

Chapter 6

The BIMSTEC Free Trade Area: Economic Cooperation, Opportunities, and Challenges

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ABSTRACT

The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) is a regional cooperation between Bangladesh, India, Sri Lanka, Bhutan, Nepal, Myanmar, and Thailand since the liberalization of these economies. Member countries need to be more proactive for integrated regional cooperative hubs to enhance trade and investment opportunities in health and other sectors of the economy to cope with the pandemic and its impact. The aim of this chapter is to show how BIMSTEC, a regional cooperative body, can be a driver for socio-economic development, inter-regional trade, and investment opportunities for BIMSTEC countries and cope with COVID-19 and its impact. The BIMSTEC area is home to approximately 1.6 billion citizens accounting to 22% of the world's inhabitants with a joint gross domestic product (GDP) of 2.7 trillion. Unemployment situation of 'new poor' can be tackled through close cooperation among the BIMSTEC nations in an effective manner to achieve 'pareto optimality' through trade and investment among member countries.

INTRODUCTION

The changing geo-political environment and increasing ambitions of maritime power by super-powers in the Indian ocean, Arabian Sea and Bay of Bengal region and more so since COVID-19, it is time for the South Asian Association of Regional Cooperation (SAARC) founded in 1985 and the Bay of Bengal Initiative for Multisectoral Technical and Economic Cooperation (BIMSTEC) which was founded in 1997, includes the seven (7) countries surrounding the Bay of Bengal- Myanmar, Thailand, Bangladesh,

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India, Bhutan, Nepal and Sri Lanka. Regional grouping of BIMSTEC countries should be proactive and promote regional integration for economic development, trade, growth, political stability and peace (Kaul, 2006; Kelegama, 2001; Kundu, 2014; Schiff & Winters 2003). However, from the very beginning BIMSTEC has neglected investment and sharing resources in the health sector and the education sector, which is actually investing in the human capital – as per the old saying ‘healthy mind in a healthy body’. BIMSTEC consists of 21% of world population. It is a bridge between South Asia and Southeast Asian countries, with India’s Look-East policy to Thailand’s Look- West policy to promote trade, investment and multisectoral cooperation (Bhattacharya & Bhattacharya, 2007; Kundu, 2014). Khan(2012) described that “an ideology of internationalism with special emphasis on socio-economic and political benefits to member states involved in the regional cooperation can usher an era of stability, peace and prosperity for south Asia”. Chakravarty(2021) argued that in the strategic and economic domains, the geopolitical order has been impacted adversely by the COVID-19.

World economic scenario is changing and needs different regional cooperative bodies. But BIMSTEC’s progress is still very insignificant. Kabir (2015,p.204) argued that “the process of a meaningful economic integration within the bloc should be aimed primarily at policy liberalization, policy reforms and policy coordination amongst member countries.” However, still BIMSTEC is not fully activated like ASEAN. Rahman and Grewal (2017) argued that economic engagement and disengagement are part and parcel of political economy and geopolitical concerns. Pandemic situation due to COVID -19 have triggered unprecedented disturbances in production, distribution, consumption, supply chains, tourism, trade, investments, among others (Islam,2021). As such regional integrity is necessity to overcome the aftermath of the COVID19 in the BIMSTEC region. European Union and ASEAN are an example of a successful regional integration for economic development, growth and progress within the region.

According to the Indian Prime Minister Manmohan Singh (2005) regional economic integration should be used as an engine of growth to strengthen their international competitiveness rather than just for promoting trade. Indian current Prime Minister Narendra Modi as reported by The Economic Times (2021) argued that “As a manifestation of our collective will, BIMSTEC has emerged as a promising regional grouping to fulfil the common aspirations of its people and serve the shared interests of the Member States.” Problem lies that India has so many multilateral regional bodies as such BIMSTEC is not actually lead by any particular leader of these seven countries though there is a wide scope to develop for the community of these seven countries. Actually, failure of SAARC lead to gear up BIMSTEC but unfortunately with very little progress. Bangladesh Prime Minister Sheikh Hasina (2020) argued that “BIMSTEC forum provides an excellent platform to combat the devastating impact of Covid-I9. We should not leave any stone unturned to utilize this platform in addressing the challenges of the post-Covid-19 era, “still little progress is felt under BIMSTEC to cooperate against fight of COVID-19”.

Bay of Bengal is the least integrated region in terms of connectivity and cooperative partnerships for trade, investment and economic development. Besides the 5 South Asian countries, it includes the two Southeast Asian countries – of Thailand and Burma. Japan is second largest trading partner of BIMSTEC countries (Bhattacharya & Bhattacharya, 2007). Since the 24 years from its foundation, besides the annual meetings not much has happened to raise joint resources, strengthen its capabilities and strategic significance: (i) To address the economic, maritime security, challenges faced by the countries in the region through BIMSTEC regional institutional cross-border bilateral and multilateral cooperation. (ii) China’s increasing influence in the region though one-belt-road strategy and maritime power, and (iii) Multilateral agreements and connectivity between BIMSTEC countries will keep a check on potential threat from other big countries showing their strategic and maritime power in the region (Das, 2018;

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