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Conceptual Framework for Linkages and Partnerships in BIMSTEC

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Introduction

The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) is a regional organization which came into being in 1997. It comprises seven member states: five from South Asia, namely, Bangladesh, Bhutan, India, Nepal, and Sri Lanka, and two from Southeast Asia, Myanmar and Thailand. BIMSTEC region is home to around 1.5 billion people, that is, nearly 22 percent of the global population with a combined gross domestic product (GDP) of US$2.7 trillion.

Member states lead different components for sectoral cooperation: Sri Lanka is the lead for science, technology, and innovation, and India for security. In 2018, BIMSTEC summit identified 14 pillars of co-operation, including agriculture, public health, poverty alleviation, and climate change, and called for co-operation toward attaining food and nutrition security in the region (Suri and Tyagi 2020). In 2021, BIMSTEC restructured its priority sectors to seven. These include-Trade, Investment and Development, Environment and Climate Change, Security, Agriculture and Food Security, People- to- People contact, Science, Technology and Innovation, Connectivity.

Trade and investment between members comprise a major component of BIMSTEC. Trade and investment are major instruments to attain a food secure world where health and nutrition are significant concerns especially after COVID-19. The share of all BIMSTEC countries in world trade is 3.81 percent and 3.69 percent in 2014 and 2015, respectively. BIMSTEC intra-regional trade was at $68.9 billion in 2016, that is, significantly lower compared to many other regional blocks (De 2020).

There are various bilateral and regional agreements supra BIMSTEC for member countries, inter alia, the South Asian Free Trade Area (SAFTA) and ASEAN Free Trade Area (AFTA). The potential from cooperation in trade and investment for BIMSTEC must be assessed considering the existing arrangements including the large emerging arrangement, that is, Regional Comprehensive Economic Partnership (RCEP). Hence, to assess how the incremental trade or investment is realized because of BIMSTEC from a trade and investment perspective, conditioned by external environment and enabling conditions is a major analytical challenge.

BIMSTEC region is also highly susceptible to the adverse impacts of climate change owing to several factors including large coastal areas, densely populated coastlines, and reliance on agriculture. Further, global warming has implications for public health in this region of very large population. BIMSTEC member countries are also comparatively vulnerable with low national health expenditure as share of GDP, particularly in Bangladesh, India, and Nepal. Food insecurity and economic hardships often force people, especially the marginalized, to states of double burdens of malnutrition due to the lack of basic micronutrients, important vitamins and minerals, and unhealthy food consumption at the same time.

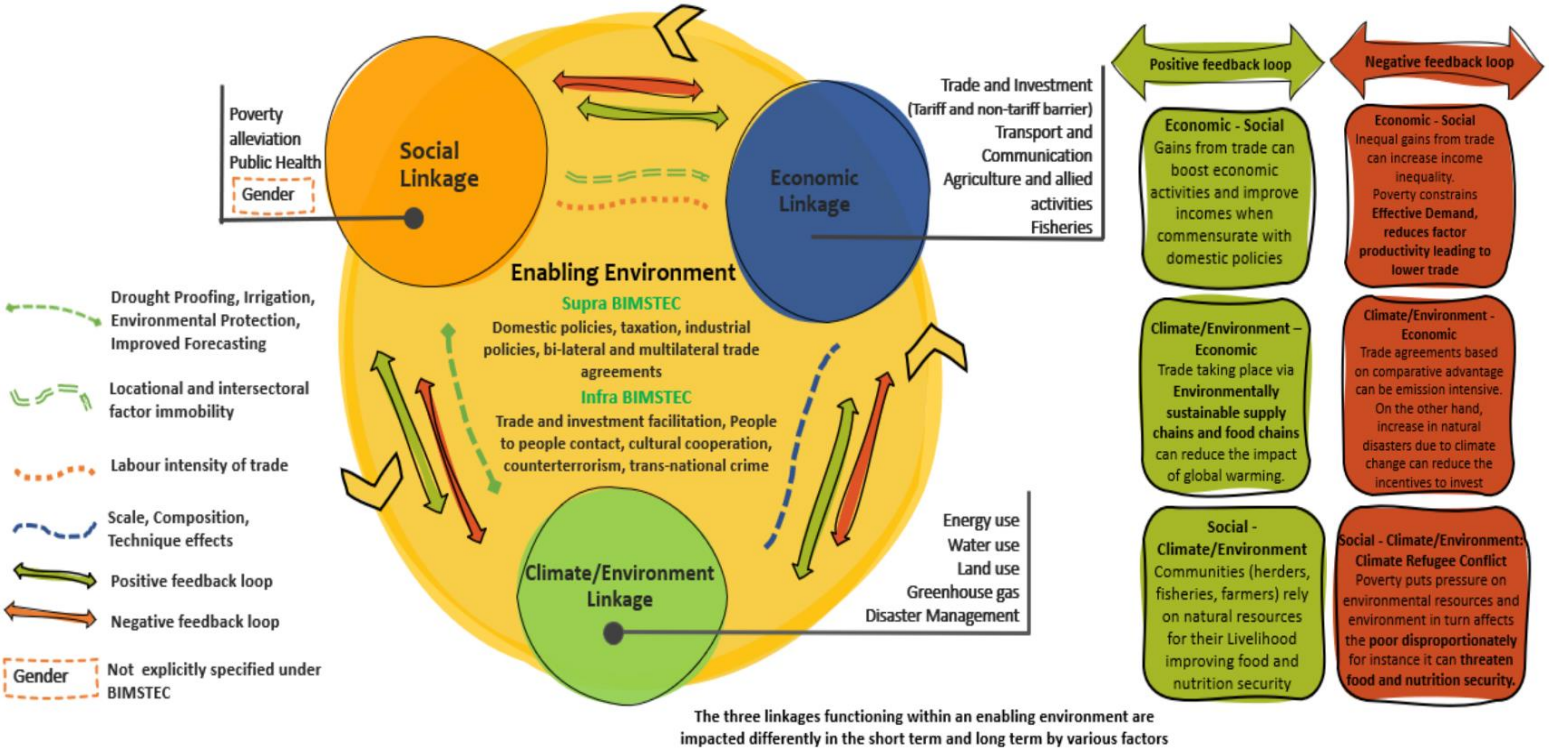
BIMSTEC, designed as a multi-sectoral arrangement for technical and economic cooperation, is uniquely placed to address these issues. Yet, it is restrained by a lack of close integration, mobility, and geostrategy. Countries adjacent to the Bay of Bengal are probably less integrated today than they were fifty years ago. The region often remains on the sidelines of key global developments despite its rising economic potential and geostrategic centrality (Xavier 2018).

Conceptual Framework: BIMSTEC design as nexus of commerce, environment, and social welfare

We developed a conceptual framework for understanding the linkages based on possibilities of cooperation across different objectives and work areas that form the core of BIMSTEC partnerships to assess the structure of cooperation including the potential outcomes in the multi-sectoral technical and economic cooperation realm.

We condensed the 14 work areas into three bidirectionally linked relationships in the fundamental areas comprising trade and investment (economic linkage), environment and planetary health (climate/environment linkage), and poverty and food security (social linkage). Each of these linkages are conditioned by an enabling environment consisting of individual country, regional, and global factors in terms of policies and institutions that determine the direction and strength of the three linkages and also actuate the outcomes. The comprehensive framework thus lays out the structure of cooperation as including the pathways to potential of outcomes in the multi-sectoral technical and economic cooperation. The rationale for an integrated approach follows from significant interdependence between economic, environmental, and social linkages that bear on the outcomes relating to goals and objectives of the BIMSTEC comprehensive partnerships.

Figure 1: Conceptual Framework for Linkages, Partnerships, and Cooperation in BIMSTEC



The three linkages functioning within an enabling environment are impacted differently in the short term and long term by various factors

Trade–investment and poverty–food security (the economic–social arm)

Trade and investment and their links with inequality and poverty have been explored widely where the evidence is mixed (Pavcnik 2017). The conceptual framework presents that while trade and investment affect the levels of income and its distribution, hence poverty, economic wellbeing, or poverty itself brings volatility and affect risk, entrepreneurship, and investment affecting the strength and direction of trade and investment flows. Levels of income and income distribution within a country affect the volumes and types of exports and imports. Inequality and poverty also affect productivity of labor and capital. Poverty related policies (for example, food subsidies) affect level and structure of trade as well. Livelihoods and coping strategies for different groups at different locations would vary and determine the impacts on poverty and food security. There are also changes in taxes and hence impact on government revenue that has effects on economic policies in general, including in area of trade and investment.

The gains from trade and investment depend on commensurate domestic policies as required for transmission of gains from trade and investment policies. Relatedly, in each country there are sectoral linkages and bottlenecks that will determine the gains. At least in the short run there will be winners and losers by sector and location that matter for inequality and poverty.

As discussed above, BIMSTEC members are part of different multilateral, bilateral, and regional arrangements. The implications of BIMSTEC need to be assessed conditional on the other arrangements. Depending on the level and type of integration, the relationship between trade and factor movements must be assessed. Any meaningful analysis of the expected or realized trade potential within BIMSTEC must consider the political economy in countries. All such factors comprise the enabling environment within which these linkages are situated, and which determines the outcomes from the working of these linkages.

Trade–investment and environment/climate change (the economic–environment arm)

Trade, investment, and resulting changes in economic activity in BIMSTEC partnership can have distinct environmental effects that can be summarized in cases of:

1. Effects on energy use
2. Effects on land use
3. Effects on water use
4. Greenhouse gas emissions—the principal global warming pollutants
5. Linkage with poverty.

Some of these costs as well as benefits are short-term, for example, changes in the rate of air and water pollution from energy use. However, benefits and costs to national and international units need to be compared with those of environmental conservation measures related to energy savings, natural resources protection, and water environment as part of BIMSTEC partnership. Depending on the nature of production–energy supply and other natural resources, waste and effluents would determine the quality of air and water.

Both supply and demand side investments in energy and environment in BIMSTEC are affected by trade and investment. Moreover, environmental provisions can affect expected profitability and in turn affect trade and investment. To mitigate the environment and climate effects, there would be a need for investment in energy efficiency for which output, and input prices will play a critical role. Without comparatively stable and sufficiently high prices, there can be delay in the deployment of more efficient technology and equipment.

There are dynamic effects possible as well where investment in research, development, and commercialization of more energy-efficient models would determine the outcomes. On one side, trade and investment can alter land use patterns where there could be pressure to clear forests for production. As economic activity is driven by trade and investment, effluent treatment plans need to be in place. Inaction on key environmental challenges, such as climate change, could lead to severe economic consequences in the future for BIMSTEC countries (the bidirectional linkage).

Trade and investment as well as environment and climate change factors are bidirectionally interrelated with changes and policy measures in one domain affecting outcomes in another domain. Moreover, trade and investment as well as environmental and climate change effects have significant bearing on household welfare reflected in poverty and food security effects. Trade and trade policy have an important role to play to make healthy food available and create demand for different types of food. This, however, depends on the extent to which trade and trade policy internalizes the linkage with nutritional outcomes or healthy diets, and may end up contributing to different forms of malnutrition. Foreign direct investment has been shown to be a driver in the growth of sugar-sweetened beverage consumption that has contributed to the global prevalence of overweight and obesity.

Finally, poverty and food security itself affects trade and investment as well as environment and climate change related events and policies. Climate change affects all four dimensions of food security: food availability, food accessibility, food utilization, and food systems stability (Suri and Tyagi 2020).

Climate change, environment, and poverty–food security (the environment–social arm)

Climate policies are required to remove the long-term threat from climate change but need not threaten progress on poverty reduction. Hence, like other arms of the linkages, the relationship is bidirectional. Poverty puts pressure on the environment and environment in turn affects the poor disproportionately. Climate risks, particularly deforestation in one country, can cause water shortages and affect poor the most. Similarly, chemical contamination of rivers, seas, and oceans can cause transboundary effects on

marine and other fish. Pollution can cause acid rain that can affect food chain over large areas. In addition, global warming can cause diseases like malaria that affect the poor more.

Agriculture in social linkages has been included in our schematic. Soil erosion and deforestation leading to declining crop yields and damages from floods and other natural disasters affect poor farmers in a greater way. In BIMSTEC partnership arrangement, there is a definite basis for cooperation on drought proofing, irrigation, and environmental protection. Improved forecasting options and an advanced warning system that have already been set up in BIMSTEC are a particularly important part of partnership in BIMSTEC, addressing the environmental–social arm of the linkages.

Risks of hunger, conflict, and poverty increases if livelihoods are struck. Environmental policies, particularly related to emissions, could affect food prices and availability with implications for food security. The poor rely more on agriculture and natural resources (herders, fisheries, and smallholder farmers) where shifting weather and limited water sources lead to increased competition and increased competition for resources. There is a definite need for integrating adaptation responses not only into development planning but also in international arrangements like BIMSTEC focusing on both mitigation and adoption. Carbon pricing or environmental taxes can be used for poverty reduction. There could be Green regulatory coherence and convergence akin to the European Green Deal, and the environmental concerns could become trade and investment enablers in agriculture as well as other sectors. There can be cooperation on better observation systems, early warning, and evacuation planning.

Climate change, leading to higher frequency of natural disasters, results in asset destruction and minimizes the incentives to invest. The poor in the labor market suffer also from opportunity effects where the list of available activities shrinks and there are productivity losses as well. These policy packages must be designed in a way that does not threaten the objective of eradicating poverty by 2030. This can be done in three complementary ways: (i) building on no-regret options and co-benefits; (ii) protecting the poor and vulnerable populations against potential adverse consequences of emissions-reduction options; and (iii) using support from the international community to offset possible trade-offs between poverty reduction and climate change mitigation in the poorest countries (Hallegatte, Fay, and Barbier 2018). Climate shocks and its health effects can further lead to intergenerational transfer of poverty. Healthcare costs are generally regressive and have large impacts on poor households. Climate change magnifies threats to health, especially for poor people.

Integrated agenda: Pathways and Channels to explore

IFPRI with its partners will create a learning hub to facilitate strategic partnership across the three working groups at an operational level, that is, develop a mechanism for trilateral working to generate empirical evidence across the three working groups of trade and investment, climate change, and poverty reduction. An integrated approach is required in response to the diverse and interconnected economic, social, and environmental linkages. Apart from the interlinkages, it is also important that countries learn from each other's successes, and sustainable food systems are in place to deliver on socially desirable outcomes. As per the definition, a sustainable food system delivers food security and nutrition for all in such a way that the economic, social, and environmental bases to generate food security and nutrition for future generations are not compromised.

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