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## Bangladesh in regional and interregional blocs



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By forming an association or bloc of countries in a region, individual member countries can rapidly achieve political stability and economic prosperity as it helps create employment, combat terrorism and improve living standards via the implementation of thought-out projects. Benefits of forming such blocs are well documented. These regional groups agree to co-operate with each other to promote a set of well defined common causes, viz., to accelerate regional economic growth and development, remove barriers to cross-border trade and investment, reduce economic disparity, combat terrorism to ensure political stability and peace in the region, etc. Formation of regional blocs aims at creating synergy through better utilisation and redistribution of income, i.e. diverting resources from resource-surplus countries to resource-scarce countries through

liberalisation of trade and investment. To facilitate the process, it is essential to ensure cross-border movement of people without artificial restrictions and to build the necessary infrastructures, i.e. cross-border network of motorways suitable for heavy-duty vehicles, railways, waterways, airways, gas pipelines, electricity corridors and ICT, etc. Besides, it is necessary that legal and administrative reforms be in place.

By this time, many regional and sub-regional co-operative blocs have been formed all over the world. Two of the most successful blocs are the European Union (EU) that consists of 29 member countries, and the North American Free Trade Agreement (NAFTA) bloc that consists of Canada, Mexico and the US. The US is one of the biggest economies while Mexico is an LDC. As for the EU, the creation of a single market and the corresponding increase in trade, investment and general economic activities transformed it into a major trading power in the world. All parties to the NAFTA enjoyed the benefits of forming such a coalition. Conspicuous increase in economic development, domestic investment, FDI, GDP, per capita income, industrialisation, employment, imports, exports, as well as improvement in the standard of living in Mexico is a testimony of the benefits of forming a regional bloc. In Southeast Asia, ASEAN has been a relatively successful regional cooperative bloc. Whatever success it achieved was due to the remarkable leadership of its founding fathers who had the vision to see how much their countries stood to gain through co-operation and how much they had to lose from rivalry. Cornerstones of this success were the elimination of tariff and non-tariff barriers in trade and investment and the free movement of people.

In South Asian several regional and sub-regional blocs have been formed, of which the most talked about are: SAARC, BIMSTEC, BCIM and SASEC. South Asian Association for Regional Co-operation (SAARC) was established in 1985. It started with limited objectives, but with the passage of time it added several new goals to its original ones. The 29 year-old SAARC bloc consists of Afghanistan, Bangladesh, Bhutan, India, Nepal, Maldives, Pakistan and Sri Lanka. A diverse region consisting of thinly populated LDCs like Bhutan and Nepal alongside Bangladesh, a country of 164 million, SAARC is and will continue to be a huge market for trade and investment. India is the largest country in the bloc and enjoys overwhelming political and economic power in the SAARC region. It is also the leader in scientific, industrial, technological and educational advancement. As one of the BRIC countries, it plays an important role in global

politics and economic diplomacy. In fact, India is the superpower in South Asia, having the power to reverse the decisions of other SAARC leaders. For this reason, the smaller member countries including Bangladesh are suspicious of India's undue hegemony. Besides that, the perennial problem of mistrust between India and Pakistan explains why SAARC could not make substantial progress.

So far, SAARC has held 18 summits and hundreds of ministerial and secretarial level meetings. In each summit the leaders iterate their new and past declarations and repeat their commitments. SAARC has made some progress towards its stated goal of increasing intraregional trade and investment through the implementation of SAARC Preferential Trading Agreements (SAPTA). Inter-regional trade has increased only from 3 percent to 5 percent in three decades. Unlike the achievements of EU, NAFTA and ASEAN, the achievements of SAARC are less impressive.

After many rounds of trade negotiations, SAARC started to implement the Preferential Trading Agreements. It was a process of reducing/eliminating/adjusting tariffs on selected commodities phase-wise and step-wise. Under SAPTA, the importing member countries including India made downward adjustments of import duties on selected products. But experience revealed that it was not tariff barriers but non-tariff barriers (NTBs) and para-tariffs that worked as hidden barriers to trade growth of LDCs. They restricted exports from Bangladesh to India. LDCs in the SAARC region including Bangladesh did not benefit much due to non-tariff and para-tariff barriers in the importing countries. This is because the LDCs did not have enough capacity to export many of the products for which import duties were adjusted downward by the importing countries like India. Bangladesh could not succeed due to the supply constraints it faced. SAARC leaders emphasised the need for removing visa restrictions, but this too remained a dream. Intra-regional trade within SAARC countries still accounts for less than 5 percent of its total foreign trade. Bangladesh's huge trade deficit with India continues to be a great disappointment. Most SAARC declarations continue to be more about the hype than achievement.

The 18th summit brought both hope and disappointment. Most SAARC leaders had agreed to sign three agreements but due to opposition from Pakistan, they failed to sign two of the three, namely: 1) SAARC Motor Vehicles Agreement for the regulation of passenger and cargo vehicular traffic, and 2) SAARC Regional Railways Agreement. Therefore, they signed only one agreement, the SAARC Framework Agreement on Energy Co-operation aimed at sharing and

trading electricity through common grids/corridors. It was encouraging for Bangladesh because it was more than what had happened in the past 29 years.

Insufficient energy production remains a major roadblock in the development of Bangladesh. Bangladesh needs collective support for the development of energy infrastructure. Now that the SAARC Framework Agreement on Electricity (cross-border connectivity) has been signed, Bangladesh should realign its diplomatic efforts to get advantage of its membership in BCIM (Bangladesh-China-India-Myanmar Forum for Sub-regional Cooperation) and BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Co-operation). The leaders of BCIM – a forum of four nations – hope to get access to Chinese trade and investment markets. BCIM also hopes to create a cross-border corridor that would effectively establish multimodal connectivity by integrating road, rail, water and air linkages within the region. Like SAARC, BIMSTEC and BCIM emphasise similar connectivity in its various forms, i.e. road, rail, air and digital connectivity, as well as electricity corridors throughout the region. Notably, Pakistan is not a member of these two blocs. As a member of BCIM, Bangladesh can get deeper access to funds from Asian Investment and Infrastructure Bank of China for building large infrastructural facilities. Besides that, our domestic network of feeder roads is to be linked to ADB-supported cross-border road connectivity. Since Bangladesh and Thailand are members of BIMSTEC, Bangladesh will get new access to Southeast Asia because of Thailand. Interregional cooperation is likely to create an opportunity for Bangladesh to take advantage of interregional road and railway connectivity. All these imply that Bangladesh should realign its diplomatic efforts to make BIMSTEC and BCIM implement their agenda with higher priority. In addition to diplomatic efforts, Bangladesh needs to raise funds to enhance the quality of domestic road connectivity to international standards. According to an ADB study, only 4 percent of the 1,762 kilometres of domestic feeder roads in Bangladesh are of international standard. Unless these feeder road networks are improved, Bangladesh cannot reap the benefits of inter-regional cooperation. In that case, fully developed cross-border roads and railway connectivity will remain grossly underutilised. If this continues, Bangladesh will not be able to compete in regional and inter-regional markets.

Indian Prime Minister Narendra Modi indicated that India would be willing to fund large cross-border infrastructures, health facilities and communication satellites for regional development.

Perhaps through these good works India aims to increase its influence over the SAARC region to counter Chinese attempts to gain diplomatic stronghold over the bloc. Chinese has already created a strong presence in Nepal inspite of India's overpowering presence there. Besides this, China is trying to become a full member of SAARC with support from Pakistan and Sri Lanka. However, this is against the will of India. Bangladesh needs to remember that it would need India's support to maximise its benefits from BCIM and BIMSTEC.

Like the Indian Prime Minister, Bangladesh's premier also wants to see a successful BIMSTEC. She particularly refers to the huge potential of hydropower in the Himalaya basin and hydrocarbon in the Bay of Bengal. Sheikh Hasina's statement comes across as an expectation of realising the potential of huge water resources in the extended Bay of Bengal area that Bangladesh has recently acquired. Hasina also emphasised the need for developing infrastructures like power plants with electricity corridors throughout the BIMSTEC and SAARC regions. It is believed that a successful BIMSTEC will help Bangladesh construct a larger deep-sea port in the Bangladesh-controlled area of the Bay of Bengal and exploit gas and other resources that exist beneath the waters of Bay of Bengal.

Nepal also highlights the benefits of greater connectivity in the BIMSTEC bloc but points out the co-ordination problems between BIMSTEC and other regional blocs like SAARC and ASEAN. It refers to operational complexities in establishing interregional connectivity through FTAs. The process of establishing FTA within BIMSTEC started in 2002 but with no tangible results. Similarly, neither SAARC nor ASEAN could so far successfully implement their FTAs. In spite of this, people hope that the regional superpower, India in co-operation with other members, can make BIMSTEC succeed because Modi is a strong supporter of FTA. ADB already completed the BIMSTEC Transport Infrastructure and Logistics Study. A large amount of infrastructure needs to be developed with the help of ADB to make FTAs functional. The ADB-drafted transportation connectivity plan covers BIMSTEC and several Southeast Asian countries. For best utilisation of the ADB-proposed cross-country road transportation connectivity, cooperation of individual member countries is critical. BIMSTEC members individually must develop their own internal infrastructures, namely feeder road connectivity that forms a major part of the cross-border supply chain for FTAs. This means that inter-regional cross-border multimodal transport connectivity is not enough. Domestic infrastructures, viz. road transport networks,

railway connectivity, electricity corridors, digital connectivity, etc. that work as feeder connectivity must also be developed simultaneously along with inter-regional connectivity. Otherwise Bangladesh may lag behind.

In geopolitics, Bangladesh enjoys a unique position. It needs to be prudent in economic diplomacy to position itself in the regional and interregional blocs. With a population of 163 million, Bangladesh should assign highest priority to transforming its liability, i.e. population, into assets. This calls for improving the quality and quantity of higher education. Bangladeshi negotiators must be empowered with higher education, training and experiences. As a member of SAARC, BIMSTEC and BCIM, Bangladeshi negotiators should acquire the negotiating ability required to manoeuvre diplomatic challenges.

When the SAARC, BIMSTEC and BCIM regions will be fully developed, each member country will demand much larger space for marketers and investors these and other blocs. Cross-border direct and indirect investment will hopefully rise. There is however an unpredictable element created by political unrest followed by extra-judicial killings. Business leaders are sick of oborodh and hartal. Political unrests have gone, it seems, out of control. Many professionals and expert groups argue that unless political unrests, non-judicial killings and pervading corruption are brought to an acceptable level with the help of regional and inter-regional co-operative groups jointly, and benefits of co-operation are shared equitably and fairly by both powerful and weak countries, the fruits of co-operation will only be wishful thinking and political hype.

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