

# ISAS Brief

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## **BCIM Corridor: Brightening Prospects of India's Economic Engagement in South and Southeast Asia**

*This paper focuses on the Bangladesh-China-India-Myanmar (BCIM) corridor as a crucial means to improving India's trade prospects and developing its North East. Highlighting the commodities most-traded between India and the BCM countries, it makes a case for tapping the sectors of tourism, hospitality and local handicraft. The corridor may also help in tackling India's urbanisation challenges.*

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India's economic and political interests in dealing with East Asia have increased over time. The "Act East" policy is intended to serve India's interest in the Asian region both on the strategic and economic fronts. Several initiatives are currently underway with a view to facilitate the Asian integration in general; a vital link between India and Myanmar by roadways could help further India's interests. The India-Myanmar-Thailand Trilateral Highway, Mekong-India Economic Corridor, Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), Bangladesh-China-India-Myanmar (BCIM) Corridor etc. are a few examples. The BCIM project, in particular, can help improve

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linkages between India and the wider Asian region not only through links with the countries mentioned but also the possibility of greater links with countries in the Association of Southeast Asian Nations (ASEAN).

The data on India's trade show increasing shares with East and Southeast Asia over the last two decades. As international commerce gets redefined in terms of trade in parts and components and trade in value-chains, India's role in the trading system as a relatively low-key participant in the trade in value-chains has come into sharp focus. In order to improve India's competitiveness in trade with the East and Southeast Asian regions, the BCIM corridor connecting India, Myanmar, China and Bangladesh is crucial. The transnational corridor was conceptualised in 1998, as part of a Track-2 dialogue, to promote freer flow of goods and also as a means to attract foreign investment into the region. The road will be linking the cities of Kolkata (India), Dhaka (Bangladesh), Mandalay (Myanmar) and Kunming (China), thereby building a road of approximately 2,800 km. The Kolkata to Kunming (K2K) Highway plan was unveiled at the 10<sup>th</sup> BCIM forum meeting in Kolkata in 2012. The route as unveiled flows through Kolkata, Dhaka, Imphal, Mandalay, Lashio, Muse and Kunming.

There are two obvious benefits that the region might gain after the construction of the corridor. First, trade costs between the nations may be reduced significantly. Second, this would add crucial infrastructure to the North Eastern region of India, augmenting its connectivity with the rest of the world and acting as a catalyst of faster economic development of the region. Till date, the concerns about building this road network have revolved around the security aspects of ethnic insurgency, terrorism, cross-border human trafficking in through India's North East.

On the economic front, the recent statistics of trade between India and Bangladesh, China and Myanmar show India's trade volume to be of the order of US\$ 79.2bn as of 2015. The share of India's trade with these countries, as a percentage of trade with the entire world, is 12%.<sup>2</sup> India's most-traded goods with the BCM countries in 2015 have been cotton, copper and articles thereof; electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories

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<sup>2</sup> Figures calculated by the author using United Nations Comtrade statistics

of such articles; organic chemicals; nuclear reactors, boilers, machinery and mechanical appliances and parts thereof; mineral fuels, mineral oils and products of their distillation, bituminous substances, mineral waxes; and fertilisers.<sup>3</sup>

The building of the BCIM corridor would bring down costs on the transit of these commodities. While some parts of the route already have road infrastructure, building all-weather roads is underway; the Kolkata-Kunming car rally in February 2013 brought renewed focus on the usage of roadways for transport.<sup>4</sup> In most cases of international trade, sea freight is the cheapest. However an “inter-modal” method of transit i.e. a mix of sea- and land-transport is often more economical for transporting cargo.<sup>5</sup> Such advantages are more for countries with limited port infrastructure and greater land masses. India’s North East would thus benefit from the BCIM corridor because of lower trade costs.

The effectiveness of economic corridors in addressing development challenges may be diverse. Linking major urban centres, these corridors promote cluster-wise development across key nodes along the way. Such clusters lead to greater agglomeration and help a crucial aspect of urban planning in India. With relatively few big cities, India continuously deals with the problem of rural-urban migration; such small clusters would arrest the degrees of migration and further development along the way. This would also reduce pressures on the existing big cities. Looking specifically at the North East of India, this BCIM road would also add to the prospective tourism benefits of the region. The tourism and hospitality industry is one in which the region has contributed significant human capital. Greater prospects for this industry would emerge as the corridor opens up business and trade opportunities. In addition to this, traditional local industries like handicrafts, sericulture would gain due to an easier access to foreign markets.

In effect, the BCIM corridor would have multiple developmental effects on India. While at one end trade costs of commodities which form the bulk of trade basket for India with the Asian region would be reduced; the North Eastern region would benefit from better connectivity and greater prospects in the tourism and hospitality sectors which would result

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<sup>3</sup> All sectors identified by the author are based on the 2015 trade statistics published by the United Nations Comtrade (UNCOMTRADE) database by using HS2012 commodity classification of traded commodities.

<sup>4</sup> See <http://www.bcimcarrally.com/>

<sup>5</sup> Inter-modal freight transportation refers to shipments using more than one mode of transportation i.e. sea and air or sea and road etc.

from the overall business opportunities. Greater prospects for local handicrafts and traditional industries like silk would benefit most sections of the local society. However, greater connectivity would also expose India to certain security threats which it would need to address adequately.

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