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BIMSTEC at 20 – Priorities for the Future

An LKI Roundtable with Grace Asirwatham, State Secretary

Discussants: Admiral Dr. Jayanath Colombage, former Commander, Sri Lanka Navy; Mr Shiran Fernando, Chief Economist, Ceylon Chamber of Commerce; Mr. Sumith Nakandala, former Secretary-General of BIMSTEC; and Dr. Dushni Weerakoon, Executive Director at the Institute of Policy Studies.

Reported by Divya Hundlani*

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***Divya Hundlani** is a Research Associate at the Lakshman Kadirgamar Institute of International Relations and Strategic Studies (LKI) in Colombo. These *Takeaways* summarise the insights and discussion at a recent LKI event. They are not the views of the reporting author or the institutional views of LKI, and are not a complete report of the event.

Three key takeaways from the lecture by Mrs. Grace Asirwatham -

- 1. Sri Lanka will chair BIMSTEC from 2018 for a period of two years. This is an opportunity for Sri Lanka to increase intra-regional transfers of technology, address challenges to maritime security, and promote economic development in the region.**
 - 2. Indian leadership is essential to the success of BIMSTEC. Recent developments show that India has a renewed interest in the organisation, which is a positive sign.**
 - 3. BIMSTEC has the potential to be an influential trading bloc, given its vast natural and human resources. However, it is yet to fulfil its economic potential by finalising the proposed BIMSTEC Free Trade Agreement (FTA).**
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Introduction

- Mrs. Grace Asirwatham delivered a keynote address on “BIMSTEC at 20 – Priorities for the Future” at the Lakshman Kadirgamar Institute (LKI) on 8 December 2017.
- Her address was followed by a panel discussion which was moderated by Dr. Ganeshan Wignaraja, Chair of LKI’s Global Economy Programme.
- Panelists included Admiral Dr. Jayanath Colombage, former Commander of the Sri Lanka Navy, Mr Shiran Fernando, Chief Economist at the Ceylon Chamber of Commerce, Mr. Sumith Nakandala, former Secretary-General of BIMSTEC, and Dr. Dushni Weerakoon, Executive Director at the Institute of Policy Studies.

BIMSTEC as a Regional Organisation

- The member states of BIMSTEC are Bangladesh, India, Sri Lanka, Nepal, Bhutan, Thailand and Myanmar. The Bay of Bengal is their point of connectivity and focus.
- BIMSTEC is an important gateway, connecting South Asia and Southeast Asia. It is a product of India’s ‘Act East’ policy and Thailand’s ‘Look West’ policy.
- There has been a lack of coordination and focus among member states; for instance, BIMSTEC took 17 years to establish a Secretariat and appoint a Secretary-General.
- To sustain member commitment and strengthen organisational leadership, BIMSTEC could adopt a ‘troika system’ comprising the current, former and future Chairs to maintain policy consistency and progress.
- To bridge the organisation’s resource gaps, BIMSTEC could also partner with non-member states and organisations by including them as “Observers” or “Dialogue Partners.”

Outlook for BIMSTEC

- Sri Lanka is preparing to assume chairmanship of BIMSTEC in 2018, for two years. It must use this opportunity to provide regional leadership, establish economic links, and advance its international visibility.
- Given that India is the largest economy among BIMSTEC member states, New Delhi's leadership is paramount to BIMSTEC's success as an effective regional bloc.
- Recently, India has shown renewed interest in strengthening BIMSTEC; for instance, India invited BIMSTEC member states to attend the BRICS Summit in Goa in 2016.
- BIMSTEC has the potential to be an important economic bloc. Currently, BIMSTEC member states account for 21% of the world's population, have a collective GDP of USD 2.85 trillion, an average economic growth rate of 6.5%.

The BIMSTEC Free Trade Agreement (FTA)

- The proposed FTA for BIMSTEC member states will cover trade in goods, services and investment.
- Progress has been slow. In 2004, after seven years of negotiations, member states signed a framework agreement to establish the FTA. Since then, they have spent another thirteen years negotiating the FTA.
- BIMSTEC member nations have entered into other bilateral and regional trading agreements, showing an appetite for greater economic integration. These agreements include the ASEAN FTA, ASEAN-India FTA, India's bilateral FTAs with Sri Lanka, Bhutan and Thailand, and India's Treaty of Trade with Nepal.

Connectivity and Technology

- Enhancing connectivity has been a priority at all three BIMSTEC Leaders' Summits and at the BIMSTEC Leaders' Retreat in 2016 in Goa.
- BIMSTEC could facilitate bilateral and regional infrastructure projects to support connectivity, including the so-called Asian Highway.
- BIMSTEC is establishing a Technology Transfer Facility (TTF) in Sri Lanka to facilitate technology collaborations and partnerships to benefit small and medium enterprises.

Energy and Security

- The Bay of Bengal region has natural gas reserves and the potential to generate hydropower. Energy generation and distribution are potentially important areas of collaboration for BIMSTEC countries.
- The Indian Ocean is a large resource that requires cooperation among BIMSTEC states; BIMSTEC should promote maritime safety and security, create links with organisations like the Indian Ocean Rim Association (IORA) for complementary action, and promote the Blue Economy.

Takeaways from the Panel Discussion:

Relevance and Leadership of BIMSTEC

- Mr. Sumith Nakandala noted that the natural and historic connections between Southeast and South Asia form the basis of BIMSTEC as a cooperative mechanism.
- Geopolitics is shaping India's renewed interest in BIMSTEC. Dr. Weerakoon highlighted that India's invitation to BIMSTEC member states to join the BRICS meeting in 2016 was a means of sidelining SAARC, and therefore Pakistan, in the regional economic integration process.

Security in the Bay of Bengal

- There are both traditional and non-traditional security threats in the Bay of Bengal. Dr. Colombage noted that it is one of the most militarised maritime regions. Between 2009 and 2017, approximately 398 warships visited the Colombo Port.
- BIMSTEC should work to establish a rules-based system, guaranteeing freedom of navigation for maritime commerce and addressing maritime security threats by non-state actors, such as pirates and illegal fisherman.
- Dr. Colombage explained that there are three aspects to maritime security in the region: (1) the strategic competition of large powers; (2) the strategic convergence of large powers; and (3) the strategic dilemma of small countries, like Sri Lanka, related to managing larger powers in the region.

BIMSTEC Economic Development and Trade

- BIMSTEC member states could potentially benefit from the growth of China but the rivalry between India and China may hinder the progress of BIMSTEC as an economic bloc. Chinese investment is significant and far-reaching in Sri Lanka, Bangladesh and Myanmar.
- Mr. Fernando indicated that Sri Lanka should use its chairmanship to promote knowledge of BIMSTEC within the private sector. The private sector is relatively unaware of the organisation's role and potential but may be able to support its progress.
- Sri Lanka should ensure that its existing and proposed bilateral FTAs complement the BIMSTEC FTA, rather than duplicating and contradicting it.
- Sri Lanka should prioritise concluding the FTA, an achievement that would also signal political commitment to BIMSTEC.

Suggested Readings:

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Kelegama, S. (2017). Regional Economic Integration in the Bay of Bengal. Talking Economics. [online] Available at: <http://www.ips.lk/talkingeconomics/2017/06/06/regional-economic-integration-in-the-bay-of-bengal/> [Accessed 18 December 2017].

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Raja Mohan, C. (2016). *Raja Mandala: Bay of Bengal's Glad Tidings*. [online] The Indian Express. Available at: <http://indianexpress.com/article/opinion/columns/saarc-summit-india-pakistan-south-east-asia-regional-forum-3075858/> [Accessed 18 December 2017].

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