

A Study on the Cooperation Mechanism of the BCIM Economic Corridor

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Abstract—Since the authority of China and India proposed the BCIM economic cooperation in 2013, the four countries have reached a consensus on construction of economic cooperation, and they conducted a series of discussions and research. As a sub-regional economic cooperation mechanism, BCIMEC is involved in four countries. In order to ensure successfully propelling multilateral cooperation, it is crucial to focus on the construction of cooperation mechanisms, for cooperation mechanism is the foundation and guarantee for smooth and sustainable propelling of BCIMEC.

Keywords—*BCIM economic corridor; cooperation mechanism; agreement*

I. INTRODUCTION

In international multi-lateral economic cooperation, building the mechanism of cooperation is the basis for promoting the multi-lateral cooperation and the guarantee for sustained cooperation. Building the mechanism for multi-lateral cooperation is crucial for the cooperation between countries. This is because there lacks legal and institutional binding relationship between countries or regions. Therefore, in bi-lateral or multi-lateral cooperation, the cooperation will be very superficial without institutionalized method or approach to bind the different parties of cooperation.

During Chinese Premier Li Keqiang's visit to India in May, 2013, he proposed that China build the BCIM Economic Corridor jointly with India. This initiative was well-received by Myanmar and Bangladesh. After over 10 years of joint efforts, the regional cooperation of the BCIM has been elevated from the Track II 'BCIM Regional Cooperation Forum' to the Track I BCIM Economic Corridor. In December 2013 and December 2014, the four countries of Bangladesh, China, India and Myanmar convened two BCIM joint study group meetings in Cox's Bazar [1]. At the meetings, the four countries had in-depth discussion on the prospects, prioritized cooperation areas and mechanism construction of the BCIM Economic Corridor. However, after four years, the construction of the BCIM Economic Corridor is still under discussion and joint study, and there is neither a clear plan for the construction of the Economic Corridor nor a concrete construction project or early harvest actions.

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concrete construction project or early harvest actions. The reason behind this problem is that there lacks a cooperation mechanism and organization for the operation of this mechanism for the BCIM Economic Corridor which lead to the indecision in construction of the Economic Corridor [2]. Therefore, accelerating the construction of the cooperation mechanism of the BCIM Economic Corridor will serve as the basis and most important task for promoting the construction of the Economic Corridor.

II. MAIN ISSUES IN THE CONSTRUCTION OF THE COOPERATION MECHANISM FOR THE BCIM ECONOMIC CORRIDOR

Since 2013, the inter-governmental cooperation of the BCIM Economic Corridor has achieved certain results, but the cooperation mechanism for this initiative is still under construction. There are two main reasons: First, the construction of the multi-lateral cooperation mechanism is a complicated top-level design project with huge workload and calls for a supporting policy system for the comprehensive cooperation. Second, when promoting the construction of the cooperation mechanism, the countries of BCIM are under the influence of their respective domestic political environment.

A. The influence of the domestic political factors of the BCIM leads to uncoordinated development of the BCIM Economic Corridor

Bangladesh, India and Myanmar have different considerations in domestic political environment and foreign affairs, thus they also exhibit different attitudes toward the construction of the BCIM Economic Corridor.

1) The oscillating India.

Although India and China are both the initiators for the construction of the BCIM Economic Corridor, India still harbors suspension and worries for promoting it. First, the historical problems of the border disputes and Tibet issue between the two countries have affected the mutual trust and in-depth economic and trade cooperation between the two countries, esp. [3] the cooperation of the border areas. India is highly suspicious of China's intention, regarding China as the biggest threat to India. Thus, India regards all initiatives of China as actions against India. Secondly, the BCIM Economic Corridor includes the Northeast region of India

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which is an area deeply involved in the Sino-Indian border disputes, ethnic conflicts and instability. Promoting the construction of the BCIM Economic Corridor with the Northeast India as a core area inevitably causes the suspicion of the leadership of India. Third, the 'China Threat' theory also caused India's worries about the pan-Bay of Bengal geopolitics. India has always been concerned of the possibility of the BCIM Economic Corridor greatly enhancing China's influence in the Indian Ocean region. In particular, India is afraid that the construction of the BCIM Economic Corridor will pave the way for China's entry into the Indian Ocean, which will in turn weaken India's influence on and control of South Asia and the Indian Ocean region [4]. Therefore, India obviously has a very negative attitude to the construction of the BCIM Economic Corridor. At the same time, the great deficit in the bilateral trade between India and China has caused trade imbalance which India is quite concerned with.

Meanwhile, with the full-scale promotion of the Belt and Road initiative proposed by China, Indian government under Modi's leadership is also progressively promoting its regional cooperation strategies of 'Spice Route' and 'Cotton Road', in an attempt to strengthen its cooperation with South Asia and Southeast Asia as well as the Indian Ocean Rim countries, and to solidify and enhance India's influence in and control of this region.

2) *The Actively-engaging Bangladesh.*

At the 35th Anniversary of establishing diplomatic relation between China and Bangladesh, the leaders of both countries successfully completed mutual visits and declared that a closer comprehensive cooperation partnership will be established and developed between the two countries. China and Bangladesh have very good basis in bilateral relations and trade and economic cooperation. In 2014, the bilateral trade volume was USD 12.574 billion which was a 21.98% increase YOY with the export volume from China reaching USD 11.785 billion and import volume reaching USD 762 million. Bangladesh is China's third largest trade partner in South Asia, and China is Bangladesh's top trade partner. Chinese corporations are investing in Bangladesh and conducting a large number of projects [5]. Under huge pressure from its own economic development, Bangladesh is eager to take the opportunity of the construction of the BCIM Economic Corridor to improve its infrastructure, upgrade its industry system, attract investment, expand trade and export, as well as enabling connectivity with its neighboring countries in order to promote economic development of the country. Therefore, Bangladesh is actively engaging in the construction of the BCIM Economic Corridor.

3) *The Balancing Myanmar.*

The economic development of Myanmar is in urgent need of external support. BCIM Economic Corridor will greatly facilitate the economic and social development of Myanmar. However, Myanmar is faced with two major issues during its political transformation, which weakened its determination in the construction of BCIM Economic Corridor.

First, the political transformation in Myanmar is faced with harsh challenge. The ruling party of Myanmar, National League of Democracy led by Aung San SuuKyi is also confronted with multiple issues in party building, military, economic development and religious conflicts. Therefore its priority is to first stabilize its basis for governance. In addition, the national reconciliation problem of Myanmar hasn't reached a resolution despite years of discussion. The continued conflicts between the government and the ethnic armed groups have seriously constrained Myanmar's goal of consolidating the country. The construction of the BCIM Economic Corridor will inevitably involve the ethnic region in North Myanmar. Before the domestic reconciliation problem is solved, the government of Myanmar will not be able to focus on promoting the construction of the Economic Corridor.

In a word, due to the different considerations in political interests demonstrated by the four countries, they have exhibited great difference in their attitude to and engagement with the construction of the BCIM Economic Corridor. India and Myanmar are comparatively more worried about the Economic Corridor. Therefore, they are more reluctant in promoting its construction.

B. *The governments of the four countries have not signed the 'Construction Agreement for the BCIM Economic Corridor'*

During Chinese Premier Li Keqiang's visit to Indian in May, 2013, Premier Li formally proposed the initiative of building the BCIM Economic Corridor. Afterwards, during the visit of Indian Prime Minister Singh in China, he also expressed positive attitude to the construction of the BCIM Economic Corridor. The initiative of the BCIM Economic Corridor was also well-received by Bangladesh and Myanmar. Then the four countries reached consensus on the construction of the BCIM Economic Corridor with each country organizing its own work group. In December, 2013, the Inter-governmental Work Group Meeting of the BCIM Economic Corridor was first held in Kunming, which signified that the cooperation mechanism of the BCIM Economic Corridor was upgraded from a dialogue between think tanks to an inter-governmental cooperation mechanism. However, it should be pointed out that so far the 'Construction Agreement for the BCIM Economic Corridor' has not been signed by the four countries. Undoubtedly, the lack of agreement among the four countries has greatly constrained the fast progress of the BCIM Economic Corridor construction. This also indicates that the decision makers of some countries have certain considerations regarding the construction of the BCIM Economic Corridor.

In order to facilitate the international cooperation of the BCIM Economic Corridor, a top-level cooperation framework and mechanism should be established first. Then, based on the clearly defined goals and objects, the specific projects will be implemented. Currently, the top-level framework, inter-governmental agreement and cooperation mechanisms for the BCIM Economic Corridor have yet to

be established. The four parties are still studying this initiative and tried to coordinate with each other.

The lack of a cooperation agreement among the four countries is a great constraint for the construction and promotion of the cooperation mechanism of the BCIM Economic Corridor, as well as the implementation of the early harvest projects. In order to promote the construction of the BCIM Economic Corridor, the four countries need to further develop their consensus, enhance the communication between senior leaders, clarify the development goals, and to urge the four countries to sign the 'Construction Agreement for the BCIM Economic Corridor', which will serve as the basis for the construction of the Economic Corridor. After the goals of the construction of the BCIM Economic Corridor are clearly defined, the early harvest projects, key construction projects and the related policies will be implemented.

C. The BCIM Economic Corridor lacks a standing organization and standing work mechanism

The four countries of the BCIM have organized their own joint study group to promote the construction of the BCIM Economic Corridor. The joint study groups engage in the planning and meetings for the construction of the BCIM Economic Corridor on behalf of their countries. Although the four countries have convened two joint study group meetings, so far the four countries have not jointly established any official organizations for the construction of the BCIM Economic Corridor. The communication channel of the four countries is only limited to the once-a-year joint study group meeting. However, this annual meeting will not be able to ensure the work involved in the promotion of the BCIM Economic Corridor including multiple policy agreements, project planning and the coordinated work among the four governments. At the same time, due to the lack of a standing organization for the construction of the BCIM Economic Corridor, the communication costs for the multi-lateral work have increased and information cannot be efficiently transferred. The four countries are not able to communicate effectively and timely on their ideas and thoughts of the construction, which also hinders the development of the BCIM Economic Corridor.

The BCIM Economic Corridor construction may borrow from the experience of the GMS cooperation mechanism which has been quite successful in the last 12 years. This mechanism was initiated and promoted by Asia Development Bank (ADB) which played a significant role in the organization and coordination of this mechanism. The cooperation of the GMS is supported by a core organization which is responsible for the coordination of the countries in the sub-region, formulation of the planning, and the facilitation of the key work tasks. By contrast, the BCIM Economic Corridor is an initiative proposed by four countries, which lacks a third-party organization to coordinate the relationship between all parties and to formulate the construction plan. Therefore, the four countries of the BCIM should jointly set up the BCIM Economic Corridor Coordination Secretariat to fully

promote the work tasks and coordinate among the four countries.

D. The construction of the BCIM Economic Corridor is still under the joint study of the four countries

Although the sub-regional cooperation mechanism of the BCIM Economic Corridor has been upgraded from Track II to Track I, its level of institutionalization has not been significantly improved. In essence, the BCIM Economic Corridor shares a lot of commonality with the previous BCIM regional cooperation forum. Currently, it is only platform for dialogue for this region, although the participants of the dialogue has transformed from think-tanks to the government.

The First Joint Study Group Meeting had in-depth discussion focusing on the prospects, priority areas of cooperation and mechanism construction of the BCIM Economic Corridor. All parties of this meeting signed the minutes of the meeting and the joint study plan for the BCIM Economic Corridor. The Second Joint Study Group Meeting discussed the country report on the BCIM Economic Corridor by the four countries which focused the cooperation plan and promotion mechanism in the areas of connectivity, energy, investment and financing, commodity and service trade, trade facilitation, sustainable development and poverty alleviation, human resource, and cultural exchanges. The outcomes of the two meetings indicate that the four-party cooperation still lingers on the research of the direction, mechanism, and policies of the BCIM Economic Corridor construction.

In a word, the priority of our work now is to ensure and maintain the continuation and stability of the sub-regional cooperation of the BCIM Economic Corridor, as well as to clarify the cooperation mechanism and framework of the BCIM Economic Corridor. As a sub-regional inter-governmental cooperation mechanism, the BCIM Economic Corridor calls for the solution of the top-level (national-level) policy and institution problems.

III. THE KEY AREAS IN THE CONSTRUCTION OF THE COOPERATION MECHANISM FOR THE BCIM ECONOMIC CORRIDOR

When promoting the sub-regional cooperation process, the cooperation mechanism is a basic guarantee. In the construction of the cooperation mechanism, a sound policy arrangement is the most important task. In the promotion of the BCIM Economic Corridor, the four countries should uphold the principles of 'joint consultation, joint construction and joint sharing'. The four countries also need to proceed to sign the inter-governmental agreement on the construction of the BCIM Economic Corridor to accelerate the signing of a series of documents on connectivity, trade investment and facilitation, as well as financial, industrial and science and technology cooperation to provide policy support for the construction of the BCIM Economic Corridor.

A. The signing of the Government Agreement on the BCIM Economic Corridor Cooperation

Since 2013 when Chinese and Indian governments proposed the construction of the BCIM Economic Corridor, the governments of the four countries have expressed their willingness to participate in the cooperation. However, the four countries have not signed any inter-governmental agreement for the construction of the BCIM Economic Corridor. Without this agreement, the work tasks of the BCIM Economic Corridor construction will be stuck in the stage of discussion and consultation without any progress. Therefore, the four countries need to sign the agreement to provide national-level support for promoting the work tasks. At the same time, the four countries should also formulate a 'BCIM Economic Corridor development plan' to clarify the areas of cooperation, focus and modes of cooperation as well as the blue print for the construction.

B. Promoting the signing of the related documents for the construction of the BCIM Economic Corridor

The main theme of the BCIM Economic Corridor construction is regional economic cooperation, which the four parties should put emphasis on. And a series of economic cooperation documents should be signed as soon as possible. These documents include: 'BCIM Cross-border Freight and Passenger Transport Facilitation Agreement', 'BCIM International Highway Transport Agreement', 'BCIM Trade Facilitation Agreement', 'BCIM Financial Cooperation Agreement', 'BCIM Connectivity Infrastructure Construction Agreement', and 'BCIM Non-traditional Security Cooperation Consensus'.

The signing of the agreements on the trade, investment, finance, industry, technology and cultural exchanges and cooperation of the BCIM Economic Corridor will provide legal support for the promotion of the construction of the BCIM Economic Corridor. It will also provide strong support for the economic development of all the countries in the sub-region. However, we must also clearly understand that building an effective sub-regional development framework cannot be done overnight. The four countries must have repeated consultation and scientific research based on the economic development conditions of the four countries and the sub-region to build a truly well-organized cooperation framework.

C. Drafting the master plan for the BCIM Economic Corridor construction

The master plan of the BCIM Economic Corridor is the action guide to the construction of the BCIM Economic Corridor. The four countries need to draft the master plan to define the goals, tasks, priority and early harvest plan for the BCIM Economic Corridor construction. Under the principles of overall planning, prioritizing, phased implementation and sharing and win-win cooperation, the four countries should take advantage of the scientific master plan to promote the construction of the market systems, connectivity, cultivation of main industries, regional value chains, as well as trade and investment facilitation. This will

also bring about the improvement of the infrastructure and social public products supply system for the four countries.

IV. MEASURES TO PROMOTE THE CONSTRUCTION OF THE COOPERATION MECHANISM FOR THE BCIM ECONOMIC CORRIDOR

The implementation of the BCIM Economic Corridor cooperation mechanism relies on sound and strong supporting measures. On the one hand, these measures will ensure the effective and timely conduction of the projects of the BCIM Economic Corridor. On the other hand, these measures will also provide timely and proper management of the new problems, new conflicts and disputes in the construction of the BCIM Economic Corridor.

A. Accelerating the capacity building for the cooperation organization of the BCIM Economic Corridor

1) Accelerating the management talent training for the BCIM Economic Corridor construction

We suggest that a BCIM Technical School be set up in Kunming by the four countries. This Technical School will be responsible for training the management talents needed in the construction of the BCIM Economic Corridor. The focus of the training will be on regional cooperation, infrastructure construction, trade and investment management, key industry development as well as tourism and cultural exchanges. The total number of trainees each will be 1500. And part of the training programs can be integrated into the international-aid training programs sponsored by the Ministry of Commerce of China.

2) Setting up the communication channels among the local governments of the sub-region of BCIM

In addition to the national-level coordination, the local governments of BCIM should also improve their communication channels. In particular, an effective and mutual relationship must be set up, e.g. cooperation platforms at the provincial, Pradesh, and municipal level (K2K). The central government of the four countries should empower the local government to enable them to coordinate for the cooperation.

3) Strengthening the communication channels between government and corporations

Corporations are the main entities of the BCIM Economic Corridor construction. Therefore, functional organizations or mechanisms need to be set up to coordinate the relationship between the government of the member states and the private sectors (corporations), which will facilitate the reaching of the consensus among different parties and the implementation of a standardized process. This will further reduce the barriers in the sub-regional trade and investment cooperation and port transportation facilitation.

B. Steamlining an effective information exchange mechanism

The transparency of information is important for the timely implementation of the policies, communication and coordination, as well as dispute control and management. In

order to ensure the transparency of information, we need to set up an effective information exchange mechanism for the Economic Corridor.

A regular official meeting mechanism for the BCIM Economic Corridor should be set up, which will have timely discussion of and improvement on the decision-making and directions of the BCIM Economic Corridor. This mechanism will also embody the open and equal features and advantages of the new regional cooperation mode of the BCIM Economic Corridor.

The standing organizations such as the BCIM Economic Corridor coordination secretariat should be set up to ensure the orderly and timely progression of the work tasks. The most convenient way is to have regular communication among the joint work groups of the four countries, based on which the BCIM Economic Corridor secretariat may then be set up.

A 'BCIM Economic Corridor website' should be built. This platform for BCIM regional cooperation information will provide detailed and thorough guidance and information for government agencies, corporations, consulting and research organizations, as well as the whole society. At the same time, the media of the four countries should strengthen their cooperation to conduct systematic media coverage for the BCIM Economic Corridor construction.

C. Setting up an adequate and sustainable financial supporting system for the BCIM Economic Corridor

A sound financial service and supporting system is an important safeguard for the smooth promotion of the BCIM Economic Corridor construction. The four countries should make efforts to promote the cooperation of their financial organizations in the investment and financing field, to open their financial market and to actively engage in the construction of the financial cooperation platform for the BCIM Economic Corridor.

1) Setting up the financing and investment platform of the BCIM Economic Corridor

The four countries should take it as a priority to cooperation with Asian Infrastructure Investment Bank (AIIB) to set up the BCIM Economic Corridor Construction Foundation. This foundation will focus the investment in the connectivity construction and trade facilitation, and it will solve the shortage of fund problem for the construction of the BCIM Economic Corridor. Based on the existing investment cooperation projects of the ADB, the four countries need to deepen their cooperation with ADB. Cooperation with the BRICS Bank should also be conducted. At the same time, the foundation may introduce the special investment fund set up by various international financial capitals to issue the BCIM investment bonds. The financial markets of the four countries should be gradually opened to facilitate the construction of the multi-channel financing system through market measures.

2) Accelerating the opening up and cooperation of the finance sector of the banks of the BCIM

The four countries need to accelerate the opening up of the regional finance to promote the central banks of the BCIM to set up financial cooperation framework and to strengthen the cooperation among the financial regulation bodies of the four countries. Under the premise of complying to the laws and regulations, when the banks of four countries set up branches and businesses in one of them, the central bank of the said country will provide support for these branches and business. The four countries will also need to support the financial organizations of the BCIM to set up branches and jointly set up the domestic currency cross-border settlement centers, foreign exchange centers, and offshore financial markets for the BCIM sub-region. A multi-lateral payment and settlement mechanism for the BCIM should also be improved to provide financial support and safeguard for the trade and investment facilitation and the implementation of the key projects.

D. Reinforcing the cooperation on the non-traditional security issues of the BCIM sub-region

Due to historical reasons, the BCIM region has very complicated social environment, rampant with a myriad of non-traditional security challenges including terrorism, religious extremism, drug trafficking, smuggling and ethnic separatism. These non-traditional security issues are major latent dangers in the construction of the BCIM Economic Corridor. The continued existence of such latent dangers is also one of the factors causing the suspicion of some of the member states of the BCIM Economic Corridor. In order to maintain the peace and stability of the region and to ensure the smooth progression of the BCIM Economic Corridor construction, the member states must set up and strengthen the cooperation and risk control for the non-traditional security issues. The four countries should sign the 'BCIM Non-traditional Security Cooperation Consensus'. And security dialogues should be held among the four countries to strength consultation on the issues related to the non-traditional security cooperation to counteract the non-traditional security threat of this region. A non-traditional security information exchange and precautionous mechanism for the BCIM as well as border meeting mechanism should also be set up.

E. Strengthen the construction of the mechanism of public good supply in the BCIM region

Generally speaking, due to the backward economic development of the four countries, the supply of the public goods for the BCIM countries is quite insufficient, which affected the survival of the people for the short term and the sustainable development of this region for the long term. As a supporting measure for the smooth promotion of the BCIM Economic Corridor construction, the public goods supply mechanism for the poverty alleviation, development aid, education and health care for the BCIM region will improve and upgrade the regional development conditions.

F. Strengthening the construction of the communication mechanism for the NGOs and civil society of the BCIM

The BCIM Economic Corridor region is featured by unique social and cultural environment. Civil diplomacy and

public diplomacy will play an important role in the promotion of the above measures. In order to improve the environment for connectivity, enhance mutual trust and benefit the people, the NGOs and civil society should be encouraged to conduct exchanges and cooperation in the areas of education, healthcare, religion, culture and social services. With the communication and exchanges on the social development issues of common concern to the BCIM countries, we may then promote the exchanges in the civil society, enhance human development, and share the outcomes of the Economic Corridor. For this purpose, we should focus on setting up the BCIM Friendship Association, strengthen education and academic exchanges of the BCIM countries, expand the cultural communication areas of the BCIM, and improve the publicity and public opinions of the BCIM Economic Corridor construction.

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