 percent, but the growth rate has fallen from 22.76 percent (2011) to -2.13 percent (2012) in all the three countries (Bangladesh, China, and Myanmar). This was because India's economic momentum, which was slowing because of high inflation, monetary control, and rapidly rising interest rates. At the same time, concerns have emerged over the sustainability of the recovery in the US and Europe, and the rise in the borrowing programme of the Indian government and corruption prevailing in India, which drained funds away from the private credit market.

<b>Table 2: Compound Growth Rate of BCIM Countries in India's Trade (In US\$mn)</b>			
<b>BCIM 3</b>	<b>2005</b>	<b>2014</b>	<b>CAGR (%)</b>
Bangladesh	1,823.49	6,772.51	27.14
Myanmar	606.41	2,261.29	27.29
China	17,350.85	71,664.80	31.30
BCIM 3	19,780.75	80,698.60	30.80
BCIM 3 Share in India's trade (in %)	8.2	10.39	
<i>Note: 1. CAGR = Compounded annual growth rate 2. BCIM 3 includes Bangladesh, China and Myanmar.</i>			
<i>Source: ITC Trade Map (August 2015)</i>			
<i>Author's Calculation</i>			



Source: ITC Trade Map (August 2015)

Author's Calculation

According to the statistical calculations by the authors for the BCIM countries, in 2014, the growth rate of India's imports from China were the largest (13 percent) and its Compound Annual Growth Rate or CAGR (2005-2014) being 47.27 percent and the growth rate of exports to Myanmar were found to be largest (16.91 percent) with its CAGR (2005-2014) being 64.07 percent. The share of BCIM in trade with India from its overall trade to the rest of the world was falling gradually since 2009 and has slightly increased in 2014. Bilateral trade between China and India reached a record rate of US\$72bn in 2011, when China became India's largest trading partner. Trade declined to US\$68bn in the following year, on account of the global slowdown and a 20 percent drop was observed in Indian exports. The fall in exports was largely due to curbs on the exports on iron ore emerging as India's single biggest exports to resource-hungry China (Krishnan A 2014).

#### 4. Need of Development and Potential of North-Eastern Region of India

Surrounded by five South Asian countries Nepal, Bhutan, China, Myanmar and Bangladesh, the NER is a land locked area comprising eight states. The region accounts for 7.9 percent of the country's land area and is the habitation of around 3.8 percent of India's population. With half of the land area covered by forest, the region is sparsely populated with density figure of only 149 per sq. km. (Saha 2014). Despite having a colourful bio-diversity with rich endowment of natural resources including valuable minerals like oil and gas, coal, limestone etc., the region is lagging behind than rest of the country.



**Table 3: North-Eastern Region's GDP and NDP (Per Capita) (2013-2014)**

<b>(In US\$bn)</b>		<b>(INR at Current Price)</b>		
<b>State</b>	<b>GDP</b>	<b>State</b>	<b>NDP</b>	<b>Rank</b>
Arunachal Pradesh	2.651	Sikkim	1,76,491	3
Assam	31.206	Arunachal Pradesh	85468	16
Manipur	2.803	Nagaland	77,529	19
Mizoram	2.015	Mizoram	76,120	20
Meghalaya	4.29	West Bengal	70,059	21
Tripura	5.247	Tripura	69,705	22
Nagaland	3.473	Meghalaya	61,548	24
Sikkim	2.422	Assam	44,263	30
West Bengal	138.272	Manipur	41,573	31
NER's total GDP	192.379	INDIA	74,380	
India's total GDP	2,049.50			
Share of NER	9.40%			

Source: Ministry of Statistics and Programme Implementation

On one hand, the total GDP of the country in 2013-2014 was US\$2,049.50bn and Maharashtra ranked 1<sup>st</sup> with largest share of 14.095 percent whereas the total GDP of the North-Eastern region of India (Sikkim, Manipur, West Bengal, Meghalaya, Assam, Arunachal Pradesh, Tripura, Nagaland, Mizoram) was US\$192.379bn, and its share was found to be 9.40 percent, which is less than Maharashtra's share. On the other hand, the Net State Domestic Product (NSDP) Per Capita of Sikkim ranked third with INR 1,76,491, and six out of nine states ranked below 20 where Manipur's position was 31<sup>st</sup>.<sup>6</sup> This gap is to be bridged for the nation to develop faster. Tripura has registered highest NSDP per capita growth rate among 33 Indian States and Union Territories in year 2013-14. Tripura's per capita income growth rate for 2013-14 was estimated at 8.46 percent.

There has hardly been any visible impact of the reform process on production and income generating activities (Bezbaruah 2007). The growth rate of the seven states excluding Mizoram has marginally increased from 4.25 percent in the pre-reform period to 4.8 percent in the post reform period (Roy and Debnath 2010). The Foreign Direct Investment (FDI) induced liberal policy of the Government failing to make any headway in attracting FDI to

<sup>6</sup> Please refer <http://statisticstimes.com/>

the NER. According to the business maps of India, Assam and the North-east states together attracted only 0.01 percent of the total FDI inflow to India between 2010 and 2012.<sup>7</sup> This reflects the apathetic situation of the region as far as investment climate is concerned. Whatever investment flowed into the region largely came from Thailand as part of the extension of LEP to the NER in 2004 by flagging off Indo-ASEAN car rally and subsequent effort made by the Ministry of Department of North-eastern region to promote foreign investment in the region.

The NER being rich in these resources has the potential to develop the local industries. Moreover, NER's share in India's total exports to the world has been negligible for agricultural and allied products and other products (Adhikary *et al* 2009). In order to take the advantage of the recent Indo-ASEAN FTA as part of the LEP and the BIMSTEC and BCIM initiatives region must develop the industrial base along with suitable investment climate. But for that certain key challenges have to be addressed.

## 5. Foreign Direct Investment to Indian States

Following the liberalisation of the FDI policy in India in the early 1990s, FDI to India has increased significantly in the past decade, which is the key for accelerating growth rate. However, the growth in FDI flows has been accompanied by strong regional concentration thereby depriving a large number of Indian states from the benefits of a liberalised FDI regime. For the foreign investors, a potential FDI destination means two important incentives.

- Existence of the potential for low-cost labour or/and
- A market to sell their products

Given the fact that the NER has poor infrastructure with erratic electricity supply, lack of good roads, bridges and a qualified labour pool; outsourcing of production to NER is possibly not on the radar screen of the potential investors. In the context of the United States, Coughlin, Terza and Aromdee (1989) found that the number of potential sites; state per capita income; manufacturing density within a state; better transportation infrastructure; higher unemployment rates and higher expenditures to attract FDI were positively linked to the FDI flows.

Table 4 shows the FDI equity inflow to the Indian states. As seen earlier Maharashtra contributes the largest part of India's GDP, and the Table also shows that Maharashtra receives the largest share of FDI equity whereas Assam, which includes Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland and Tripura, receives almost a negligible share of India's FDI equity. FDI inflow plays a very vital role in developing any region and growing its GDP. The demand for allocating funds for critical, large infrastructure projects for roads, airports, railways, inland waterways and power etc., could be fulfilled by these sub-regional groupings (BIMSTEC and BCIM) because they are closely linked with India, especially with the NER. This would help in achieving the twin objectives of addressing the

---

<sup>7</sup> Please refer <http://www.imif.ir/sites/default/files/E10.pdf>

North-east's developmental needs and providing a congenial eco-system for better ties between India and South-east Asia.

	2008-09	2009-10	2010-11	2011-12	2008-09	2009-10	2010-11	2011-12
	(US\$mn)				(Percent to Total)			
Maharashtra	12,431	8,249	6,097	9,553	45.5	31.9	31.4	26.2
Delhi	1,868	9,695	2,677	7,983	6.8	37.5	13.8	21.9
Karnataka	2,026	1,029	1,332	1,533	7.4	4.0	6.9	4.2
Gujarat	2,826	807	724	1,001	10.3	3.1	3.7	2.7
Tamil Nadu	1,724	774	1,352	1,422	6.3	3.0	7.0	3.9
Andhra Pradesh	1,238	1,203	1,262	848	4.5	4.7	6.5	2.3
West Bengal	489	115	95	394	1.8	0.4	0.5	1.1
Chandigarh	0	224	416	130	0.0	0.9	2.1	0.4
Goa	29	169	302	38	0.1	0.7	1.6	0.1
Madhya Pradesh	44	54	451	123	0.2	0.2	2.3	0.3
Kerala	82	128	37	471	1.3	0.5	0.2	1.3
Rajasthan	343	31	51	33	0.3	0.1	0.3	0.1
Uttar Pradesh	0	48	112	140	0.0	0.2	0.6	0.4
Orissa	9	149	15	28	0.0	0.6	0.1	0.1
Assam	42	11	8	1	0.2	0.0	0.0	0.0
Bihar	0	0	5	24	0.0	0.0	0.0	0.1
Region not indicated	4,181	3,148	4,491	12,782	15.3	12.2	23.1	35.0
<b>Total</b>	<b>27,332</b>	<b>25,834</b>	<b>19,427</b>	<b>36,504</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Top 6 States</b>	<b>22,113</b>	<b>21,757</b>	<b>13,444</b>	<b>22,340</b>	<b>80.9</b>	<b>84.2</b>	<b>69.2</b>	<b>61.2</b>
<b>Top 2 States</b>	<b>14,299</b>	<b>17,944</b>	<b>8,774</b>	<b>17,536</b>	<b>52.3</b>	<b>69.5</b>	<b>45.2</b>	<b>48.0</b>

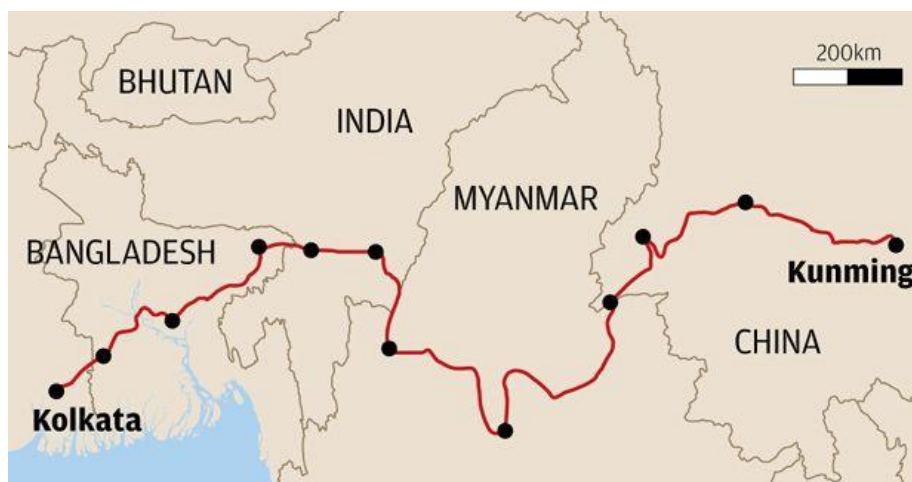
Note: 1. FDI equity inflows include 'equity capital component' only.  
2. Maharashtra includes Maharashtra, Dadra & Nagar Haveli and Daman & Diu.  
3. Delhi includes New Delhi and part of UP and Haryana.  
4. Tamil Nadu includes Tamil Nadu and Pondicherry.  
5. West Bengal includes West Bengal, Sikkim, and Andaman & Nicobar Islands.  
6. Chandigarh includes Chandigarh, Punjab, Haryana and Himachal Pradesh.  
7. Madhya Pradesh includes Madhya Pradesh and Chhattisgarh.  
8. Kerala includes Kerala and Lakshadweep.  
9. Uttar Pradesh includes Uttar Pradesh and Uttaranchal.  
10. Assam includes Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland and Tripura.  
Source: Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry, Government of India.

#Please refer [https://www.rbi.org.in/scripts/bs\\_viewcontent.aspx?Id=2597#S1](https://www.rbi.org.in/scripts/bs_viewcontent.aspx?Id=2597#S1)

Incidentally, the FDI inflows in the country in 2014-2015 jumped at 27 percent to US\$31bn from US\$24.30bn in 2013-2014. But it was the services sector that attracted maximum investment despite a massive push to the manufacturing sector under the 'Make in India' campaign. This figure is one of the highest in recent years, though in 2008 FDI peaked in India with US\$47bn investment followed by US\$ 35.6bn in 2009 (Basu 2015).

## 6. Comparison between BIMSTEC and BCIM

Both BIMSTEC and BCIM being the sub-regional groupings (SRG) share two common countries (Myanmar and Bangladesh) and few objectives. Though India has been ignorant



and in the past, and its participation in building strong relationship with its neighbouring countries through these initiatives was very less due to political and cross-border issues. But with the increase in liberalisation and

implementations of FTA's and various other negotiations with the neighbouring countries, these SRG's have gained much attention in recent years. India is showing a lot of interest in the proposals and events, which are taking place with these SRGs, for example, the main artery of the 2,800-km, K (Kolkata)-2-K (Kunming) corridor is nearly ready. A stretch of less than 200 km, from Kalewa to Monywa in Myanmar, needs to be upgraded as an all-weather road.<sup>8</sup>

Once the BCIM corridor is established, it will combine India, China and the ASEAN Free Trade Area, comprising 7.3 percent of the global GDP, thus granting India significant economic outreach to China through easy market access along its North-Eastern borders. An important aspect of the corridor in this regard was the 3,000-km Car Rally in February 2013 via Kolkata, Dhaka, Imphal and Mandalay to Kunming, which initially strengthened the notion that the BCIM would subsequently open up the NER to Myanmar and the Yunnan Province – and thereby to greater economic development. However, a closer look at the geographical map shows that except for Manipur and Tripura, the corridor largely bypasses the NER, thus pushing its importance as a strategic centre for sub-regional development to the periphery. Instead, Yunnan as the most developed region in the cluster due to Chinese

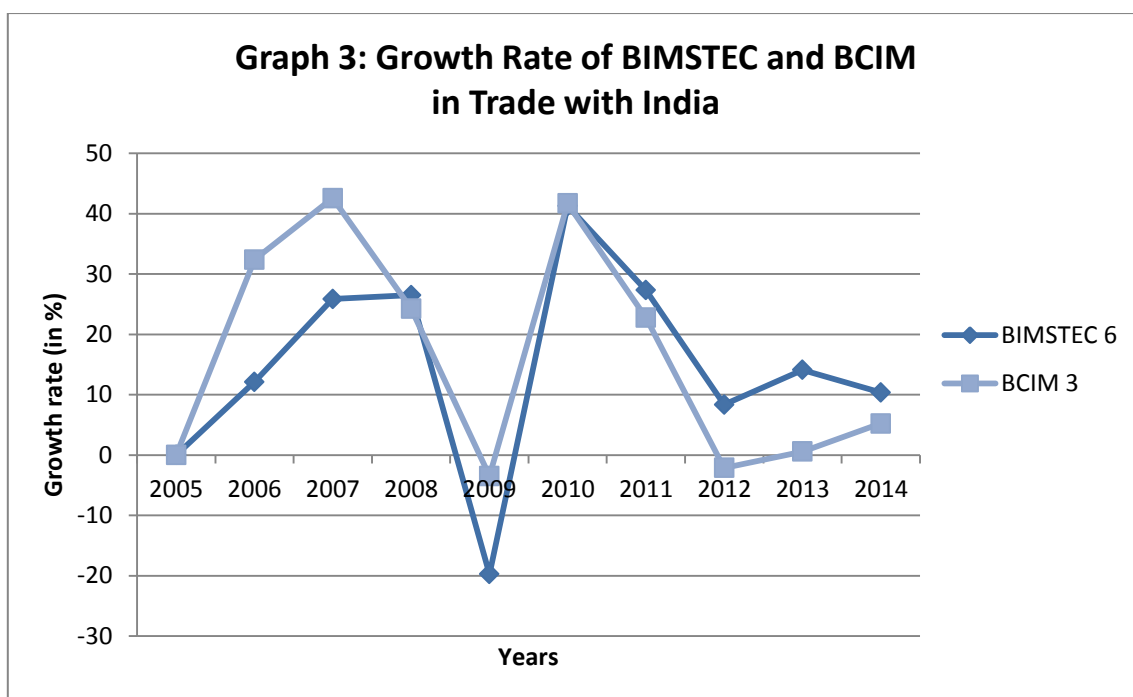
<sup>8</sup> Please refer <http://www.thehindu.com/news/national/china-india-fasttrack-bcim-economic-corridor-project/article7355496.ece>

investments in Myanmar and Bangladesh has a strong economic and political influence in the sub-region and has moved to the fore of the BCIM.<sup>9</sup>

Alternatively, India under the BIMSTEC and the Kaladan Project for Multi Modal Transport has already invested a great deal in infrastructural connectivity and border trade with Myanmar and Bangladesh. When compared in terms of their economies (for example, their consumption and trading patterns, agricultural and industrial production, GDP) and geographical proximity, the NER shares greater structural similarities with both countries than China's Yunnan province. This in turn can provide closer intra-industry trade and technology transfer, as well as the development of trade complementarities in the sub-region, leading to an overall economic growth in the NER's economy. The establishment of a permanent secretariat in Dhaka in March 2014 also proves the significance of the BIMSTEC-FTA in the Indian-ASEAN Free Trade Area and the NER's economic development.

<b>Table 5: Growth Rate of BIMSTEC and BCIM in Trade with India (in %)</b>		
<b>YEARS</b>	<b>BIMSTEC 6</b>	<b>BCIM 3</b>
2005	-	-
2006	12.11	32.38
2007	25.85	42.58
2008	26.48	24.27
2009	-19.74	-3.47
2010	41.29	41.69
2011	27.32	22.76
2012	8.36	-2.13
2013	14.10	0.58
2014	10.37	5.23
NOTE: 1. BIMSTEC 6 includes Bangladesh, Bhutan, Myanmar, Nepal, Sri Lanka and Thailand. 2. BCIM 3 includes Bangladesh, China and Myanmar. <i>Source: ITC Trade Map (August 2015)</i> <i>Author's Calculation</i>		

<sup>9</sup> <http://www.ipcs.org/article/india/bcim-and-bimstec-two-competing-initiatives-for-northeast-india-4454.html>



Note: 1. BIMSTEC 6 includes Bangladesh, Bhutan, Myanmar, Nepal, Sri Lanka and Thailand.

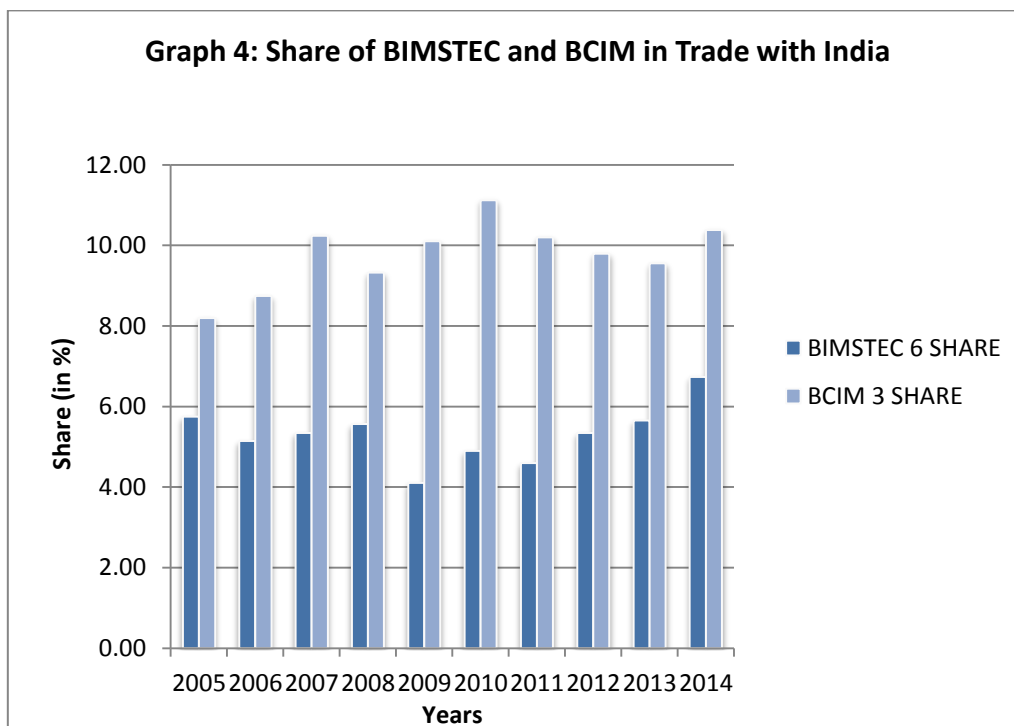
2. BCIM 3 includes Bangladesh, China and Myanmar.

Source: ITC Trade Map (August 2015)

Table 5 shows the growth rate of BIMSTEC and BCIM initiative's trade with India (2005-2014), and as seen in the graph BCIM was found to be growing rapidly than the BIMSTEC until 2010 and till 2012 it shows a steep decline. BIMSTEC's growth rate (10.37 percent) in 2014 was greater than the BCIM (5.23 percent).

Year	BIMSTEC 6 Share	BCIM 3 Share
2005	5.75	8.20
2006	5.15	8.75
2007	5.35	10.24
2008	5.57	9.32
2009	4.11	10.11
2010	4.90	11.12
2011	4.60	10.20
2012	5.35	9.79
2013	5.65	9.55
2014	6.74	10.39

Note: 1. BIMSTEC 6 includes Bangladesh, Bhutan, Myanmar, Nepal, Sri Lanka and Thailand.  
2. BCIM 3 includes Bangladesh, China and Myanmar.  
Source: ITC Trade Map (August 2015)  
Author's Calculation



Note: 1. BIMSTEC 6 includes Bangladesh, Bhutan, Myanmar, Nepal, Sri Lanka and Thailand.

2. BCIM 3 includes Bangladesh, China and Myanmar.

Source: ITC Trade Map (August 2015)

Table 6 shows the share of BIMSTEC and BCIM initiatives in India's trade (2005-2014), as seen in the graphical representation the share of BCIM has been greater than BIMSTEC in all the years (2005-2014). This is also because BCIM has a larger potential area and population wise also includes two leading economies, India and China. China is one of the top five FDI hosts in 2014 (US\$128bn) and it also falls in the category of India's largest trading partners. BIMSTEC includes majority of smaller economies as compared to India, and India being the dominating country in the BIMSTEC forum, had put very less efforts initially but in the recent past its active participation has shown considerable growth in the share of India's trade since 2011.

## 7. Recent Developments

A number of projects including improving physical facilities and infrastructure at important border customs stations and check-posts, pilot projects in rural and community development, small/medium hydro-power projects, milk and dairy development, establishment of Information Technology Institute etc. are under process. Following are the latest trends related to BIMSTEC and BCIM countries.

- The Raxaul-Birgunj Broad Gauge Rail Link Project has eased the trade of India and Nepal. Setting up of an Emergency and Trauma Centre at the Bir Hospital and the Mahendranagar-Tanakpur Link Road Project are some other commitments made by

India. Similarly, a project presently on the anvil for cross-border rail links at five locations at the Indo-Nepal border (Jalpaiguri-Kakarbhitta, Jogbani-Biratnagar, Jaynagar-Bardibas, Nautanwa-Bhairahwa, Nepalgunj Road-Nepalgunj) will significantly boost cross-border linkage and will be of immense value in promoting trade and commerce between the two countries.<sup>10</sup>

- The bilateral trade with Bangladesh is dominated by a huge trade surplus with India. In the NER, the India-Bangladesh border trade at Meghalaya, Assam and Tripura with US\$47mn export rate over US\$16mn import rate mirrors this overall picture, except for Tripura, whose import rates of US\$11mn indicates a significant trade deficit.
- Bhutan seeks investments from India in different sectors, such as infrastructure, power, education, healthcare, IT and financial services to further enhance economic ties between the two countries. India's main exports to Bhutan include petroleum products, automobiles, machinery and agricultural products while imports include power, minerals, wooden products and fresh fruits.<sup>11</sup>
- Thailand has indicated softening of stance on some of the issues in the FTA, it is negotiating with India, bringing the pact closer to reality after more than 10 years of talks. India and Thailand are working on their visa policies. India and Thailand had signed an early harvest agreement in 2004 to set the ground for the proposed FTA. The 2004 pact led to near-zero customs duty on 82 items of trade between the two nations (Seth 2013).
- The Myawaddy-Thinggan Nyenaung-Kawkareik section of the Asian highway linking India, Myanmar and Thailand with the 25.6 km-long section became operational on August 30, 2015. The construction of the Asian highway section started in 2012 with the assistance of Thailand. The Asian highway runs from Moreh in India to Thailand's Maesot via Myanmar's Tamu, Mandalay and Myawaddy. The section, also part of the East-West economic corridor of the Greater Mekong Sub-region, will not only enhance trade between Myanmar and Thailand, but also contribute to better links among people in the region.<sup>12</sup>
- Indian manufacturing industry is strongly against the FTA with China. The industry always complains of dumping of Chinese products in India, which has already imposed anti-dumping duties on them. India and China signed 24 agreements worth US\$22bn for infrastructure development and renewable energy. China vowed to invest almost US\$ 20bn over five years when their President Xi Jinping visited India

---

10 <http://www.nepalconsulategeneral.in/index.php/component/content/article/11-general-information/6-economic-relation> and <http://www.nepalembassy.in/ecorele.htm>

11 [http://articles.economictimes.indiatimes.com/2013-09-02/news/41688887\\_1\\_tobgay-bilateral-trade-bhutan-chamber](http://articles.economictimes.indiatimes.com/2013-09-02/news/41688887_1_tobgay-bilateral-trade-bhutan-chamber)

12 [http://www.business-standard.com/article/news-ians/new-asian-highway-section-becomes-operational-115083100169\\_1.html](http://www.business-standard.com/article/news-ians/new-asian-highway-section-becomes-operational-115083100169_1.html)



in September 2014. In addition, when Prime Minister Narendra Modi visited China in May 2015, bilateral deals worth US\$22bn were signed (Basu 2015).

- India and Sri Lanka also share the membership in other regional and multilateral trading arrangements namely; Asia Pacific Trade Agreement (APTA), South Asia Free Trade Agreement (SAFTA) in the SAARC context, BIMSTEC (Bay of Bengal Initiative for Multicultural Technical and Economic Cooperation), Global System of Trade Preferences (GSTP) and the World Trade Organization (WTO), which were influential in strengthening and further advancing trade and economic ties. For mutual benefit, India is one of the leading investors in Sri Lanka with the presence of major Indian companies. With the entry into force of the Indo-Sri Lanka Free Trade Agreement, the FDI flow has taken place both-ways.
- Comprising 99 percent of the border trade, Moreh-Tamu (Manipur) is the main land customs station (LCS) through which trade between the NEER and Myanmar's border states is carried. These share similar economic and business structures with the NEER, which are largely agrarian and dependent on the export of unprocessed primary commodities. As compared to the expansion in bilateral trade to US\$1.92mn in 2012-13, with imports in food grains, vegetables and fruits, the NEER is facing a trade deficit to Myanmar of US\$1mn. These statistics, however, do not factor in the significant informal trade, which suggests a considerable demand in goods beyond the positive list of tradable items under the 1995 Border Trade Agreement.

## **8. Conclusion and Recommendations**

It can be concluded with the above discussion that the success of BIMSTEC and BCIM sub-regional groupings will surely contribute to improve the position of India in the current global era and particularly to the progress of North-East region of India as well as its LEP. The idea of connecting the landlocked countries by constructing corridors has significant outcome, as this can provide closer intra-industry trade and technology transfer, relaxation in tariffs, decrease transportation costs etc. leading to overall economic growth. BCIM has larger trade potential if India and China works on their political and cross-border issues. These SRG have helped India improve its FDI standards and can further be beneficial in terms of investments, improving GDP and creating efficient transportation and communication networks in NEER.

These regional groupings will definitely help India to have a closer link with its proximate and immediate neighbours, to increase economic integration with South-East Asia and North-East Asia, to address security concerns of the NEER and the development of its unutilised potential. Stronger bilateral relations between India-BIMSTEC and India-BCIM would be helpful to make Asia as more stable and prosperous region of the world. The proper implementation of these sub-regional groupings would also be helpful to control informal trade between their member countries.

In order to boost exports to BIMSTEC and BCIM countries, India should try to identify potential product groups, which can be pushed into export market, identify major markets

which can absorb a country's potential products, select the right manufacturing export units, which can undertake the responsibility of entering the overseas markets, provide adequate and improved infrastructure to exporters, bring tariff rates in line with the international-level in order to remove any bias against production for exports, allow exporters to borrow from the international markets if rates of interest are higher in the domestic markets, adopt strategic state intervention to promote exports aggressively and create necessary institutions and organisations, which aid and promote exports, create special domestic financial facilities in term lending institutions for export related investment, check the domestic consumption of commodities, which have great export potential so as to make surpluses available for exports and to make exporters cost and quality conscious.

Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand make the BIMSTEC club, home to one-fifth of the world's population and some of the poorest, but with the energy and mineral reserves that promises a brighter future provided government's fast track growth and cut in red tape for business. These countries must connect each other through transmission highways and gas and oil pipelines, while examining opportunities for cooperation in renewable energy sources.

Tourism is one of the main focus areas of the BIMSTEC and for India it represents another opportunity to extract mileage for its LEP through cooperation with Myanmar to develop NER as a tourist destination. BIMSTEC countries can command high value in international markets if they adhere to quality standards like Thailand. This can be carried out in other member countries as well, like, India, Bangladesh, Sri Lanka etc. since all these countries have a strong handicrafts sector.

There is a need to increase intra-BCIM trade by reducing tariff and non-tariff barriers, improving infrastructure, increasing investment flow, enhancing connectivity and deepening trade facilitation. There is also a need to introduce faster visa processing for higher intra-regional trade. In context of the current state of play, BCIM remains one of the least connected regions in the world. The BCIM members should focus on improving the state of connectivity within the region, and mobilising the required resources to build the necessary infrastructure.

## 9. References

- Anand, B V (2014). 'Corridor: Prospects BCIM Economic and Issues'. Vivekanand International Foundation. <http://www.vifindia.org/article/2014/june/02/bcim-economic-corridor-prospects-and-issues>
- Aneja, A (2015). 'China, India fast-track BCIM economic corridor project'. The Hindu. <http://www.thehindu.com/news/national/china-india-fasttrack-bcim-economic-corridor-project/article7355496.ece>
- Banik, N (2007), 'The BIMSTEC FTA and Its Relevance', Centre for Studies in International Relations and Development (CSIRD), Discussion Paper (DP), 36.
- Basu, N (2015). 'Modi & foreign policy into second innings, investors demand delivery'. Business Standard. [http://www.business-standard.com/article/economy-policy/modi-foreign-policy-into-second-innings-investors-demand-delivery-115081700020\\_1.html](http://www.business-standard.com/article/economy-policy/modi-foreign-policy-into-second-innings-investors-demand-delivery-115081700020_1.html)
- BCIM Exchanges Forum. (2014). 'China-South Asia International Financial Opening Cooperation and Formation of Pan Asia Stock Exchange, China'. [http://www.cse.com.bd/download/ChairmanAppraisalNoteBCIMPanAsiaSE\\_RevisedFinal02.pdf](http://www.cse.com.bd/download/ChairmanAppraisalNoteBCIMPanAsiaSE_RevisedFinal02.pdf)
- Bhatia, R K (2013). 'Seminar report on BCIM Economic Corridor'. <http://icwa.in/pdfs/DGopeningst05122013.pdf>
- Bhatia, R K. (2013), 'BCIM Economic Corridor', New Delhi, India.
- Goswami & Saikia, K K (2012). 'FDI and its relation with exports in India, status and prospect in North-East region'. Procedia-Social and Behavioural Sciences, 37, 123-132. <http://www.imif.ir/sites/default/files/E10.pdf>
- Haokip, T, 'India's Look East Policy: Prospects and Challenges for Northeast India'.
- Hossain, S M (2013). "Impacts of BIMSTEC Free Trade Area: A CGE Analysis". Journal of Economics and Sustainable Development Vol.4, No.13.
- Juergens, L (2014). "BCIM and BIMSTEC: Two Competing Initiatives for Northeast India? Institute of peace and conflict studies. <http://www.ipcs.org/article/india/bcim-and-bimstec-two-competing-initiatives-for-northeast-india-4454.html>
- Krishnan, A (2014). 'India-China trade: record US\$31bn deficit in 2013'. The Hindu. <http://www.thehindu.com/business/indiachina-trade-record-31-bn-deficit-in-2013/article5562569.ece>
- Mukherjee, A (2011). 'Regional Inequality in Foreign Direct Investment Flows to India: The Problem and the Prospects'. Reserve Bank of India Occasional Papers, 32(2), 99-127. [https://www.rbi.org.in/scripts/bs\\_viewcontent.aspx?Id=2597#S1](https://www.rbi.org.in/scripts/bs_viewcontent.aspx?Id=2597#S1)
- NUERag, B & De, D (2007). 'Asian Integration Process and BIMSTEC' Centre for Studies in International Relations and Development (CSIRD) Discussion Paper (DP), 35.
- NITI Central (2015). 'India's FDI increased by 26 percent in 2014, says UN report'. <http://www.niticentral.com/2015/01/30/indias-fdi-increased-by-26-percent-in-2014-says-un-report-298711.html>
- Policy Brief. (2004). 'Future Directions of BIMST-EC: Towards a Bay of Bengal Economic Community (BoBEC)'. #12 RIS, India.
- Press Information Bureau. (2015). 'Joint Statement between the India and China during Prime Minister's visit to China'. <http://pib.nic.in/newsite/PrintRelease.aspx?relid=121755>
- Rabbany, M G, Islam, M T, & Khan, A. I. (2013). 'Bilateral and International Trade of Bangladesh and India: Effect of Falling Exchange Rate of Indian Rupee'. European Journal of Business and Management, 5(27), 33-39. [file:///C:/Users/Samsung/Downloads/8703-10937-1-PB%20\(3\).pdf](file:///C:/Users/Samsung/Downloads/8703-10937-1-PB%20(3).pdf)

- Rahman, M (2014). 'BCIM - Economic Corridor: An emerging Opportunity'. The Daily Star Pg 52, Col 1-B.
- Rahman, M T, & Al Amin, M (2009). 'Prospects of economic cooperation in the Bangladesh, China, India and Myanmar region: A quantitative assessment (No.7309)'.  
<http://www.unescap.org/sites/default/files/AWP%20No.%2073.pdf>
- Rahman, M Rahman, H, & W B Shadat. (2007). 'BCIM Economic Cooperation: Prospects and Challenges'. Centre for Policy Dialogue (CPD), Bangladesh.
- Saha, G K (2014). 'Sustainable Agriculture in North-Eastern States of India -A New Vision'. Asian Journal of Multidisciplinary Studies. <http://www.ajms.co.in/sites/ajms/index.php/ajms/article/viewFile/539/464>
- Seth, D. (2013). 'India-Thailand free trade agreement talks move ahead'. The Economic Times.  
[http://articles.economictimes.indiatimes.com/2013-09-09/news/41903560\\_1\\_indian-professionals-mutual-recognition-agreement-india-thailand](http://articles.economictimes.indiatimes.com/2013-09-09/news/41903560_1_indian-professionals-mutual-recognition-agreement-india-thailand)
- Singh, L R (2000). 'The Kunming Initiative: Prospects for Sub-Regional Cooperation'. The Asian Scholar, oJ, oO [[http://www.asianscholarship.org/asf/ejournal/articles/rajen\\_sl.pdf](http://www.asianscholarship.org/asf/ejournal/articles/rajen_sl.pdf), letzterAbruf 28.3. 2010].  
[http://www.asianscholarship.org/asf/ejournal/articles/rajen\\_sl.pdf](http://www.asianscholarship.org/asf/ejournal/articles/rajen_sl.pdf)
- Strutt, A 2008). "Dynamic Analysis of a BIMSTEC-Japan Free Trade Area". In Eleventh Annual Conference in Global Trade Analysis. <https://www.gtap.agecon.purdue.edu/resources/download/3951.pdf>
- The Bangladesh Chronicle. (2013). 'BCIM joint working group's next meet likely here in June'.  
<http://www.bangladeshchronicle.net/index.php/2013/12/bcim-joint-working-groups-next-meet-likely-here-in-june/>
- The Economic Times. (2013). 'Bhutan seeks investments from India in various sector's'.  
[http://articles.economictimes.indiatimes.com/2013-09-02/news/41688887\\_1\\_tobgay-bilateral-trade-bhutan-chamber](http://articles.economictimes.indiatimes.com/2013-09-02/news/41688887_1_tobgay-bilateral-trade-bhutan-chamber)
- The Economic Times. (2015). 'India received \$19.78 billion FDI from nations visited by Narendra Modi in FY15'.  
[http://articles.economictimes.indiatimes.com/2015-08-05/news/65243810\\_1\\_central-vigilance-commission-pm-narendra-modi-special-economic-zones](http://articles.economictimes.indiatimes.com/2015-08-05/news/65243810_1_central-vigilance-commission-pm-narendra-modi-special-economic-zones)
- The Economic Times. (2015). 'Insurgency in NE will not impact BCIM connectivity: India'.  
<http://economictimes.indiatimes.com/news/defence/insurgency-in-ne-will-not-impact-bcim-connectivity-india/articleshow/47648667.cms>
- Business Standard. (2015). 'New Asian highway section to link India-Myanmar-Thailand' [http://www.business-standard.com/article/news-ians/new-asian-highway-section-becomes-operational-115083100169\\_1.html](http://www.business-standard.com/article/news-ians/new-asian-highway-section-becomes-operational-115083100169_1.html)