



Ministry of External Affairs



Indian Chamber of Commerce



CSIRD

**CURTAIN RAISER TO  
BIMSTEC SUMMIT 2008  
8 November 2008, Hyatt Regency, Kolkata**

**Summary Record of the Discussion**

The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), comprising Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, and Thailand, is a classic growth region, characterized by many economic complementarities, geographical proximity, and close historical and cultural ties. After a gap of three years, India is going to host the 2nd Summit-level meeting of BIMSTEC on 13 November 2008 at New Delhi.

On the occasion of the 2<sup>nd</sup> BIMSTEC Summit 2008, Indian Chamber Commerce (ICC) and Centre for International Relations and Development (CSIRD) organized a Curtain Raiser to Second BIMSTEC Summit at Kolkata, India on 8 November 2008 with support of the Ministry of External Affairs (MEA), Government of India. The discussions covered many emerging topics the region facing today, and also suggested some broad lines of thinking on the future directions of regional cooperation in the BIMSTEC.

About 300 participants from industry, academia, government, overseas scholars, representatives of diplomatic missions, and media attended this event. It was inaugurated by Shri Pranab Mukherjee, Hon'ble External Affairs Minister, and Shri Buddhadeb Bhattacharjee, Hon'ble Chief Minister of West Bengal was the honoured chief guest. The Agenda of the Curtaun Raiser is annexed with this report. The BIMSTEC Cooperation Report, prepared by CSIRD, ICC, and BNTT (BIMSTEC Network of Think-Tanks), on the occasion of the 2nd BIMSTEC Summit 2008, was released by the Hon'ble Guests.

A summary record of the discussion follows:

1. The BIMSTEC economies have made substantial output gains in recent years, expanding at rates far exceeding the global averages. At the same time, there is no denying that what it has achieved in just 11 years of its existence has not been inconsiderable. Trade and FDI flows have expanded rapidly. The region has made impressive strides in human development, but needs increased effort to catch up with the other regions of the globe and to achieve the Millennium Development Goals (MDGs). Its integration with the global economy has opened new opportunities and challenges. However, lately, the region faces a new threat of a slowdown in the wake of the global financial crisis.
2. Dr. Rajeev Singh, Secretary-General, ICC, pointed out that this was the first time that such a Curtain Raiser to a Summit has been organized in Kolkata. This is only appropriate because Kolkata is at the centre of the BIMSTEC region, and because the North East of India has an important role to play in deepening BIMSTEC cooperation. ICC has been playing an active role in promoting industry and development for the North East Region within the framework of India's Look East policy.
3. Lt. Gen Dr. B S Malik, President, CSIRD, indicated that there was substantial volume of trade between India and South East Asian countries before India was colonized. But gradually, India's major volume of trade was directed to the West by the then British rule. That was done primarily to serve the interest of British mercantilism. Britain, and hence the West, gradually became the main driver of India's domestic market, and the volume of both exports and imports between India and West grew fast. But, today it is a different

perspective. There is immense scope for two-way trade with India's eastern neighbours. But little of this potential has been tapped so far. That is the main issue before BIMSTEC. Many factors laid the foundation of the BIMSTEC. The rationale that led to its formation is primarily based on the region's access to vast natural resources such as the Bay of Bengal, its geographical contiguity, and acquiescence to the 'Prosperous-thy-Neighbourhood' principle. The BIMSTEC is thought of as a kind of bridge between the "Look East" policy of India and South Asia on the one hand and the "Look West" policy of Thailand and the East Asia on the other. Time has come to intensify BIMSTEC cooperation not only to overcome the challenges but also to deepen the regional economic integration process in the region.

4. Mr. S. N. Nundi, Director, Eastern India Development Council, said that since Kolkata is the gateway to all BIMSTEC countries, the organizers deserve to be praised for holding this event in Kolkata. After over sixty years of independence, India has now chosen to pursue inward looking trade policies, and at the same time has opted for step by step opening up of her economic and financial sectors. Now, India's financial sector is far more integrated with the world. So, the global meltdown affects Indian economy. No one knows when the current economic crisis will be over. The Asian Development Bank (ADB) suggests that at this point of time developing countries should look so much to the West, and instead look within. This is because each member country has its own strength. At a time of global meltdown, the developing countries should explore how to strengthen their domestic economies through appropriate strategies. An intensified cooperation in BIMSTEC will strengthen the environment for rapid industrial development, both domestic and international, through FDI flows. Thirteen areas are prioritized in BIMSTEC, all support the regional cooperation. So, there exists lot of potentials for exchange of experiences among BIMSTEC countries. In 1997, when BIMSTEC was formulated, the situation was different and the urge to form this bloc came from the 1997 Asian Financial Crisis. In 2008, there have been changes in income, and on top of that we are facing another financial crisis, which needs to be addressed effectively. The forthcoming BIMSTEC Summit has to take note of these facts and prepare future policies for the region.

5. Since India is now integrated with the West, it would be only natural that the Global Meltdown would affect India's real and financial sectors, commented Mr. Hemant Kanoria, Chairman, Srei International, Kolkata. One way to avoid it is to reduce Looking West policies and concentrate on formulating regional economic blocs. Inside BIMSTEC, each country has a pool of economic and natural resources. Thus, there is good scope for drawing up logical, systematic and comprehensive trade-based policies in keeping with individual member's comparative advantage. In order to guard the economy from global economic crisis, there is no alternative to extensive regional cooperation. Infrastructure is required to promote cooperation. Micro level impediments to BIMSTEC cooperation, like import and export duties and non-tariff barriers, have to be looked into with utmost urgency. Favorable political will is a necessary condition for the success of any regional cooperation. Infrastructure development, e.g., road connectivity among BIMSTEC countries, will facilitate trade and exchange of commerce. Trade among BIMSTEC countries has come down because of poor intra-country infrastructure and unfavorable trade policies of the governments. For West Bengal, regional cooperation, such as BIMSTEC, will increase creation of a favorable industrial climate within the state.

6. According to Prof. Ranajoy Bhattacharya, Indian Institute of Foreign Trade (IIFT), Kolkata, the BIMSTEC countries share 21% of World population and 1.4% of world GDP, whereas one-fourth of world poor live here. One of the major objectives of BIMSTEC should be economic development of participating countries through trade among themselves. It is found that countries that are nearby have more trade among themselves. But it is paradoxical that India has less trade with her neighbors. Rather, India has more trade with the West. About 3% of world trade occurs in this area. The figure is so low because the trade potentials of this region have remained untapped. Moreover, the average tariff is high, around 19%, made worse by the poor connectivity among the countries. Smuggling activities are common because of poor connectivity. Trade and economic development have a two-way relationship with each other. Free trade is required to promote economic development. FTA must be formulated and implemented. As every FTA has a sensitive list, FTA among BIMSTEC countries must take into this fact into account. Since SAARC has so far not been

very effective in promoting regional economic cooperation, caution must be taken in the case of BIMSTEC.

7. Mr. Jayanta Sarkar, Director, CSIRD said that India has historically looked to the West during the colonial days. After that era ended, it continued to do so because it is in the West that there was capital, aid, business, and technology. The result was the predominance of the West. The Look East policy seeks to correct this slant. And here comes the importance of BIMSTEC. However, this region is made up of Least Developed Countries (LDCs) and developing countries. The per capita income in some cases is just a dollar a day. That in a way has made BIMSTEC more like a poor man's club. But it is a poor man who lives in rich lands. The member countries may not have adequate funds or the technology strength of the West. But that shortfall is more than made up by their other rich potentials. Some have immense hydro potential. In some cases, there are vast opportunities of precious items like gas and oil. Many have rich stores of valuable minerals and stones. Fisheries could yield rich dividends. Just as tourism in the region holds out huge potentials. Not the least is the service sector, on which the SAARC has lately been showing interest. Many of these activities can be developed and pursued without running into competition with each other. And that is a very positive side. In other words, there has to be some kind of priorities of regional projects. Impediments to trade among BIMSTEC countries that are holding back the BIMSTEC FTA, such as tariff and non-tariff barriers, sensitive list, rules of origin (ROO), etc have to be sorted out. There are hundreds of regional and trade blocs in the world today. But very few of them have been successful. One of them is the European Union. The other is NAFTA, but it is somewhat special. BIMSTEC has to be a success. And since Kolkata is the gateway to the BIMSTEC countries, it has to be the hub of BIMSTEC.

8. Lt. Gen. Malik, while summing up, said that the idea of BIMSTEC came from Thailand. The BIMSTEC countries are resource rich, and are having vast populations. They have to deepen regional economic cooperation. Better connectivity and technology are required to unlock the untapped resources in these countries. Politically BIMSTEC paves the way for "Convergence to Strategic Interaction". The people of BIMSTEC countries share more or less the same culture, food and history. But connectivity is very poor among these countries. This must be looked into with urgency. BIMSTEC has the following objectives: (i) to serve as a bridge between SAARC and ASEAN, and (ii) in the era of global slowdown there is an increasing importance of regional integration. Therefore in order to make BIMSTEC a success, FTA must be implemented, potential resources which are untapped due to trade barriers must be located, custom duties relaxed, asymmetry of information has to be removed through better connectivity and capabilities of concerned countries. Politically BIMSTEC will help stabilize the growing security threat being faced in India's North East.

9. Mr. Sanjay Budhia, President, ICC, in his welcome remarks at the beginning of the second session said that regional economic integration in South Asia has the potential to become a new engine of growth by helping to exploit the synergies for mutual benefit. BIMSTEC, which was established in 1997 to promote multi-sectoral cooperation, is already making its presence felt in the eyes of the world. ICC believes BIMSTEC is certain to emerge as a strong sub-regional force to reckon with. He said that the BIMSTEC FTA must look at issues like transport and communication, because connectivity, particularly multi-modal connectivity, is an important element which could deepen the economic partnership in BIMSTEC. Connectivity bottlenecks need to be removed in order to strengthen free trade in the region. Increased transport linkages which will benefit business, tourism and people-to-people contacts; trade facilitation; cooperation in the fields of energy; tourism; counter-terrorism and the establishment of a permanent secretariat are among some of the issues which will have to be addressed suitably for realizing the full potential. Mr. Budhia said that it will be in India's interest to take the lead and to pave the way for BIMSTEC to emerge as a free trade region. Rapid economic cooperation among BIMSTEC members will enable India to integrate more effectively with the neighbours in Asia, and will thus significantly help the country emerge as a true global player with enhanced say in world economic order.

10. The second session, "India and BIMSTEC Economic Integration: Agenda for BIMSTEC Summit 2008" took the note of the discussion of the first session. In his speech, Shri Buddhadeb Bhattacharjee said that the ongoing financial crisis has affected our country.

But, globalization can not be taken back. Every country should join it. Developing countries should come close. There is need for deeper South-South Cooperation. ASEAN is doing well in this regard. SAARC started well, but failed to carry forward the momentum. The region under BIMSTEC is important. There is so much hunger, illiteracy, and poverty. So, regional cooperation in trade and investment, transport, communication, energy, etc. is a must. Shri Bhattacharjee said that West Bengal is ready to play a key role in BIMSTEC.

11. Shri Pranab Mukherjee in his speech said that various regional architectures are being formed, with the 'Look East' policy as one of their major themes. BIMSTEC is one of them. It has emerged as one of the fastest growing regions of the world with a growth rate of 8 percent sustained over the past five years. To facilitate trade among BIMSTEC countries, FTA must be implemented. Because trade brings development, India wants development with peace and tranquility. In the First and Second World Wars, European countries fought against each other. But now they are united under European Union. That has brought tremendous socio-economic prosperity among EU countries without impacting their individual sovereignty. In BIMSTEC countries, there is strong cultural bondage. These countries had suffered pain of colonization in one way or the other. So, they can form a stronger regional bloc. Each country will lead in a particular topic. FTA, infrastructure and connectivity must be ensured. In this global financial crisis, regional cooperation like BIMSTEC must succeed. The proposed BIMSTEC Free Trade Agreement will contribute to mutually beneficial regional economic integration. The FTA item on 'Trade in Goods' would be a meaningful instrument for increasing intra-regional trade if the members make joint and focused efforts to deal with tariff and non-tariff barriers. It has been observed that India's export and import baskets with other BIMSTEC countries are well diversified. Other BIMSTEC countries also have much to offer. Our business persons should make full use of the opportunities offered by the BIMSTEC framework for two-way trade. Considering the importance of energy, it is necessary to ensure energy security through cooperation among BIMSTEC countries. The energy resource endowment, namely, natural gas in Bangladesh and Myanmar, coal and petroleum products in India, and hydropower in Nepal and Bhutan provide a basis for regionally integrated energy cooperation. BIMSTEC has taken the initiative to promote regional cooperation through the BIMSTEC Energy Centre to be set-up in India. In conclusion, Shri Mukherjee said that BIMSTEC Summit's curtain-raiser programme at Kolkata will provide the necessary focus and momentum to intra-BIMSTEC business cooperation. It is for our business community to seize the opportunities. The BIMSTEC processes and initiatives offer scope for further deepening and diversifying our economic-commercial relations which are already strong.

12. From the discussions and presentation in this Curtain Raiser, it appears that BIMSTEC is a classic growth region, characterized by many economic complementarities, geographical proximity, and close historical and cultural ties. The BIMSTEC has a vast potential for development, given large amounts of land, abundant skilled labor, rich natural resources, access to sea, and a sizeable internal market of nearly 1.5 billion people. When combined with the entrepreneurial skills of the dynamic private sector of BIMSTEC, these endowments can transform the region a powerful growth engine and substantially reduce poverty in large parts of the region. All the participants agreed that BIMSTEC as a regional bloc can be an effective tool in addressing poverty and energy shortage. They also suggested that this regional cooperation should ensure that no country is left behind, that the landlocked regions/ countries have free and full access to markets, and that peace and stability are promoted. One of the key points made in the event has been that such regional integration has to ensure "inclusive" economic growth. All agreed that greater people-to-people and business contacts through improved connectivity and business environment, and implementation of the BIMSTEC Free Trade Agreement (BFTA) will certainly deepen the regional cooperation in a short time. These initiatives would help increase investment and growth by reducing infrastructure constraints and by lowering trade costs. A stronger BIMSTEC would also mean a more stable and prosperous Asia. BIMSTEC can face the challenges of global meltdown much more effectively if it could achieve deeper regional integration.

**Tentative Programme Structure**

<b>1500-1530 hrs</b>	<b>Registration</b>	
<b>1530-1700 hrs</b>	<b>Panel Discussion: Deepening BIMSTEC Cooperation: Emerging Issues and Way Forward</b>	
1530 – 1535 hrs	Welcome Remarks	<b>Dr Rajeev Singh</b> , Secretary General, ICC
1535 – 1540 hrs	Introductory Remarks by Session Chairman	<b>Lt. Gen. Dr. B S Malik</b> , President, CSIRD
1540 – 1550hrs	Global Meltdown and BIMSTEC	<b>Mr S N Nundi</b> , Director, Co-Chairman Eastern India Development Council, Kolkata
1550 – 1600 hrs	Trade & investment opportunities in BIMSTEC	<b>Mr. Hemant Kanoria</b> , Chairman, SREI International, Kolkata
1600 – 1610 hrs	Future prospects of BIMSTEC	<b>Dr. Ranajoy Bhattacharya</b> , Professor, IIFT, Kolkata
1610 – 1620 hrs	Look East Policy and BIMSTEC:	<b>Mr. Jayanta Sarkar</b> , Director, CSIRD, Kolkata
1620 -1630 hrs	BIMSTEC and West Bengal	<b>Dr Sabyasachi Sen</b> , IAS, Principal Secretary , Commerce & Industries, Government of West Bengal, <b>[Absent]</b>
1630 – 1640 hrs.	Discussion and Wrap-up by Session Chairperson	<b>Lt. Gen. Dr. B S Malik</b> , President, CSIRD
1640 – 1700 hrs.	<b>Break</b>	

<b>1700 – 1800 hrs</b>	<b>India and BIMSTEC Economic Integration: Agenda for BIMSTEC Summit 2008</b>	
1700 -1705 hrs	Welcome Remarks	<b>Mr Sanjay Budhia</b> President Indian Chamber of Commerce
1705 -1710 hrs	Theme Address	<b>Lt. Gen. Dr. B S Malik</b> President, CSIRD
1710 - 1715 hrs	<b>Release of “ BIMSTEC Cooperation Report 2008”</b>	
1715 – 1735 hrs	<b>Special Address</b>	<b>Shri Buddhadeb Bhattacharjee</b> Hon'ble Chief Minister Government of West Bengal
1735 – 1755 hrs	<b>Address by Chief Guest</b>	<b>Shri Pranab Mukherjee</b> Hon'ble Union Minister Ministry of External Affairs Government of India
1755 – 1800 hrs	Vote of Thanks	<b>Mr Vishambhar Saran</b> Senior Vice President Indian Chamber of Commerce
<b>1800 hrs Onwards</b>	<b>Hi-Tea and closing of the event</b>	