

## Executive Summary

### Facilitating Connectivity in the Bay of Bengal Region

April 11, 2017

Dhaka, Bangladesh

The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) comprising Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand envisage a market driven integration mechanism from its early days of operation. It accounts for USD 2.7 trillion GDP, 21% of global population (1.3 billion population) and 7% of intra-regional trade<sup>1</sup>.

Although BIMSTEC provides South Asian countries a conduit for economic cooperation with East Asian production networks and value chains, intra-BIMSTEC trade is fairly low. Two crucial reasons, inhibiting growth are a low level of economic integration within the region and a dearth of infrastructure: especially transport connections within these member countries and the rest of the world. Thus, a key driver of growth for the Bay states lie in their ability to take advantage of the economic opportunities presented by their neighbours, in terms of regional integration and infrastructural development.

Given this backdrop, CUTS International and the BIMSTEC Secretariat organised an event titled “**Facilitating Connectivity in the Bay of Bengal Region**” in Dhaka, Bangladesh on April 11, 2017 to understand how consensus on better economic integration can be achieved through synergy. The key policy recommendations emerging out of this conference are as follows:

- It is important that **national planning on connectivity and corridor development dovetails regional plans** on the same and hence national planning to be done in view of the regional designs and realities
- It will be critical to **connect corridors with growth centres, both present and future**, so that corridors can become economic corridors. For e.g. the many SEZs that are being planned in Bangladesh need to be aligned with corridor development plans in

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Bangladesh and the region so that they can effectively attract investments and become hubs for economic activity and livelihood creation

- In terms of corridor development and connectivity, BIMSTEC efforts needs to **take into consideration other national, bilateral and regional efforts** that are ongoing. This includes, among others, the **BIG B (Bay of Bengal Industrial Growth Belt)**, which is a bilateral effort between Japan and Bangladesh, influencing the connectivity scenario in the region and is very much relevant to BIMSTEC. Some of other important and upcoming efforts are the proposed BIMSTEC framework agreement on Transit, Trans-shipment and Movement of Vehicular Traffic and the BIMSTEC Motor Vehicle Agreement
- The importance of **exploring alternate corridors as opposed to existing/historical corridors** was also flagged, particularly **in terms of enhancing the efficiency of corridors** by including all forms of transport and constantly looking to improve the time and costs parameters. It was shared that Bangladesh is exploring new land corridors with Myanmar which needs a push from the Myanmar side.
- To make regional integration successful, it is necessary to **link market integration with investment and policy integration with growth**. This needs to be done in a way which leads to the growth of each country in the region becoming a function of the growth in the others.
- Non-Tariff Barriers (NTB) remain one of the principal hurdles to enhanced trade and investment in the region and need to be tackled. **Elimination of NTBs is one of the low hanging fruits** towards promoting regional integration. For e.g. streamlining of quarantine and SPS related regulatory framework can lead to a substantial boost to regional trade. This needs to be looked at with particular reference to the **possibilities of regional value chains** involving countries in the region. this will also help in **bringing down trade costs** within the region from the high levels that they are at present.
- **Regional Tourism** has **huge possibilities** and is a recognised and accepted **low hanging fruit**. There are several concrete **ideas like cross-border river cruise, Buddhist circuit, Nostalgia tourism**, etc. that need to be fast tracked and made realities in the BIMNSTEC region. In effect **tourism corridors can be effective precursors to business corridors** since regional tourism can help to attract investment vis-à-vis build confidence with the political constituencies in the region.

- **Roads connecting major land ports to national highways** (thus connecting them to trade hubs and commercial centres) **need to be upgraded**. Most roads connecting land ports to national highways have two lanes. They **need to be upgraded to at least 4 lane** to decongest borders and remove wait time and such other NTBs.
- **Borders in the region need to be thinner** than they are at present. **Each country** in the BIMSTEC region needs **to work on small enablers at the borders**, like better 4 lane roads, parking, testing, currency exchange, immigration and other facilities at the borders **which can be tackled at the domestic level** before taking on regional challenges,
- **Border ports can function 24x7 hours for 365 days** as is done in many parts of the world. It was suggested that the **private sector can shoulder some of the costs** for such functioning
- **More number of Border Haats/Markets need to be established** along the borders. They need to go beyond being places of localised economic activity to being **trading and tourism nodes with duty free shops, special economic areas**, etc.
- **Inland Waterways are** a very important part of connectivity but **not effectively utilised**. There is **need to redefine some of the India-Bangladesh protocol routes**, for e.g. exploring including the stretch between Dhulian (India) and Goalanda (Bangladesh), **declare more ports of call** (e.g. Chilmari in Bangladesh) to enhance efficiency and enable business through the waterways and also **bring down the regulatory hurdles** along the corridors (e.g. as many as 6 custom checking points for a vessel moving between Kolkata in India and Narayanganj in Bangladesh).
- One of the other important aspects is to look at **waterways as part of the multi-modal connectivity network to enable sea access by land-locked countries and regions** like Bhutan, Nepal and the North Eastern states of India.
- Maritime connectivity is also extremely important for the BIMSTEC region given its geography and also geo-strategic importance. **Strengthening and enhancing cooperation on maritime and coastal shipping** will be critical towards **both economic and security dividends**.

- In terms of energy cooperation, the region should primarily **capitalise on small opportunities** and **then try and further scale them up**
- It is important **to identify and acknowledge the role of new power brokers** who are driven by local groups (**states, provinces, municipalities, etc.**), **who gain directly** and hence can be effective lobbying groups to push for greater cross-border energy trade
- The **unified Indian grid** can effectively **act as a platform/market place** for regional energy trade. **Establishing inter-connections within and between grids of the countries** is critical to this end and the soon to be signed **MoU on BIMSTEC Grid Interconnection** needs to be pushed strongly to lead towards implementation.
- To push for greater and more transparent regional trade in energy an **independent and fast moving forum of regulators for the Bay of Bengal region** needs to be established, which can, in the **long run**, drive the **energy trade** in the region towards being **more market driven**
- **Renewable energy** generation needs to be pushed in the region given the substantial collective potential for RE sources in the region and the **technical requirements for balancing power to incorporate the intermittent supply** from such RE generation needs to be worked out.
- The **regulatory framework** for Cross-border and Regional investment **needs to be more enabling**. While domestic interests are political realities, it is important that the countries look towards **integrating and harmonising** in terms of investment regulation and also **confidence building** so that private sector feels motivated and interested.
- De-linkages between aspirations of private players and policy makers cannot take connectivity forward and this requires due consideration of **political-economy ties** and **improvement of structural factors** that will enable better investment and connectivity.
- **Digital connectivity needs to be vastly improved**, including telecom connectivity. The region is hardly connected through calls with call rates to North American countries much less than within the region. Sustenance of business is majorly dependent on such connectivity.

- **Visa regime** needs to be made **less strict and more welcoming** to encourage business, tourism and cross-border exchanges. It should be easier a to get long term visas in less time and with less hassle
- **Visa provisions** need to be there **for entry and exit from any point** in a country and **not bind it to a specific port or port of entry.**
- It is important to **restore peace and stability** in order to move forward with connectivity and corridors in the sub-region.
- **Cultural connectivity** is another important tool **for enhancing people-to-people connect in the region** and needs to be further encouraged
- **Sustainable Development Goals (SDGs)** and environmental, forestry goals including poverty alleviation should be **reconciled** with connectivity.
- One of the most important criteria for connectivity plans to succeed is to **include and involve business community and common consumers in planning and implementing the legal and policy frameworks.** At present the processes are not so participatory and inclusive and there **needs to be more opportunities, institutional platforms** to bring in the **private sector and civil society voice and concern** to the policy making forums in the region
- It is critical to build a **positive and enabling public discourse on connectivity and gains** from it for each country from such connectivity. **National and regional media needs to be engaged and involved** to create **political buy-in, at national and local level.** Failing that connectivity initiatives will fail to have the impact and outcome that is envisaged
- **BBIN Motor Vehicles Agreement (MVA)** can be game changer to this end **as a demonstrative case for gains from connectivity** and all efforts need to be channelised to **make it an early success.**
- The **key to connectivity within BIMSTEC lies in its history** and the member countries need to **realign to the historical alliance, reinvigorate historical nodes and hubs and remove barriers** that frustrate trade and exchange to lead an economically and strategically vibrant and active region.