



# BIMSTEC

## Master Plan for Transport Connectivity

### An Undertaking in Enhancing Regional Integration

Kshitiz Dahal

#### Background

The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) is a regional organization of seven countries—Bangladesh, Bhutan, India, Nepal, and Sri Lanka from South Asia, and Myanmar and Thailand from Southeast Asia—that bridges South Asia and Southeast Asia. Established in 1997 as Bangladesh-India-Sri Lanka-Thailand Economic Cooperation (BISTEC), the organization evolved into BIMSTEC when joined by Myanmar in 1997, and Bhutan and Nepal in 2004. The Bangkok Declaration of 6 June 1997 that established BISTEC, the precursor to BIMSTEC, envisaged cooperation in seven major areas.<sup>1</sup> The current areas of cooperation include the following: (i) trade, investment, and development; (ii) environment and climate change; (iii) security; (iv) agriculture and food security; (v) people-to-people contact; (vi) science, technology and innovation; and (vii) connectivity.<sup>2</sup>

BIMSTEC's significance and relevance lie in its unique features. First of all, the Bay of Bengal, the region that BIMSTEC aims to integrate, is the largest bay in the world. The bay hosts one-quarter of the world's traded goods.<sup>3</sup> With a population of 1.76 billion (as of 2022), it is home to about 22 percent of the world's population.<sup>4</sup> Furthermore, its GDP has grown at an average annual rate of 5.5 percent in the 10-year period 2012–2021 to reach its current value of US\$ 4.3 trillion; its rate of growth has increased its share in the global economy from 3.3 percent in 2012 to 4.4 percent in 2021.<sup>5</sup> Moreover, the region is a bridge between two dynamic regions, South Asia and Southeast Asia.

However, the region is characterized as lacking close economic integration among its member states and as having gaps in transport connectivity among its member states. In an attempt to enhance transport connectivity, the 'BIMSTEC Master Plan for Transport Connectivity' was prepared, which serves as a strategic document to guide actions for the period 2018–2028. This issue paper discusses the details of the master plan, its importance for connectivity in the region, and gaps and challenges that characterize the Master Plan.

### **Weak regional integration and poor transport connectivity characterizes BIMSTEC**

Despite the high significance and promises of BIMSTEC, its potential is hamstrung by a lack of economic integration among the member states, relegating it to the sidelines of key global developments; the countries adjacent to the Bay of Bengal show weak integration today than compared to fifty years ago.<sup>6</sup> A telling sign of low BIMSTEC regional integration is its low intra-regional trade—BIMSTEC intraregional trade accounts for about 5 percent of its total trade, significantly lower than, for instance, 26 percent for ASEAN, 52 percent for the United States-Mexico-Canada Agreement, and 58 percent for the European Union.<sup>7</sup> Contributing to the lack of close regional integration in BIMSTEC is the poor transport connectivity between the member states. While significant improvements have been made in the area of enhancing transport connectivity in the region, significant gaps remain, which led to the demand for the formulation of a master plan to enhance transport connectivity between and across BIMSTEC member states.<sup>8</sup>

### **BIMSTEC Master Plan for Transport Connectivity**

Acknowledging that enhancing transport connectivity is essential for BIMSTEC to achieve its vision of regional integration and to deliver its potential, BIMSTEC

has endorsed a 'BIMSTEC Master Plan for Transport Connectivity' ('Master Plan' henceforth). The Master Plan aspires to demonstrate the role and relevance of BIMSTEC in enhancing intra-regional transportation connectivity. It provides a framework of policies, strategies, and actions to ensure seamless intermodal/multimodal transportation in the region, accompanied by efficient transit. It aspires to guide actions for the period 2018–2028.

### **Inception of the Master Plan**

Enhancing connectivity, particularly transportation linkages, remains a core objective of BIMSTEC since its inception. An important step in this realm was initiated through the initiation of the BIMSTEC Transport Infrastructure and Logistics Study (BTILS) in April 2007, which was finalized in 2009, and endorsed by the 12th BIMSTEC Ministerial Meeting, held in December 2009. Further, to ensure that the study remained relevant to changing connectivity landscapes, the BTILS study was updated and the resulting final report "Updating and Enhancement of the BIMSTEC Transport Infrastructure and Logistics Study" was endorsed by the 15th BIMSTEC ministerial meeting, held in Kathmandu in 2017. The 15th BIMSTEC ministerial meeting also tasked a BIMSTEC Transport Connectivity Working Group to prepare the Master Plan to guide BIMSTEC in enhancing transportation connectivity across the region. The working group, with technical support from the ADB, finalized the master plan in December 2020, and was adopted by the fifth BIMSTEC summit, held in Sri Lanka in March 2022. The Master Plan builds on the 'BIMSTEC transport infrastructure and logistics study' and develops much more forward-looking plans for international transport connectivity in the region.

### **Focus of the Master Plan**

The vision of the Master Plan is a "seamlessly connected Bay of Bengal region to achieve peace, prosperity, and sustainability" and the mission is "to strengthen connectivity between and within BIMSTEC member states through improved multimodal and intermodal transport". The Master Plan focuses on eight key sectors (operational areas): Roads and Road Transport; Railways and Rail Transport; Ports and Maritime Transport; Inland Water Transport; Civil Aviation and Airport Development; Multimodal and Intermodal Transport; Trade Facilitation; and Human Resource Development (Figure 1). For each sector, the Master Plan identifies issues, followed by policies, and the appropriate strategies. Finally, several projects, including flagship projects that are highly relevant to BIMSTEC intraregional connectivity, are selected. The focus for each sector is on both the physical infrastructure and associated soft infrastructure, thus also incorporating "capacity building, transport access agreements, and the harmonization of rules, regulations,

policies, and measures related to transport between and among BIMSTEC countries”.

A brief description of each sector covered by the Master Plan is provided below (also see Figure 1 for the synoptic structure of the Master Plan).

- **Roads and Road Transport:** Roads represent the predominant transport infrastructure in all BIMSTEC countries, and also the primary medium for intra-BIMSTEC trade (about 70 percent of intra-BIMSTEC freight movement), and hence the development of the sector is indispensable for enhancing regional engagement. Accordingly, the Master Plan acknowledges the need to upgrade the road network throughout the region, and formulates policies and strategies that fall within BIMSTEC’s role and relevance for the development of the sector. The policies and strategies envisioned by BIMSTEC in the roads and road transport sector include enhancement of national arterial links to borders and ports; upgrading of border roads; upgrading or construction of port access roads; development of road-based Buddhist and temple tourism circuits; coordination of road planning through the exchange of information on national road development programs and data on road planning; and implementation of transport access agreements and regional through-transport arrangements.

- **Railways and Rail Transport:** A key feature of the sector—“each of the rail networks in the region operates independently”—results in the limited commonality of issues across the region and hence makes “development of a regional dimension to railway infrastructure” a difficult endeavour. However, the examination of a long list of projects, which includes future plans of national railway organizations, helped identify two common themes—“connectivity to key seaports and with landlocked member states” and the development of Buddhist and temple tourism circuit rail connectivity. Hence, the policies and strategies in this sector include enhancement of rail connectivity between ports, dry ports and borders; development of rail connectivity for landlocked member states (rail links between India and the landlocked member states of Bhutan and Nepal); development of rail-based Buddhist and temple tourism circuits; and coordination of railway programs through exchange of information on national railway development plans.
- **Ports and Maritime Transport:** Maritime transport is the primary conduit for international trade for each of the BIMSTEC member states, except for the landlocked Bhutan and Nepal. Maritime transport also holds special importance to BIMSTEC against the current state of poor land connectivity—most of the intra-BIMSTEC trade, in tonnage



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terms, takes place by the sea. Two specific issues concerning the sector were identified as common issues across the member states, and hence crucial to enhancing intra-BIMSTEC connectivity: lack of access to deeper water ports constraining the availability of larger vessels, and issues with container handling capacity at key ports in the region. Hence, the policies and strategies in this sector include the development of deeper water ports to accommodate larger container feeder vessels to handle growing container traffic; improvement of container handling capacity through investment in modern container handling equipment; development of coastal or short-sea shipping between member states.

- **Inland Water Transport:** The Master Plan acknowledges that inland water transport could play a role in BIMSTEC regional transportation system but currently remains extremely limited (primarily used for domestic transport) and constrained by network geography. As such, it acknowledges the importance of conducting economic and financial analyses “comparing the alternative modes, considering life cycle infrastructure costs, operating costs and travel time, and environmental and social impacts”. Hence, BIMSTEC recognizes the potential gains to regional integration from the development of inland water transport, and hence its strategy for the sector is to encourage the development of “sustainable, economically viable inland water transport between them, e.g., by providing multimodal and intermodal connectivity”.
- **Civil Aviation and Airport Development:** According to the Master Plan, the sector has been the most dynamic in the region in recent years, with a continued expansion of airport capacity across the region. One particular common interest in the region regarding the sector is the development of the low-cost carrier (LCC) market. Against this background, the policies and strategies for this sector include demand-based expansion of airport capacity and its prioritization in national plans; development of airfreight facilities and services through investment in cargo infrastructure and equipment at major airports; and expansion of LCC operations in the region through the development of additional infrastructure, without, however, compromising the infrastructure needed for legacy (full-service) carriers.
- **Multimodal and Intermodal Transport:** Acknowledging the importance of multimodal and intermodal transport in the reduction of transport

costs and seamless movement of freight and passengers across BIMSTEC, and in line with the Master Plan’s integrated approach, the strategy for this sector is to “pursue initiatives that efficiently combine the use of different modes of transport, including ICDs and dry ports as well as multimodal transport corridors”.

- **Trade Facilitation:** The Master Plan identifies trade facilitation as being integral to BIMSTEC’s aims. In this regard, the Master Plan acknowledges the need to focus on soft infrastructure issues such as customs modernization, novel approaches in automation to reduce trade documentation, and advanced logistics, in addition to the traditional focus on hard infrastructure—the development of border posts, including dry ports. Accordingly, the policies and strategies for the development of hard infrastructure for trade facilitation include the development of border infrastructure at the main BIMSTEC land border crossings and their inclusion in national development plans; and the development of inland clearance or inland container depots at appropriate locations. The policies and strategies for the development of soft infrastructure to facilitate intra-BIMSTEC trade include simplification and harmonization of trade and transit documentation, and development of more mutual recognition agreements between member states; further development of automation through the upgrading of existing ICT systems and through the establishment of national single windows; and the adoption of advanced logistics systems to reduce high distribution costs and transport time.
- **Human Resource Development:** The Master Plan identifies the need for further human resource development in the areas of “(i) transport and related sectors; (ii) trade facilitation; and (iii) border management”. Furthermore, the Master Plan finds the need for human resource development in the transport sector the greatest in Bhutan and Nepal, particularly if these landlocked countries are integrated through the development of new modes of transport such as railway; the need for human resource development is also significant for Bangladesh and Myanmar. The policies and strategies for the development of human resources include provisions of training designed to enhance the capacity and skill of those engaged in the transport and related sectors; provisions of enhanced training of public and private sector personnel in best practices in trade facilitation; and training of border personnel in best practices of border management.

Even though the Master Plan is organized by sectors, this does not mean that it envisions the development of each sector independently, but rather aspires to an integrated approach to the development of transport infrastructure. Furthermore, the Master Plan recognizes social and environmental concerns, private sector participation, and human resource development and capacity building as cross-cutting issues relevant to the development of each of the operational areas identified.

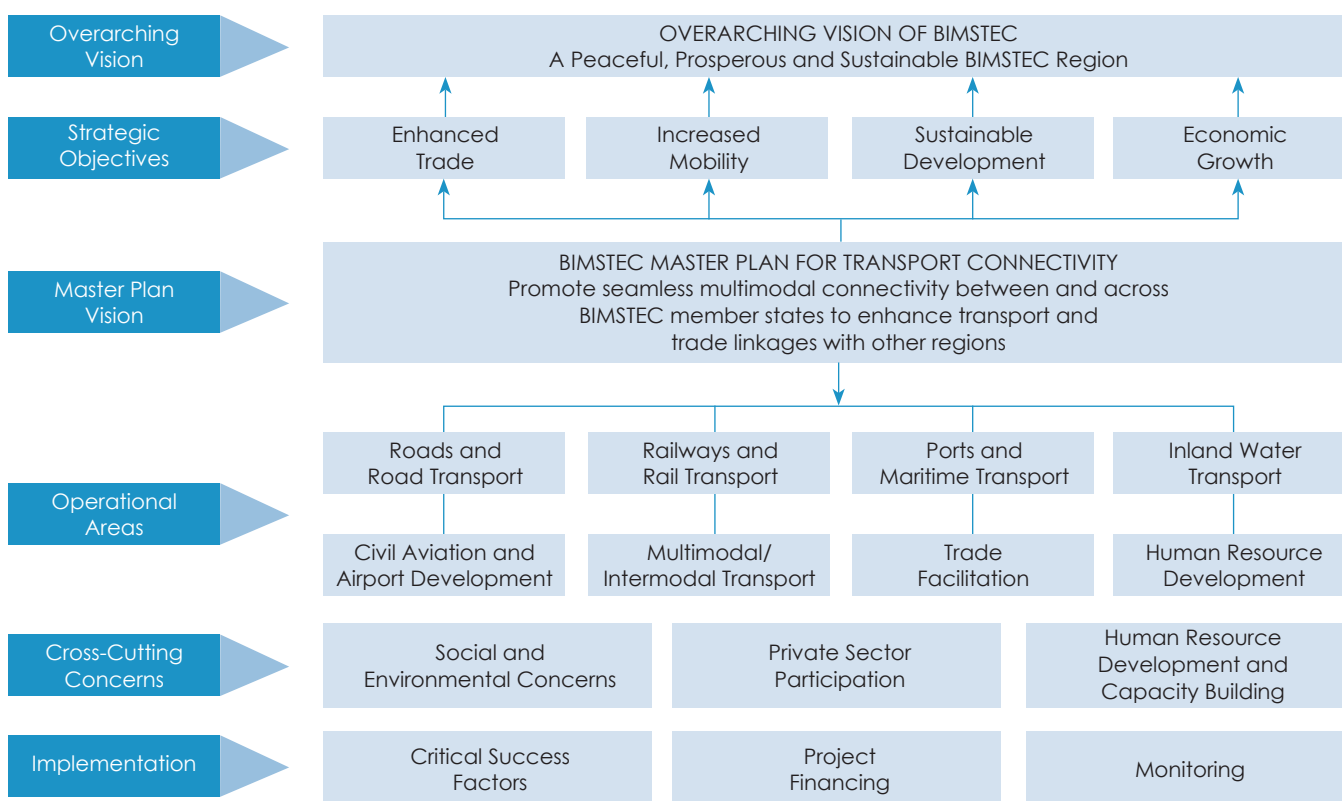
### Master plan: opportunities, gaps, and challenges

The Master Plan, by effectively delineating its role and relevance in enhancing transport connectivity between and across the region, and ultimately in regional integration, offers significant value. Moreover, it showcases the ambition of BIMSTEC to grow into a strongly integrated region. Furthermore, enhancing transport connectivity across the region will also make important contributions towards achieving sustainable development goals (SDGs). However, some gaps are observed in the Master Plan, and there are challenges to overcome, which cast doubt on the efficacy of the Master Plan.

One core issue with the Master Plan is that it lacks a detailed financing proposal—funding sources for several projects have not yet been identified, and funding sources for most of the projects are possible sources rather than finalized. Furthermore, public-private-partnership (PPP) has been identified as the source of funding for several projects; it is not clear how proactive a role the private sector will play in financing the projects. Given that the funding requirement for the implementation of the Master Plan is immense—US\$ 47 billion (in 2018 prices) to implement the 141 flagship projects; US\$ 22 billion (in 2018 prices) excluding ongoing projects—mobilizing financial resources, beyond what ADB can contribute, could emerge as a significant challenge. The Master Plan also acknowledges 'project financing' as a critical success factor for its successful implementation.

Other gaps were highlighted in a webinar held by South Asia Watch on Trade, Economics and Environment (SAWTEE).<sup>9</sup> For instance, it was pointed out that while the Master Plan adequately covers the 'roads and road transport' sector, some important linkages such as Bhutan's eastern corridor, Nepal's linkages with the western side of India, and Nepal's connectivity with

**Figure 1 Building blocks of the Master Plan**



Source: BIMSTEC Master Plan for Transport Connectivity, BIMSTEC and ADB, 2022



Bangladesh are not covered by the Master Plan. Likewise, it was pointed out that the 'railways and rail transport' has a relatively narrow focus; according to a respondent, "The need, in fact, is for overarching railway corridors, from Kathmandu all the way to Kolkata, touching Guwahati, going into Dimapur, all the way to Imphal crossing, coming to Mandalay, crossing again to Bangkok, and finally linking with Singapore's Kunming railway network"<sup>10</sup>

The Master Plan is not an outcome of formal negotiations and rather a strategic document based on consultations, making it non-binding on member states. While this provides some flexibility with regard to the implementation, the slow pace of progress in BIMSTEC so far—a case in point is the inability to implement BIMSTEC Free Trade Agreement—casts doubt on the timely implementation of the Master Plan. Furthermore, the non-binding nature of the Master Plan means that significant political will and commitment are required of each member state, not always forthcoming in the region.

The effective implementation of the Master Plan requires robust monitoring. Furthermore, a potential comparative advantage of the BIMSTEC connectivity initiative lies in its ability to link eastern South Asia with Southeast Asia. Turning this potential into a reality requires effective coordination among member states—the importance of Myanmar is paramount in this respect. The robust

monitoring and efficient coordination require a well-resourced and influential BIMSTEC secretariat. However, the secretariat is inadequately resourced—it lacks both financial and human resources—which does not bode well for the implementation of the Master Plan.<sup>11</sup>

## Conclusion

Regional integration in BIMSTEC is weak, leading to the under-realization of its vast economic potential. A significant contributor to the poor regional integration is inadequate transport connectivity between member states in the region. To enhance transport connectivity across the region, BIMSTEC adopted a 'BIMSTEC Master Plan for Transport Connectivity', a guiding document consisting of policies, strategies, and actions for the purpose. The Master Plan successfully establishes the role and relevance of BIMSTEC in enhancing transport linkages across the region. However, some gaps in the document and challenges inherent in BIMSTEC, cast a shadow of doubt on the effective implementation. The successful realization of the goals of the Master Plan will require an efficient mobilization of adequate financial resources. More importantly, significant political will and commitment are required to transform the Master Plan into implementable action. ■

## Notes

- <sup>1</sup> The original areas of cooperation were: (i) trade, investment, and industry; (ii) technology; (iii) human resource development; (iv) tourism; (v) agriculture; (vi) energy; and (vii) infrastructure and transportation.
- <sup>2</sup> <https://bimstec.org/sectors-of-cooperation/>. Accessed December 15, 2022.
- <sup>3</sup> BIMSTEC and ADB. 2022. *BIMSTEC Master Plan for Transport Connectivity*. Manila: Asian Development Bank.
- <sup>4</sup> Data obtained from United Nations, World Population Prospects 2022.
- <sup>5</sup> Data obtained from the World Bank.
- <sup>6</sup> Xavier, Constantino. 2018. "Bridging the Bay of Bengal: Towards a Stronger BIMSTEC." Carnegie India, February 2018.
- <sup>7</sup> BIMSTEC and ADB. 2022. *BIMSTEC Master Plan for Transport Connectivity*. Manila: Asian Development Bank.
- <sup>8</sup> *ibid.*
- <sup>9</sup> A webinar on "Regional Connectivity: BIMSTEC Master Plan for Transport Connectivity" was organized by SAWTEE on 23 September 2022.
- <sup>10</sup> Derived from the remark made by Professor Prabir De in the webinar.
- <sup>11</sup> This point was highlighted in the webinar. See also: Munjal, Diksha. 2022. "Explained | What is the BIMSTEC grouping and how is it significant?." *The Hindu*, April 6, 2022.