

**YANGON UNIVERSITY OF ECONOMICS  
DEPARTMENT OF APPLIED ECONOMICS  
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**BIMSTEC ECONOMIC INTEGRATION  
(MYANMAR PRESPECTIVE)**

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EMPA – 25 (19<sup>th</sup> BATCH)**

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**BIMSTEC ECONOMIC INTEGRATION  
(MYANMAR PRESPECTIVE)**

A thesis submitted as a partial fulfillment towards the requirement for the Degree of  
Master of Public Administration (EMPA)

**Supervised by**

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**YANGON UNIVERSITY OF ECONOMICS**  
**DEPARTMENT OF APPLIED ECONOMICS**  
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This is to certify that this thesis entitled “**BIMSTEC Economic Integration (Myanmar Perspective)**”, submitted in partial fulfilment towards the requirements for the degree of Executive Master of Public Administration (EMPA) has been accepted by the Board of Examiners.

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## **ABSTRACT**

Globalization exerts a profound influence on trade and regional economic cooperation, offering both opportunities and challenges for countries and regional blocs. Among these, the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) stands out as a unique cross-regional organization connecting South and Southeast Asia. This study explores the dynamics of trade flows, investment trends, and economic interdependencies among BIMSTEC member states, providing insights into potential future trade expansion. Focusing specifically on Myanmar, the study highlights its contributions, strategic importance within BIMSTEC, and the key sectors benefiting from regional cooperation. The results of this study reveal that BIMSTEC offers significant potential for enhancing Myanmar's trade and infrastructure development. Strengthened regional connectivity, access to larger markets, and increased foreign direct investment (FDI) are identified as key advantages. The study concludes by emphasizing the potential benefits of BIMSTEC for Myanmar and fully leverage the opportunities presented by regional economic integration.

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## ABBREVIATIONS

ADB	Asia Development Bank
AEC	ASEAN Economic Community
AFTA	ASEAN Free Trade Area
APTA	Asia-Pacific Trade Agreement
ASEAN	Association of Southeast Asian Nations
BA	Bangkok Agreement
BCIM-EC	Bangladesh, China, India and Myanmar Economic Cooperation
BF	Business Forum
BFTA	BIMSTEC Free Trade Area
BIMSTEC	Bay of Bangel Initiative for Multi-Sectoral Technical and Economic Cooperation
BPO	Business Process Outsourcing
BTAs	Bilateral Trade Agreements
BTILS	BIMSTEC Transport Infrastructure and Logistics Study
BWO	BIMSTEC Working group
DOTs	The Direction of Trade Statistics
EF	Economic Forum
EU	European Union
EVs	Electric Vehicles
EWG	Expert Working Groups
FDI	Foreign Direct Investment
FTA	Free Trade Area
FY	Financial/Fiscal Year
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GMS	Greater Mekong Subregion
GSP	Generalized System of Preference

GSTP	Global System of Trade Preferences among Developing Countries
IMF	International Monetary Fund
ISL-BTA	Indo-Sri Lanka Bilateral Trade Agreement
IT	Information Technology
ITC	International Trade Centre
IWT	Inland Water Transport
LDCs	Least Development Nation
MFN	Most Favored Nation
MM	Ministerial Meetings
MRAs	Mutual Recognition Agreements
MTE	Myanmar Timber Enterprise
MVIRDC	M. Visvesvaraya Industrial Research and Development Centre
NEFTA	North Atlantic Free Trade Area
RCEP	Regional Comprehensive Economic Partnership
R&D	Research and Development
RTA	Regional Trade Agreement
SAFTA	South Asian Free Trade Agreement
SAPTA	South-Asian Preferential Trading Agreement
SASEC	South Asia Subregional Economic Cooperation
SCO	Shanghai Cooperation Organization
SEZ	Special Economic Zone
SMEs	Small and Medium-sized Enterprises
SOM	Senior Officials Meeting
SOPs	Standard Operating Procedures
STCOM	Senior Trade/Commerce Officials Meeting
TAR	Trans Asian Railways
TCMM	Trade/Commerce Ministers' Meeting
TCT	Trade Commerce & Transit
UNCTAD	United Nations Conference on Trade and Development

UNESCO	United Nations Educational, Scientific and Cultural Organization
WITS	World Integrated Trade Solution
WTO	World Trade Organization

# CHAPTER I

## INTRODUCTION

### 1.1 Rationale of the Study

In the contemporary globalized economy, regional collaborations play a pivotal role in fostering economic development and stability. The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) represents a strategic alliance among nations in the Bay of Bengal region, encompassing diverse economies such as India, Bangladesh, Myanmar, Sri Lanka, Thailand, Bhutan, and Nepal. It is home to around 1.7 billion people and has a combined GDP of over US\$ 5.2 trillion. Despite its immense potential, the region remains relatively underdeveloped and faces numerous challenges in achieving economic growth and prosperity. Against the backdrop of dynamic international trade patterns, this study seeks to delve into the realm of economic integration within BIMSTEC.

The rationale sets the stage by highlighting the increasing importance of regional cooperation in the face of evolving global economic dynamics. It underscores the need for an in-depth examination of the opportunities and challenges that arise from economic integration within this regional framework. By examining the existing trade patterns, investment flows, and economic cooperation initiatives within the region, the study seeks to identify areas where greater integration can lead to enhanced economic growth, increased trade, and improved living standards for the member countries. With the ongoing shifts in the global economic landscape, BIMSTEC countries find themselves at a crossroads where collaborative efforts could potentially unlock new avenues for economic growth.

By understanding the unique advantages offered by BIMSTEC's economic integration, policymakers and stakeholders can make informed decisions to harness the full potential of regional collaboration. Amidst the prospects of economic integration, it is equally crucial to acknowledge and address the challenges that may impede the seamless collaboration among BIMSTEC nations. And these challenges may include differences in economic structures, regulatory frameworks, infrastructure gaps, political tensions, and historical conflicts as well. By understanding these challenges, the study can offer valuable insights and recommendations on how to examine them and foster greater economic integration among the member countries.

As nations strive to enhance connectivity and cooperation, it becomes essential to assess the impacts on industries, employment, and societal well-being. By systematically exploring the opportunities, challenges, and sectoral implications of economic integration in BIMSTEC, this study endeavours to contribute valuable insights that can inform future policy frameworks and strategic decisions. In an era where regional collaborations play a pivotal role in shaping global economic dynamics, this study aspires to provide a nuanced understanding of the complexities inherent in BIMSTEC's economic integration, thereby aiding stakeholders in fostering sustainable development and cooperation in the Bay of Bengal region.

## **1.2 Objectives of the study**

The foremost objective of this study is to describe the current status of economic integration within the BIMSTEC region.

The second is to identify the specific challenges and barriers to economic integration from Myanmar perspective within the BIMSTEC region, including issues related to trade barriers, regulatory environments, investment, and infrastructure with the member countries.

## **1.3 Method of the Study**

In conducting a study on the economic integration of BIMSTEC countries, the methodological framework involves a combination of descriptive analysis and referencing of academic papers. Descriptive analysis is used to present the status of economic integration among BIMSTEC countries. This involves summarizing key trends, challenges, and opportunities in the region based on official reports, databases to obtain accurate and up-to-date data for analysis from the India Embassy Library, American Center Library, Yangon University of Economics Library.

Furthermore, comparative analysis is employed to compare the economic performance, trade dynamics, and policy frameworks of BIMSTEC countries.

#### **1.4 Scope of the study**

The study mainly focuses to examine the existing trade agreements, investment flows, and other initiatives aimed at promoting economic integration within the region. Additionally, the study includes the potential benefits and challenges of deeper economic integration of Myanmar with BIMSTEC countries up to 2022

#### **1.5 Organization of the study**

This study is organized into five chapters. Chapter (1) is an introductory chapter, and it explains the rationale of study, objectives, method, scope, and organization of the study. Chapter (2) is the literature review which includes theory of economic integration, regional economic integration and international trade, introduction to BIMSTEC and its evolution, structures of BIMSTEC economies. Chapter (3) focuses on trade and investment patterns of BIMSTEC. Chapter (4) consists of Myanmar's participation in BIMSTEC and its significant role. Chapter (5) is the concluding chapter with findings of the study and some policy suggestions.

## CHAPTER II

### LITERATURE REVIEW

#### 2.1 Economic Integration

Economic integration refers to the commercial policy of discriminatively reducing or eliminating trade barriers only among the nations joining together. The degree of economic integration ranges from preferential trade arrangements to free trade areas, customs unions, common markets, and economic unions.<sup>1</sup>

The concept of economic integration is based on the idea that by promoting closer economic cooperation and integration, countries can benefit from increased trade, investment, and specialization, leading to higher economic growth, improved living standards, and overall welfare for participating nations.<sup>2</sup>

In the past, economies were considered separate for each country or region. Each nation controlled its own economy with minimal interaction with others. Globalization, however, has facilitated the flow of goods, services, and capital across borders, making economies more interconnected. Nowadays, no economy operates entirely on its own. This shift is due to the fact that trade typically benefits all economies. It enables countries to focus on their strengths and trade with others that have different competitive advantages.

Economic integration can bring several benefits, including increased market access, economies of scale, enhanced competitiveness, and improved resource allocation. It can also promote regional stability, cooperation, and peace by fostering closer economic ties and interdependence among nations.

However, economic integration also poses challenges, such as the need for coordination and cooperation among member countries, the potential loss of national sovereignty, and the unequal distribution of benefits among participating nations. It requires careful planning, negotiation, and ongoing management to ensure that the integration process is inclusive, sustainable, and beneficial for all involved parties.

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<sup>1</sup> International Economics (13<sup>th</sup> edition), Dominick Salvatore., 2019, Pg.262

<sup>2</sup> International Economics: Theory and Policy, Paul R. Krugman and Maurice Obstfeld., 2017, Pg.

## 2.2 Theory and Practice of Regional Economic Integration

The theory of regional economic integration refers to the combination of different economies within a geographic region to form a larger economic unit. This can involve agreements between countries to reduce trade barriers, coordinate policies, and promote economic cooperation.<sup>3</sup>

Another key aspect of the theory is that regional economic integration can attract more foreign direct investment (FDI) to the region. When countries come together and create a larger market, it becomes more attractive for multinational corporations to invest in the region. This can lead to increased job opportunities, technology transfer, and overall economic development.

The practice of regional economic integration involves the implementation of various mechanisms and agreements to facilitate economic cooperation among member countries. In practice, regional economic integrations can vary in terms of their level of integration and the specific policies and measures adopted. For example, the European Union is a highly integrated economic bloc, with a single market, a common currency (the Euro), and a high degree of policy coordination. On the other hand, regional economic integrations like the North American Free Trade Agreement (NAFTA) and the Association of Southeast Asian Nations (ASEAN) focus more on reducing trade barriers and promoting economic cooperation without as much policy harmonization.

The benefits of regional economic integration include increased trade, economies of scale, enhanced competitiveness, and improved investment opportunities. It can also lead to greater political cooperation and stability among member countries. However, regional economic integration also presents challenges and potential drawbacks, such as the need to address disparities among member countries, manage the loss of national sovereignty, and harmonize regulations and policies.

In summary, the theory and practice of regional economic integration revolve around the idea that closer economic cooperation and integration within a specific region can bring about economic benefits and promote overall welfare. However, the success of regional economic integration depends on careful planning, negotiation, and ongoing management to address challenges and ensure the achievement of its goals.

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<sup>3</sup>The Economics of European Integration, Richard Baldwin and Charles Wyplosz., 2015, Pg.92

### 2.2.1 Stages of Regional Economic Integration

The stages of regional economic integration can vary depending on the specific context and goals of the integration process. However, there are generally five stages that are commonly recognized:

1. *A preferential trade agreement (PTA)*: This is a union in which member countries impose lower trade barriers on goods produced within the union, with some flexibility for each member country on the extent of the reduction. i.e. ANDEAN Pact, Central American Common Market (CACM)

2. *Free Trade Area (FTA)*: This is an agreement among member countries which agree to eliminate tariffs and other trade barriers while maintaining their own external trade policies. i.e. NAFTA, ASEAN

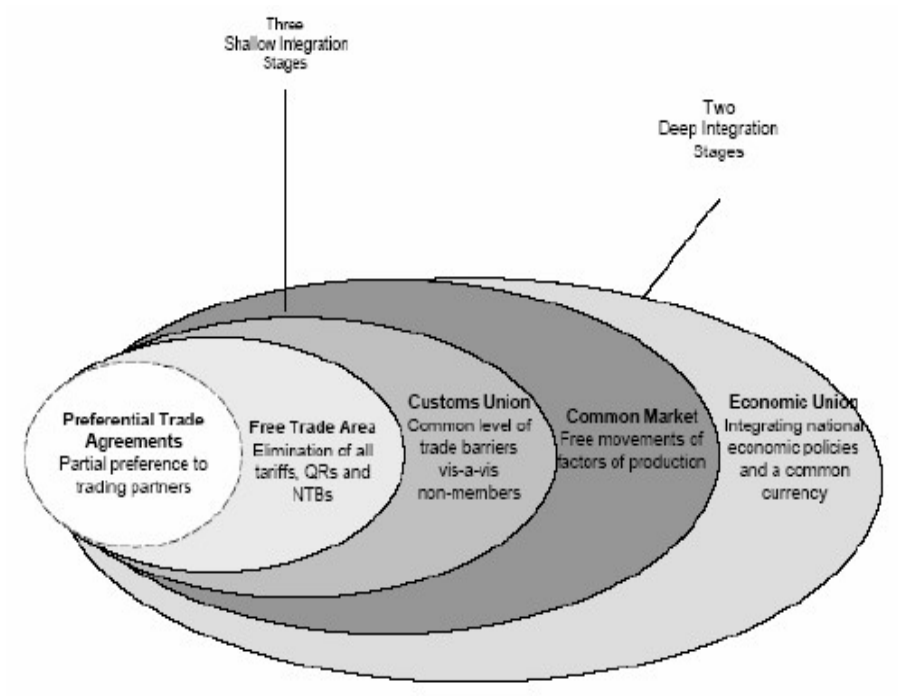
3. *Customs Union (CU)*: In this stage, member countries not only eliminate tariffs and trade barriers among themselves but also establish a common external trade policy. This means that they apply the same tariffs and trade rules to countries outside the union. i.e. MERCOSUR

4. *Common Market (CM)*: At this stage, member countries go beyond the elimination of trade barriers and establish the free movement of goods, services, capital, and labour within the union. This involves harmonizing regulations and standards to facilitate the seamless flow of economic activity.

5. *Economic Union (EU)*: In this stage, member countries deepen their integration by coordinating their economic policies, such as fiscal, monetary, and social policies. They may also establish a common currency, like the Eurozone in the European Union.

PTA, FTA, and CU are known as 'shallow integration' arrangements in trade literature. CM and EU are called "deep integration." Figure 2.1 illustrates types of trade agreement.

**Figure 2.1: Stages of Trade Agreements**



Source: Das (2001)<sup>4</sup>

<sup>4</sup> Das, Dilip. "Regional Trading Agreements and the Global Economy: Asia Pacific Perspective." Asian Development Bank, March 2001.

### 2.3 Economic Perspective of International Trade

International trade can contribute significantly to the economic growth of developing nations in several ways. Some of the key contributions are:

1. *Access to new markets:* International trade provides developing nations with access to larger and more diverse markets for their goods and services. This expanded market potential can drive increased production and export volumes, leading to higher economic growth. This can also in turn spur domestic production, create employment opportunities.
2. *Technology transfer:* The transfer of technology can have significant benefits for both developed and developing nations involved in international trade. Here are some keyways in which technology transfer is important in the context of international trade: Enhancing Productivity and Competitiveness, Promoting Innovation and R&D, Building Human Capital and Skills, and Fostering Sustainable Development.

Technology Transfer can also drive economic development, promote innovation, enhance competitiveness, and support sustainable growth in developing nations. By leveraging technology transfer opportunities through trade partnerships and collaborations, countries can harness the benefits of knowledge exchange and technological advancements to propel their economies forward in the global arena.

3. *Foreign direct investment (FDI):* International trade can attract foreign direct investment in developing nations. This investment inflow can bring in capital, technology, management expertise, and employment opportunities, which can boost economic activity and contribute to overall growth.

International trade can create linkages between domestic industries and global value chains, which can further attract FDI to developing nations. By participating in global trade networks, developing countries can become part of international production networks and supply chains, offering opportunities for foreign investors to integrate their operations.

4. *Specialization and comparative advantage:* Engaging in international trade enables developing countries to focus on producing goods and services where they hold a comparative advantage. By specializing in these areas, they can

achieve greater productivity and efficiency. This increased efficiency helps to promote economic growth.

5. *Enhanced competition and innovation:* International trade exposes domestic industries to foreign competition, which can drive them to become more efficient and innovative in production processes and quality standards. This competition and innovation can lead to productivity gains and economic growth.
6. *Diversification of the economy:* Engaging in international trade can encourage diversification of the domestic economy by promoting the development of new industries and sectors. Diversification reduces reliance on a few sectors and makes the economy more resilient in the face of external shocks, ultimately contributing to sustained economic growth.
7. *Economies of scale:* International trade allows developing nations to achieve economies of scale by expanding their production to serve larger, global markets. This can lead to reduced unit costs of production, making their goods more competitive and leading to increased output and economic growth.
8. *Income and employment opportunities:* International trade can create employment opportunities and enhance income levels within developing nations. Export-oriented industries can boost job creation, while increased exports can generate revenue, leading to economic growth and improved living standards for the population.

Moreover, international trade can stimulate investment in infrastructure, technology, and human capital, which can further enhance productivity and competitiveness in developing nations. As businesses grow and expand their operations to meet international demand, they often need to hire more workers, thus contributing to job creation and income generation within the local economy.

## **CHAPTER III**

### **TRADE AND INVESTMENT PATTERNS OF BIMSTEC**

#### **3.1 Emergence of BIMSTEC as a vibrant Economic Bloc**

The emergence of BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation) as a vibrant economic bloc has been a significant development in the region. BIMSTEC, comprising of seven member states - Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, and Thailand in 1997, has gained momentum over the years as a platform for regional cooperation and integration.

One of the key factors contributing to the emergence of BIMSTEC as a vibrant economic bloc is the immense potential for trade and investment within the member states. With a combined population of over 1.7 billion and a total GDP of around US\$ 5.2 trillion, BIMSTEC represents a substantial market for goods and services. The member states have recognized the need to tap into this potential and have taken steps to enhance trade facilitation, reduce non-tariff barriers, and promote investment flows within the region.

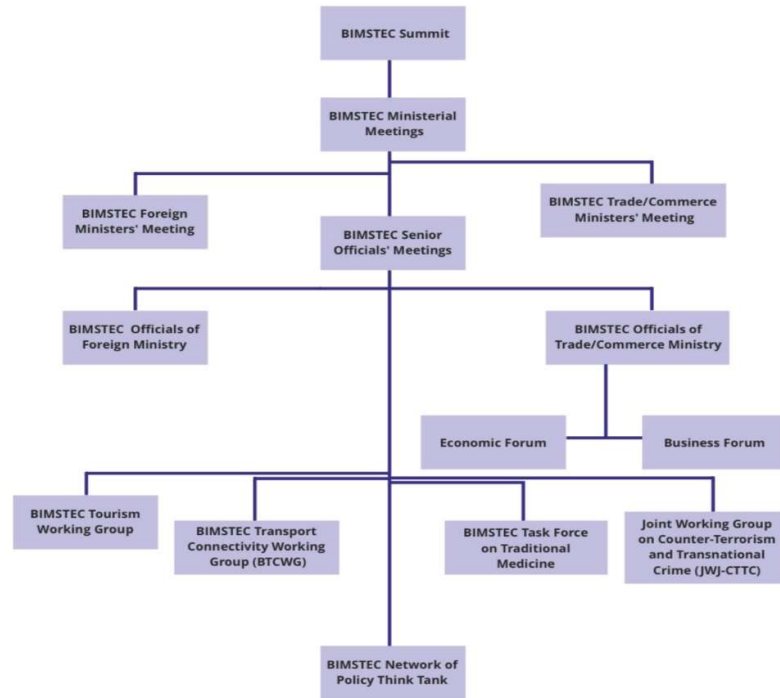
Another factor that has contributed to the vibrancy of BIMSTEC is the diverse range of sectors covered under its ambit. BIMSTEC focuses on multiple sectors such as trade and investment, transport and connectivity, energy, tourism, agriculture, fisheries, technology, and climate change. This multi-sectoral approach allows for a comprehensive and holistic approach towards regional cooperation, ensuring that all member states can benefit from the initiatives undertaken.

Furthermore, BIMSTEC has also been successful in fostering people-to-people connectivity and cultural exchanges among member states. This has helped in building trust and understanding, which are crucial for the success of any regional bloc. Regular meetings, seminars, and cultural events have provided a platform for member states to exchange ideas, share best practices, and learn from each other's experiences.

The strategic location of BIMSTEC member states, particularly along the Bay of Bengal, also adds to the economic potential of the bloc. The Bay of Bengal is a major shipping route, and member states have recognized the importance of enhancing connectivity and maritime cooperation. Initiatives such as the BIMSTEC Coastal Shipping Agreement and the BIMSTEC Motor Vehicle Agreement aim to improve connectivity and facilitate seamless movement of goods and people within the region.

### 3.1.1 Institutional Mechanism of BIMSTEC

**Figure 3.1: BIMSTEC Institutional Structure**



*Source: BIMSTEC - A Vibrant Economic Bloc, Mvirdc World Trade Centre Mumbai*

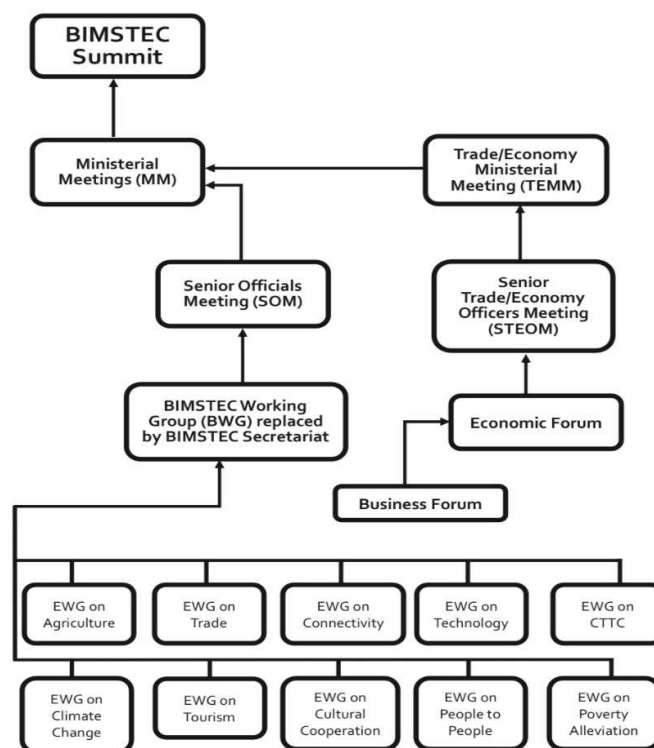
The institutional mechanism of BIMSTEC consists of several key components that facilitate its functioning and decision-making processes among member states (Fig: 3.1). The highest decision-making body of BIMSTEC is the Summit, which is held every two years. The leaders of member states gather to discuss the global economic situation, global development issues and the potentials for cooperation between the member countries of the group and provide strategic guidance on various issues related to regional cooperation and integration as well.

Next, there are two policymaking bodies: Ministerial Meetings (MM) and Trade/Commerce Ministers' Meeting (TCMM). The MM plays a crucial role in coordinating and making decisions on major policy areas before the summit meetings, as well as receiving reports on the functioning of the BIMSTEC Secretariat and the 14 expert groups. Meeting frequently, the MM is the most important policymaking body with the authority to make decisions regarding sectoral policies. The TCMM, on the

other hand, is a specialized body focused on monitoring and accelerating the implementation of economic activities and providing input to the MM.

The Senior Officials Meeting (SOM) and Senior Trade/Commerce Officials Meeting (STCOM) are two key operational bodies in the hierarchy. SOM has the responsibility of overseeing and guiding the MM, while STCOM provides support to the TCMM. To involve the private sector in BIMSTEC's trade and investment activities, the Business Forum (BF) and Economic Forum (EF) were created. The EF presents the outcomes of its meetings to STCOM, which then passes them on to the TCMM. The main coordinating body, originally the BIMSTEC Working Group (BWG) and now replaced by the BIMSTEC Secretariat, manages coordination between the 14 sectoral Expert Working Groups (EWG). It reports their progress to SOM, formulates action plans, identifies areas for collaboration, and promotes the sharing of knowledge and best practices.

**Figure 3.2: Decision-making Structure of the BIMSTEC**



Note: Direction of arrow shows direction of reporting.

Source: *Towards a Deliberative BIMSTEC* by Anasua Basu Ray Chaudhury Rohit Ranjan Rai  
Observer Research Foundation

### 3.1.2 Structures of BIMSTEC Economies

The structure of BIMSTEC economies is varied, with each member country having its own unique economic strengths and challenges. However, there are some common characteristics that can be identified across the member states.

Firstly, Agriculture plays a significant role in the economies of most BIMSTEC countries, employing a large portion of the population and contributing to GDP. In countries like India, Bangladesh, Nepal, Bhutan and Myanmar, agriculture is a major source of livelihood and plays a central role in rural economies, and a primary source of income and employment.

Agriculture and allied activities account for around a quarter of the GDP of Nepal and Myanmar. Agriculture and allied activities are also the major source of livelihood in these countries as they provide 66.7 per cent per cent to total employment in Nepal and 24.8 per cent per cent in Myanmar in 2022. In 2018, India and Nepal

decided to launch New Partnership in Agriculture with special focus on agriculture research and development, education, training and scholarships, climate resilient farming, etc.

Secondly, the service sector is a significant contributor to the economies of BIMSTEC countries, particularly in countries like India, Thailand, and Sri Lanka. This includes industries such as finance, tourism, healthcare, telecommunications, and transportation, which have seen significant growth in recent years.

India can offer its expertise and experience in IT services, software development, and other knowledge-based services to BIMSTEC countries. This can help in boosting the service sector in these countries, creating more job opportunities and fostering economic growth. Collaborative efforts in areas such as healthcare services, tourism, and financial services can also lead to mutual benefits for all member countries. Thailand's well-developed tourism industry, for example, can serve as a model for other BIMSTEC countries looking to boost their tourism sectors. Thailand's healthcare services are also renowned for their quality and affordability, presenting opportunities for collaboration and knowledge sharing with other member countries. The economy of Sri Lanka is largely led by the services sector as it contributes more than 59 per cent to its GDP, the second highest after Thailand (60.1 per cent) in 2022. Especially, hospitality and tourism are a flourishing service sector in the country. Thailand has much to offer in terms of its expertise and experience in the service sector.

Thirdly, manufacturing also plays a crucial role in the economies of several BIMSTEC member countries. India, for example, has a strong manufacturing base, particularly in sectors such as pharmaceuticals, textiles, and automotive. These economies benefit from a growing labour force, entrepreneurial culture, and emerging middle class. However, they also face challenges related to infrastructure, regulation, and competitiveness, as well as a significant informal sector. Thailand has a well-developed manufacturing sectors such as textiles, beverages, tobacco products, cement, jewellery, appliances, computers, automotive parts, agricultural equipment, which contributes 27 per cent to its GDP. Especially, food, beverages and tobacco contribute 7.2 per cent to its GDP in 2022.

Additionally, there is a growing emphasis on the digital economy across the BIMSTEC region, with countries such as India and Thailand making significant advancements in IT and software services. Similarly, Sri Lanka has been making strides

in developing its information technology and business process outsourcing (BPO) sectors, attracting investments and creating job opportunities.

Infrastructure development, including roads, ports, and energy, is also a key area of focus for BIMSTEC economies. Improved connectivity and access to energy are critical to fostering economic growth and trade within the region. In terms of trade, member countries have been working towards reducing trade barriers and improving regional economic cooperation. The BIMSTEC Free Trade Area (BFTA) agreement, signed in 2004, aims to promote trade and economic integration within the region. To promote sustainable development and address pressing issues such as environmental degradation and climate change, BIMSTEC countries are increasingly focusing on green and sustainable development initiatives. This includes investments in renewable energy, sustainable agriculture, and environmental conservation efforts. The BIMSTEC economies have varied financial systems, with some member countries such as India and Thailand boasting a well-established banking and financial sector, while others are still in the process of building up their financial systems.

The structure of BIMSTEC economies reflects a diverse range of economic activities, strengths, and challenges. By working together and leveraging their collective economic potential, BIMSTEC member countries can promote greater regional economic integration, ultimately leading to shared prosperity and sustainable economic development across the Bay of Bengal region.

### **3.2 Intra-BIMSTEC Merchandise Trade**

Intra-BIMSTEC merchandise trade refers to the exchange of goods among the member countries of BIMSTEC. This is facilitated by various agreements and initiatives aimed at reducing trade barriers, promoting economic growth, and enhancing regional connectivity. Trade agreements such as the BIMSTEC Free Trade Area Framework Agreement (BFTA) aim to create a more conducive environment for trade by reducing tariffs and non-tariff barriers among member countries. Member countries leverage their comparative advantages to specialize in the production of specific goods and services, leading to a diverse and dynamic intra-regional trade network. Challenges to intra-BIMSTEC merchandise trade include infrastructure gaps, regulatory barriers, logistical constraints, and limited institutional capacity. Addressing these challenges requires collaborative efforts from member countries to improve trade-related infrastructure, enhance customs procedures, and harmonize technical standards.

Intra-BIMSTEC merchandise trade holds great potential for driving economic growth, promoting regional integration, and fostering inclusive development within the BIMSTEC region. Analysing trends, identifying opportunities, and addressing challenges in this trade can contribute to a deeper understanding of the region's economic dynamics and inform policies to further enhance intra-regional trade relations.

### 3.2.1 Intra-BIMSTEC Trade

BIMSTEC countries have intra-regional trade of about \$70 billion, which is only 7% of their total global trade. In comparison, ASEAN countries have \$600 billion in intra-regional trade, constituting 23% of their total global trade. A Free Trade Agreement (FTA) among BIMSTEC countries could increase their trade volume, but challenges in trade patterns and complementarities persist.

**Table (3.1) Share of BIMSTEC intra-regional trade in their global trade**

Years	Value (US\$ billion)	Percentage (%) of their global trade
2000	4.8	3.79
2005	12.25	5.47
2010	24.83	5.5
2015	32.4	6.2
2019	45.9	7.2
2020	37.5	6.5
2021	42	6.8
2022	40.4	7

*Source: DOTs, IMF*

Table 3.1 provide a comprehensive overview of the trends in intra-regional trade among BIMSTEC member countries from 2000 to 2022. The table illustrates the total value of intra-regional trade in US dollars, showing a marked increase over the years. Starting at USD 4.8 billion in 2000, the trade value more than doubled by 2005, reaching USD

12.25 billion. This upward trend continued, with the value soaring to USD 24.83 billion in 2010. The most significant growth occurred between 2010 and 2019, where the trade value nearly doubled again to USD 45.90 billion. The values show a decline in trade volume in 2020 compared to 2019, likely due to the impact of COVID-19 pandemic, but a rebound in 2021. The percentage share of intra-regional trade in their global trade also follows a similar trend. Moreover, by 2022, there was a slight decline, bringing the trade value down to USD 40.4 billion.

And the table presents the intra-regional trade as a percentage of the total trade among BIMSTEC countries. In 2000, intra-regional trade accounted for 3.79% of the total trade. This percentage rose to 5.47% in 2005 and slightly increased to 5.50% in 2010, indicating a steady but modest growth in the share of intra-regional trade. The period from 2010 to 2019 saw a significant jump, with the percentage reaching 7.20%, reflecting increased economic integration and cooperation among the member countries. By 2022, the percentage slightly decreased to 7.00%, suggesting a minor reduction in the relative importance of intra-regional trade within the overall trade framework of BIMSTEC countries. Therefore, the figures highlight a substantial increase in the absolute value of intra-regional trade among BIMSTEC countries over the past two decades, peaking in 2019 before experiencing a slight decline in 2022. Simultaneously, the share of intra-regional trade as a percentage of total trade has also grown, indicating a deepening economic interdependence among the member nations, although with some fluctuations in recent years.

**Table (3.2) Intra-BIMSTEC Export Matrix (%), 2022**

	Bangladesh	Bhutan	India	Myanmar	Nepal	Sri Lanka	Thailand	Intra BIMSTEC	Share in BIMSTEC(%)
Bangladesh		0.02	3.65	0.06	0.12	0.11	0.09	4.05	0.03
Bhutan	0.93		92.19	0	0.37	0	0.01	93.5	1.14
India	3.09	0.22		0.17	1.89	1.41	1.34	8.12	58.32
Myanmar	1.02	0	5.05		0.01	0.02	21.59	27.69	7.83
Nepal	0.31	0.27	62.72	0.06		0.02	0.03	63.41	1.5
Sri Lanka	1.44	0.01	5.35	0.02	0.01		0.39	7.22	1.95
Thailand	0.41	0	3.67	1.64	0.02	0.09		5.83	26.23

*Notes: \*Intra-BIMSTEC Trade Matrix is in terms of export \*\* Number in parentheses show corresponding data for the year 2022*

*Source: Calculation based on DOTS, IMF*

Table 3.2 provides an overview of the intra-regional export percentages among BIMSTEC member countries and their respective shares within BIMSTEC trade for the year 2022. It reveals that India is the dominant exporter in the region, accounting for 58.32% of total intra-BIMSTEC trade. India's major trade partners include Nepal, to which it exports 62.72%, followed by Sri Lanka (5.35%), Bangladesh (3.65%), and Thailand (3.67%). Thailand, with a 26.23% share, is the second-largest exporter, primarily trading with Myanmar (21.59%) and India (3.67%). Bhutan and Nepal, despite having a high percentage of their exports within the region, contribute modestly to the overall intra-BIMSTEC trade, with shares of 1.14% and 1.5%. Myanmar also plays a significant role, exporting 27.69% of its goods within the region, mainly to Thailand and India. Sri Lanka and Bangladesh have smaller intra-regional export percentages, contributing 1.95% and 0.03% to BIMSTEC trade, respectively.

The data highlights India's central role in the economic integration of the region, the significant trade relationship between Thailand and Myanmar also has strong trading relationships, particularly with each other and with India. This table underscores the varying degrees of economic interdependence among BIMSTEC member nations and the dominant role of India and Thailand in driving intra-regional trade. It highlights the regional trade dynamics and the importance of key bilateral trade relationships within the BIMSTEC framework.

**Table (3.3) Intra-BIMSTEC Export Matrix (USD), 2022**

	Bangladesh	Bhutan	India	Myanmar	Nepal	Sri Lanka	Thailand	Intra BIMSTEC	Share in World(%)
Bangladesh		7.74	1720.71	28.98	54.73	53.13	43.73	1909.02	0.19
Bhutan	7.13		706.41	0	2.86	0	0.1	716.5	0.003
India	13988.86	1014.59		766.21	8567.13	6374.24	6055.86	36766.89	1.83
Myanmar	181.1	0	900.07		2.61	4.28	3847.86	4935.92	0.07
Nepal	4.61	4.1	935.41	0.96		0.31	0.38	945.77	0.01
Sri Lanka	244.65	0.99	912.57	3.59	1.75		66.22	1229.77	0.07
Thailand	1157.45	0	10411.74	4649.67	51.29	268.35		16538.5	1.15

Notes: \*Intra-BIMSTEC Trade Matrix is in terms of export \*\* Number in parentheses show corresponding data for the year 2022

Source: Calculation based on DOTS, IMF

Table 3.3 details the intra-regional export activities among BIMSTEC member countries for the year 2022, alongside each country's share in global trade. The values

within the matrix denote the export values in millions of US dollars. The "Intra BIMSTEC" column represents the total intra-regional exports for each country, while the "Share in World (%)" column shows each country's export share in the global trade.

The matrix shows that India is the largest exporter within the region, with significant exports to Bangladesh (\$13,988.86 million), Nepal (\$8,567.13 million), Sri Lanka (\$6,374.24 million), and Thailand (\$6,055.86 million). India's total intra-BIMSTEC exports amount to \$36,766.89 million, making up 1.83% of global trade. Thailand follows as the second-largest exporter within BIMSTEC, exporting \$16,538.5 million to member countries, with notable exports to India (\$10,411.74 million) and Myanmar (\$4,649.67 million), accounting for 1.15% of global trade. Myanmar, Nepal, Sri Lanka, and Bangladesh also engage in significant intra-regional trade, though on a smaller scale, with respective exports amounting to \$4,935.92 million, \$945.77 million, \$1,229.77 million, and \$1,909.02 million. Bhutan has the smallest export volume within the region, totalling \$716.5 million and constituting a mere 0.003% of global trade. The table underscores India's dominant position in BIMSTEC trade and the varying degrees of economic interdependence among member nations, reflecting the overall trade dynamics and regional integration within the bloc. This table also highlights how different member countries trade with each other and their relative importance in global trade.

**Table (3.4) Key Trade Agreements of BIMSTEC Countries**

Bangladesh	Bhutan	Nepal	Myanmar	Thailand	India	Sri Lanka
SAFTA (2006)	India-Bhutan Trade and Transit Agreement (1972)	India-Nepal Trade Treaty (2009)	Global System of Trade Preferences (1989)	Global System of Trade Preferences (1989)	SAFTA (2006)	SAFTA (2006)
Asia Pacific Agreement-Amended (2006)	SAFTA (2006)	SAFTA (2006)	India-ASEAN FTA (2010)	India-ASEAN FTA (2010)	Global System of Trade Preferences (1989)	Asia Pacific Agreement-Amended (2006)
Global System of Trade Preferences (1989)	SAFTA (2006)		FTA (1992), Replaced by ATIGA (2010)	FTA with China, Japan, Korea, Australia, and New Zealand	India-ASEAN FTA (2010)	
					FTAs with Japan, Korea, Malaysia (2010-2011)	

*Source: BIMSTEC - A Vibrant Economic Bloc, Mvirde World Trade Centre Mumbai*

BIMSTEC members have multiple bilateral and plurilateral trade agreements, but intra-regional trade remains limited. Table 3.4 shows the various trade agreements between the BIMSTEC nations. For examples, BIMSTEC members already have either bilateral or regional FTAs in the vicinity, such as Thailand and Myanmar, members of ASEAN FTA, the ASEAN-India FTA, the Regional Comprehensive Economic Partnership (RCEP) and ASEAN-India Comprehensive Economic Partnership, and then, South Asian Free Trade Agreement (SAFTA) involving Sri Lanka, India, Nepal, Bangladesh and Bhutan and Bangladesh, India and Sri Lanka, members of the Asia-Pacific Trade Agreement (APTA) as well. Countries like Bangladesh, Sri Lanka, and India have better access to the USA and EU markets through the Generalised System of Preference (GSP), which reduces their reliance on intra-regional trade. India, Sri

Lanka, and Myanmar are members of the Global System of Trade Preferences among Developing Countries (GSTP) as well. (Table 3.5)

**Table (3.5) The Bilateral & Preferential Trade Agreement between the BIMSTEC nations**

From	To						
	Bangladesh	India	Sri Lanka	Thailand	Myanmar	Nepal	Bhutan
Bangladesh		BA GSTP SAPTA	SAPTA	BA GSTP SAPTA	BTA	SAPTA	SAPTA
India	BA GSTP SPTA		BA SAPTA ISLBTA	GSTP	BTA	SAPTA BFTA	SAPTA BFTA
Sri Lanka	BA GSTP SAPTA	BA SAPTA ISLBTA		GSTP		SAPTA	SAPTA
Thailand	GSTP	GSTP	GSTP		PTA- ASEAN		
Myanmar	BTA	BTA	BTA	PTA- ASEAN BTA			
Nepal	SAPTA	BFTA	SAPTA				SAPTA
Bhutan	SAPTA	TCT	SAPTA			SAPTA	

Notes: Global System of Trade Preference-GSTP; Bangkok Agreement-BA; Indo-Sri Lanka Bilateral Trade Agreement-ISL-BTA; South-Asian Preferential Trading Arrangement- SAPTA; Free Trade Agreements – FTA; Trade Commerce & Transit -TCT

Source: BIMSTEC Home Page; Asia Regional Integration Centre

BIMSTEC countries can boost trade within the region by selling goods that are in demand but not fully supplied by other member countries. For example, India and Thailand have opportunities to export auto parts, engineering goods, agricultural products, and jewellery to Bangladesh. Currently, these countries supply less than 15% of Bangladesh's imports of these goods. India doesn't export many of these goods to Bangladesh because they are on the sensitive list under the South Asian Free Trade Agreement (SAFTA). However, some goods that India can export and are not on Bangladesh's sensitive list include wheat, soybeans, corn, nutmeg, electric generators, jewellery, and machinery.

Similarly, Thailand can export palm oil, data processing machines, electrical equipment, and auto parts to Bangladesh, which usually imports these from outside BIMSTEC. Under the proposed BIMSTEC Free Trade Area (FTA), Bangladesh could give preference to imports from India and Thailand to encourage regional trade. However, Bangladesh already has a large trade deficit with India and Thailand, meaning it imports more from these countries than it exports to them. Increasing imports from India and Thailand could worsen this deficit. To balance trade, the analysis also

identifies goods and services that Bangladesh can export to India and Thailand. Table 3.6 shows the market potential for each country.

**Table (3.6) Market Potential in BIMSTEC Countries**

Country	Market Potential
Bangladesh	Petroleum oil; Wheat and Meslin; Cane or beet sugar and chemically pure sucrose. Palm oil and its fractions; Motor cars and other motor vehicles; Woven fabrics of synthetic filament yarn
Bhutan	Undenatured ethyl alcohol; Parts of aircraft and spacecraft; Floor coverings of plastics; Oxygen-function amino-compounds; Ceramic building bricks, flooring blocks
India	Telephone sets and related devices; Petroleum gas and other gaseous hydrocarbons; Electronic integrated circuits, parts thereof; Parts of aircraft and spacecraft; Synthetic rubber and factice derived from oils
Nepal	Telephone sets, incl. telephones; Soya-bean oil and its fractions; Silver, incl. silver plated with gold or platinum; Automatic data-processing machines; Monitors and projectors, not incorporating television reception apparatus
Myanmar	Animal or vegetable fats and oils; Telephone sets and related devices; Passenger cars and other motor vehicles; Electric motors and generators; Coal, briquettes, ovoid and similar solid fuels
Sri Lanka	Passenger cars and other motor vehicles; Telephone sets and related devices. Powered aircraft and spacecraft; Milk and cream; Petroleum gas and other gaseous hydrocarbons
Thailand	Electronic integrated circuits; Parts and accessories for tractors, motor vehicles for the transport of ten or more persons; Flat-rolled products of iron or non-alloy steel. Petroleum oils and oils obtained from bituminous minerals; Medicaments consisting of mixed or unmixed products

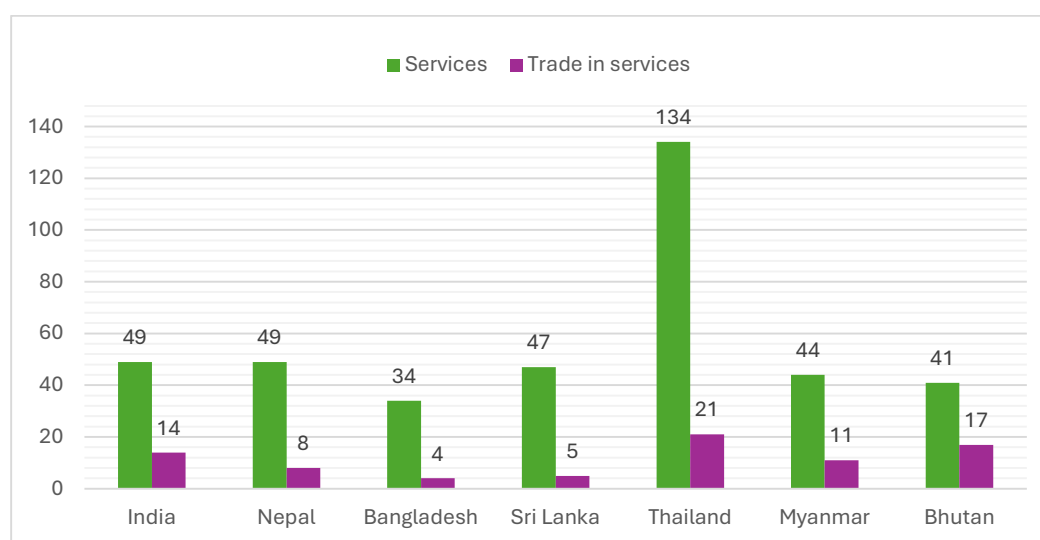
*Source: ITC Trade Map*

### 3.3 Trade in Services

The service sector is a significant driver of economic growth in the BIMSTEC countries, making up around 55-60% of the total economic output in those nations. This section finds out to identify the potential for intra-regional trade in services by examining the complementarities between each country in the region.

As depicted in the figure 3.3 and table 3.7, Thailand boasts the highest trade in services as a percentage of GDP within the BIMSTEC region, standing at 21%. Thailand is the standout performer with the highest values, indicating a robust service sector and significant trade activities.

**Figure 3.3: Service and Trade in services as % of GDP: 2022**



*Source: World Bank*

India possesses a strong competitive advantage in exporting telecommunications, computer, and information services. Indian software companies have expanded their operations in countries like Thailand and Sri Lanka. The region holds vast potential for small and medium enterprises and startups in these sectors to engage in cross-border trade and investment. And India has also a major exporter of professional and management consulting services. India's strength in exporting construction services can play a significant role in this aspect.

Thailand has a competitive edge in exporting travel services, with other BIMSTEC countries like India, Sri Lanka, Myanmar, and Bhutan also being net exporters in this sector. Consequently, these nations can capitalize on their tourism

potential. Additionally, India and Thailand have opportunities to tap into the smaller BIMSTEC markets for technical, trade-related, and other business services.

Myanmar and Bhutan show relatively high trade in services compared to their service sector sizes, indicating strong international engagement. Bangladesh registers the lowest at 4%. Bangladesh and Sri Lanka have smaller service sectors and lower trade values, suggesting potential areas for growth and development in international trade services. Smaller economies like Nepal, Myanmar, and Bhutan also contribute meaningfully to the region's service trade, highlighting opportunities for further integration and collaboration.

The loosening restrictions on foreign investments in the insurance and banking sectors can encourage joint ventures and partnerships among BIMSTEC countries. Promoting innovative trade credit agreements between banks and financial institutions can greatly increase trade within the region. Efforts to integrate the region can help address structural problems and improve self-reliance within the BIMSTEC bloc.

**Table (3.7) Value of Trade in Services, 2022**

Economy	India		Nepal		Bangladesh		Sri Lanka		Thailand		Myanmar <sup>^</sup>		Bhutan	
	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import
All services	309,374,073	249,522,027	1,224,861	1,978,876	8,270,070	12,155,286	3,062,322	2,781,802	40,578,356	62,709,906	4,229,598	3,265,161	21,903	209,657
Other business services*	120,490,751	57,258,563	560,428	238,303	1,222,729	680,066	15,291	16,069	15,697,123	17,225,189	1,343,037	1,047,765	37	5,798
Telecommunications, computer, and information services	99,232,685	17,175,980	123,162	9,646	720,571	164,926	1,097,092	161,057	393,105	1,148,304	136,217	240,253	1,193	3,988
Travel	21,360,307	25,881,428	377,798	933,493	419,294	1,326,434	1,136,308	243,624	15,947,649	6,725,679	123,490		238	38,759
Transport	37,535,685	108,944,233	65,678	681,845	1,443,997	8,292,341	675,849	1,978,882	6,584,900	27,489,745	375,456	1,476,458	3,997	83,319
Financial services	7,336,557	5,909,370			194,573	720,992	91,744	96,414	773,639	1,461,373	9,938	7,197	12,683	12,572
Insurance and pension services	3,358,053	9,588,680	10,486	103,865	6,445	26,268	18,722	219,312	216,391	2,093,800			1,961	5,701
Construction	3,322,524	2,856,047			942,370	389,133	9,052	10,608	224,562	458,507	123,490	115,914		
Personal, cultural, and recreational services	3,831,037	5,285,146			64,656	35,037			122,175	363,553	41,763	50,311		
Charges for the use of intellectual property n.i.e.	1,167,578	10,427,795			3,759	49,516			264,759	5,502,375	15,389	29,868	8	11
Government goods and services n.i.e.	698,216	978,602	87,309	11,723	2,604,273	440,594	18,265	55,835	354,053	241,381	138,420	72,495	1,786	11,417
Maintenance and repair services n.i.e.	195,835	1,669,127			15,017	29,979					26,263	102,940		
Manufacturing services on physical inputs owned by others	1,398,810	187,669									1,475,013	291		

Source: ITC, Trade Map

Note: Data on Myanmar pertain to the year 2020

\*Other business services covers professional and management consulting services, technical, trade-related, and other business services and Research and Development

Table 3.8 lists the market potentials for various sectors in the BIMSTEC member countries. Each country has specific areas where it has significant market potential: -

**Bangladesh:** Financial services and other business services are highlighted, suggesting strong growth and investment opportunities in these sectors.

**Bhutan:** The focus is on travel and hospitality, as well as construction, indicating opportunities in tourism and infrastructure development.

**India:** There is substantial potential in banking and financial services, real estate, hospitality, retail, and wholesale trade, reflecting India's diverse and expansive service economy.

**Myanmar:** Like Bhutan, Myanmar has significant potential in travel and hospitality, pointing towards a growing tourism industry.

**Nepal:** Transport and construction are key areas, highlighting infrastructure development and logistics as sectors with high growth potential.

**Sri Lanka:** The market potential lies in travel and hospitality, transport, and logistics, emphasizing the importance of tourism and trade facilitation.

**Thailand:** Information technology, travel, and hospitality are identified, showing Thailand's strengths in tech services and tourism. Overall, the table provides an overview of the key sectors with growth potential in each BIMSTEC country, illustrating the diverse economic opportunities within the region.

**Table (3.8) Service Potential in BIMSTEC Countries**

Country	Market Potential
Bangladesh	Financial service and other business services
Bhutan	Travel and hospitality, Construction
India	Banking and Financial Services, Real Estate and Hospitality, retail and Wholesale trade
Myanmar	Travel and hospitality
Nepal	Transport, Construction
Sri lanka	Travel and hospility, transport and logistics
Thailand	Information Technology, travel and Hospitality

Source: MVIRDC World Trade Centre Mumbai

### 3.4 Trade Facilitation

Trade has been a crucial focus for the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and enhancing trade has been fundamental to BIMSTEC's objective of strengthening economic collaboration among

its member countries. The founding leaders of BIMSTEC envisioned promoting free trade and boosting cross-border investments, thereby prioritizing trade and investment as key areas of cooperation. To achieve this, BIMSTEC is working on establishing a free trade area and supporting initiatives that facilitate trade by reducing or eliminating non-tariff barriers.

The BIMSTEC Permanent Secretariat recognizes the need for a long-term strategy to improve trade facilitation in the region. To address this, the Asian Development Bank (ADB) developed the BIMSTEC Trade Facilitation Strategic Framework 2030, which is a key initiative aimed at advancing trade among member states. This framework tackles current challenges in free trade and proposes strategies to overcome them, focusing on achieving specific objectives.

It outlines a structured plan to enhance the regional trade environment over the coming decades. One of the major obstacles to creating a regional trade facilitation framework is the variation in conditions and capacities among member states. While some countries have made significant progress in developing their trade systems, others still have considerable work to do. Acknowledging these differences and the geographic limitations, the BIMSTEC Trade Facilitation Strategic Framework 2030 provides broad recommendations. It suggests strategies for improving both soft and hard infrastructure, promoting cooperation, and building capacity across the region.

<sup>4</sup>Furthermore, the execution of the BIMSTEC Trade Facilitation Strategy is guided by seven key principles:

- i.** country ownership,
- ii.** results-oriented pragmatism,
- iii.** flexibility and responsiveness to the needs of each country,
- iv.** reform and modernization,
- v.** active participation and involvement of the private sector,
- vi.** partnerships with development partners, and
- vii.** mutual cooperation.

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<sup>4</sup>BIMSTEC trade facilitation strategic framework 2030, ADB, 2022; Pg.54

### **3.4.1 BIMSTEC Free Trade Area Framework Agreement**

Under the BIMSTEC Free Trade Area Framework Agreement, member nations have agreed to establish a framework for a free trade area to "stimulate trade and investment and attract external parties to trade and invest in the region." In September 2004, a Trade Negotiating Committee was formed, with Thailand serving as the permanent chair. The committee's focus is on negotiating key areas such as trade in goods and services, investment, economic cooperation, trade facilitation, and providing technical assistance to less developed member states. Once negotiations on trade in goods are concluded, the committee will move on to discuss trade in services and investment. The BIMSTEC Free Trade Area Framework Agreement covers several key areas:

- Gradually reducing and eliminating tariff and non-tariff barriers in the trade of all goods.
- Progressively liberalizing trade in services across a wide range of sectors.
- Establishing a competitive and open investment regime to encourage investment within the BIMSTEC Free Trade Area.
- Implementing measures to simplify customs procedures and develop mutual recognition agreements to facilitate trade and investment.
- Creating mechanisms for the implementation of the Framework Agreement, as well as for trade and investment facilitation and mutual recognition arrangements.

According to BIMSTEC trade facilitation strategic framework 2030, ADB (2022), the constituent agreements and a protocol that would form the integral parts of the BIMSTEC Free Trade Agreement:

- Agreement on trade in goods
- Agreement on trade in services
- Agreement on investment
- Agreement on cooperation and mutual assistance in customs matters
- Agreement on rules of origin and operational certification procedures
- Agreement on trade facilitation and Protocol to amend the framework agreement.

Additionally, the specific objectives of the Agreement on Trade Facilitation for the BIMSTEC Free Trade Area are to:

Ensure the efficient and competitive movement of goods within the region to strengthen BIMSTEC's trade and production networks, enabling better participation in global value chains and creating a more integrated and cohesive economy. Address the development disparities between and within member countries, focusing on increasing participation, particularly from the least developed nations, in implementing BIMSTEC trade facilitation programs.

Enhance institutional coordination among BIMSTEC sectoral bodies to effectively implement trade facilitation measures under their jurisdiction. Improve monitoring systems for the implementation of trade facilitation actions, and promote measures endorsed by international bodies like the WCO and WTO, while also considering relevant best practices.

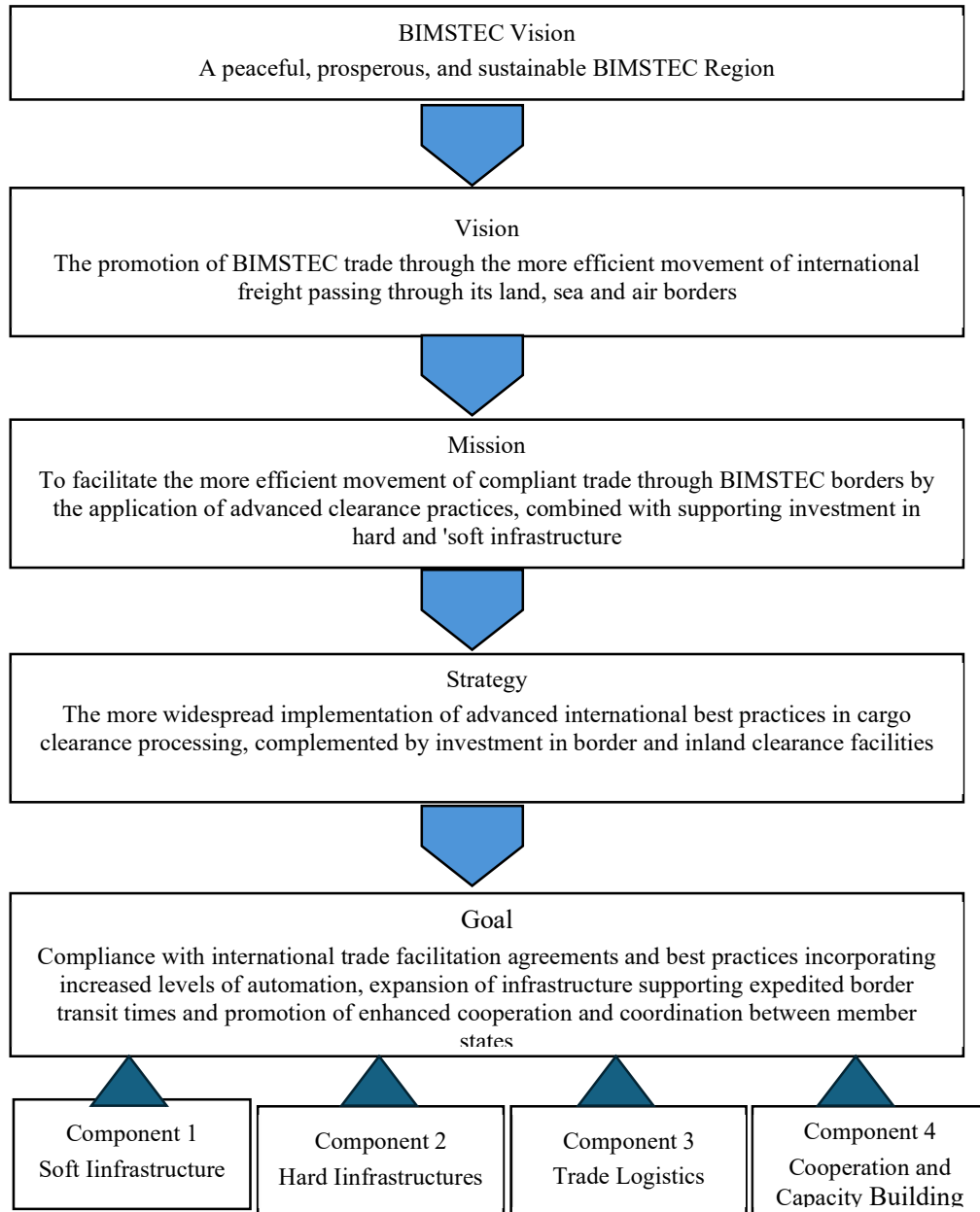
The BIMSTEC National Trade Facilitation Committee, responsible for enforcing the customs-related Framework Agreement, has a distinct role from other institutions tasked with overseeing the implementation of the broader BIMSTEC Trade Facilitation Strategic Framework 2030, which will cover a wider range of trade facilitation activities. The BIMSTEC Free Trade Area Framework Agreement is still not in force due to the pending approval of related agreements. While negotiations on the trade facilitation agreement are ongoing, the Agreement on Cooperation and Mutual Assistance in Customs Matters for the BIMSTEC Free Trade Area has reached its finalized draft stage.

Therefore, the implementation of the Trade Facilitation Strategic Framework 2030 should proceed independently of the full enforcement of the BIMSTEC Free Trade Area Agreement. However, the Strategic Framework should align with the subsidiary agreements within the Framework Agreement and recognize the potential benefits that a fully realized BIMSTEC Free Trade Area Agreement could offer in the future. BIMSTEC's main goals are to encourage free trade and boost cross-border investments. By increasing trade within the region, member states can strengthen their economic cooperation. To overcome obstacles to regional trade, BIMSTEC has taken a twin approach. The BIMSTEC Free Trade Area initiative aims to reduce or eliminate tariff barriers that hinder trade within the region. Alongside this, the trade facilitation

program focuses on addressing non-tariff barriers that affect overall regional trade. This strategic plan offers a clear method for improving regional trade facilitation up to 2030. Traditionally, trade facilitation has focused on simplifying border procedures and the physical locations where these occur. Consequently, BIMSTEC's efforts have mainly been directed towards improving border infrastructure, automating customs processes, and establishing national trade facilitation bodies. Recently, these efforts have expanded to include more border agencies and infrastructure developments away from the borders. This shift reflects a growing focus on meeting the needs of the trading community and reducing cross-border trade costs.

This broader approach is expected to continue throughout the strategic framework period, adapting to changes in trade practices and logistics. Since border clearances are just one part of the international logistics chain, a more comprehensive approach is necessary. Trade facilitation should increasingly focus on reducing the time, cost, and reliability issues in processing trade movements for stakeholders. Performance can be improved by streamlining documentation, further automated systems, modernizing infrastructure both at the borders and inland, and enhancing cooperation among stakeholders. Figure 3.4 shows the reasoning behind the BIMSTEC trade strategic framework 2030.

**Figure 3.4: The BIMSTEC trade strategic framework**



*Source: Asian Development Bank.*

The framework does not usually specify priorities because member states have varying degrees of progress in trade facilitation. However, a shared goal is to decrease the time and expense of border transactions, whether at land borders, seaports, airports, or inland clearance depots. Improving the efficiency of border agencies requires changes in procedures and additional investment in 'soft' infrastructure, such as training and systems upgrades. Investments in 'hard' infrastructure, like border facilities and

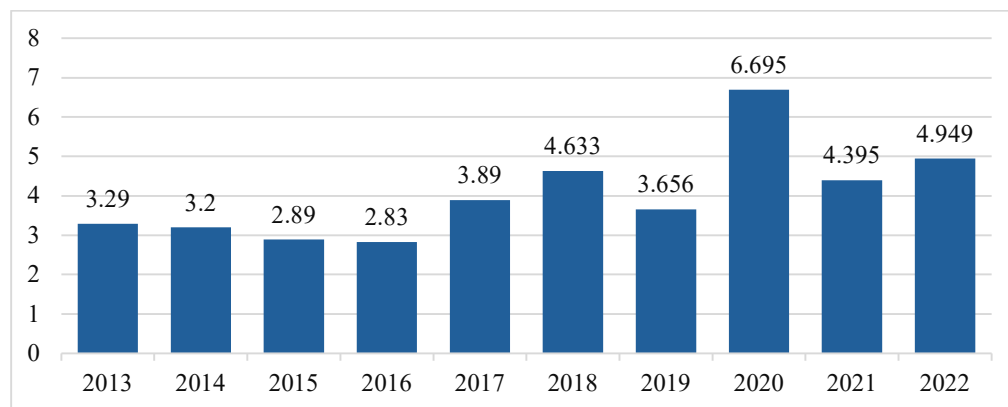
clearance depots, often do not yield the expected benefits unless they are accompanied by enhancements in the processing efficiency of these facilities.

### 3.5 Foreign Trade Investment

Foreign Direct Investment (FDI) in BIMSTEC region plays a crucial role in promoting economic growth and development among member countries. With a combined population of over 1.7 billion and a rapidly growing middle-class consumer base, the BIMSTEC region presents significant opportunities for foreign companies looking to expand their presence in South and Southeast Asia. FDI inflows into sectors such as infrastructure, manufacturing, technology, and services which can help to drive economic diversification, create employment opportunities, and foster innovation and knowledge transfer.

Moreover, the strategic location of the BIMSTEC countries, with access to key international shipping routes and proximity to major global markets, makes it an attractive investment destination for companies seeking to establish regional hubs or production facilities. By leveraging the region's demographic dividend, natural resources, and strategic advantages, FDI can play a vital role in accelerating sustainable development and enhancing regional connectivity and cooperation.

**Figure 3.5: Share of BIMSTEC in World Foreign Direct Investment Inflow (%)**



Source: UNCTAD

**Table (3.9) Trends in FDI inflow in BIMSTE Countries** **US\$ (Million)**

Region/Economy	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Myanmar	584	946	3141	2930	4409	2892	2509	1907	2067	1239
Thailand	15946	4975	8928	3486	8285	13752	5519	-4951	14641	10034
Bangladesh	1599	1551	2235	2333	2152	3613	2874	2564	2896	3480
Bhutan	18	23	6	-7	-7	6	3	1	1	11
India	28199	34582	44064	44481	39904	42156	50558	64072	44763	49355
Nepal	71	30	52	106	198	67	185	126	196	65
Sri Lanka	933	894	680	897	1375	1614	743	434	592	898
BIMSTEC	47350	43001	59106	54226	56316	61208	62391	64153	65156	65082
World	1462874	1405327	2052246	2017956	1644467	1383331	1706347	958205	1481963	1314907
BIMSTEC/World	3.24%	3.06%	2.88%	2.69%	3.42%	4.42%	3.66%	6.69%	4.40%	4.95%

Source: UNCTAD Trade Statics Database

Illustrated in Figure 3.5 and Table 3.9, BIMSTEC's share of global FDI inflows has shown considerable fluctuations over the decade. Initially, BIMSTEC's global FDI share hovered around 3.24% in 2013, but there was a slight decline to 2.69% by 2016, suggesting a temporary dip in investment attractiveness or external economic pressures. A significant upward trend is observed starting from 2017, peaking at 6.69 % in 2020. This peak coincides with the global economic disruptions caused by the COVID-19 pandemic, where many investors sought diverse portfolios and emerging markets to mitigate risks. This surge underscores the resilience and increasing appeal of the BIMSTEC region as an investment destination. Although there was a slight decline to 4.40% in 2021, the FDI share recovered to 4.95% in 2022, indicating a stabilization and continued confidence in the region's economic prospects.

The country has seen significant benefits from improvements in its business climate following the removal of international sanctions in 2010. Since then, several economic and legal reforms have been implemented. Myanmar's FDI inflows exhibit significant fluctuations. From a relatively low base of \$584 million in 2013, FDI surged to USD 4,409 million in 2017. This peak can be attributed to Myanmar's political reforms and opening of its economy, attracting a wave of foreign investments. However, subsequent years saw a sharp decline, particularly evident in 2022.

The country possesses vast potential in natural gas and mineral reserves and has been developing special economic zones (SEZs). Foreign direct investment (FDI) in Myanmar has primarily come from companies in China, ASEAN, Japan, and other countries. Major investors in Myanmar's SEZs include companies from China, Japan, and Thailand. For example, the Thilawa SEZ, developed in partnership with Japanese investors, is Myanmar's first SEZ built to international standards. In December 2015, a

consortium of Chinese companies secured the contract to build and operate the Kyauk Phyu SEZ, which includes constructing a deep-sea port. The country's substantial natural gas reserves have also attracted numerous foreign investors. Additionally, several multinational companies are expanding their operations in Myanmar, using their regional headquarters in Thailand, Singapore, and other ASEAN countries.

Thailand has consistently attracted substantial FDI, demonstrating its robust economic policies and favourable investment climate. Starting with USD 15,496 million in 2013, Thailand saw fluctuating but generally high levels of investment, peaking at USD 14,641 million in 2021. The significant inflow in 2018 (USD 13,752 million) and the subsequent peak reflect strong investor confidence, driven by Thailand's strategic location, developed infrastructure, and investment-friendly policies. Despite a notable dip to negative inflows in 2020 (USD -4,951 million) likely due to global economic disruptions, Thailand's recovery in 2021 and 2022 underscores its resilience and ongoing attractiveness as an investment destination. In 2022, China was the largest source of FDI, with investments mainly in electronics and the automotive sector, including electric vehicles (EVs). Chinese investment amounted to approximately USD 7.4 billion. China is followed by Singapore, contributing around USD 3.5 billion, United States, ranked third, with investments totalling USD 2.3 billion across various sectors and Japan with investments worth USD 2.2 billion.

Bangladesh has shown a steady increase in FDI over the years, rising from USD 1,599 million in 2013 to USD 3,480 million in 2022. This growth trajectory indicates improving business environments, economic reforms, and efforts to enhance industrial and export capacities. The gradual and sustained increase in FDI highlights Bangladesh's growing appeal to foreign investors, driven by its large workforce, strategic economic policies, and ongoing infrastructure development projects.

Bhutan's FDI inflows are minimal compared to other BIMSTEC countries, reflecting its small economy and cautious approach to foreign investment. The data shows modest inflows with occasional negative values, such as in 2016 (USD -7 million). However, from 2020 onwards, Bhutan's FDI inflows, although small, have shown positive values, reaching USD 11 million in 2022. This positive trend indicates a slowly growing interest in Bhutan's unique market, driven by niche sectors like hydropower, tourism, and sustainable development projects. The hydropower sector is significant, with India already setting up three hydropower projects that together

produce 1416 megawatts (MW) of power. India plans to build four more projects, which will add another 2120 MW.

India stands out as the largest recipient of FDI within the BIMSTEC region. Starting from USD 28,199 million in 2013, India's FDI inflows have consistently increased, peaking at USD 64,072 million in 2020. This substantial rise is driven by India's large market size, economic reforms, sectoral liberalization, and initiatives like Make in India. Despite a dip in 2021 (USD 44,763 million), the inflows recovered to USD 49,355 million in 2022, underscoring sustained investor confidence in India's economic potential and diverse opportunities across various sectors. Indian enterprises in sectors like banking, pharmaceuticals, steel, information technology, and automobiles have made significant investments in BIMSTEC nations. For example, Indian IT giants such as WIPRO and Tech Mahindra, pharmaceutical companies like Torrent Pharmaceuticals and Aurobindo Pharma, as well as banks including Bank of Baroda and Axis Bank, have established a presence in Thailand.

Nepal's FDI inflows are relatively modest, reflecting its smaller economy and developing investment climate. The Government of Nepal established the Investment Board of Nepal to provide single-window service for foreign investors in 2011. Starting with USD 71 million in 2013, Nepal saw varying inflows with a peak at USD 198 million in 2017, before stabilizing around lower values in subsequent years, with USD 65 million in 2022. These trends indicate incremental improvements in attracting foreign investments, driven by policy reforms, political stability, and efforts to enhance the business environment. The government has identified hydropower, transport, agriculture, tourism, information and communication technologies, mines and minerals, health care, education and financial services as potential areas for foreign investors.

Sri Lanka's FDI inflows exhibit variability, influenced by its political and economic challenges. Starting at USD 933 million in 2013, inflows peaked at USD 1,614 million in 2018, reflecting periods of economic optimism and investor confidence. The big increase in foreign direct investment (FDI) is mainly because of new policies by the Sri Lankan government. They introduced the Inland Revenue Act, in 2017 which gives faster investment allowances, and made it easier to handle foreign money with the Foreign Exchange Act. However, political instability and economic crises have led to fluctuations, with inflows dropping to USD 434 million in 2020. Despite these challenges, Sri Lanka showed signs of recovery in 2022, with FDI reaching USD 898 million, indicating ongoing efforts to stabilize the economy and

attract foreign investments. They are also setting up an online One Stop Shop to make investing simpler. Sri Lanka's government has changed its focus from using public debt for infrastructure to promoting investment and exports for growth. To provide land for investors, the Board of Investment has created a land bank for both local and foreign investors.

The FDI trends in individual BIMSTEC countries reflect a complex interplay of political, economic, and policy factors. While countries like India and Thailand consistently attract substantial FDI due to their large markets and favourable investment climates, others like Myanmar and Sri Lanka face the significant situation. Bangladesh's steady rise and Bhutan and Nepal's incremental improvements highlight diverse trajectories within the region. Overall, the BIMSTEC region's increasing share of global FDI underscores its growing importance as an investment destination, driven by strategic reforms, regional cooperation, and economic potential. To fully leverage this potential, BIMSTEC countries must address challenges, enhance regulatory frameworks, and foster a conducive environment for sustainable foreign investments.

## **CHAPTER IV**

### **MYANMAR'S PARTICIPATION IN BIMSTEC AND ITS SIGNIFICANT ROLE**

In the era of economic liberalisation and globalisation, the range and scope of regional economic cooperation has increased tremendously among countries of different regions. Myanmar, the second largest country by geographical area in BISTEC region. The country has taken several efforts to liberalise its economy, attract foreign investment, provide renewed thrust on special economic zones, and develop infrastructure.

The national government offers various incentives for foreign and domestic investors under the Myanmar Investment Law MIL, 2016. The government also welcomes investment in the three special economic zones (SEZs) such as Thilawa, Kyaukpyu and Dawei. The Kyaukpyu SEZ is being developed by China's CITIC Corporation. Companies from BIMSTEC countries must explore investment opportunities in these SEZs and benefit from market access to ASEAN, in which Myanmar is a member.

#### **4.1 Myanmar's current engagement in regional integration process**

Myanmar plays a significant role in regional integration efforts within Southeast Asia. The country is part of several important regional organizations, such as the Association of Southeast Asian Nations (ASEAN) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). Positioned strategically between India and China, the country plays a vital role in regional trade and connectivity projects like the Belt and Road Initiative (BRI) and the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS). Myanmar has been actively involved in these regional efforts to enhance economic integration, infrastructure development, and cultural exchange. Its participation in these forums underscores its dedication to strengthening ties with neighbouring countries and promoting regional cooperation.

Furthermore, Myanmar's engagement in regional integration encompasses not only economic cooperation but also diplomatic dialogue, security collaboration, and people-to-people exchanges. Myanmar contributes to the stability and prosperity of

Southeast Asia and the broader Indo-Pacific region by fostering strong relationships with neighbouring countries and regional partners.

The initial phase of economic integration covers fewer economic activities, but as it advances from partial agreements like preferential trade agreements to a full economic union, it fosters greater economic and political integration. A Regional Trade Agreement (RTA), typically initiated through a Free Trade Agreement (FTA), gradually leads to the creation of a free trade area, followed by customs unions, common markets, and economic unions.

Myanmar is a founding member of the World Trade Organization - WTO (and GATT- the General Agreement on Tariffs and Trade). Merchandise trade in Myanmar is regulated under the Sea Customs Act (1878), Land Customs Act (1924), Export Import Law (2012), and Tariff Law (1992).

Myanmar actively participates in ASEAN and ASEAN's free trade agreements with other countries. Myanmar is also involved in the ongoing trade negotiations for the BIMSTEC Free Trade Area and the Regional Comprehensive Economic Partnership (RCEP) Agreement. Additionally, Myanmar has benefited from preferential treatment through the Generalized System of Preferences (GSP) as well as the Global System of Trade Preferences (GSTP) among developing countries. This preferential access is expected to boost Myanmar's export earnings, promote industrialization, and accelerate economic growth. Furthermore, Myanmar is a member of the South Asia Subregional Economic Cooperation (SASEC) and the Greater Mekong Subregion (GMS), both facilitated by the Asian Development Bank (ADB). Myanmar also participates in the BCIM regional cooperation, which is still in the early stages of development and a member of Lancang-Mekong Cooperation (LMC). Myanmar is an observer in SAARC (South Asian Association for Regional Cooperation) and has expressed interest in upgrading its status to a full member of SAARC. Last year, Myanmar became a dialogue partner in SCO (Shanghai Cooperation Organization).

**Table (4.1) Myanmar’s participations in regional blocks**

<b>Organization</b>	<b>Active Year</b>	<b>Status</b>
ASEAN	1997	Member
BICM	1999	Member
BIMSTEC	1997	Member
GMS	1992	Member
GSTP	1989	Member
LMC	2016	Member
RCEP	2020	Member
SAARC	2006	Observer
SASEC	2001	Member
SCO	2023	Dialogue Partner

*Source; Relevant Website*

#### **4.2 Participation of Myanmar in BIMSTEC**

Myanmar has joined the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) in 1997. Myanmar's participation in BIMSTEC has significantly contributed to regional economic integration. The country has actively engaged in initiatives to promote trade and investment among member states. Myanmar's strategic position as a bridge between South Asia and Southeast Asia enables it to play a crucial role in enhancing regional connectivity. For instance, Myanmar has been involved in the development of the BIMSTEC Transport Infrastructure and Logistics Study (BTILS), which aims to improve transportation networks and facilitate smoother trade flows across the region.

In the energy sector, Myanmar has leveraged BIMSTEC as a platform to advance regional cooperation in energy trade and development. The country possesses substantial natural gas reserves and has been a key supplier of natural gas to neighbouring Thailand. Through BIMSTEC, Myanmar has explored opportunities to expand energy cooperation, including electricity grid interconnections and renewable energy projects. This collaboration not only enhances energy security for the region but also promotes sustainable energy practices.

Myanmar's involvement in BIMSTEC extends to technological and agricultural sectors as well. The country has participated in various initiatives to promote technology transfer and agricultural development. BIMSTEC's focus on multi-sectoral

cooperation has provided Myanmar with opportunities to enhance its technological capabilities and improve agricultural productivity. For example, Myanmar has benefited from knowledge exchange and capacity-building programs aimed at modernizing its agricultural practices and boosting food security.

Myanmar is a major producer and exporter of jade, which is a mineral used in ornaments (as gemstones), carving, table tops and for making tiles. Myanmar is also a leading producer of teak wood and other species of hard wood, which are widely used in the furniture industry. BIMSTEC countries can explore partnership with Myanmar Timber Enterprise (MTE) to set up manufacturing facilities for wood-based value-added products. MTE functions under the Ministry of Natural Resources and Environmental Conservation, Government of Myanmar.

Tourism is another key area where Myanmar has capitalized on its BIMSTEC membership. The organization has worked towards promoting the region as a single tourist destination, emphasizing the cultural and historical richness of its member states. Myanmar, with its diverse cultural heritage and natural beauty, has actively participated in these tourism initiatives. By collaborating with other BIMSTEC countries, Myanmar aims to attract more tourists, thereby boosting its tourism industry and contributing to economic growth.

The interconnection agreement has been signed, providing a framework for electricity trade within the region among member countries. Connectivity is essential for unlocking socio-economic development and boosting regional integration. Myanmar's strategic location between BIMSTEC and ASEAN makes it a focal point for most intra-region connectivity projects. These include the Kaladan MultiModal Project, the India-Myanmar-Thailand Trilateral Highway Project, the completion of missing links in the Trans Asian Railways (TAR), and the Optical Fibre Telecommunication project. Each of these initiatives presents significant opportunities to strengthen Myanmar's strategic position and foster economic growth.

Myanmar's participation in BIMSTEC has been instrumental in fostering regional cooperation and development. The country's strategic engagement in various sectors within the BIMSTEC framework underscores its commitment to regional integration and economic prosperity. By leveraging its geographic advantages and participating in multi-sectoral initiatives, Myanmar continues to play a vital role in promoting sustainable development and stability in the Bay of Bengal region.

### 4.3 The Significant Role of Myanmar

Myanmar, a key member of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), holds a strategic position in shaping the future of the organization. With its geographical location linking South and Southeast Asia, Myanmar plays a crucial role in facilitating trade, connectivity, and cooperation among BIMSTEC member countries. As a bridge between the landlocked countries of the region and major economies such as India and Thailand, Myanmar's participation in BIMSTEC is essential for promoting economic growth and regional integration. Myanmar's unique position as a gateway to the BIMSTEC region positions it as a significant player in the organization's future endeavours and initiatives.

Moreover, Myanmar's initiatives to improve connectivity infrastructure, including the current expansion of transport systems and economic corridors, align with BIMSTEC's goal of facilitating seamless connectivity among its member states. With Myanmar's continued participation and contributions, BIMSTEC stands to achieve greater economic prosperity and regional unity for the mutual benefit of all member states.

#### 4.3.1 Myanmar's Trade with BIMSTEC Countries

Myanmar stands to benefit from deeper economic integration within BIMSTEC, leveraging its strategic location and rich natural resources to enhance trade and investment ties with member countries.

Myanmar's trade with BIMSTEC countries is substantial, driven primarily by its exchanges with Thailand, India, and Bangladesh. Below is a breakdown of trade with key BIMSTEC partners based on recent data.

**Table (4.2) Myanmar Trade with BIMSTEC countries** **US\$ Thousands**

Partner Name	Year	Trade Balance	Export	Import	Import Share (%)	Export Share (%)
Bangladesh	2021	86573.85	125322.19	38748.34	0.27	0.83
India	2021	283762.69	858000	574237.31	4.01	5.67
Sri Lanka	2021	4424.24	6082.52	1658.27	0.01	0.04
Nepal	2021	18896.36	18936.34	39.97	0	0.13
Thailand	2021	1424726.59	3492851.96	2068125.36	14.44	23.06

Source; WITS, World Bank

Table 4.2 displays Myanmar's trade statistics with five BIMSTEC countries such as Bangladesh, India, Sri Lanka, Nepal, and Thailand for the year 2021. It includes key details such as trade balance, export and import values in thousands of US dollars, and the respective shares of these countries in Myanmar's overall trade.

Myanmar has a trade surplus with these five countries, indicating that it exports more to these countries than it imports from them. The largest surplus is with Thailand, where Myanmar's export significantly exceeds its imports, resulting in a trade balance of 1,427,726.59 thousand US dollars. Myanmar's trade balance with Sri Lanka and Nepal shows a surplus, meaning exports to these countries are higher than imports.

Myanmar's highest export value is to Thailand, amounting to 3,492,851.96 thousand US dollars. The export values to other countries are significantly lower, with India being the second-largest export destination at 858,000 thousand US dollars.

The largest import value is from Thailand, at 2,068,125.36 thousand US dollars, indicating a heavy reliance on goods from Thailand. Import values from Bangladesh and India are also notable, while imports from Sri Lanka and Nepal are relatively minimal. Thailand is a key trade partner for Myanmar, contributing 14.44% to Myanmar's total imports and 23.06% to its total exports. This highlights Thailand's significant role in Myanmar's trade. India also plays an important role, accounting for 4.01% of Myanmar's imports and 5.67% of its exports. Bangladesh, Sri Lanka, and Nepal. These countries have smaller shares in Myanmar's overall trade, with Bangladesh having the highest export share among them at 0.83%. The table indicates that Myanmar has a strong trade relationship with Thailand, as reflected by the large trade volumes and significant trade balance surplus. India's role is also prominent, though to a lesser extent. Myanmar's trade with Bangladesh, Sri Lanka, and Nepal is more balanced or even in surplus, but the overall trade volumes with these countries are much smaller. This data highlights the disparities in Myanmar's trade relationships with its regional partners, emphasizing the country's reliance on imports from Thailand and the relatively lower trade activity with the other countries listed.

**Bangladesh:** The economic relationship between Myanmar and Bangladesh is characterized by a mix of cooperation and challenges. Both countries share a border and have historical ties, which form the basis of their economic interactions. Myanmar and Bangladesh have a lengthy land and maritime border, approximately 271 km, which, alongside their central locations in Southeast Asia and South Asia, makes it much simpler to transport products back and forth between the two countries.

Myanmar and Bangladesh have an advantageous position between the two largest global economies, India and China. Enhancing their economic relationship could reduce Bangladesh and Myanmar's reliance on China and India while expanding trade with South and Southeast Asian nations. Investing significantly in transportation and energy infrastructure would particularly benefit trade and investment between the two countries. Myanmar is a major exporter of rice and pulses, while Bangladesh is a leading producer of vegetables and fish. The two countries might benefit from each other through exporting more agricultural goods.

**Table (4.3) Myanmar Product to export and import from Bangladesh 2021**

Product Group	Export US\$ Thousands	Import US\$ Thousands	Export Product Share (%)	Import Product Share (%)
All Products	125322.19	38748.34	100	100
Vegetable	95161.98	7.24	75.93	0.02
Consumer goods	58147.12	29213.05	46.4	75.39
Intermediate goods	34475.18	8290.76	27.51	21.4
Raw materials	31415.13	55.68	25.07	0.14
Animal	15448.1	25.74	12.33	0.07
Stone and Glass	6522.66	9.37	5.2	0.02
Metals	5804.87	4292.71	4.63	11.08
Capital goods	1282.06	1188.66	1.02	3.07

*Source; WITS, World Bank*

Illustrated Table 4.3, Myanmar to Bangladesh in 2021 reveals several key insights about the trade dynamics between the two countries: Myanmar's agricultural sector plays a critical role in its trade with Bangladesh, as seen in the overwhelming dominance of vegetable products, which constitute nearly 76% of Myanmar's total exports to Bangladesh. This suggests that Myanmar's economy is heavily reliant on

agricultural production, particularly in its trade with Bangladesh. The minimal import of vegetables from Bangladesh indicates a one-way trade flow in this sector, with Myanmar primarily being an exporter.

Consumer goods form the second-largest export category, valued at 58,147.12 thousand US dollars, making up 46.4% of Myanmar's total exports to Bangladesh. These goods also constitute the largest import category from Bangladesh, valued at 29,213.05 thousand US dollars, or 75.39% of total imports. This indicates a significant exchange of consumer goods between the two nations.

Intermediate goods are another major export category, with exports valued at 34,475.18 thousand US dollars, accounting for 27.51% of total exports. Imports of intermediate goods from Bangladesh are also notable, amounting to 8,290.76 thousand US dollars, or 21.4% of total imports, indicating a strong bilateral trade in semi-finished goods.

While raw materials and animal products are significant export categories for Myanmar, their import values are minimal. This indicates that Myanmar is more of a supplier than a consumer of these goods in its trade with Bangladesh. The low import values suggest that Bangladesh may either have sufficient domestic production or sources these products from other countries.

The metals category stands out for its balanced trade, with significant export and import values. Myanmar's export of metals suggests a focus on resource-based industrial products, while the substantial import of metals from Bangladesh indicates that Bangladesh might be supplying processed or specialized metal products that Myanmar requires.

Natural gas is one of the significant exports from Myanmar to Bangladesh. In recent years, Myanmar has exported substantial volumes of natural gas to meet Bangladesh's energy needs. Bangladesh relies on imported natural gas to support its energy sector, including power generation and industrial processes. Myanmar's natural gas exports play a crucial role in fulfilling this demand. Bangladesh's economy is projected to experience explosive growth, leading to an anticipated electricity demand of 50,000 MW by 2041. This presents Myanmar with the opportunity to find a new market for its natural resources by exporting energy supplies to Bangladesh. However, until Myanmar and Bangladesh establish a Free Trade Agreement and eliminate all tariff and para-tariff barriers, as well as resolve their existing disagreements, their trade and investment potential remain limited.

**India:** Myanmar and India share a dynamic trade relationship, underpinned by geographic proximity, historical ties, and complementary economic strengths. As of the most recent data, the bilateral trade between Myanmar and India is approximately USD 2 billion annually. This trade relationship is diverse, encompassing various sectors and driven by several key factors. Myanmar is the only Southeast Asian country with which India shares both land and maritime boundaries. India sees Myanmar, not only as a bridge to Southeast Asia, but also as an alternative route for transit of goods.

India wants to strengthen its ties with Myanmar to connect with Southeast Asia, particularly ASEAN countries. This is part of India's Look East policy, aiming to boost economic growth by engaging with Southeast Asia's fast-growing economies.

And India seeks to develop its northeastern region's industrial potential, using it as a base for trade with Myanmar. Therefore, key trade agreements and initiatives include;

*(i) border Trade Agreement*

This agreement facilitates trade through designated border trade points, particularly enhancing the trade flow in the border regions. The primary border trading points are Moreh (India) and Tamu (Myanmar), and Zokhawthar (India) and Rihkhawdar (Myanmar).

*(ii) Free Trade Agreements (FTAs)*

As part of ASEAN, Myanmar benefits from the ASEAN-India Free Trade Agreement, which aims to reduce tariffs and promote trade between ASEAN member countries and India.

*(iii) Strategic Connectivity Projects*

Kaladan Multimodal Transit Transport Project: India initiated the Kaladan multimodal transit transport project (the Kaladan Project) to create a multi-modal transport system connecting India's eastern seaport of Kolkata with Sittwe seaport in Myanmar, and then further by river and road to India's northeastern states. This project is expected to significantly boost trade by providing an alternative and efficient route.

**Table (4.4) Myanmar Product to export and import from India 2021**

Product Group	Export (US\$ Thousand)	Import (US\$ Thousand)	Export Product Share (%)	Import Product Share (%)
All Products	858000	574237.31	100	100
Vegetable	676016.42	30493.55	78.79	5.31
Intermediate goods	585981.91	127689.91	68.3	22.24
Raw materials	183080.07	41485.32	21.34	7.22
Consumer goods	49637.2	324025.35	5.79	56.43
Wood	43020.83	3181.2	5.01	0.55
Capital goods	39272.57	81034.13	4.58	14.11
Transportation	37107.33	50891.49	4.32	8.86
Food Products	27256.12	39968.29	3.18	6.96
Metals	19429.92	51164.98	2.26	8.91
Plastic or Rubber	17778.25	15625.63	2.07	2.72

Source; WITS, World Bank

Table 4.4 showcases the top ten export products from Myanmar to India in 2021, highlighting the significant trade relationship between the two countries across various sectors. The largest portion of Myanmar's exports to India consists of vegetable products, which make up 78.79% of total exports. This underscores the critical role agriculture plays in Myanmar's economy, particularly in its trade with India. The corresponding import value of vegetables from India is 5.31%, indicating that Myanmar is a significant supplier of agricultural products to India, with relatively little reciprocal trade in this category.

Vegetable products, intermediate goods represent the second-largest export category, constituting 68.3% of Myanmar's exports to India. This suggests that Myanmar provides crucial inputs for India's manufacturing and industrial sectors. The substantial import of intermediate goods from India (22.24% of total imports) indicates a reciprocal relationship, where both countries exchange essential components used in various production processes.

While consumer goods account for only 5.79% of Myanmar's exports to India, they make up a substantial 56.43% of Myanmar's imports from India. This significant imbalance highlights India's strong position as a supplier of finished consumer products to Myanmar, reflecting a dependency of the Myanmar market on Indian consumer

goods. Raw materials represent 21.34% of Myanmar’s exports to India, reinforcing the importance of resource-based trade between the two countries. The import value for raw materials is relatively low at 7.22%, indicating that Myanmar is more of a supplier of these basic commodities.

Myanmar exports a notable amount of wood products to India (5.01% of total exports), reflecting its role as a key supplier of timber and related products. The import of wood products from India is minimal, indicating a one-way trade flow in this category. Both transportation and food products have significant export and import shares, suggesting that these sectors are important for bilateral trade. Myanmar exports transportation goods (4.32% of total exports) and food products (3.18% of total exports) to India while also importing a considerable amount from India, highlighting mutual demand in these sectors.

The trade relationship between Myanmar and India in 2021 is characterized by Myanmar’s strong position as an exporter of agricultural products and intermediate goods, which are crucial for India’s consumption and industrial use. However, the trade is imbalanced, with Myanmar heavily dependent on India for consumer goods, capital goods, and various industrial products. This dependency suggests that while Myanmar benefits from its export strengths, it may need to diversify its industrial base and develop its capacity to reduce reliance on Indian imports, particularly in the consumer and capital goods sectors.

**Table (4.5) Myanmar Product to export and import from Nepal 2021**

Product Group	Export (US\$ Thousand)	Import (US\$ Thousand)	Export Product Share (%)	Import Product Share (%)
All Products	18936.34	39.97	100	100
Consumer goods	0	39.97		100
Chemicals	0	0.06		0.14
Vegetable	18712.63	39.73	98.82	99.4
Wood	138.21	0.19	0.73	0.46

Source; WITS, World Bank

**Nepal:** The table 4.5 highlights the overwhelming dominance of vegetable products in Myanmar’s exports to Nepal. The total value of exports from Myanmar to Nepal is

\$18,936.34 thousand, while the imports from Nepal to Myanmar amount to \$39.97 thousand. This indicates that Myanmar is primarily an exporter in this bilateral trade relationship, with a substantial trade surplus. The vegetable products are the most significant export from Myanmar to Nepal, accounting for \$18,712.63 thousand, or 98.82% of Myanmar's total exports to Nepal. This overwhelming share suggests that Myanmar is a crucial supplier of vegetable products to Nepal, which may include items like pulses, beans, and other agricultural produce. Although much smaller in value, Myanmar exported \$138.21 thousand worth of wood products to Nepal, making up 0.73% of its total exports. This indicates a minor but relevant trade in wood materials.

Myanmar does not export any consumer goods to Nepal but imports a small quantity valued at \$39.97 thousand, which constitutes 100% of Nepal's exports to Myanmar. This suggests that consumer goods, possibly finished products like clothing or electronics, are a minor but exclusive export from Nepal to Myanmar.

With such a high concentration in a single product category, Myanmar's trade relationship with Nepal is heavily reliant on agricultural exports. This dependency could make Myanmar vulnerable to market fluctuations or shifts in Nepal's demand for these products. Myanmar's imports from Nepal are minimal and confined to consumer goods and a few specialized products like chemicals. The small volume of trade in these categories suggests that Myanmar does not rely on Nepal for significant imports, which reflects a highly unbalanced trade relationship.

**Table (4.6) Myanmar Product to export and import from Sri Linka 2021**

Product Group	Export (US\$ Thousand)	Import (US\$ Thousand)	Export Product Share (%)	Import Product Share (%)
All Products	6082.52	1658.27	100	100
Consumer goods	4063.18	1280.7	66.8	77.23
Textiles and Clothing	3896.28	588.33	64.06	35.48
Raw materials	1791.63	4.49	29.46	0.27
Plastic or Rubber	1348.51	73.88	22.17	4.46
Vegetable	574.38	100.05	9.44	6.03
Intermediate goods	217.39	355.29	3.57	21.43
Wood	160.88	576.6	2.64	34.77

Source; WITS, World Bank

**Sri Lanka:** Table 4.6 outlines the trade dynamics between Myanmar and Sri Lanka, showcasing both export and import values across various product groups. Myanmar exports significantly more to Sri Lanka than it imports, with total exports valued at \$6,082.52 thousand compared to \$1,658.27 thousand in imports. This indicates a strong trade surplus in Myanmar's favor. Consumer goods make up the largest share of both exports (66.8%) and imports (77.23%). Myanmar's export of consumer goods (\$4,063.18 thousand) is substantial, but the country also imports a significant amount from Sri Lanka (\$1,280.7 thousand), indicating a mutual reliance in this category.

Textiles and Clothing are another major export sector for Myanmar, accounting for 64.06% of its total exports to Sri Lanka (\$3,896.28 thousand). However, Sri Lanka's exports of textiles and clothing to Myanmar are relatively modest, making up 35.48% of Myanmar's imports (\$588.33 thousand). This suggests that Myanmar is a net exporter in this category, possibly due to a strong domestic textile industry.

Raw materials are a significant part of Myanmar's exports, representing 29.46% (\$1,791.63 thousand). In contrast, imports of raw materials from Sri Lanka are almost negligible (0.27%, \$4.49 thousand), highlighting Myanmar's role as a supplier of these essential goods in the trade relationship. While Myanmar exports a fair amount of vegetables (9.44%, \$574.38 thousand), it imports slightly less from Sri Lanka in this category (6.03%, \$100.05 thousand). However, wood products tell a different story—though they make up only 2.64% of Myanmar's exports (\$160.88 thousand), they constitute a significant portion of its imports from Sri Lanka (34.77%, \$576.6 thousand), indicating that Myanmar is more dependent on Sri Lanka for wood products. Myanmar imports a considerable share of intermediate goods (21.43%, \$355.29 thousand) compared to its exports in this category (3.57%, \$217.39 thousand). This indicates that Myanmar relies on Sri Lanka for certain inputs that are likely used in manufacturing or further production. Myanmar maintains a strong export-oriented relationship with Sri Lanka, particularly in consumer goods, textiles, raw materials, and plastic or rubber products. While it does import certain goods from Sri Lanka, especially consumer goods, wood products, and intermediate goods, the overall trade balance heavily favours Myanmar. This trade pattern suggests that Myanmar is a net exporter of finished goods and raw materials, while it imports specific items that may be necessary for its domestic production processes or consumer market.

**Thailand:** Myanmar and Thailand share a robust trade relationship, reflecting their geographical proximity and economic interdependence. The bilateral trade between

these two Southeast Asian nations encompasses a wide range of products, with both countries benefiting from the exchange of goods and services. The trade relations between Myanmar and Thailand are supported by several agreements and initiatives: ASEAN Framework: Both countries are members of the Association of Southeast Asian Nations (ASEAN), which facilitates trade through the ASEAN Free Trade Area (AFTA).

Border Trade Agreement is to facilitate trade across the shared border, including measures to streamline customs procedures and enhance cross-border infrastructure. Key border trade points between Myanmar and Thailand are Myawaddy-Mae Sot, one of the busiest trade crossings, Tachileik-Mae Sai, and Htikhi-Phu Nam Ron. Thailand is one of Myanmar's top trading partners within BIMSTEC.

#### Myanmar Product to export and import from Thailand 2021

Product Group	Export (US\$ Thousand)	Import (US\$ Thousand)	Export Product Share (%)	Import Product Share (%)
All Products	3492851.96	2068125.36	100	100
Consumer goods	2378234.59	992375.02	68.09	47.98
Fuels	1765410.18	157890.89	50.54	7.63
Raw materials	829482.05	106145.04	23.75	5.13
Vegetable	623557.55	43986.74	17.85	2.13
Textiles and Clothing	309145.82	256757.88	8.85	12.41
Animal	265799.06	13033.91	7.61	0.63
Metals	211086.31	63263.79	6.04	3.06
Intermediate goods	168855.87	552897.83	4.83	26.73
Capital goods	116002.87	416705.77	3.32	20.15
Mach and Elec	97672.08	286577.58	2.8	13.86

Source: WITS, World Bank

Table 4.7 highlights important insights into the economic relationship between Myanmar and Thailand, particularly regarding the structure of their bilateral trade. Myanmar's export profile is heavily skewed towards consumer goods, which make up over two-thirds (68.09%) of its total exports to Thailand. This suggests that Myanmar's economy is significantly driven by industries producing consumer goods, which may

include agricultural products, processed foods, and other essential consumer items. The reliance on consumer goods exports indicates a focus on sectors that likely leverage Myanmar's natural resources and labour force, which could be more labour-intensive and less technologically advanced.

Fuel exports constitute the second-largest category, representing 50.54% of Myanmar's total exports to Thailand. This large share highlights Myanmar's role as a significant energy supplier in the region, possibly due to its oil and gas reserves. The fact that fuels account for half of the export value indicates the strategic importance of energy resources in Myanmar's trade portfolio. However, this also reflects a certain level of vulnerability, as reliance on fuel exports can expose Myanmar to fluctuations in global energy prices. Thailand's imports from Myanmar are more diversified compared to the export profile. While consumer goods still form a substantial part of the imports (47.98%), Thailand imports a wide range of products, including intermediate goods (26.73%), capital goods (20.15%), and machinery and electronics (13.86%). This diversity in imports suggests that Thailand is not only sourcing essential consumer items from Myanmar but is also importing goods that are crucial for its manufacturing and industrial sectors. The high percentage of intermediate and capital goods imports points to Thailand's focus on value-added production processes, where these imports may be further processed or used in the production of more complex goods.

The overall trade balance shows Myanmar exporting more to Thailand than it imports, with a significant trade surplus. This could be beneficial for Myanmar in terms of foreign exchange earnings and economic stability. However, the heavy reliance on a few categories like consumer goods and fuels for exports could be a double-edged sword. On one hand, it provides strong trade links with Thailand, but on the other hand, it may limit Myanmar's economic growth potential if these sectors do not evolve or if demand shifts. From a strategic perspective, Myanmar might consider diversifying its export base to include more value-added products. This would not only help stabilize its trade revenues but also promote sustainable economic growth. In conclusion, while Myanmar benefits from a trade surplus and strong export categories like consumer goods and fuels, there are opportunities to diversify and enhance the trade relationship further.

#### **4.4 Challenges and Opportunities for Myanmar**

Myanmar's involvement in BIMSTEC presents a mix of significant challenges and promising opportunities. As a strategically located member state, Myanmar plays a crucial role in the organization, which aims to enhance regional cooperation among its seven member countries across South and Southeast Asia. However, Myanmar's participation in BIMSTEC is complicated by various internal and external factors. Political instability, economic sanctions, ethnic conflicts, and underdeveloped infrastructure pose serious challenges, limiting its ability to fully engage with and benefit from the regional bloc. Conversely, Myanmar's abundant natural resources, strategic geographical position, and potential for economic development offer substantial opportunities within BIMSTEC. By addressing its internal challenges and leveraging regional cooperation, Myanmar can significantly enhance its role in the organization, contributing to and benefiting from the collective growth and stability of the region.

##### **4.4.1 Challenges**

Myanmar faces several challenges as a member of BIMSTEC. These challenges are primarily due to its political instability, economic conditions, and regional dynamics. Below are some of the key challenges for Myanmar within BIMSTEC.

(I) **Impact on Trade and Investment:** Myanmar has faced economic sanctions from Western countries, which affect its economy and reduce its ability to attract foreign investment. This isolation limits Myanmar's ability to engage economically within BIMSTEC, particularly in sectors where international cooperation and investment are crucial, such as infrastructure and energy.

(II) **Limited Economic Contribution:** Myanmar's economic instability and the impact of sanctions have constrained its ability to contribute financially to BIMSTEC projects. This financial limitation affects the country's influence and participation in key initiatives, potentially sidelining Myanmar in regional development efforts.

(III) **Poor Transportation and Connectivity:** Myanmar's infrastructure, particularly in terms of transportation and connectivity, lags behind other BIMSTEC countries. Inadequate roads, railways, and ports limit Myanmar's ability to participate fully in regional connectivity projects, such as the BIMSTEC Transport Connectivity Master Plan. This underdevelopment hinders the flow of goods, services, and people between Myanmar and other BIMSTEC members, reducing the potential benefits of regional

integration.

(IV) Energy Infrastructure Deficiencies: Myanmar's energy infrastructure is also underdeveloped, with unreliable power supplies and limited access to modern energy technologies. This limits Myanmar's ability to contribute to and benefit from BIMSTEC's energy cooperation initiatives, such as the development of a regional energy grid.

(V) Limited Expertise and Resources: Myanmar faces a shortage of skilled professionals and resources to effectively engage in BIMSTEC initiatives. This limitation affects Myanmar's ability to take leadership roles in regional projects or contribute innovative solutions to collective challenges, thereby diminishing its influence within the organization.

(VI) Geopolitical Balancing with Major Powers: Myanmar's strategic location makes it a focal point for regional and global powers, particularly China and India. The need to balance relations between these powers creates challenges for Myanmar in its BIMSTEC engagement. While India, a key player in BIMSTEC, seeks to counterbalance China's influence in the region, Myanmar's reliance on China for economic and political support complicates its alignment with BIMSTEC objectives, which are often influenced by India's strategic interests.

(VII) Environmental and Climate Challenges: Myanmar is highly vulnerable to the impacts of climate change, including extreme weather events, rising sea levels, and changing rainfall patterns. These environmental challenges affect Myanmar's agricultural output, food security, and infrastructure, complicating its ability to meet regional commitments within BIMSTEC. Issues such as deforestation, land degradation, and water pollution further strain Myanmar's natural resources, limiting its ability to contribute to regional environmental initiatives. These challenges also reduce Myanmar's attractiveness as a partner for sustainable development projects within BIMSTEC.

#### **4.4.2 Opportunities**

Despite the challenges it faces, Myanmar's strategic location, rich natural resources, and potential for regional integration offer various avenues for growth and collaboration. Here are the key opportunities for Myanmar in BIMSTEC.

##### **(I) Strategic Geographical Position**

**Energy and Trade Hub:** Myanmar's strategic location between South Asia and Southeast Asia positions it as a critical link in regional connectivity. This geographical advantage allows Myanmar to serve as a transit hub for energy and trade routes between BIMSTEC member countries, including India, Thailand, and Bangladesh. The country can capitalize on this by developing its infrastructure, such as ports, roads, and railways, to facilitate smoother and more efficient trade and energy exchanges within the region.

**Gateway to Southeast Asia:** Myanmar's location offers a natural gateway for South Asian BIMSTEC members to access Southeast Asian markets. This presents an opportunity for Myanmar to enhance its role in regional trade, potentially becoming a focal point for commerce and logistics in the BIMSTEC region.

##### **(II) Regional Connectivity Initiatives**

**Infrastructure Development:** BIMSTEC's emphasis on regional connectivity presents an opportunity for Myanmar to improve its infrastructure. By participating in projects like the BIMSTEC Transport Connectivity Master Plan, Myanmar can develop its road, rail, and port infrastructure, facilitating easier movement of goods and people across the region. Improved infrastructure would not only boost domestic economic growth but also enhance Myanmar's integration into regional value chains.

**Digital Connectivity:** The push for digital connectivity within BIMSTEC offers Myanmar the chance to upgrade its telecommunications and digital infrastructure. By investing in digital technologies and participating in regional e-governance and digital trade initiatives, Myanmar can accelerate its digital transformation and improve access to digital services for its population.

##### **(III) Economic and Trade Cooperation**

**Market Access and Trade Expansion:** BIMSTEC's focus on enhancing regional trade provides Myanmar with opportunities to access larger markets in South and Southeast Asia. By reducing trade barriers and aligning its standards with those of other BIMSTEC countries, Myanmar can increase its exports, particularly in sectors like agriculture, textiles, and energy.

Attracting Investment: BIMSTEC provides a platform for Myanmar to attract foreign direct investment (FDI) from member states, particularly in sectors like infrastructure, energy, and agriculture. By creating a conducive environment for investment and participating in regional economic initiatives, Myanmar can attract much-needed capital to support its development goals.

#### (IV) Capacity Building and Technology Transfer

Skill Development: BIMSTEC offers numerous opportunities for capacity building through training programs, workshops, and knowledge exchange initiatives. Myanmar can benefit from these programs by enhancing the skills of its workforce, particularly in sectors like agriculture, energy, and technology. This would improve productivity and enable the country to better meet the demands of regional integration.

Access to Advanced Technologies: Through BIMSTEC, Myanmar can gain access to advanced technologies from more developed member states like India and Thailand. This includes technologies in areas such as renewable energy, agriculture, and manufacturing, which can help Myanmar modernize its industries and improve its competitive edge in regional markets.

Myanmar's participation in BIMSTEC presents numerous opportunities that, if fully leveraged, can significantly contribute to the country's development and integration into the regional economy. By capitalizing on its strategic location, natural resources, and the regional focus on connectivity, trade, and sustainability, Myanmar can enhance its role within BIMSTEC and drive domestic economic growth.

To maximize these opportunities, Myanmar will need to address its internal challenges while actively engaging in regional initiatives. By doing so, Myanmar can strengthen its position in BIMSTEC, contributing to regional prosperity while advancing its own national interests.

## **CHAPTER V**

### **CONCLUSION**

#### **5.1 Findings**

By identifying key differences and similarities on the trade dynamics and economic strategies of BIMSTEC in relation to ASEAN, the study provides insights into how BIMSTEC can learn from ASEAN's experience to strengthen its own economic cooperation and trade networks. The findings also aim to shed light on how the country can maximize its role within the bloc and leverage regional initiatives for its own economic development by examining economic ties of Myanmar's key member countries in BIMSTEC.

Intra-regional trade among BIMSTEC members has grown steadily but remains relatively modest compared to other regional blocs like ASEAN. Intra-regional trade within ASEAN is significantly higher than in BIMSTEC. ASEAN's intra-regional trade accounts for approximately 22.3 % of its total trade, a figure that reflects strong economic ties among its members. In contrast, intra-regional trade within BIMSTEC remains modest, comprising only about 6.15 % of the total trade of its member countries. Additionally, ASEAN countries have strong trade links with major economies outside the region, including China, Japan, and the EU.

Myanmar, a member of both BIMSTEC and ASEAN, plays a crucial role in energy trade, particularly with its natural gas exports. India and Thailand are major consumers of energy within BIMSTEC, while ASEAN's energy needs are growing rapidly. BIMSTEC member countries have significant opportunities in energy cooperation, which can enhance regional energy security, reduce costs, and promote sustainable development.

However, harnessing these resources effectively is a challenge due to geographic and logistical constraints. The disparity in resource distribution requires extensive infrastructure to enable cross-border energy trade, which is currently underdeveloped. Technological disparities among BIMSTEC member countries pose another significant challenge. Advanced technologies for energy production, storage, and distribution are not uniformly available across the region. Countries with limited technological capabilities struggle to upgrade their energy sectors to meet modern standards.

Trade between BIMSTEC and ASEAN is sometimes hindered by tariffs and non-tariff barriers. While ASEAN has made significant progress in reducing trade barriers through AFTA, BIMSTEC's internal trade barriers are still relatively high. Harmonizing trade standards and reducing these barriers could enhance trade flows between the two regions. The geographic and topographic diversity within the BIMSTEC region poses substantial challenges to connectivity. This geographic complexity makes the development of seamless and efficient transport networks more challenging and costly. ASEAN, with its more developed infrastructure and logistics networks, can offer valuable lessons and partnership opportunities for BIMSTEC countries. Regulatory inconsistencies and border management issues also add layers of complexity. For instance, inconsistent customs procedures and trade regulations can create bottlenecks, reducing the efficiency of cross-border trade and transportation.

ASEAN has made significant progress in diversifying its trade across a broad spectrum of industries, moving beyond traditional sectors to become a global hub for electronics, automotive components, and high-tech manufacturing. BIMSTEC countries are still in the process of diversifying their trade.

Value addition is a key aspect where ASEAN and BIMSTEC exhibit notable differences in their trade practices. ASEAN countries, such as Thailand, Malaysia, and Vietnam, have made significant advancements in value addition by transforming raw materials into higher-value products through manufacturing and processing. In contrast, BIMSTEC countries are generally at an earlier stage in their value addition processes. Many BIMSTEC economies, including Myanmar and Bangladesh, still primarily export raw materials and basic agricultural products with minimal processing. By investing in infrastructure, technology, and skills development, BIMSTEC can better integrate into global value chains and increase the value added to their exports, drawing lessons from ASEAN's successful value addition strategies.

The findings on Myanmar's bilateral trade with India highlight a robust and multifaceted relationship, with India being one of Myanmar's key trading partners. The trade between the two nations encompasses a wide range of goods, with Myanmar primarily exporting agricultural products, natural resources, and timber, while India supplies pharmaceuticals, machinery, and consumer goods. Trade is facilitated through strategic land and sea routes, such as the Moreh-Tamu border crossing and the Sittwe Port, part of the Kaladan Multi-Modal Transit Transport Project, which are vital for regional connectivity. However, the relationship faces challenges, including security

concerns in Myanmar, especially in border areas, along with infrastructure deficiencies, high transportation costs, and regulatory barriers that hinder trade efficiency. Despite these challenges, initiatives like the India-Myanmar-Thailand Trilateral Highway and continued investment in infrastructure are expected to enhance trade volumes and foster deeper economic integration.

The findings on Myanmar's bilateral trade with Thailand reveal a strong and steadily growing economic relationship, driven by their geographic proximity and shared cultural ties. Thailand is one of Myanmar's largest trading partners, with a significant volume of cross-border trade facilitated by their extensive shared border. The natural gas trade is particularly crucial, with Thailand relying on Myanmar's reserves to meet a substantial portion of its energy needs, along with agricultural products, timber, and seafood to Thailand. Key border points, such as Mae Sot-Myawaddy and Ranong-Kawthaung, play vital roles in facilitating this trade. Both countries have engaged in bilateral agreements and regional initiatives, like the Greater Mekong Subregion (GMS) Economic Cooperation Program, to enhance trade and infrastructure connectivity. There is potential for further growth in trade volumes, particularly as both countries continue to integrate their economies within broader regional frameworks like the ASEAN Economic Community (AEC).

The findings on emerging trade between Myanmar and Bangladesh highlight a developing economic relationship with considerable potential for growth. Myanmar primarily exports agricultural products like pulses and beans, along with fishery products and timber, to Bangladesh, while Bangladesh exports pharmaceuticals, ready-made garments, processed foods, and textiles to Myanmar. The Teknaf-Maungdaw border crossing plays a critical role in facilitating this trade, though its full potential is yet to be realized due to infrastructure limitations and political sensitivities. Both countries are keen to deepen their economic ties through bilateral agreements and participation in regional frameworks, aiming to boost trade and enhance infrastructure. However, challenges of inadequate infrastructure, logistical bottlenecks hinder the smooth flow of trade. Security concerns along the border further complicate the trade dynamics

## 5.2 Suggestions

The studies highlight suggestions on key areas such as institutional capacity and trade facilitation, trade diversification and value addition, regional connectivity and integration, and sustainable development and environmental cooperation in BIMSTEC. By addressing these priorities, Myanmar can better integrate into regional value chains, boost its economic growth, and contribute more effectively to BIMSTEC's collective prosperity.

To enhance institutional capacity and trade facilitation within BIMSTEC, member states should focus on several key strategies. First, streamlining customs procedures across the region by adopting standardized and automated systems can significantly reduce delays and inefficiencies in cross-border trade. Harmonizing regulations and creating a unified regulatory framework will facilitate smoother trade interactions and compliance. Investment in infrastructure, such as modernizing ports, roads, and logistics networks, is crucial for improving connectivity and reducing transaction costs. Finally, promoting regional cooperation and aligning trade facilitation practices among BIMSTEC countries will support a more integrated and seamless trade environment. Strengthening institutional frameworks within Myanmar is crucial for effective participation in BIMSTEC. This includes improving the efficiency of customs procedures, reducing non-tariff barriers, and streamlining regulatory processes to make cross-border trade easier.

By diversifying their export portfolios, countries can reduce their dependency on a limited range of products and markets, mitigating the risks associated with global market fluctuations. For BIMSTEC nations, this means expanding beyond traditional exports like raw materials and agricultural products to include more value-added goods and services. Promoting industries such as manufacturing, processed foods, textiles, and technology-driven products can help in moving up the value chain, thereby increasing export earnings and creating jobs. BIMSTEC countries should also collaborate to establish regional value chains, where each member state contributes to different stages of production based on their comparative advantages. This approach not only enhances intra-regional trade but also strengthens the region's collective ability to compete globally. Myanmar needs to focus on diversifying its export base and increasing value addition to its products. Moving beyond the reliance on agricultural commodities and raw materials, Myanmar should invest in developing its manufacturing sector and enhancing processing capabilities.

Enhancing regional connectivity and integration within BIMSTEC is crucial for unlocking the region's economic potential and fostering deeper cooperation among member states. A key focus should be on developing and upgrading transport infrastructure, including regional highways, rail networks, and ports, to facilitate the smooth movement of goods and people across borders. Expanding air connectivity through more direct flights and developing regional aviation hubs will also boost tourism and business travel. Myanmar should prioritize the development of infrastructure, particularly in transport and logistics, to better connect with other BIMSTEC countries. Improved roads, railways, ports, and border trade facilities will facilitate smoother and more efficient trade flows, reducing costs and time for businesses.

To advance sustainable development and environmental cooperation within BIMSTEC, member states should adopt a multifaceted approach. Establishing a comprehensive regional environmental policy and common standards will set a foundation for consistent environmental protection efforts. Promoting renewable energy projects and energy efficiency programs is crucial for reducing dependence on fossil fuels and lowering emissions. Coordinated climate action plans and resilience initiatives can address the challenges posed by climate change. Sustainable urban development should be encouraged through green planning, smart city solutions, and knowledge sharing. Public awareness campaigns and environmental education will foster a culture of sustainability. Through these strategies, BIMSTEC can effectively balance economic growth with environmental stewardship, creating a more resilient and sustainable region. Myanmar should advocate for and participate in regional efforts to address environmental challenges, such as deforestation, climate change, and resource management. By adopting sustainable practices and cooperating on environmental issues, Myanmar can contribute to long-term regional stability and prosperity.

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[UNCTADstat - General Profile](#)

[Trade Map - List of markets for the selected service \(All services\)](#)

## Appendix

### Commodities of Myanmar's Trade with Bangladesh in 2021

<b>Product Group</b>	<b>Export (US\$ Thousand)</b>	<b>Import (US\$ Thousand)</b>
All Products	125322.19	38748.34
Capital goods	1282.06	1188.66
Consumer goods	58147.12	29213.05
Intermediate goods	34475.18	8290.76
Raw materials	31415.13	55.68
Animal	15448.1	25.74
Chemicals	115.91	29069.56
Food Products	252.36	1035.41
Footwear	28.57	181.06
Fuels	0	10.36
Hides and Skins	0	8.41
Mach and Elec	1282.06	1187.44
Metals	5804.87	4292.71
Miscellaneous	178.21	2.35
Plastic or Rubber	50.4	39.79
Stone and Glass	6522.66	9.37
Textiles and Clothing	219.87	2322.34
Vegetable	95161.98	7.24
Wood	257.21	556.57

*Source: WITS, World Bank*

<b>Commodities of Myanmar's Trade with India in 2021</b>		
<b>Product Group</b>	<b>Export (US\$ Thousand)</b>	<b>Import (US\$ Thousand)</b>
All Products	858000	574237.31
Capital goods	39272.57	81034.13
Consumer goods	49637.2	324025.35
Intermediate goods	585981.91	127689.91
Raw materials	183080.07	41485.32
Animal	13480.32	11086.52
Chemicals	1243.22	249218.17
Food Products	27256.12	39968.29
Footwear	1710.47	1304.55
Fuels	12.48	40087.32
Hides and Skins	1422.35	611.23
Mach and Elec	3494.5	50589.21
Metals	19429.92	51164.98
Minerals	240.14	118.67
Miscellaneous	1009.06	6985.32
Plastic or Rubber	17778.25	15625.63
Stone and Glass	3785.29	3890.6
Textiles and Clothing	10993.3	19020.6
Transportation	37107.33	50891.49
Vegetable	676016.42	30493.55
Wood	43020.83	3181.2

*Source: WITS, World Bank*

<b>Commodities of Myanmar's Trade with Nepal in 2021</b>		
<b>Product Group</b>	<b>Export (US\$ Thousand)</b>	<b>Import (US\$ Thousand)</b>
All Products	18936.34	39.97
Consumer goods	0	39.97
Chemicals	0	0.06
Vegetable	18712.63	39.73
Wood	138.21	0.19

*Source: WITS, World Bank*

<b>Commodities of Myanmar's Trade with Thailand in 2021</b>		
<b>Product Group</b>	<b>Export (US\$ Thousand)</b>	<b>Import (US\$ Thousand)</b>
All Products	3492851.96	2068125.36
Capital goods	116002.87	416705.77
Consumer goods	2378234.59	992375.02
Intermediate goods	168855.87	552897.83
Raw materials	829482.05	106145.04
Animal	265799.06	13033.91
Chemicals	397.61	255016.46
Food Products	52677.67	435235.66
Footwear	52507.43	7118.66
Fuels	1765410.18	157890.89
Hides and Skins	31609.03	8881.81
Mach and Elec	97672.08	286577.58
Metals	211086.31	63263.79
Minerals	3050.59	72425.33
Miscellaneous	37924	43783.46
Plastic or Rubber	32238.13	193221.2
Stone and Glass	119.53	55349.66
Textiles and Clothing	309145.82	256757.88
Transportation	1544.12	144240.79
Vegetable	623557.55	43986.74
Wood	8112.84	31341.55

*Source: WITS, World Bank*

<b>Commodities of Myanmar's Trade with Sri Lanka in 2021</b>		
<b>Product Group</b>	<b>Export (US\$ Thousand)</b>	<b>Import (US\$ Thousand)</b>
All Products	6082.52	1658.27
Capital goods	0	16.3
Consumer goods	4063.18	1280.7
Intermediate goods	217.39	355.29
Raw materials	1791.63	4.49
Chemicals	0	182.96
Food Products	0	54.1
Footwear	0	0.05
Fuels	0	8.45
Mach and Elec	0	16.28
Metals	0	7.12
Miscellaneous	16.22	50.16
Plastic or Rubber	1348.51	73.88
Stone and Glass	2.19	0.01
Textiles and Clothing	3896.28	588.33
Transportation	0	0.26
Vegetable	574.38	100.05
Wood	160.88	576.6

*Source: WITS, World Bank*

