

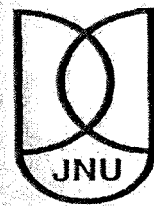
**‘BANGLADESH-CHINA-INDIA-MYANMAR’
SUB-REGIONAL COOPERATION, 1999-2009**

Dissertation submitted to Jawaharlal Nehru University

for award of the degree of

MASTER OF PHILOSOPHY

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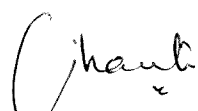
I declare that the dissertation entitled “‘BANGLADESH-CHINA-INDIA-MYANMAR’ SUB-REGIONAL COOPERATION’, 1999-2009” submitted by me for the award of the degree of **Master of Philosophy** of Jawaharlal Nehru University is my own work. The dissertation has not been submitted for any other degree of this University or any other university.


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for

my Grandfather,

Shri Abanindranath Thakur

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Whatever discrepancies that have arisen in my research are due to my own failings, of which I take full responsibility.

ABBREVIATIONS

ADB	Asian Development Bank
AFTA	ASEAN Free Trade Area
AIDS	Acquired Immunodeficiency Syndrome
ASEAN	Association of Southeast Asian Nations
BCIM	Bangladesh-China-India-Myanmar
BIMSTEC	Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation
CBM	Confidence Building Measure
CBTA	Cross-Border Transport Agreement
CCP	Chinese Communist Party
CCPCC	Chinese People's Political Consultative Conference
CCPIT	China Council for Promotion of International Trade
CEPT	Common Effective Preferential Tariff
CEPT IL	Common Effective Preferential Tariff Inclusion List
CII	Confederation of Indian Industry
CITM	China International Travel Mart
CNP	Comprehensive National Power
GDP	Gross Domestic Product
GoI	Government of India
GMS	Greater Mekong Subregion
GMS-BF	GMS Business Forum
HIV	Human Immunodeficiency Virus
ICS	Institute of Chinese Studies
ICT	Information and Communications Technology
IMF	International Monetary Fund

K2K	Kunming to Kolkata
KLA	Kachin Liberation Army
LEP	Look East Policy
MFA	Ministry of Foreign Affairs of the PRC
MFN	Most Favoured Nation
Mofcom	Ministry of Commerce of the PRC
NEI	North-East India
PAH	Pan-Asian Highway
PRC	People's Republic of China
ROI	Republic of India
RMB	Renminbi
S & T	Science and Technology
SAARC	South Asian Association for Regional Cooperation
SBI	State Bank of India
SCO	Shanghai Cooperation Organisation
SEZ	Special Economic Zone
SIJORI	Singapore Johor Riau
SWC	South-West China
TAR	Trans-Asian Railway
US	United States
USSR	Union of Soviet Socialist Republics
WDP	Western Development Program
YASS	Yunnan Academy of Social Sciences
YDRC	Yunnan Development Research Centre

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Chapter One

Introduction

“International cooperation takes place when the policies actually followed by one government are regarded by its partners as facilitating realisation of their own objectives, as a result of a process of policy coordination”

--- Robert Keohane (1984: 51-52)

“But the fundamental challenge of the process definition of cooperation is that outcomes are not the only way to judge the value of cooperation—efforts to reach new understandings can be just as critical in changing the nature of regional relations”

--- D.D. Kaye (2001: 8)

Introduction:

Regional cooperation, as a concept for nation-states to work together towards common goals for mutual benefits, has been in prominence ever since the end of the Second World War in 1945. The Realist paradigm views the world in a state of endemic warfare, where the principal actors, the states, are driven by their lust for power, in their battle for survival. Even the neo-realists, led by Kenneth Waltz (1979), argue that the world exists in a state of perpetual anarchy, where the states are driven by their ‘national security’ interests to preserve their identity and that interdependence can only lead to war and not lasting peace¹. It is in this context, that Robert Keohane and Joseph Nye (1977) provide a critique of this model. Instead, they try to analyse the politics of interdependence in the contemporary world, especially when economic interdependence is extensive. They define interdependence as the mutual dependence among the different state and non-state

¹ This is because human nature remains the same all over, and, therefore, provides no significant change at the structural level. Anarchy is what dominates international politics, and attempts at cooperation through interdependence can only be temporary arrangements. Sooner, or later, states would compete for Darwinian reasons, to further their interests in world politics, and conflicts would ensue.

actors, in world politics, with 'reciprocity'² being a very important element. Cooperation 'requires some form of subordination of the participant's sovereignty to the collective interest'. It basically looks at achieving goals through mutual action between associates with a 'voluntary coordination of policy' (Estevadeordal and Devlin, 2005), where the costs of attaining them through unilateral action are high. To take a step further, Dalia Dassa Kaye (2001) defines cooperation as a process of working together in an effort to achieve common understandings, where the actors commonly perceive the value of a cooperative endeavour and the substantive problems on the negotiating agenda.

In international relations, multilateral cooperative frameworks have gained momentum after the break-up of the Soviet Union in 1991. In the preceding period, the most notable and longest surviving examples of such endeavour have been the United Nations (1945), the North Atlantic Treaty Organisation (1949), the European Economic Community (1957) and the Association of Southeast Asian Nations (1967). They have realised to a reasonably successful degree in achieving their goals of common security and economic development. Since the 1990s, a number of institutions have emerged, in Asia, on the basis of sub-regional cooperation- Bangladesh, China, India and Myanmar (BCIM, 1999); Tumen River Area Development Project (TRADP, 1991); Greater Mekong Subregion (GMS, 1992); South Asia Sub-regional Economic Cooperation (SASEC, 2000); Mekong Ganga Cooperation (MGC, 2000) etc. The issues of concern are tourism, culture, education, transportation, rapid economic development, social progress, investments etc. China has been striving relentlessly in developing its outlying areas, and hence, participated in multilateral groupings to not only achieve its goals through cooperation, but also increase its influence over its peripheral areas. The Chinese perspective on multilateralism is derived from its indigenous IR theories. While the *liangge zhenying* ('Two camps' theory with respect to the US and the USSR) and *fandui di xiu fan* ('opposing imperialism, revisionism, and reactionaries') of the 1950s and 1960s out rightly rejected nominal multilateralism, the *sange shijie* ('Three Worlds' theory enunciated first by Lin Biao in 1966, in an article titled "Long Live the People's War") of the 1970s allowed for selective and symbolic involvement in international organisations, particularly the UN, where the Third

² Reciprocity involves some amount of give and take between actors, where mutual cooperation can lead to a win-win situation for all parties involved.

World countries were in the majority and were assertively pursuing their interests. Qualitative multilateralism was not under the ambit of these theories. It was only in the 1980s, under the framework of *heping yu fazhan* ('peace and development') that the Chinese scholars and policy analysts began to treat multilateralism as a legitimate subject of study. This particular IR theory resulted in a shift in China's foreign policy to strategic non-alignment and active participation in the international economy. China has been increasingly trying to integrate itself with the rest of the world. It knows that its place lies in this world itself and cannot lead the life in a hermit's shelter. Following its grand strategy of achieving great power status comprehensively through the policy of *heping yu fazhan*, and rising economic interdependence (including, with the US) the Chinese government has embraced multilateralism as one of the components in its formulation of foreign policy for strengthening the country's comprehensive national power.

BCIM and Sino-Indian Cooperation:

The main focus of this work is on the land-locked and lesser developed provinces of South-West China and the North-Eastern states of India. The intention is to give precedence to cooperation over conflict, which has characterised relations between the People's Republic of China (PRC) and the Republic of India (ROI) since mid-twentieth century onwards. The timeline has been confined to '1999-2009' because this study deals with the BCIM (Bangladesh-China-India-Myanmar) or Kunming Initiative, which began in 1999. Moreover, its scope could not be enlarged further owing to the sheer paucity of time necessary for research. The Kunming Initiative (BCIM now) is a track-II diplomatic process which came into being in the first international conference on 'Regional Economic Cooperation and Development' among the BCIM countries. It was jointly organised by the Yunnan Academy of Social Sciences and the Yunnan Provincial Research Centre for Economy and Technology, from 14th-17th August 1999, in Kunming, the capital of the Yunnan province of China. A preliminary meeting in the direction of BCIM was held on 19-20 November 1998, at New Delhi. It was titled "Conference on Regional Development in India and China" and jointly organised by the Ministry of External Affairs, Government of India (GoI), and the Institute of Chinese Studies (ICS), New Delhi. The participants concentrated upon the existing complementarities within the

region and discussed ways to address the development needs through greater cooperation among themselves. The main objective has been on strengthening regional economic cooperation and cultural exchange among the contiguous regions of South-West China, East/North-East India, Bangladesh and Myanmar. The total BCIM area comprises of 1.483 million square kilometres (of which North-East India amounts to 255,000 square kilometres, and 394,000 square kilometres belongs to Yunnan province of China), and home to 400 million people, along with huge amounts of natural resources. This area, aligned with the southern Silk Route, geographically formed an economic entity since the seventh century A.D. Having been the two most important stakeholders in this region, China and India can turn their hinterlands into prosperous zones through mutual cooperation. Therefore, this work makes an attempt to explore possibilities for sub-regional cooperation between South-West China and North-East India through a theoretical framework and also ways for reducing tension between the two.

The end of the Cold War, following the breakup of the Soviet Union in 1991, has ushered in a new era in international politics. This momentous event marked the end of bipolarity and the prevalence of unipolarity in global politics. However, the onslaught of globalisation has led to revolutionary changes in the information and communication technology (ICT) sector, transportation networks, trade and investment, military technology, cultural and socio-political sectors. In the economic sphere, it has resulted in the reduction and removal of barriers national borders in order to facilitate the flow of goods, capital, services and labour. The term globalisation is often used to refer to economic globalisation which means the integration of national economies into the international economy, through trade foreign direct investment, capital inflows, migration and the proliferation of technology. While economic globalisation is not a new phenomenon, it has begun to occur at an increased rate since the 1970s and has largely been accounted by the integration of the less developing economies with the developed ones by means of FDI, reduction of trade barriers and economic modernisation. There has been a gradual shift in the balance of power relations to the Asian theatre due to globalisation in the twenty-first century. Increased levels of economic interdependence and domestic demand have necessitated a search for raw materials

and markets, which have stirred up economic growth and development. The foremost players in this field today are the PRC and the ROI.

Covering one-sixth of the world's total geographical area and home to one-fourth of its total population, these two booming economies are emerging giants and the likely stakeholders in the emerging multipolar world order. With the sheer size of their geographical area and population, both are concentrating on building their economies and delivering the fruits of sustainable development to their people. There has been a concerted attempt within the corridors of power, of both the countries, to integrate their lesser developed frontier areas with the mainstream and, in the long run, strengthen their comprehensive national power (CNP). North-East India (NEI) and South-West China (SWC) are resource-rich, but economically underdeveloped, regions. Through the Western Development Programme (WDP) and the Look East Policy (LEP), China and India, since the 1990s, have tried to connect these areas with the extended regional economy with an aim to, not only, optimally utilise their natural resources for generating income and promoting development, but also, to secure the benefits accruing from intraregional and interregional cooperation on a long-term basis.

China's promotion of sub-regional cooperation has been an integral part of its broad policy of developing its western hinterland. The physical integration of this region with the industrially developed eastern coastal region is necessary for the supply of important raw materials to these areas. Covering 56 percent of China's total geographical area and home to nearly 300 million people, as well as 80 percent of her minorities, the western region holds 85 percent of the country's most valuable mineral reserves. But locational disadvantages contributed to their underdevelopment. In 1989, a national conference of the heads of the National Affairs Commission outlined an open door policy for this region, which aimed at turning these far-off areas away from markets into frontier areas contiguous to an international market. Moreover, China's Foreign Trade Law of 1994 gave the state ample ground to facilitate border trade with surrounding regions. Moreover, China's New Security Concept, which revolves around the values of mutual accommodation and cooperative security, intends not only to make its border areas lucrative for trade, but also to reorient its image as a responsible and mature power. China's main concerns in this area are, besides physical connectivity, are ensuring energy security

for the country; having an easy access to the Indian Ocean, so as to reduce travel time and costs and have more security for goods and services, than the usual route around the Straits of Malacca; and evolve interdependent relationship with its neighbours to reduce tension and promote cooperation in the light of the still unresolved border dispute with India.

Name/Cate gory	Geographical Area (in square kilometres)	Population (in billions)	Gross Domestic Product (nominal terms, in trillion US\$)	Forex Reserves (in billion US\$)	Defe nce Bud get (in billi on US\$)
China	9,640,821	1.33 (2007 estimates)	4.33 (2008 estimates)	2400	70.3
India	3,287,240	1.147 (2008 estimates)	1.243 (2009 estimates)	278.714	32.7
Myanmar	676,578	0.05 (2009 estimates)	0.026 (2008 estimates)	3.6	0.00 05
Bangladesh	147,570	0.16 (2009 estimates)	0.084 (2008 estimates)	10	1

Table 1.1: Table showing latest empirical data about the BCIM countries³.

In 1999, South-West China was home to 29 percent of the country's population, yet accounted for only 16 percent of the national gross domestic product (GDP).

³ Source: The data for this table has been collected from numerous sources through the internet.

Similarly, in 2001, North-East India contributed to only 10 percent of the national GDP in spite of having 12 percent of India's total area. Their strategic location, untapped natural energy, vast reserves of natural resources, huge potential for tourism, and a market of 400 million people serve as the combined advantages for the promotion of sub-regional cooperation between NE India and SW China.

The above figures demonstrate the huge gaps existing between China and India, on the one hand, and Myanmar and Bangladesh, on the other, with respect to the state of their economies and their respective capacities to foster economic growth and development within their domestic spheres. China and India have managed to weather the Global Financial Crisis with impressive growth rates (between 6-9 percent in comparison to the developed nations of the West, which have experienced either negative or retarded growth rates. But Bangladesh and Myanmar are impoverished economically, in spite of the presence of huge reserves of natural resources. Within the ambit of the BCIM framework, the pursuance of liberal policies by governments towards fostering cooperation and improvement of domestic infrastructure can go a long way in creating an atmosphere of peace and stability in the region, along with achieving the goal of improving the living standards of the people of the region. To realise these goals, China and India, being the frontrunners, have bigger stakes and responsibilities.

It seems, therefore, that the governments of both the countries, guarded in their approach, are more than willing to engage each other on a constructive basis. Cooperation and competition would go together in the formulation of this important bilateral relationship. Yet insofar as the BCIM process is concerned, unlike the Brazil-Russia-India-China (BRIC) and the Brazil-South Africa-India-China (BASIC) Track One processes, has not moved ahead towards an institutionalised set-up in spite of having eight rounds of talks from 1999 to 2009. India needs to shed its post-1962 apprehensions of a Chinese untrustworthiness, as well as learn from the latter's experience of promoting growth and development and, thereby, reducing political instability in its border areas through the medium of devolving greater autonomy to its provinces for engaging with the neighbouring countries in matters of transport, trade, tourism and development. Constructive cooperative engagements should be furthered between nations keeping an eye on long-term goals. Short-term

setbacks should not be an excuse to suspend or dismantle such projects. The aim has to be on the proper mobilisation of resources, their equitable distribution and optimal utilisation to ensure common prosperity in the BCIM sub-region.

Existing Literature:

The existing literature on Sino-Indian sub-regional cooperation through the BCIM process is moderate in nature. Though some books have been written in Mandarin by Chinese scholars, most literature in English language exist in the form of scholarly and newspaper articles and government reports. So far as the theories of regional cooperation are concerned, a sizeable number of material have been sought to be consulted in this work. The focus of this study is mainly on exploring potentialities for enhancing cooperation, reducing mutual animosities and avoiding conflict between the PRC and the ROI. The literature review for this work has been divided into four broad themes:

1. Theoretical Perspectives on Regional Cooperation.
2. Chinese perspectives.
3. Perspectives on BCIM cooperation from Non-Chinese Scholars.
4. The China-wary scholars.

Theoretical Perspectives on Regional Cooperation

Amitav Acharya and Alastair Iain Johnston (2007) have compiled a collection of essays by experts, from across the globe, analysing the increasing prominence of regional institutions in the world today. They try to make a comparative study of regionalism and institution-building across the world. Attempts have been made to show the shift from the Euro-centric model of regionalism into more indigenous ones, such as the “ASEAN Way”, which was presented by some Asian leaders as a culturally-rooted notion, focusing on organizational minimalism, the avoidance of legalism, and an emphasis on consultations and consensus decision-making. Due of

the longevity of ASEAN and its role in regional conflict management, such a claim could not be ignored but demanded serious attention. Issues such as Track II diplomacy and micro-processes (e.g. persuasion, social influence, material incentives etc.) are also dealt with for determining the outcomes of interactions between states for the realisation of the stated objectives.

Robert Keohane and Joseph Nye (1977) critique the traditional realist interpretation of international politics as being on a perennial 'state of war'. They try to analyse the politics of interdependence in the contemporary world, especially when economic interdependence is extensive. They define interdependence as the mutual dependence among the different state and non-state actors, in world politics, with 'reciprocity' being a very important element. Interdependence involves 'multiple channels of contact', 'the non-use of force by governments towards others within the same region, or issues', and 'the absence of a hierarchy among issues'. Such complex interdependence ensures a greater probability in the de-escalation of tensions and conflict, and promotion of cooperation. Continuing with this line of thought, Robert Keohane (1984) tries to show in what ways cooperation can be organised in the world political economy when common interests persist. He emphasises that cooperation should be seen more as a process that involves the use of discord to stimulate mutual adjustment.

Muthiah Alagappa (1995), too, concentrates upon the benefits of cooperation in international politics and specifically deals with the issue of *regionalism*. He defines regionalism as cooperation among governments or non government organizations in three or more geographically proximate and inter dependent countries for the pursuit of mutual gain in one or more issue-areas. He says that cooperation is 'goal-directed behaviour' and such cooperation is motivated chiefly by national self-interest.

Thomas Pederson (2002) comes up with his concept of *Cooperative Hegemony* in an attempt to explain how major powers can deal with a balance-of-threat perception in a region. He argues that major states may advance their interests through non-coercive means by applying a strategy of co-operative hegemony, which implies an active role in regional institutionalisation and the use of, for instance, side payments, power-sharing and differentiation. He looks at why a big state should initiate institutionalisation with its neighbours, when doing so might constrain its freedom of

action. To explain this, he uses the theory of ideational-realism which centres on the proposition that major states which are militarily weak or weakened may seek to maximise or stabilise their influence through non coercive means by pursuing a strategy of co-operative hegemony within a multi lateral structure.

Edward Friedman and Sung Chull Kim (2006) try to identify the sources of regional cooperation and contention from a multi-layered perspective, which examines domestic politics and transnational non-governmental alliances as well as inter-state relations.

Dalia Dassa Kaye (2001) questions the very basis of the traditional understanding of cooperation as a process. She feels that most IR literature does not problematise cooperation but rather accepts cooperation as an outcome based on mutual interests, which leads to policy adjustment among international actors. She finds in Robert O. Keohane the foremost proponent of this view of international cooperation. Keohane applied his theory mainly on economic cooperation among the major industrial powers of the world. Concurrently, it also meant that cooperation scarcely took place among the lesser developed regions of the world. Kaye defines cooperation as a process of working together in an effort to achieve common understandings. She uses the term “common understandings” in a more limited sense, namely when the actors commonly perceive the value of a cooperative endeavour and the substantive problems on the negotiating agenda. Cooperation does not entail complete success or preclude outright failure. What determines the levels of success is the extent to which participants reach common understandings of problems on the agenda.

Chinese Perspectives

The Chinese views have been favourable towards sub-regional cooperation between China and India. A major factor behind this is the need for easy access to markets and sea lanes of communication through the Indian Ocean for the economic development of the hinterland provinces like Sichuan, Yunnan, Tibet etc. of South-West China. These views are elaborated as follows.

Rongxing Guo (2005) discusses the management of natural and environmental resources in cross-border areas. He tries to explore a group of geographical, political, legal, cultural and natural resources efficiently and equitably, while

minimising the resultant damages. He defines a cross-border area as a geographical system governed by political rules and divided by two or more man-made boundaries. Rational exploitation and utilization of natural and environmental resources is more difficult in cross-border areas than in areas under the jurisdiction of a single authority. Yet he explores ways for overcoming such problems.

Fu Xiaoqiang (2000), in his study, makes a significant statement. He firmly opposes the subservience of bilateral trade to unfavourable political conditions. He calls for joint efforts to expand economic cooperation in all fields, and the acceleration in the development of trade and economic linkages between China and India.

Ma Jiali (2000) elaborates the prospects as well as the constraints in Sino-Indian relations, and expresses hope that both the countries can overcome differences to strengthen cooperation and establish a new international political and economic order.

Wang Hongyu (1995), while summarising Sino-Indian relations the second half of the twentieth century, contends that there are multiple issues of convergence between the two countries, in spite of existing problems related to border disputes, nuclear proliferation, Indian support for the Dalai Lama etc. He continues that China, by following an independent and peaceful foreign policy, attaches particular importance to developing good-neighbour relations with peripheral countries. As long as India overcomes its negative attitude towards China and follows a more active China Policy, their relations are sure to progress rapidly. Such friendship is congruent to the fundamental interests of the two peoples.

Che Zimin (1998) contends that the area covering North-East India, South-West China, Bangladesh and Myanmar forms a "Sub-regional Cooperation Zone", which lies at the centre of the three markets of China, South-East Asia and South Asia, as well as serves as the bridge and link for mutual radiation, permeation and exchange of the three markets. This zone, he emphasises, can closely link the two major markets of China and India, and even those in the whole of Asia, and thereby accelerate the economic integration of Asia so as to promote the speedy economic development of Asia and the world.

Ren Jia (2000) while dwelling upon the regional economic and trade cooperation among the BCIM countries, observed that the trade volume between these countries was too small in comparison to the actual potential. Instead of being immersed in the 'complementaries versus competition debate', she proposed that trade cooperation

between the BCIM countries should be developed in the four levels of commodity trade, inner-industry trade, border and trans-border trade and service trade. For this, he further suggested the setting up of economic and trade working group, a trade passageway, economic and trade promotion association (ETPA), and the holding of the International Commodity Fair annually, with enterprises from Bangladesh, India and Myanmar invited to participate in Kunming Exports Commodity Fair.

He Shengda (2000) emphasised on the construction of a transportation network among the BCIM countries, the development of a multilateral trade system based on bilateral border trade, the optimal use of resources and tourism cooperation, and conducting further studies on the issues of regional economic cooperation.

Zhou Zhao (2000) discusses how the industrial development of biological resources can be shaped into a major industry in the BCIM region, since the area is rich in biodiversity, with Yunnan being a treasure-trove of 18000 plant species alone. In order to facilitate this, there is also the need for improving communication passages for supporting industrial development.

Yao Xiaohui (2000) looks upon the prevalence of transnational crimes within the BCIM region and explores measures on cooperation for crime prevention. It is necessary to establish mechanisms for prevention of such crimes as drug peddling, arms smuggling, money laundering etc. so as to safeguard the national interests of each country. Otherwise, regional economic cooperation can get hampered.

Shi Haibo (2004) looks upon how the aviation sector can be utilised properly for fostering economic cooperation among the BCIM countries. He takes the example of China Eastern Yunnan Airlines and provides data on how this aviation company has sought to expand its scope of operations in the region for tapping this huge market of 400 million people. Also he cites the factors that are inhibiting the opening of new air routes within the sub-region.

Wang Dehua (2004) explores the necessity of synchronising economic globalisation with social and environmental globalisation, in order to carry on with the process of the opening up of the silk routes, in the BCIM sub-region. While drawing lessons from the history of economic and cultural linkages, not only within this region, but also elsewhere, he cautions that the existing trade imbalances could topple the applecart.

He Xuan (2006) emphasises upon the strengthening of the BCIM coordination mechanism through a 'Coordination Office' in order to synchronise the activities related to consolidating trade and transportation linkages in the region.

A report (2007) entitled *Prospects on Enhancing Trade and Investment in BCIM Region*, prepared by the Yunnan Academy of Social Sciences, explores the possibility of institutionalising a "Preferential Trade Zone" within the BCIM area and investment cooperation among the member states. Some measures suggested are like forming trade cooperation institutions, simplifying trans-border formalities, encouraging transit trade etc.

Jing-dong Yuan (2007) while assessing the contours of the Sino-Indian relationship in the aftermath of the Pokhran Nuclear Tests (1998), by India, points out that both the countries must delicately handle their respective emergence as key players in the global power-structure. China, he argues, can no longer ignore India's emergence as a sub-continental giant. Proper management of their bilateral relations can go a long way in ensuring a harmonious relationship and Asian security.

Perspectives on BCIM Cooperation from Non-Chinese scholars

This corpus of literature comprises of the views of scholars who give more emphasis on cooperation over conflict in Sino-Indian relations, and believe that outstanding areas of disagreements and disputes cannot hold hostage the more promising vistas of mutual accommodation and adjustment for sustainable growth and development of their respective countries.

Arvinder Singh (2000), in an essay, analyses the bilateral trade between China and India and suggests ways to enhance economic cooperation by broadening the base of goods traded between the two countries, participation of Indian businesses in China and vice versa, as well as intensifying border trade by opening newer points and augmenting activities at the existing ones. In a subsequent work, he analyses the Yunnan economy in depth since it is the pivot of growth for China within the BCIM framework. The purpose is to see the Yunnan economy in a more positive light from the Indian perspective than it had been done earlier.

Mira Sinha Bhattacharjea and C.V. Ranganathan (2000) argue that China and India must make peace, not war, and take this strategic objective as the fundamental guiding principle of the India-China relationship in the twenty-first century.

C.V. Ranganathan (2000), taking cue from two eminent scholars, Prof. K. Venkatasubramanian and B.G. Verghese, stresses upon the need for the improvement of communications networks in North-East India in order to facilitate quadrilateral cooperation among Bangladesh, China, India and Myanmar under the aegis of the Kunming Initiative, launched in Kunming, Yunnan, in August, 1999. He contends that the twin pillars to promote this initiative and take substantive measures for achieving it are China and India, whose respective size, economic growth and potential endows them with a leading role.

Kishan S. Rana (2008) highlights the importance of regional diplomacy in international relations. He points out that all states have been made aware of the mutually beneficial advantages accruing from neighbourhood cooperation due to the impact of globalisation and interdependence. While China has been an early starter in this field, India is also catching up. To him, the BCIM forum represents a special kind of regional diplomacy since it primarily concentrates on the neighbouring provinces/states of these two countries, and tries to develop their economic cooperation with the two adjoining countries (Bangladesh and Myanmar).

The China Report (Vol.36, No.3, 2000) carried a report of the first international conference of the BCIM countries, held in Kunming, Yunnan, from 14th-17th August, 1999. This conference resolved to establish a *Forum for Regional Cooperation* to carry forward the concept of promoting a growth quadrangle in the Eastern South Asian region (NE India, Bangladesh, Myanmar and SW China), through interaction among academicians, governments and leaders of trade and industry.

Complementing on the above aspect, Nimmi Kurian in her book (2001) analyses the substantial enhancement in China's capabilities, and suggests ways for enhancing sub-regional cooperation and the resolution of disputes between China and India. She draws examples from the successful Singapore-Southern Johor-Batam growth triangle, the Southern China Growth Triangle and the Yellow Sea Economic Zone, to suggest similar cooperation between North-East India and South-West China. She feels that growth is the need of the hour, which these two border regions can achieve best by looking outwards to each other as partners in a combined effort to uplift their respective regions, and thereby turn this area into a growth dynamo. In a subsequent essay (2005) she suggested that a strong case exists for fully exploring and utilising the potential for trans-border linkages in trade, tourism and transport within the BCIM region.

Jayanta Kumar Ray and Prabir De (2005), in their edited volume of essays by Chinese and Indian luminaries on Sino-Indian relations, deal with micro-level economic integration, such as that between NE India and SW China whereby the unexplored potential of these areas (tourism, mineral resources, agriculture etc.) could be utilised for the development of such areas and their integration to the respective national economies as well as the regional and global milieu. A similar work on this area has been conducted jointly by Biswa N. Bhattacharyay and Prabir De (2005). Rahman (et al. 2007) also have explored the need for the expansion of trade and investment in the BCIM countries.

Swaran Singh (2005) looks at Sino-Indian cooperation through the prism of bilateral trade. He points out that burgeoning bilateral trade has become the strongest pillar of Sino-Indian rapprochement. Moreover, their border trade has contributed to overall peace and tranquillity in these areas, and also facilitated progress in their border negotiations. He cautions that search for energy supplies and competition to capture new markets present major challenges to sustaining their boom in bilateral trade.

In a very interesting article, Ravni Thakur (2006) essentially tries to summarise the Chinese perspectives on the BCIM initiative with respect to issues on free trade, economic development and Information Technology cooperation, through a review of three edited books by eminent Chinese scholars like Ren Jia and Lu Shaokun. She concludes that the Chinese interests in the region are aimed not only at developing their peripheral areas and solving the contentious border issue with India, but also curb the growing influence of the US in the region. Moreover, for its internal stability, the CCP needs to continuously raise the standard of living of the people, and therefore, trade within the vast BCIM region (2.12 million sq. km.) can help generate enough resources towards achieving this goal.

Ravi Bhoothalingam (2003, 2004, and 2006) discusses the importance of tourism cooperation among the BCIM countries. He tries to identify the unique attributes of the BCIM region so as to harness the power of tourism to generate employment and prosperity for the resident population. One common subject that he argues for in all the three papers is the execution of a Kunming-to-Kolkata car rally, which would not only help in the improvement of physical infrastructure of the region, but also promote tourism and generate employment.

Another scholar, Patricia Uberoi (2007), focuses upon enhancing of the BCIM initiative, and the need for greater cooperation beyond the economic sphere,

especially in the field of human and social development. In a subsequent paper (2008), she makes a comparative study of the experience of India's engagement with China in two multilateral forums--- the BCIM and the China-India-Russia Academic Trilateral Conference. Though both are Track Two processes at present, the 'Trilateral' is considered relatively more successful since it has shown more substantial progress from Track Two to Track One. She argues that academic cooperation should be seen as a valuable process in itself, without treating it merely as a means for policy-making objectives in totality. The BCIM framework, in itself, conveys an earnest effort towards transnational cooperation, focussing on regional development, than confining it within the realm of purely bilateral and multilateral relationships.

D. Nath's edited volumes of essays (2005) by luminaries from NE India argues that the reopening of the Stilwell Road would give a boost to sub-regional trade and help in the economic development of not only NE India, but also SW China and SE Asia. Sanjib Baruah (2007), while dealing comprehensively with issues related to North-East India, traces the ancient linkages with Yunnan via the southern Silk Route since ancient times. He describes this area as the north-western borderland of South-East Asia. He cites political scientists like Donald Emerson and Anssi Passi, and tycoons like Kenichi Ohmae that the construction of regions is fictional; they come and go. He favours Ohmae's coining of the term 'Region States' which signify natural economic zones. For him, NE India and its contiguous areas form one such economic zone. He discounts the negative security mindset and the 'China Threat Syndrome' of the Indian policymakers towards the North-East. He favours the opening up of the transport, trade and tourism sectors, in tune with the BCIM Initiative, of this region for greater economic growth and development.

The China-wary scholars

This last section of the literature review deals with the views of those who are suspicious of the real Chinese intentions towards the Indian state. They feel that all outstanding issues are held hostage by issues such as the boundary dispute, Sino-Pakistani relations, the Tibetan problem, competition for pre-eminence both in Asia and the world etc.

John W. Garver (2001) while analysing the conflictual nature of Sino-Indian relations, since mid-19th century, feels that mutual mistrust over each other's policies for influence over the South Asian region could inhibit cooperation.

Mohan Malik (2004) argues that while there are many issues of contention between China and India, both have taken care to avoid direct conflict with each other. While there are areas of convergence, these relations are going to be characterised more by competition than cooperation in the future, as both vie for pre-eminent status in the world.

Rajiv Sikri (2009) describes the broad contours of the Indian foreign policy-making in his book *Challenge and Strategy: Rethinking India's Foreign Policy*. Among other issues, here he describes India's relations with China mainly from a Realist paradigm. While he feels that both countries must pursue sub-regional cooperation to build mutual stakes in each other's growth and stability, especially in the field of energy, yet India's security concerns and the competition for influence in Asia will ensure some degree of enduring mistrust and suspicion between them. He claims that India has serious concerns over Chinese claims on Arunachal Pradesh. She does not want the North-East to be completely engulfed by China's economy. Another concern is that opening of borders with China will bring in more drugs, arms and communicable diseases which would only fuel more discontent in the region. Therefore, India is opposed to converting the Track-II BCIM process into an official level body.

Thus, the present work would try to utilise the above gamut of literature to explore and evolve a framework for the establishment of greater sub-regional cooperation between NE India and SW China.

Research Design and Methodology:

The methodology to be applied in this study will be deductive in nature. Deductive reasoning means that the conclusion is necessitated by previously known facts, i.e. deductive reasoning moves from the general to the particular. A valid deductive argument is one in which the conclusion necessarily follows from the premise. Even if the premise is not true, the form of the argument is nevertheless valid. Observations enable the testing of the hypotheses and their validation (or otherwise).

This study aims to rely on both primary and secondary sources of information for research. Primary sources include official data released by the governments of the BCIM countries; important newspapers and news agencies; personal interviews with important personages in the political, economic and social spheres (taking the help of an interpreter wherever exists a language problem); think-tanks associated with this field.

Secondary sources include literature in the form of books, articles, periodicals, journals, research papers and findings.

For the purpose of this study, the Chinese and the Indian state would be considered independent, and the processes like policy-making and globalisation would be considered to intervening variables. The process of sub-regional cooperation would be taken as the dependent variable.

Thematic Chapterisation of Research:

This research has been divided into four broad chapters. Chapter Two would deal with the various theoretical models and issues related to sub-regional cooperation. Instead of looking at Sino-Indian relations solely through the Realist paradigm of a world continually in a state of war, issues related to interdependence among nations, especially in a globalised era, along with cooperation as a means for solving contentious subjects and leading to mutual benefits need to be analysed thoroughly. It is important to look at why and how China has dealt with multilateral and transnational cooperation with special emphasis on regional cooperation as a mechanism for addressing both its domestic and international problems. Also, it has to be analysed in what ways India has been dealing with similar concerns, whether there are issues of convergence between these two Asian giants, and how they would look into them for peace and development. Chapter Three concerns the whole gamut of issues pertaining to the evolution, working mechanism and aims of the BCIM process. The BCIM forum was born out of the first international conference of the BCIM countries, held in Kunming, Yunnan, from 14th-17th August, 1999. The main aim has been to promote a growth triangle in the region comprising the North-eastern States of India, Bangladesh, Myanmar and South-west China, with Yunnan playing the pivotal role. The most significant aspect of this process is the centre stage taken by the provincial government of the Yunnan province of China. The

PRC's central authorities have devolved substantial powers on its regions to enter into foreign relations with its neighbouring countries for the promotion of development goals in the entire region. The static aim of the PRC is to have an outlet to the Indian Ocean through the said neighbouring countries in order to cut costs in transporting energy supplies and essential goods to its peripheral areas, than using the fuel-inconsistent, piracy-laden and time-consuming route through the Straits of Malacca. Starting from the preparatory conference held in 1998, at New Delhi, the BCIM forum has had nine rounds of discussion, among its participants, until the last one in 2009 at Naypyidaw. In spite of finding out and deliberating on issues of convergence, mutual trust has not been able to be concretised to a higher level so as to turn this process into a Track One from the present Track Two status.

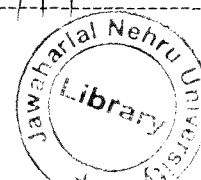
In Chapter Four, the focus will be on exploring the possibilities for strengthening the existing infrastructure in the BCIM region and developing new ones for the promotion of trade and tourism for achieving sustainable development for the people residing in the area and contributing to their respective national economies as a whole. The three pillars of this process are transport, trade and tourism. In all respects, China has been taking the lead. Kunming, the capital city of Yunnan province, has seen phenomenal development in the period following 1990. It has gained prominence internationally with Myanmar, Laos, Cambodia, Vietnam, Malaysia and Thailand establishing their consulates, and Australia opening a trade office. It is connected to the Asian Highway Network, and has rail links with Thailand, Vietnam and Laos, which provide access to the seaports of Southeast Asia. A new international airport is slated for completion by 2011, with an estimated cost of around US\$ 3 billion, and would be solar powered partially. It is expected to handle 38 million passengers annually by 2020. Moreover, the city holds the China Kunming Import and Export Commodities Fair every year, and it is organised by the China Council for the Promotion of International Trade (CCPIT). Therefore, it is apparent that both the Yunnan government and the central authorities are promoting development in Yunnan with great zeal. Through improvement of physical connectivity with Yunnan, the north-eastern states of India can develop their own potential to progressively ensure economic growth in the region and raise the income and standard of living of the people. In Chapter Five, the stated hypotheses would be validated/falsified. The main focus has been on exploring whether the comparative

advantages of sub-regional cooperation between China and India can outweigh conflict and a mutual fear of each other. Also, it needs to be analysed whether economic growth and development through greater cross-border economic and cultural linkages can ensure political stability in the region concerned.

Conclusion:

The focus of this study is on sub-regional cooperation between SW China and NE India. Out of the four main themes discussed under the literature review, each has its unique way of explaining the BCIM dynamics. The theoretical perspectives forwarded, by leading scholars on international relations, mainly looks into the Realist versus Liberal views on cooperation between states. The Liberal theories are closer to bringing about cooperative outcomes between states in spite of the existence of glitches in bilateral or multilateral relationships. The Chinese perspectives are more concentrated upon promoting Southwest China, especially Yunnan, as an economic hub for the entire region from South Asia to Southeast Asia and the rest of China. To this effect, establishing the BCIM as an effective mechanism for cooperative outcomes becomes expedient for China and the rest of the participating states. The overt emphasis is on the development of transport, trade and tourism for fuelling economic growth in the entire sub-region. The vast market potential necessitates a closer working relationship, based upon mutual trust and mutual benefit, between China and India. The non-Chinese perspectives on BCIM cooperation also echo concerns for rapid economic development of the entire BCIM sub-region, especially Northeast India, which forms a major link for China's access to the South Asian market. On the other hand, this would also enable India to access the huge Chinese and SE Asian markets. Cooperation can bring complementary benefits for all. The China-wary scholars essentially have two views. Firstly, the official Government of India line that China cannot be trusted since India burnt her fingers badly in 1962. Secondly, it is argued that mutual contestations for space to exert their growing influence in world affairs can create possible conflict and inhibit cooperation. The first three approaches are more tilted towards fostering BCIM cooperation. The last one is very Realist in nature. In this author's opinion, cooperation can outweigh conflict.

The BCIM area is resource rich since it is home to huge deposits of hydrocarbons, mineral ore, hydropower reserves and tourism potential. There exists a huge market of 400 million people which can act as a catalyst as well as a driver of economic growth in this region. The main drive of the BCIM initiative has been on trade, tourism and transport. Cross-border trade, mutual sharing of resources, and cultural linkages, along with the development of the PAH and TAR networks can serve as the best instruments for promoting sub-regional cooperation. The core emphasis of this work is on the ushering in of peace, prosperity and sustainable development in this region. The attempt is to explore and engender cooperation in various fields between China and India by relegating the border dispute and other tensions to the periphery. The BCIM as an initiative has completed two rounds of meetings, having eight conferences. Concerns have been raised at various quarters as to the inability of the four participating countries to give it an institutional form and promote to an inter-governmental forum. The question that needs to be addressed is in what ways the BCIM can emerge as a successful forum for sub-regional cooperation. The reasons for the persistence of mutual fears about the prospective harming of national self-interest through such initiatives have to be identified, and paths should be chalked out to remove such apprehensions. It must be seen why China is pushing ahead with this initiative for its south-western region, and how it stands to get benefitted. Moreover, it has to be analysed in what ways SWC and NEI can jointly cooperate to transform this sub-region into an engine of economic growth and development. Issues on social welfare have to be looked at also. The legalisation of the burgeoning informal border trade, along with soft borders and greater autonomy for sub-national actors within the respective countries could reduce regional problems and economic disparities, and promote economic growth and development. Therefore, the scope of this study is only limited to possibilities for sub-regional cooperation between SWC (mainly Yunnan) and NEI within the ambit of the Kunming Initiative or BCIM process. Cooperation should not be seen as means to secure an outcome, but as a continuous process to explore new possibilities and discarding outdated ones towards achieving common goals, without getting bedevilled by the urge for concretised results at every juncture. Only then can any course of action, adhered to by a particular set of parties involved, follow its logical conclusions.



Chapter Two

Sub-Regional Cooperation: Theory and Practice

Regional cooperation as a mechanism for states to engage themselves in mutually beneficial relations and reducing conflicts has been in practice since the second half of the twentieth century. The basis of such endeavour lies in promoting peace, development and stability by exploring common areas of concern in trade, economic and cultural fields through geographically contiguous areas. Economic globalisation and advancement in the realm of information and communication technology (ICT), especially after the 1990's, have fuelled an urge among states to engage each other for common prosperity and improving the living standards of their respective populations. Moreover, there has been a constant need among the developing countries of Asia, Africa and Latin America for securing energy supplies in order to maintain and further their levels of economic growth and development. The world, today, can no longer be purely characterised through the Realist paradigm as being in a continuous state of war, where every state tries to move roughshod over others for preserving their power. There has been increasing levels of interdependence among nations to optimally utilise and manage resources on the basis of mutual respect, equality, sharing and the greater welfare of their citizenry. It is in this respect that the Kunming Initiative or Bangladesh China India Myanmar (BCIM) sub-regional forum has to be studied. The first international conference of the BCIM countries, held in Kunming, Yunnan, from 14th-17th August, 1999, resolved to establish a *Forum for Regional Cooperation* to carry forward the concept of promoting a growth quadrangle in the Eastern South Asian region (NE India, Bangladesh, Myanmar and SW China), through interaction among academicians, governments and leaders of trade and industry. The outcome of this conference was a document titled 'The Kunming Initiative' which welcomed the overall agreement of the participants 'on deepening cooperation in economy, trade and cooperation in cultural, communications and other fields among the four countries and their contiguous sub-regions' (Ranganathan 2001: 119). Sub-regionalism in this context

becomes very useful in the sense that it facilitates closer interactions within a particular geographical region, when integration of large economies like China and India within a localised ambit becomes a problematic. Before delving further into the BCIM forum, one needs to understand the logic behind the emergence of such cooperative ventures.

The use of certain theoretical concepts (like Realism, Interdependence, Cooperation etc.) and terminologies (Region, Resources etc.) need proper elaboration, beforehand, for imparting lucidity to the arguments, with respect to the topic of this research, in this and the succeeding chapters. Moreover, due to paucity of time, this research will concentrate mainly on the subject of cooperation between China and India within the BCIM forum's ambit, although Bangladesh and Myanmar are two vital constituents also. But, it would be consciously attempted that under no circumstances, important details concerning the latter, having a bearing on the former's cooperative endeavours, within this forum, should be ignored. To begin with, the second half of the twentieth century has been predominantly seen through the prism of Realism and policies, both domestic and foreign, of states have been fashioned accordingly. That does not mean that cooperative mechanisms have not been in practice. One of the best examples is the ASEAN. Formed in 1967⁴, this geopolitical and economic organisation has among its aims the need for accelerating economic growth, social progress, cultural development, protection of peace and stability in the region and enabling opportunities conducive to settling differences amicably. Since the 1990's a number of similar organisations emerged in Asia, most prominent among them being the Tumen River Area Development Project (TRADP, 1991); Greater Mekong Subregion (GMS, 1992); South Asia Sub-regional Economic Cooperation (SASEC, 2000); Mekong Ganga Cooperation (MGC, 2000); Shanghai Cooperation Organisation (SCO, 2001) etc. China has played an important role in the establishment of some of these organisations for not only securing its physical borders, but also in developing such areas for its people and, in the long run, enhancing its CNP.

⁴ It was formed on 8th August, 1967, with Thailand, Singapore, Indonesia, Malaysia and Philippines as the founding members. Subsequently, five other countries--- Brunei, Laos, Cambodia, Myanmar and Vietnam--- joined to take up the membership to ten.

The principal focus of foreign policy in the Realist paradigm is the projection and defence of the states' interests in international politics. The basic Realist assumptions are as follows-

1. A pessimistic view of human nature;
2. A firm belief in that international relations are always conflictual in nature and such conflicts are ultimately resolved by war;
3. An overriding emphasis on the importance of national security and the survival of the state;
4. A fundamental view that there can be no progressive change in world politics comparable to that in domestic political life.

The leading Realist thinker of the twentieth century was undoubtedly Hans J. Morgenthau, who held the view that international politics must be seen through the concept of interest, defined in terms of power. 'Politics is a struggle for power over men, and whatever its ultimate aim may be, power is its immediate goal and the modes of acquiring, maintaining, and demonstrating it determine the technique of political action' (Morgenthau 1985: 195). It means that men and women are political animals by nature, and they are born to pursue power and enjoy its fruits. This search for power necessitates the availability of a secure political space, the epitome of which is the state. Therefore, he endorses the Classical Realist view that the states are the only actors of significance in international relations, which is marked by anarchy. If they wish to survive, they should ever be ready for war. While international politics is an arena of conflicting state interests, these are not fixed and they change over time and space. Moreover, he followed the dictum, enunciated by Thucydides and Machiavelli, that there is one morality for the private sphere and another completely different one for the public sphere. In this respect he criticised theorists like the American President, Woodrow Wilson, who believed in the necessity of bringing political ethics in line with private ethics. State leaders have to act in accordance with the dictates of political wisdom and a changing political reality.

Two important Realist doctrines are Strategic Realism and Structural Realism. The leading proponent of Strategic Realism is Thomas Schelling, who focuses mainly on

foreign policy decision-making. The activity of foreign policy is technically instrumental and free from moral choice. The concern is not about what ought to be good or right, but that what is required for a states' policy to be successful.

'Diplomacy is bargaining: it seeks outcomes that, though not ideal for either party, are better for both than some of the alternatives...The bargaining can be polite or rude, entail threats as well as offers, assume a status quo or ignore all rights and privileges, and assume mistrust rather than trust. But...there must be some common interest, if only in the avoidance of mutual damage, and an awareness of the need to make the other party prefer an outcome acceptable to oneself. With enough military force a country may not need to bargain.' (Schelling 1980: 168)

He argues that coercive power provides for more successful outcomes than the use of brute force. Coercion entails bringing an adversary into a bargaining relationship and getting him or her do whatever is wanted by the other player, without having to compel it by using force as an instrument. Structural Realism, propounded by Kenneth N. Waltz, contends that it is the structure of the system, rather than rulers and statesmen, which accounts for the historical survival of the balance of power relations. He differs from Morgenthau in the sense that he ignores the very influence of individuals in statecraft. His approach towards international relations essentially focuses on the structure of the system, its interacting units, and the continuities and changes of the system. The state leaders are the prisoners of this very structure, which dictates what they must do in their conduct of foreign policy. If put into practice, with respect to China's approach towards its neighbours within the BCIM forum, it might be seen that, to some extent, the views expressed by these scholars have some substance. From Schelling's approach, China's continuous assertions of its claims over the state of Arunachal Pradesh⁵ in north-eastern India can be observed as the use of its coercive power to keep India on its tenterhooks, in spite of showing signs of bonhomie in other fields (like climate change, bringing structural and functional changes to global bodies like the UN, the IMF etc.) and having no intentions of engaging in full-scale military confrontation with the latter. If one looks at the above issue from Waltz's view, then it can be said that the structure of the ruling system in China is such that individual leaders, howsoever charismatic

⁵ China calls it Southern Tibet.

and efficient they might be, cannot move beyond a certain line in overriding its policy-making mechanism.

However, the Realist model has been critiqued by Robert Keohane and Joseph Nye, who argue that international relations is characterised by varying levels of interdependence among nations, especially in the realm of economic relations. Interdependence has been defined as the mutual dependence among the different state and non-state actors, in world politics, with 'reciprocity' being a very important element. Since, the contemporary world politics is not a seamless web but a tapestry of diverse relationships, so, the secret of understanding such a complex situation lies in exploring which approach or combination of approaches can be used in analysing it. Interdependence affects world politics and the behaviour of states. But governmental actions also influence the patterns of interdependence. In this respect, interdependence should not be confused with interconnectedness. The effects of transactions on interdependence will depend on the constraints, or costs, associated with them. Where there are reciprocal costly effects of transactions, interdependence exists. Where interactions do not have significant costly effects of transactions, there is only interconnectedness. Interdependent relationships will always involve costs, since interdependence restricts autonomy. It will be impossible to specify beforehand whether the benefits of a relationship will exceed the costs, since this would depend on the values of the actors as the nature of the relationship. Moreover, interdependence cannot be defined purely in terms of situations of evenly balanced mutual dependence.

'It is *asymmetries* in interdependence that are most likely to provide sources of influence for actors in their dealings with one another. Less dependent actors can often use the interdependent relationship as a source of power in bargaining over an issue and perhaps to affect other issues'. (Keohane and Nye 1977: 110-11)

The interdependent relationship between the BCIM members is highly asymmetrical in nature. With smaller economies and infrastructure for resource mobilisation and utilisation, Bangladesh and Myanmar are more dependent on China and India. Even the levels of asymmetry between China and India favour the former. Therefore, China has greater leverage in bargaining with the other three members of the BCIM forum.

The main characteristics of interdependence include establishment of multiple channels of contact, the absence of hierarchy among issues, and the non-use of force by governments towards one another within the same region or issue area. Multiple channels include not only Track One (i.e. official channels) but also Track Two (i.e. between informal ties between governmental as well as non-governmental elites, transnational organisations etc.) processes. Thus, in this respect, the state cannot be seen as the only unit for engagement among different regions and people. Secondly, there can be no hierarchy among the subjects of discussion, since many issues arise out of domestic policy considerations and do not fall under the exclusive domain of the foreign offices of the respective countries. Moreover, it also means that military security does not become the dominant agenda in any such endeavour. Thirdly, the use of military force to settle disputes is unnecessary since such conflict over one issue can rupture mutually beneficial relations on other issues. If world politics were in a state of war, then the extensive patterns of cooperation seen in the fields of trade, telecommunications, health, financial relations, environment etc. would not have existed. Therefore, the Realist argument over war as the ultimate outcome, for self-preservation, among states does not hold ground.

Cooperation can be fostered in the international political economy if common interests persist among the actors. It entails the conformity of actions of different individuals and organisations through the negotiating table, leading to proper policy formulation.

‘International cooperation takes place when the policies actually followed by one government are regarded by its partners as facilitating realisation of their own objectives, as a result of a process of policy coordination.’ (Keohane 1984: 51-52)

Cooperation cannot be equated with harmony. Harmony involves the automatic facilitation of the attainment of an actor’s goals by the policies, pursued in their own self-interest, of another. It is apolitical in nature and neither requires prior communication of one’s action nor the exercise of any influence. Cooperation involves the use of both positive and negative inducements for the achievement of goals. It does not mean the absence of conflict. Rather, cooperation occurs when it is realised that the policies of the actors are actually or potentially in conflict. It involves how patterns of behaviour, leading to conflict, between actors, are altered in order to avoid discord permanently. To drive this point home, one can cite the

example of trade relations between China and India. Their bilateral trade figures have touched US\$ 58 billion by 2009, which undoubtedly presents a harmonious picture to a naive observer. However, there is a considerable imbalance in this relationship since India (as well as Bangladesh and Myanmar within the BCIM) is a major raw material exporter to China, whereas the latter exports finished products at competitive rates. The balance of trade is heavily in favour of China. There are fears expressed by businessmen as well as policymakers in India's northeast that opening up of trade routes with Yunnan might flood the local market with cheap Chinese goods, and as a result, hamper business there. Hence, conflicts have arisen with India undertaking various measures periodically, such as, stopping the imports of Chinese toys as well as unskilled workers for construction projects undertaken by Chinese companies in India. But this does not necessarily mean that cooperation stops. The process of engagement still continues because both realise that the benefits accruing from mutual collaboration far exceed the costs. China needs an outlet to the Indian Ocean ports to reduce time and costs for movement of goods and services to its landlocked provinces like Sichuan and Yunnan. While it has already developed the Sittwe port in Myanmar, talks are going on with the Bangladesh government for modernising and utilising port facilities at Chittagong. Moreover, China has shown keenness for using the Calcutta port also, although no formal agreement has been reached with India over the issue. At the same time, India essentially needs a gateway to Southeast Asian markets and the Pacific Ocean ports which can be accessible only through Myanmar and China with the stated aim of developing its northeast. Again, Bangladesh and Myanmar need much required investments, from India and China, for the proper exploitation and utilisation of their vast reserves of natural resources (e.g. natural gas, hydropower etc.). Therefore, cooperation through complex interdependence is bound to exist.

While Keohane and Nye have come up with a convincing critique of the Realist discourse on international politics and shown that cooperation can occur among states through increased interdependence, despite the prevalence of conflict, their arguments have been focussed mainly on economic cooperation among the major industrial powers of the world. Concurrently, it seemed that cooperation scarcely took place among the lesser developed regions of the world. A forthright criticism of this model has been provided by Dalia Dassa Kaye. Her studies are based mainly on

the Arab-Israeli multilaterals of the period 1991-1996. In her analysis, most IR literature does not problematise cooperation but rather accepts cooperation as an outcome based on mutual interests, which leads to policy adjustment among international actors. Cooperation can be defined as a process of working together in an effort to achieve common understandings. The term “common understandings” is used in a more limited sense, namely when the actors commonly perceive the value of a cooperative endeavour and the substantive problems on the negotiating agenda. Cooperation does not entail complete success or preclude outright failure. What determines the levels of success is the extent to which participants reach common understandings of problems on the agenda.

‘But the fundamental challenge of the process definition of cooperation is that outcomes are not the only way to judge the value of cooperation—efforts to reach new understandings can be just as critical in changing the nature of regional relations.’ (Kaye 2001: 8)

An important component of this process is the establishment of a mechanism that allows interaction among the participants. This would have a dual effect. While, on the one hand, it could serve as a teaching process where the participants can share their past experiences and deliberate, on the other, it also surfaces as a point of interaction which would not have otherwise happened. ‘The process of *talking* among participants is another central component of working together both in formal and informal settings, and meetings allow the participants to understand what they are doing and to become “socialized” into the process’ (ibid). Such meetings facilitate the discussing of substantive problems on the agenda and also the bonding of social relationships. Therefore, multilateral negotiations offer a better milieu for interactions among actors, than bilateral meetings, as the scope of discussions are more diverse in nature and includes not only states, but also non-state actors like the academia, business organisations, non-governmental organisations etc. In her opinion, the Neoliberalist approach towards cooperation pursues a more systemic logic, emphasizing the role of institutions in promoting cooperation and enhancing interdependence. ‘Rather than explain the supply of international institutions and cooperation, neoliberals focus on the demand for institutions as a solution to market failures that lead to inefficient results because agreements that would benefit all parties are not made... if states have shared interests, they will have the incentive to

form and maintain cooperative relations and create institutions if existing forums of cooperation are not satisfying these interests' (Kaye 2001: 15).

But the Neoliberalist approach can be criticised by using the theory of Social Constructivism. The basic tenet of Social Constructivism is that, while most international relations theories, especially Neorealism, are materialistic⁶, the global environment is social and ideational. The international system exists very much within the realm of human consciousness, and not outside it. 'Anarchy is what states make of it' (Wendt 1992). If the inherent thoughts and ideas embedded in this system change, it will in itself change as well, since the system exists in the realm of thoughts and ideas. Kaye concedes that social structures in international politics, such as sovereignty, international institutions, or other interactive settings, can affect and shape state identities and interests.

'The construction of these interests and identities is not a static process because the meaning and significance of collective ideas is related to, and influenced by, time and place. This recognition allows us to see how interactive processes may shape and change interests and identity over time.' (Kaye 2001: 21)

In addition to this, some Constructivists like Ted Hopf (2002) point out that the identities of key decision-makers have a big say in the formulation of foreign policy. It is not only expedient to find out how a particular state's identity is produced in interactions with other states, but also how it is being produced in interaction with its own society and the numerous identities that constitute that society. One criticism of this approach is that Constructivism's scope needs to be broadened. Instead of buttressing the fact that it matters as a subjective discourse, it has to be demonstrated why, when and how social construction occurs. However, in response to the constraints pose by the existing Realist theories, Pederson (2002) proposes the theory of 'Cooperative Hegemony'. He argues that major states may advance their interests through non-coercive means by apply the strategy of cooperative hegemony, which implies an active role in regional institutionalisation, and the use of other measures like side payments, power-sharing and differentiation. Pederson defines cooperative hegemony as 'soft rule within and through cooperative arrangements based on long-term strategy'. This strategy can be followed by both militarily weak major powers as well as powerful big powers with a global reach

⁶ The focus is on how the distribution of material power, such as wealth and military capabilities, defines the balance of power between states and explains their behavioural patterns.

wishing to consolidate their rule. Three preconditions for the adoption of this strategy are --- a capacity of power-sharing vis-a-vis smaller states in a region; for power aggregation on the part of the predominant regional state(s); and for commitment to a long-term regionalist policy strategy. Is China following such a strategy with respect to its neighbours? The answer can be affirmative when one looks at the SCO, where the PRC is using its leverage as the predominant regional power to build up regional security architecture. However, this theory cannot effectively explain the rationale behind the BCIM sub-regional initiative, since it involves another regional power in the form of the ROI, which has a strong economy, military architecture as well as diplomatic standing in the world order. Sub-regionalism in the BCIM entails cooperation through the sharing of resources, ideas and services based more upon the principles of mutual benefit and mutual accommodation.

Therefore, the questions that arise are firstly, how cooperation can be achieved, and secondly, what are the factors that can make cooperation fail. Kaye identifies five factors each to answer these questions. Cooperation can be attained through--- 1) problem identification; 2) shifting understandings of acceptable policy options; 3) acceptance of new partners and coalitions; 4) the development of new vocabulary and shared “myths” surrounding the issue area; and 5) intensified interactions among regional participants, including the participation of technical experts. Cumulatively, these facilitators help in establishing a process where dialogue and interactions takes place. Firstly, problems need to be identified on the basis of being either ‘integrative’ (i.e. all having a stake in solving a problem) or ‘distributive’ (i.e. the question over which party having a greater gain when addressing the problem) in nature. Secondly, shifting understandings of acceptable policy options is also an important indicator for fostering cooperation. e.g. Under the auspices of the Asian Development Bank (ADB) in 1992, China (with Yunnan as the pivot), Cambodia, Laos, Thailand and Vietnam came together to form the GMS so as to serve as a development facilitator for the area, even though all countries concerned have their own share of mutual animosities towards one another. Thirdly, the ability to view other regional players as acceptable partners for cooperative endeavours helps in the formation of new coalitions, thereby increasing the prospects for broader agreement on regional problems. The coming together of elites from four Asian states with very different politico-administrative and social structures within the BCIM forum for exploring

possibilities for cooperation in the fields of trade, transport and tourism, in itself, shows their mutual acceptance of being valuable dialogue partners as well as the success of the multilaterals as a mechanism for the normalisation of regional relations. Fourthly, the development of new vocabulary and shared “myths” around an issue area help participants in reaching common understandings of their problems. During the Arab-Israeli peace process of 1991-1996, the teaching of arms control vocabulary, and concepts like confidence-building measures (CBMs), by experts from outside, helped the participants discuss problems over the table. Lastly, greater mingling of regional elites help facilitate more successful cooperation. The development of interpersonal relationships, during informal gatherings at meetings, helps a great deal in developing common understandings beyond national boundaries.

To the question over the factors which could act as impediments to cooperation, Kaye points out the following: 1) a polarising external political process; 2) domestic pressure and sensitivity to public opinion; 3) a sense of threat to pre-existing national boundaries; 4) perceptions that the process is inequitable; 5) changing perceptions about the external environment. Firstly, it has been seen periodically that political developments from outside hamper positive outcomes within a cooperative process. If one looks at the South Asian Association for Regional Cooperation (SAARC) meetings, since its inception in 1985, the major tumbling block has remained in the form of India-Pakistan animosity, which has held up the process from moving forward towards cooperative goals. Secondly, resistance from domestic constituencies and uncertainty over public responses can act as an impediment to multilateral cooperation. Many a time such initiatives are kept low-profile for the fear negative public opinion. Adverse press coverage can also lead to the cancellation of particular events. Thirdly, nationalism and national identity plays a very important role in any cooperative process. If states with very strong national identities, within a multilateral set up, perceive that the cooperative process, in some way, challenges their role in the region, then they might create hurdles or discard the process altogether to safeguard their interests. China looks upon East and Southeast Asia as its traditional spheres of influence. It would not take favourably upon any outside power trying to infringe upon its territory. Though never officially acknowledged, it is interesting to see that the United States is not a member of the

East Asia Summit (EAS)⁷ in spite of being a participant of the ASEAN Regional Forum (ARF)⁸ and member of the Asia Pacific Economic Cooperation (APEC)⁹ forum. Fourthly, if regional participants feel that the cooperative process benefitting others more than themselves, their inclination for continuing with it would diminish. Persistent Arab fears of Israel's fleshing out more than its share out of multilateral cooperation, especially politically, than themselves led to their boycotting certain multilateral activities like the regional economic summit at Doha in the autumn season of 1997. Finally, perceptive changes about the external environment may no longer generate enough enthusiasm among the participants to view regional problems through common ways. This can impede cooperation. e.g. Changing views about the strategic environment once the common dangers of piracy in the Straits of Malacca and the Gulf of Aden recede may also reduce incentives among parties concerned for regular naval coordination and cooperation on regional narcotics and arms control in the high seas.

Since the 1990's the PRC has been more favourably disposed towards multilateral diplomacy as a means to increase its international profile and secure its national interests. Multilateralism, as a concept, entails the convergence of interests of three or more countries on particular issues of importance and the joint development of institutions or mechanisms for the realisation of their said goals and the common benefit of all. It is based on the idea that if international cooperative regimes for the management of conflicts of interest are to be effective, they must represent a broad and sustainable consensus among the states of the international system. It lends itself to issues where common interests in the international community are identifiable. Robert Cox (1992) argues that multilateralism can be understood only within the

⁷ It is a pan-Asian forum held annually by the leaders of sixteen East Asian countries with the ten member ASEAN group in leadership position. The others are China, Japan, South Korea, India, New Zealand and Australia. The first summit was held at Kuala Lumpur, Malaysia on 14th December, 2005. It is aimed at regional community building, with issues such as trade, energy and security being the main concerns.

⁸ The ARF consists of twenty seven participants (all the sixteen members of the EAS plus Bangladesh, Canada, the European Union, North Korea, Mongolia, Pakistan, Papua New Guinea, Russia, Timor-Leste, the US and Sri Lanka. Its objectives are to foster dialogue and interactions, and promote confidence-building and preventive diplomacy in the region.

⁹ The APEC is a grouping of twenty one Pacific Rim countries for the promotion of cooperation on regional trade, and investment liberalisation and facilitation. It was formed in 1989. Members include Australia, Brunei, Canada, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, the US, Chinese Taipei (i.e. Taiwan/Republic of China is not allowed to use its official name in the forum), Hong Kong, China (it joined APEC in 1991, when still under British rule), the PRC (represents the interests of only mainland China, since Hong Kong and Macau are considered separate economies), Mexico, Papua New Guinea, Chile, Peru, Russia and Vietnam.

context of global power relations. He says that in conventional diplomatic usage the term 'multilateral' covers the relations among more than two states with some specific issue or sets of issues. A second usage covers the notion of multilateral trade and payments. In this respect, multilateralism is synonymous with the most favoured nation (MFN) principle in international trade and movement towards convertibility of currencies and capital flows. Multilateralism has to be considered from the standpoint of its ability to represent the forces at work in the world both at the local and the global levels. It can be examined from two standpoints: (1) as the institutionalisation and regulation of established order; and (2) as the focal point of interactions for the transformation of the existing order. What are the PRC's objectives in pursuing multilateralism as an object of state policy in external affairs? How does sub-regionalism fit into this scheme of things? Hongying Wang (2000) argues that the Chinese perspective on multilateralism is derived from its indigenous IR theories. It was only in the 1980's, under the framework of *heping yu fazhan* (peace and development) that the China's policy-makers began to treat multilateralism as a legitimate object of study. This particular IR theory resulted in a shift in China's foreign policy to strategic non-alignment and active participation in the international economy. China's proper involvement with multilateralism comes at the backdrop of the Asian Financial Crisis of 1997, when it offered huge levels of financial assistance to the ASEAN (Association of South-East Asian Nations) countries and also signed a Free Trade Agreement (FTA) beneficial to them. Some of the major principles of multilateralism practiced by the PRC include reciprocity of interests (*waijiaohuhui*), non-exclusivity and non-discrimination (*buqishi*) among the participating countries, peaceful resolution of conflicts, CBMs (*jianli xinren de cuoshi*), enabling mutual trust, equality among states, the need for common security, and adhering to the principle of the non-specificity of the enemy. The Chinese government has emphasised that free and open trade and investment is not an end in itself, but rather a means to achieving common development and prosperity. Jianwei Wang (2008) points out that, in the twenty-first century, multilateral diplomacy has become an integral part of Chinese foreign policy both at the global and regional level. Multilateralism, with respect to its neighbours, is consciously or unconsciously pursued by the Chinese leadership as a less threatening and more effective instrument to create economic and other functional interdependence with

these countries, to enhance Beijing's profile and influence as well as to resolve existing and potential conflicts.

Wu and Lansdowne (2008) argue that the new Chinese multilateralism has to be understood with its combination of multipolarism. Both are used together as a double-track strategy to deal with the lone superpower, the US and to shape China's desired future structure of world politics. China, on the one hand, makes much effort to cultivate strong working relations with the US for economic, trade and technological benefits. If the game appears zero-sum between the two, then China embrace the philosophy of co-existence and develops close relations with the regions under US influence (e.g. SE Asia) through multilateral initiatives. On the other hand, in regions where China realises that it is powerful enough and its relations with the neighbours are ripe enough for cooperation, it is happy to witness the forced or voluntary withdrawal of the US from the region. This aspect has been noticed in Central Asia, where the US influence is gradually decreasing and China is increasingly asserting itself through the SCO. Looking from this viewpoint, it seems that China fears encirclement by the US in the South Asian region through the build-up of an Indo-US entente. It also has concerns about the US-led coalition in the Asia-Pacific region enforcing a naval blockade in the Straits of Malacca, through which the major part of China's energy supplies pass, in case of a future confrontation. Therefore, to reduce such risks, it is seeking to have an access to the Indian Ocean ports through the BCIM initiative to ensure a regular supply of its energy supplies and also prevent the emergence of a powerful regional bloc, under US influence, inimical to its interests. However, this represents only one side of the picture. China's main concern is the development of its vast hinterland areas to provide better standards of living for their people. Moreover, this region has huge reserves of mineral resources and rare elements, which, judiciously exploited, could help in meeting the increasing energy needs of the country, especially in the eastern coastal provinces. The Chinese economy has been growing at double-digit figures in the past two decades, and survived the Global Financial Crisis with a respectable growth rate of 9 percent. Under no circumstances the PRC would want to jeopardise its economic growth through armed conflict. History shows that successive dynasties have fallen due to internal problems and not out of external aggression. The CCP realises this very well and want to keep the citizenry happy by making accessible the benefits of economic reform to the common man. The question of national

integration is closely connected with economic development. The integration of the underdeveloped Western region is necessary for China's emergence as a great power in the twenty-first century. One of the methods, therefore, has been the process of adoption of sub-regional cooperation as a policy to achieve such ends. The development of the south-western provinces of Yunnan, Sichuan and Guizhou has been attempted through sub-regional initiatives like the GMS and the BCIM to connect the mainland market with those of SE Asia and South Asia. While the GMS has progressed fairly well, the BCIM is still at the deliberative-level. Yet, the objective for Yunnan and Sichuan to court the South and SE Asian markets is obvious. Sub-regionalism has been a subset of the numerous multilateral initiatives followed by China to not only secure its national interests, but also promote itself as a responsible power seeking to provide stability to the world order.

Globalisation has led to the breaking down of barriers between nation-states today. Baruah (2005) distinguishes two elements in globalisation--- firstly, the communication revolution and its impact on the nature and scale of production and the resultant reconfiguration of economic space, and secondly, the phenomenon of de-territorialisation and re-territorialisation including the softening of national borders enabling the formation of transnational regions. Advancements in ICT have enabled the virtually free transmission of digitised information of huge volumes, which has not only reduced distances but also cut down upon transport costs.

'Production costs under these conditions encourage the organization of manufacturing by globally dispersing operations to exploit differentials in wages or natural or other resource endowments.' (Baruah 2005: 218)

It becomes easier for a manufacturer in a developed country to choose in which country it can put in place the labour-intensive and capital-intensive parts of the production process. This process, for its smooth running, requires efficient and low-cost transportation, which, again, has to be supplemented by good telecommunications connectivity. Therefore, certain border control mechanisms like tariffs, customs etc. have to be re-evaluated for facilitation of cooperation in trade, commerce and other socio-cultural linkages. Even at the absence of age-old cultural linkages, there has been an emphasis on region-building, which is defined as 'a political project in which leaders, build up a territorial form of reference and forge a territorial system of action' (Keating 1999; quoted in Baruah 2005). In this respect,

the nation-state as a unit of analysis is increasingly becoming subservient to extraneous processes like globalisation.

‘The NATION STATE has become an unnatural, even dysfunctional, unit for organizing human activity and managing economic endeavour in a borderless world. It represents no genuine, shared community of economic interests; it defines no meaningful flow of economic activity.’ (Ohmae 1993: 78)

According to him, on the global map the lines that now matter are those defining what he called “region states”. These region states turn out to be natural economic zones, which may or may not fall within the geographical boundaries of a particular state. Their limits are not defined politically, but through the pulls and pressures of the global market for goods and services. They ratify the existing patterns of human activity and pose no threat to the political borders of any nation. For example, the entire BCIM region, since the ancient times has constituted an economic region, with the southern silk route which connected Assam and Yunnan through Myanmar. The earliest reference to this route comes from the report of Chang Kien, a Chinese envoy in Central Asia in mid-second century AD. He refers to Sichuan bamboo and cotton products being traded through India to Bactria. I-Tsing, the Chinese pilgrim, who visited India in the seventh century AD, refers to the journey of twenty Chinese monks to Bodhgaya via the Yunnan-Assam-Myanmar overland route. Even British records on the existence of such a route have been found in M’Cosh’s *Topography of Assam* (1837). The items of trade included tea, cotton, salt and horses. But the post-colonial boundaries, in mid-twentieth century, have disrupted these ancient links. However, China’s push towards in developing Yunnan as the pivot of trade and commerce in Southeast Asia can be seen as an opportunity by other members of the BCIM forum to re-establish the old links and work towards a win-win situation for all. Another example that can be cited is the growth triangle between Singapore and its neighbouring Malaysian and Indonesian islands, namely Johor and Batam respectively. Ohmae argues that the primary linkages of region states tend to be with the international economy and not with their host nations. They serve as effective entry points to the global economy because the characteristics that define them are shaped by the demands of that economy.

One major lacunae, however, of this model is that the range of population targeted is very limited--- only between five and twenty million.

‘A region state must be small enough for its citizens to justify the infrastructure--- communication and transportation links and quality professional services--- necessary to participate economically on a global scale.’ (Ohmae 1993: 80)

Moreover, it is argued that there can be less complementarity of interests between nation states and region states. While the former is ensconced in the domestic milieu, the latter remains wedded to the global economy. The immediate concern of the region states lies in providing the best and cheapest products to their people. Any surplus generated is intended to raise the standards of living of their people rather than supporting distant regions, or setting up industrial enterprises in lesser productive areas in the name of national interest and sovereignty. Does it mean that this concept cannot be used for the BCIM region? The total BCIM geographical area is 1.483 million square kilometres and home to four hundred million people. These figures grossly exceed the limitations put forward by Ohmae. Yet if one tries to adapt the concept of the region state, keeping in the lacunae, to the specific localised conditions, it can be promising. While it is beyond doubt that no nation-state would ever compromise on issues like sovereignty and national interest, yet some policy concessions have to be made. A welcome step has been taken by China in the form of devolution of more powers to the Yunnan provincial government for carrying out foreign economic relations on its own. Kunming, the capital city of Yunnan, boasts of a robust infrastructure and connected to all the major capital cities of Southeast Asia through good weather road connections to Myanmar and Laos, and a rail connection to Vietnam. On the sidelines of the ARF summit in July, 2006, China, Myanmar and Bangladesh agreed to construct a highway connecting Kunming to Chittagong via Mandalay. A new modern international airport deemed to be China’s fourth largest is already under construction and slated to be completed by 2011. Moreover, it is also home to the consulates of Southeast Asian countries like Myanmar, Thailand, Cambodia, Vietnam, Laos and Malaysia, and a trade office of Australia. India should seriously consider the prospect of providing similar kinds of autonomy to its north-eastern states for inviting investments through trade and tourism from its neighbouring countries. In fact, the High Level Commission Report to the Prime Minister of India entitled *Transforming the Northeast: Tackling Backlogs in Basic Minimum Services and Infrastructural Needs* (March 1997), also known as the Shukla Commission Report, recommended the revival of proposals for

the construction of a Trans-Asian Highway and Asian Railway so as to enable the Northeast to 'resume its dynamic role as a bridge to the booming economies of Southeast Asia and Southwest China to mutual benefit'¹⁰. Baruah (2005) argues that one major source of some of Northeast India's tensions with the Government of India has been the latter's decision to rigidly control border trade in the name of safeguarding national interests. Tariffs and other rigid barriers in the border regions tend to distort markets since they limit the market for goods and the area that supplies inputs. As such, producers shy away from locating industries near border areas and find it more rational to work in an area that is closer to the heart of the domestic market. He emphasises that the removal of trade barriers and harmonisation of tariffs on third country products could make border regions attractive sites for investments, when full access to cross-border markets becomes a reality. The disappearance of this border effect would surely enable the opening up of new economic opportunities. Therefore, if such border hurdles are removed, a natural economic region in Ohmae's sense can be a welcome possibility for the populations of such remote areas.

The region state model is very alluring in nature in the sense that it redefines the statist definition of borders. In spite of its lacunae, the model serves as a means for the development of cooperation among states if it is conditioned to meet specific needs of an issue area. The major focus in any cooperative process involving a region or issue area lies in the management and proper utilisation of resources. In such a case, the region is most likely to cut across political boundaries and, therefore, cross-border resource management can be an uphill task. To address this problem, Rongxing Guo (2005) forwards the concept of a cross-border area, which is defined as a geographical system governed by political rules and divided by two or more man-made boundaries and where all sub-areas interact with each other. All elements within each sub-area (political, economic, and cultural) are correlated with each other in a sequence.

'Rational exploitation and utilisation of natural and environmental resources is more difficult in cross-border areas than in areas under the jurisdiction of a single authority... cross-border resource management is constrained by the number of independent stakeholders involved... primary reasons for this come from the

¹⁰ This has been cited from the executive summary of the Shukla Commission Report (March 1997: 9).

uneven spatial distribution of production factors as well as the non-cooperative cross-border mechanism resulting from two or more political regimes.’ (Rongxing 2005: xi)

Natural resources have always fallen under the domain of public goods, the consumption of which by one would not diminish the availability for others. But they are usually consumed or destroyed more readily than other economic commodities. Their principal characteristics are non-exclusivity, enforceability and indivisibility. Therefore, the imposition of ownership of property rights over them becomes costly. These factors serve as the principal reasons why the efficient utilisation of natural and environmental resources, as public goods, lead often to increased conflict over efficient resource utilisation. Therefore, rational exploitation of resources through proper coordination among the actors concerned is necessary to prevent their rapid depletion owing to meet the needs of economic growth to support an increasing population. The hydropower reserves of the BCIM region if optimally utilised can not only help in cross-border navigation of goods and services, but also help in the generation of electricity to meet energy needs of the people as well as increase agricultural productivity. There has to be basic levels of understanding among the governments concerned that the burden, arising out of economic growth, leading to pollution of the environment and depletion of resources, should not be imposed upon another but be tackled jointly.



Map 2.1: Map showing the South-western Provinces of Sichuan, Yunnan, Guizhou, the municipality of Chongqing and the neighbouring regions.¹¹

When the BCIM cooperation process is discussed, it is imperative to understand the reasons behind China taking the initiative towards sub-regional cooperation for developing its landlocked border areas in the west. Basically, the three south-western provinces of Sichuan, Yunnan and Guangxi, with a total area of 1.09 million square kilometres and a population of 171 million, have warm climates and sufficient rainfall which have turned them into the ‘rice bowl’ of China¹².

One of the primary reasons was the ‘high level of level of investment on the part of the state through favoured policies, and a preferential treatment in opening to the outside world accorded to the coastal regions and seriously neglecting the opening up of “three-line-industry” of the southwest regions’ (Wang Xiaogang 1998; translated by Kumar 1998). The ‘Open door’ policy of the late 1970’s was first implemented in the special zones in the coastal areas as an experiment and expanded

¹¹Source: This map has been cropped from the original one acquired from the link “China Political Map” [Online: web], Accessed 19 April, 2010 URL: <http://www.mapsofworld.com/china/china-political-map.html#>

¹² BBC Special Reports (2002), “China by Region”, [Online : web] Accessed 5 April 2010 URL: http://news.bbc.co.uk/2/hi/asia-pacific/2188605.stm#rice_bowl

to the entire coastal region much later. The policy was introduced in the central and western parts of China very late. Under this policy, the coastal region saw the establishment of Special Economic Zones (SEZs), 14 coastal Open Cities, 260 opened-up cities and counties, 25 economic-technological development zones, and 13 protective tariff zones. The coastal region enjoyed preferential treatment in terms of project sanctions, foreign exchange reserves, taxation revenue credits etc. on the other hand, the southwest region until 1992 had to go through the state council's approval to gradually set up open cities along the coastal Chang Jiang region, and other coastal townships etc. The southwest region is strategically important for China. This region shares some of China's longest international land borders. It provided valuable assistance to the Chinese people during the Anti-Japanese resistance war of the 1930's and 1940's. However this region has been constrained by its extreme remoteness and absence of proper physical infrastructure, in spite of having vast reserves of natural and mineral resources. Therefore, establishment and transport costs are very high in comparison to the coastal areas. There is also the need for efficiently utilising the existing material-technological base in the southwest region. With proper use, the region can actively compete internationally as well as expand its markets. Keeping this in mind, one needs to have an idea about the two main provinces of Sichuan and Yunnan, in Southwest China, look at why the policymakers have favoured sub-regional cooperation.

With a geographical area of 485,000 square kilometres, Sichuan is divided into the western Chuanxi Plateau (Sichuan West Plateau) and the eastern Sichuan Basin, and home to the Yangtze River. The Sichuan Basin covers around forty percent of its total area. 'Fertile ground, plentiful water resources, a subtropical climate and several waves of migration have over the centuries made the basin one of China's most abundant and productive agricultural areas. As a result, the Sichuan basin has become widely known as "heaven's storehouse" in China' (McNally 2004: 427). The Chengdu basin lying towards the north-western part of this area has some of the most fertile and best irrigated agricultural fields. The provincial capital, Chengdu, is has been promoted as a regional economic and transportation hub by the PRC government. Its economic clout within Sichuan received a strong push when the city of Chongqing was split from Sichuan and made a separate municipality in the fifth meeting of the Eighth National People's Congress on 14th March 1997. Due to the geographically commanding position of Chongqing along the upper reaches of the

Yangtze river, it remained Sichuan's traditional centre of commerce and heavy industry. Therefore, its economic strength was always resented by the political conscious and culturally active elite of Chengdu. The new municipality consisted of the city of Chongqing, and the neighbouring south-eastern prefecture-level districts of Fuling, Wanxian, and Qianjiang, which constituted some of Sichuan's most poor and heavily populated areas. Liu Maocai (1998) argues that this policy benefitted Sichuan since it could concentrate its efforts to open up to its western part and develop the economy in the minority areas. The province is rich in mineral resources with more than one hundred and thirty two kinds of proven underground minerals, among which reserves of eleven kinds (Titanium, Vanadium, Lithium etc.) are the largest in China. Its heavy industries include those in coal, energy, and iron and steel, whereas the light industrial sector comprises of building materials, wood processing, food and silk processing. E.g. Chengdu and Mianyang are important centres of production for textiles and electronics products. Most of the auto manufacturing companies are located in Chengdu, Mianyang, Nanchong, and Luzhou. More importantly, Sichuan is home to vital industries like aerospace and defence. Many rockets and satellites have been launched from the Xichang Satellite Launch Centre, located at the city of Xichang.

A number of historically significant events contributed towards Sichuan's emergence as a modern economic hub of southwest China. A series of migrations from the Huang River Valley, since fifth century BC, to this agriculturally rich province led to Chengdu's emergence as the political, cultural and economic centre of China's southwest by the Tang dynasty period (618-907 AD). But Sichuan lost this prominence after the Tang period due to the movement of politico-economic power towards the eastern regions of China, and because of its remoteness. During the early decades of the Qing dynasty (1644-1911), there was a massive westward rush of population from the eastern provinces of Hunan, Hubei and Guangzhou, to Sichuan, what has been called as "fill Sichuan by migration" policy. The agricultural, handicraft and commercial knowledge brought in by these migrants spurred economic growth in the region. The movement of the Kuomintang government to Chongqing in the 1930's to avoid Japanese invasion 'triggered the first upsurge of industrialisation in Sichuan' (McNally 2004: 430). But the ensuing civil war of 1945-49 destroyed the industrial sector. The biggest push for industrialisation came in the form of Mao Zedong's 'Third Front Construction

Project'. Due to Sino-Soviet animosities of the 1960's it was feared that a Soviet invasion would cripple China's heavy industries, which were mostly located in the north-eastern provinces of Heilongjiang, Jilin and Liaoning. Moreover, an American invasion from the south and the east always existed. Therefore, it was planned that these industries would be relocated westward into the interior provinces. As a result, Sichuan became a beneficiary. It helped in the expansion of its technological and scientific base and also the improvement of physical infrastructure. Deng Xiaoping's economic reforms of 1978 made Sichuan the first province to begin abolishing collective agriculture and starting state-owned enterprise reforms. In the mid-1980's, it was one of the first provinces to experiment with converting state firms into joint stock corporations. By 1999, it had the third highest number of enterprises listed on China's stock markets, trailing only Shanghai and Guangdong. Throughout the 1990's major infrastructure development projects took place, such as the construction of 750 kilometres of expressway, electrification and expansion of rail networks etc.

But, by end 1999, Sichuan fell behind the national average in terms of economic growth and development. 'This growing gap was generated by annual growth rates that were lower than the national average of 9.76 percent between 1978 and 1998... it descended from being China's sixth largest provincial economy to being its tenth largest in 2000' (ibid). The factors which led to this situation are--- 1) the inability of Sichuan's companies in establishing major Chinese brand names and enhancing their national and international competitiveness, in spite of the fact the province had China's third largest population volume, which constituted a huge market; 2) unabated migration throughout history, and agricultural reforms and technological advances led to Sichuan becoming China's largest source of trans-provincial floating population; 3) continuous mismanagement of natural resources caused rapid environmental degradation and lower productivity; and 4) the Third Front's legacy has led to the entrenchment of bureaucratic and local interests within the state sector, which has compounded plans for its restructuring. As a result both the provincial government of Sichuan and the PRC government realised the urgent need to redress this problem. The 'Open up to the West' campaign was enunciated in the Tenth Five Year Plan (2001-2005). The objective was to 'recalibrate the development policies of the PRC by emphasizing interior and western regions' (McNally 2004: 433). Premier Zhu Rongji enunciated five basic objectives of this campaign in 2000--- to

accelerate the development of infrastructure; to strengthen environmental protection; to adjust the structure of production actively; to develop technology and education; and to accelerate reform and opening up. They were later incorporated into the “overall plan of western region development during the Tenth Five-Year Plan period” in 2002. Two additional objectives were introduced into this plan--- to promote the process of urbanisation; and to reduce rural poverty and regional income disparities. Such initiatives have helped the province greatly. The province, today, is ranked ninth in the country in terms of economic strength. It has 188 state-level research and development (R&D) institutions and 76 institutions of higher learning. The average annual GDP growth rate for the period of five years, prior to 2007 has hovered around 10.7 percent. In 2006, Sichuan’s GDP amounted to US\$ 112.7 billion¹³. Again, 125 out of the world’s top 500 companies have set up offices or started business in Sichuan. A total of seven countries--- the US, Germany, South Korea, Thailand, France, Singapore, and Pakistan--- have established consulates in Chengdu.

Yunnan, with a geographical area of 394, 100 square kilometres, is the eighth largest province in China and consists of twenty-five out of a total of China’s fifty-six recognised ethnic groups. It shares a 4,060 kilometre long international border with Laos, Vietnam and Myanmar. The province contains vast reserves of natural, mineral and energy resources. Out of a total of 30,000 plant species found in China, about 18,000 are found in Yunnan, earning it the epithet of the ‘Kingdom of Plants’. Around 900 plant species have been found to have high economic value. Moreover, it has 86 types of minerals in 2,700 places. Of more than 140 ores known to have economic value, 122 are found in Yunnan. It contains vast reserves of zinc, lead, tin, cadmium, indium, thallium and crocidolite. Its coal reserves are ranked ninth in China. There is a huge potential for hydropower generation with through the water systems of the Jinshajiang, Lancang and Nujiang rivers. The theoretical hydropower reserves have been calculated to be around 104 million kilowatts. In spite of these favourable factors, it remained one of China’s underdeveloped provinces. Apart from underdevelopment, Yunnan is also plagued by secessionist movements.

¹³ (*) Sichuan Provincial People’s Government, “Briefing of Sichuan”, [Online : web] Accessed 19 April 2010 URL: http://english.sc.gov.cn/SichuaninPerspective/BriefingaboutSichuan/200711/t20071121_226953.shtml

However, its geographical location provides it with certain comparative advantages in regional and border trade with South and Southeast Asian countries. This is Yunnan's trump card over Sichuan. In spite of similar problems related to economic underdevelopment, Yunnan's proximity to China's neighbouring countries has led the central authorities to provide more incentives politically and economically for turning this province into a regional hub for Southeast Asia, as well as for the inland western provinces of China. Basically, it is China's gateway to South and Southeast Asia. The Lancang (upper Mekong) river serves as the waterway to Southeast Asia. Moreover the Southern Silk Route connected Kunming, Yunnan's capital city, with Assam via Myanmar, and it joined the main route at Samarqand, in Central Asia, through the Gangetic and Indus valleys. Under the auspices of the ADB, the GMS sub-regional cooperation initiative was launched to tap the economic potential of this region. This development program with the help of ADB and other donors has helped in the implementation of high priority sub-regional projects in transport, energy, telecommunications, environment, human resource development, tourism, trade, private sector investment, and agriculture¹⁴. Priority projects to the tune of US\$ 10 billion have either been completed or are under implementation. Yunnan has been given substantial levels of autonomy by the central authorities to pursue foreign economic relations. This is a remarkable feature within an authoritarian political system like China. The high degree of flexibility permits effective policy formulation quickly for necessary situational challenges.

¹⁴ (*)ADB, "The GMS Program", [Online: web] Accessed 18th April 2010, URL: <http://www.adb.org/GMS/Program/default.asp>

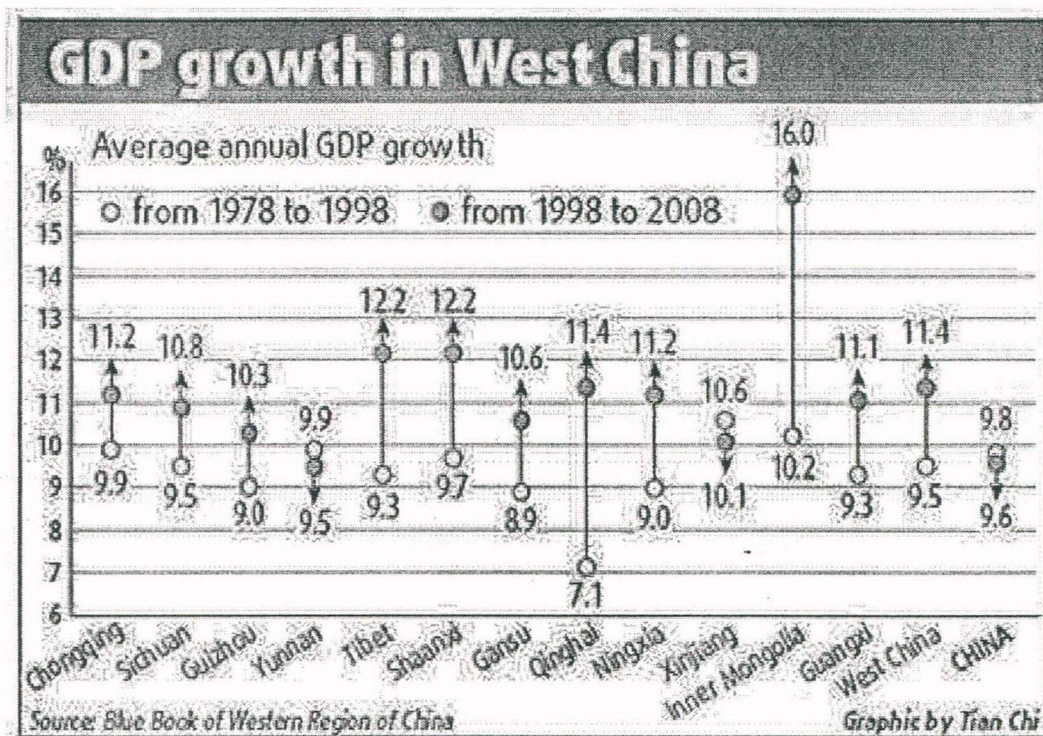


Figure 2.1: Figure showing the average annual GDP growth in West China¹⁵

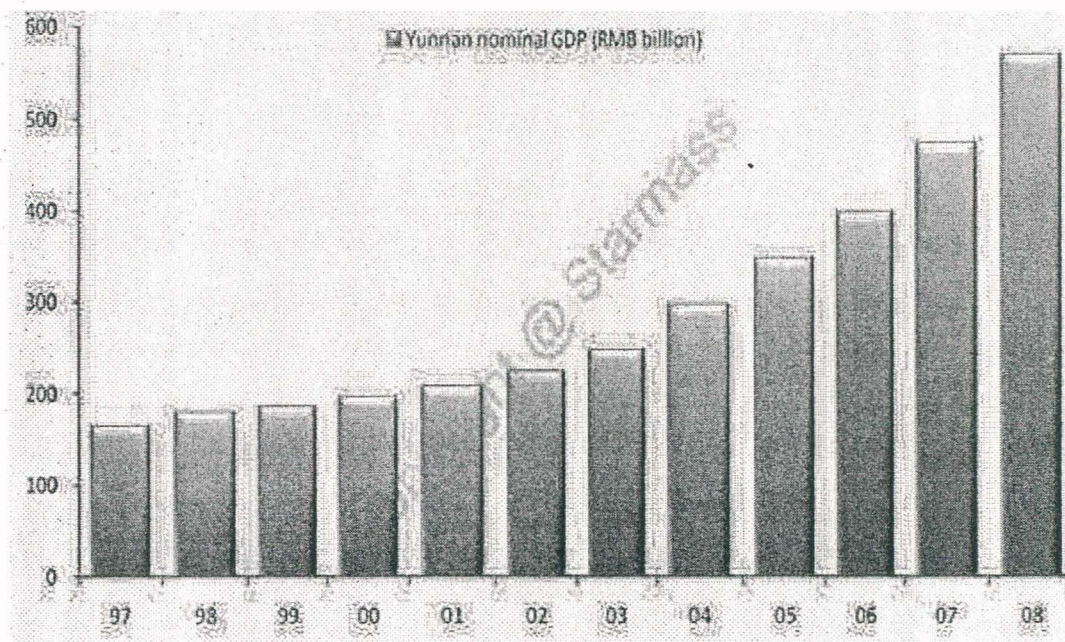


Figure 2.2: Figure showing the nominal GDP of Yunnan from 1997-2008¹⁶

¹⁵ Source: People's Daily Online (2009), "Blue book: West China is struggling", [Online : web] Accessed 22 July 2010 URL: <http://english.people.com.cn/90001/90778/90857/90862/6699994.html>

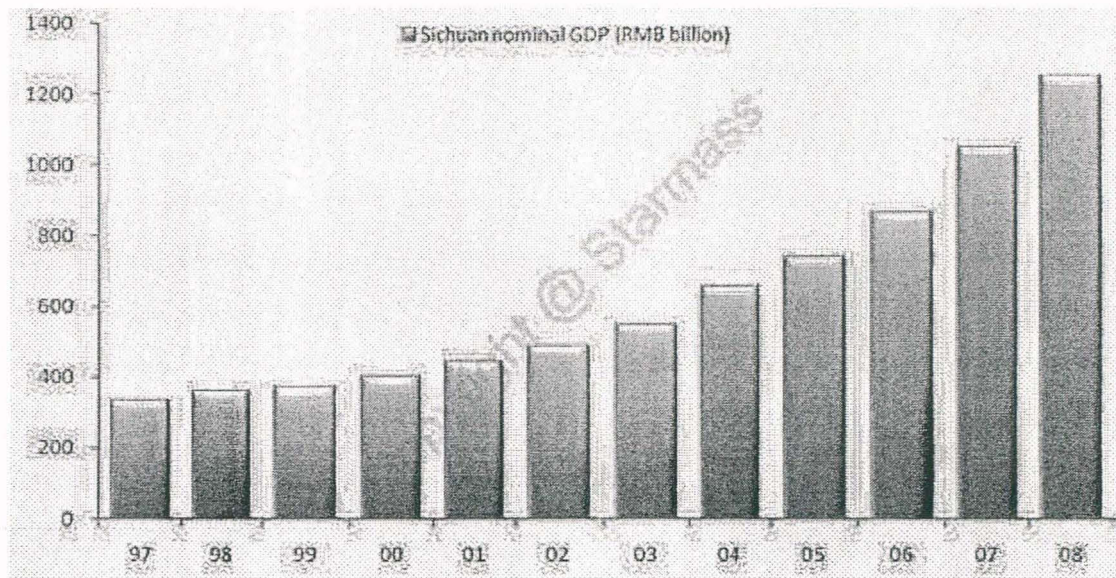


Figure 2.3: Figure showing the nominal GDP of Sichuan from 1997-2008¹⁷

From the above figures, it can be deduced that the economies of Yunnan and Sichuan are progressing well and doing better than most of the other provinces of China's western region. Sichuan's economy is growing faster from 1998-2008 than in the previous twenty years. Even Yunnan is not doing very badly. However Sichuan¹⁸ is facing two big problems. Firstly, the 2008 Sichuan Earthquake devastated the infrastructure of the province. As a consequence the economy also suffered. It dampened the development of the tourism industry, resulting in a 10.3 percent decline in revenue in 2008. Secondly, the total population of the province has declined from 84.3 million in 1997 to 81.3 million in 2007, representing a 3.6 times decrease over a period of ten years. Rural workers have moved to the cities because of rapid urbanisation. Moreover, the ageing population has gone up manifold. However, total investments in fixed assets have surged from 93 billion RMB in 1997 to 564 billion RMB in 2007, due to the continuous support from the provincial government to develop the rural areas. Moreover, the aftermath of the earthquake has provided opportunities for investors to put their money in areas such

¹⁶ "Yunnan demographic analysis and economic review", [Online : web] Accessed 22 July 2010 URL:http://www.starmass.com/china_review/provincial_overview/yunnan_demographic_economy.htm

¹⁷ "Sichuan demographic analysis and economic review", [Online : web] Accessed 22 July 2010 URL:http://www.starmass.com/china_review/provincial_overview/sichuan_demographic_economy.htm

¹⁸ http://www.starmass.com/china_review/provincial_overview/sichuan_demographic_economy.htm, Accessed 22 July 2010.

as infrastructure, real estate, water treatment, manufacturing and modern services sectors. In the case of Yunnan¹⁹, the population has grown from 40.9 million in 1997 to 45.1 million in 2007, reflecting a 10.3 percent increase over a period of ten years. The province has the highest number of ethnic groups (26 out of a total of 56 groups) among all the provinces and autonomous regions in China. In spite of being a relatively underdeveloped province, Yunnan's economy has been developing steadily. Its principal industries include tobacco, mining, electricity, bio-technology, pharmaceuticals and agriculture industries. The services sector has played an important role in its economic development, contributing 39 percent of the total GDP. The manufacturing came next with a share of 36 percent. The agricultural sector comes last with only a share of 18 percent. The provincial government has encouraged investment in sectors such as energy, agriculture, transportation, water conservation, power generation, metallurgy, chemical industry, tourism, environmental protection and urban infrastructural construction.

Therefore, China's primary interests lie in the development of its hinterland areas. The BCIM forum fits into this picture nicely. This sub-region is located in the meeting point of three very important market zones--- China, Southeast Asia and the Indian sub-continent. Basically this initiative is inspired by the concept of 'Growth Zones'. This idea involves 'cooperation between three or more countries for the development of a geographically contiguous region consisting of a part or the whole of each of the participating countries' (Rahman et al 2007: 2). Such growth zones enable easier resource collection and their optimal utilisation between member states. The BCIM zone can serve as a link between the two huge markets of China and India. Increased economic interdependence and socio-cultural integration between the constituents can serve as a booster towards ensuring a friendly atmosphere and the development of higher stakes in one another's economic growth and development.

'Especially, if the two large developing countries (China and India) strengthen cooperation and coordination in international affairs, which will contribute to strengthening the unity of the developing countries and jointly fight against the hegemonies... will also contribute to establishing the new multipolar world order and safeguard the peace and stability of Asia and the world.' (Che Zhimin 1998: 4)

¹⁹ http://www.starmass.com/china_review/provincial_overview/yunnan_demographic_economy.htm, Accessed 22 July 2010.

While Schelling's observation about the use of coercive power by states to achieve their ends may be applied to the issuance of unwarranted statements by the PRC government agencies towards regional problems involving one or more of its neighbours, it need not be taken as a standing ground to negate the possibilities for the emergence of cooperation on the basis of the complex interdependence model suggested by Keohane and Nye. Within this context, Kaye's argument towards viewing cooperation as a process not based on outcomes can help in reducing undue haste towards solving problems between states. It can also foster cooperation to a greater degree since participants can approach issues without having any strings attached. Within the BCIM mechanism, academic interactions are as important as policymaking for the initiative to take shape and have both greater longevity and leverage in solving problems. Moreover, as Baruah argues, Ohmae's concept of the 'region state' can be utilised with modifications towards addressing issues related to economic growth and development in a region, although, in some rudimentary sense, the concept of a growth zone has some similarities with it in the realm of cooperation. The theoretical basis of regional and sub-regional cooperation has been deliberated upon in this chapter. The institutional mechanism and the relevant issues within the BCIM process will be discussed in the subsequent chapters.

Chapter Three

The Aims, Objectives and Processes of BCIM

The BCIM is a Track Two level initiative aimed at sub-regional cooperation. The Yunnan Academy of Social Sciences and Yunnan Development Research Centre (YDRC), together, took the lead in convening the First International Conference at Kunming, China, in 1999 to promote regional cooperation among the four neighbours, namely, Bangladesh, China, India and Myanmar. The idea was to establish a *Forum for regional Cooperation* to carry forward the concept of growth quadrangle in this historically connected and geographically contiguous Eastern South Asian region, through interactions among academics, governments and leaders of trade and industry. Initially called the *Kunming Initiative*, the nomenclature was changed over to *BCIM Forum*. There have been two rounds of dialogue from 1999 to 2009 comprising eight conferences in total. The participating institutions of the four countries are as follows:

- 1) Bangladesh- Centre for Policy Dialogue (CPD), Dhaka.
- 2) China- Yunnan Academy of Social Sciences (YASS) and Yunnan Development Research Centre (YDRC), Kunming.
- 3) India- Institute of Chinese Studies (ICS) and Centre for Policy Research (CPR), New Delhi.
- 4) Myanmar- Ministry of Commerce, Government of Myanmar.

The rationale behind this initiative is that the sub-region comprising of Bangladesh, Northeast India, Myanmar and Southwest China is one geo-economic unit where the member-countries have interacted with each other through the Southern Silk Route since time immemorial. The border areas of these countries are developing regions with huge deposits of natural and mineral resources.

In November 1998, at the Conference on Regional Development in India and China, New Delhi, organised by the Institute of Chinese Studies and the Ministry of

External Affairs of the Government of India (GoI), Che Zhimin argued for the setting up of a “Sub-regional Co-operation Zone” among SW China, NE India, Bangladesh and Myanmar, covering a vast area of 1.483 million square kilometres, abundant natural resources and a population of nearly 400 million. He pointed out five characteristics that could serve as an incentive for the authorities concerned to pursue such an initiative. They are as follows

- 1) Unique location to connect the three major markets of Asia.
- 2) Abundant resources and great potentiality for development.
- 3) Complementary economy and obvious superiority.
- 4) Undeveloped economy and poor people.
- 5) Keen for development and for establishment of the “Sub-regional Co-operation Zone”.

If one reads carefully the three observations made by these scholars, one common theme emerges out of their writings- the need for the proper exploitation and utilisation of the abundant natural and mineral resources of the sub-region through the development of proper transport infrastructure, promotion of economic linkages and the revival of the historical networks among the people for common prosperity and well-being. This area connects the three major markets of China, South Asia and Southeast Asia. Apart from overland connectivity, riverine routes can also be developed by utilising the Ganges, Brahmaputra, Irrawaddy, Jinsha, Lancang (Mekong) and Nujiang rivers to their full potential for not only facilitating trade and commerce, but also for the generation of hydro-energy at low cost. With each member-country having its advantages over some sector of their respective economy, they can benefit from one another. This would give rise to an increasingly efficient economic system, which could promote the development of the regional economy ‘by fulfilling the complementarity of the resources, industries and product structure available in the region’ (Che 1998, 2-3). Being at the bottom of the development pyramid, this sub-region needs efficient management networks and physical infrastructure for the sustainability and efflorescence of scientific education, culture and modern healthcare, so that their benefits could be extended to the population living there. Che Zimin uses the term ‘rich poverty’ to describe this

piquant situation. The people are the basic units which form a nation-state. All development-oriented goals are meant for the betterment of the livelihood of the people. The living standard is very poor in the sub-region even in the twenty-first century. Widespread cases of poverty, hunger, disease leading to socio-political unrest have unleashed a vicious cycle of untold suffering for the common masses. Therefore, borders need to be made more flexible, if not open for the free movement of goods and services within regions. Yang Ye (1998) underlines the reasons why Yunnan can promote economic relations with India. The province has huge transport infrastructure that gives it access for opening up SWC to the neighbouring countries. It has the longest road mileage, most airports and most land foreign ports and passes in the southwest region. Yunnan also enjoys superiority, on both domestic and foreign markets, in the production technology of non-ferrous metal products, phosphorous chemical products, cement, sheet glass and precision-machine tools. It has immense tourism potential due to the presence of a rich natural landscape and cultural traditions of its varied ethnic minority population. Since it borders SE Asia and close to the South Asian region, the combined market of the three regions (including the vast domestic market of China), could emerge as the largest market to cover the most areas with the most population in the world. Guo Suiyan and Huang Min (1998) point out that the Chinese government had been carrying out its Open Door Policy, encouraging domestic enterprises to face the international market and attracting foreign investment. The strategy of market diversification had put South Asia in the category of an important market to be accessed. Due to the moving in of investment from the eastern provinces to the west, Yunnan was facing a new opportunity in development. Connectivity to NEI would give this region access to a huge market as well as the Indian Ocean ports.

Yunnan's position as the bridgehead for SWC cannot be ignored due to its strategic position between China, South Asia and SE Asia. It has a border of 4,061 kilometres with the neighbouring countries. The biggest potential advantage of this region is that it opens up the access for two regions --- the Pacific, SE Asia and GMS in the east, and South Asia, West Asia, East Africa and the Indian Ocean. This cannot be compared to other provinces (Ren Jia 2010)²⁰. This southwest bridgehead would

²⁰ Socialist Forum (2010), "To speed up the opening of the bridgehead for the construction of the Southwest", [Online : web] Accessed 24 July 2010

function in the form of a 'frontier' to realise three basic goals --- opening up of the economy to the outer regions internationally; promote cultural exchange; and ensure regional stability and harmony. To develop industrially, SWC has to develop linkages with neighbouring countries. The emphasis is upon achieving win-win cooperation by strengthening ties with the BCIM and GMS sub-regional initiatives.

Professor K. Venkatasubramanian, member of the Indian Planning Commission, wrote, in the editorial column of the daily *The Hindu*, on 25th October 2000, about the importance of the establishment of a sub-regional trade cooperation mechanism jointly by China and India. He quotes:

“The first priority should be given to transport infrastructure. Sino-Indian trade relations will depend heavily on the construction of trade routes including China-Myanmar-India highways and railways. The two countries also need to jointly establish a sub-regional cooperation community. This proposed cooperation community could embrace China's Yunnan province, north Myanmar, Bangladesh and eastern and northern India. By constructing transport lines, all the big cities in these regions will be linked, and the regions will eventually be turned into a unified growth area. While promoting economic cooperation, the four countries could also search for support from major international organisations... as a first step, we can have a cooperative community structure embracing certain parts of China adjacent India, north Myanmar, Bangladesh and the Seven Sisters of the Northeast.”²¹

This observation, made by a distinguished person connected with India's highest planning body, directly points out the benefits of enhancing trade and economic cooperation among the four countries. And his idea runs similar to that of the BCIM's goal, correspondingly deliberating upon the immense potential the region holds for its growth and development and improvement of the living conditions of the resident population. C.V. Ranganathan (2001), quoting from the same passage, points out that the above suggestion is informed by the historical experience of the pre-partition situation where natural communication links promoted cultural and economic well-being. He further observes:

“The time for taking the initial steps to realise the vision is ripe, with China's rapid growth, India's ongoing economic reforms and the need for India, China and the neighbours sandwiched between

²¹ Venkatasubramanian, K. (2000), “Sino-Indian economic ties”, [Online : web] Accessed 10 June 2010 URL:<http://www.hindu.com/thehindu/2000/10/25/stories/05252524.htm>

them, to adapt to globalisation and sub-regional cooperation to serve their larger national interests of achieving stable peace and development for their millions.” (Ranganathan 2001: 117-118)

The first BCIM conference held from 15-17 August, 1999, at Kunming, saw a huge participation from the Chinese side, which was trying to promote the *Kunming Initiative* with great interest. “To overcome the locational disadvantage of its south-western provinces, China has been actively seeking multiple access routes by land and sea to South Asia and Bay of Bengal” (Kurian 2005: 299). The main objective of the Chinese government is to transform its hinterland south-western region into a regional commercial hub for the entire South and Southeast Asian market. For this easy access to the warm-water Indian Ocean ports is a necessity, which would significantly reduce transportation costs, time taken and energy consumed in ferrying goods and services to the hinterland via the straits of Malacca and the port cities of Guangdong and Shanghai. In this conference, out of an approximate number of 130 participants, about 90 were from China alone. Ranganathan (2001) aptly points out that the high level presence of Yunnan and central Chinese government officials, throughout the conference and at social functions outside the deliberations, gave a clear indication of the complete policy support to the outcome of the conference, which was a completely new way of looking at the question of quadrilateral regional cooperation. The outcome of this conference was a document titled *The Kunming Initiative* which called for:

- Deepening cooperation in economy, trade, communications, and cultural fields.
- Initiatives both at governmental and non-governmental levels for building public support for sub-regional cooperation.
- Reporting to the respective governments of the outcomes of this conference.
- Establishment of small working groups for looking out at the small, medium and long-term priorities.
- Setting up of a permanent forum for sub-regional cooperation among the four countries.

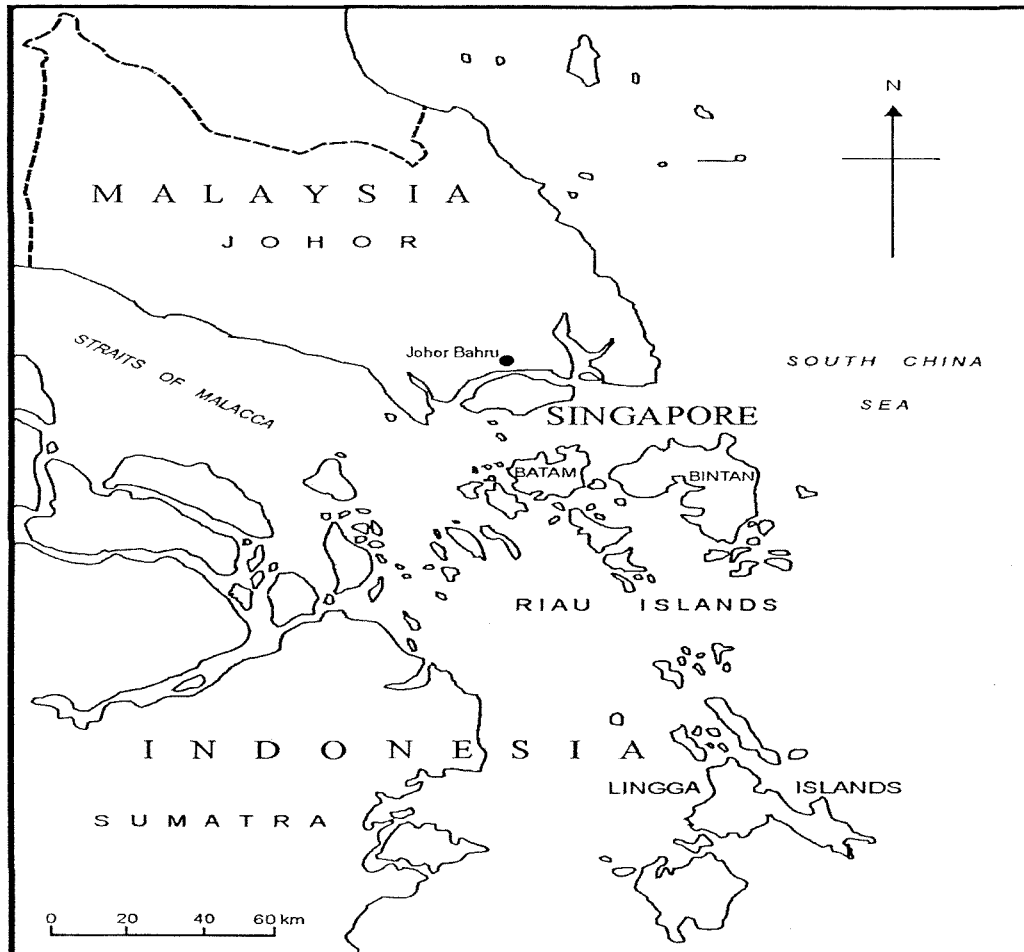
The basic aim is the promotion of the concept of growth polygons for the development of hinterland areas within the BCIM countries.

Growth Polygons:

'Growth Polygons' or 'Growth Zones' as a concept for regional cooperation owes its origin to the Asia-Pacific region, and came into prominence in the 1990's with the full onslaught of the forces of globalisation. Their aim is the economic development of the bordering regions of the participating countries. They mainly try to harness the market forces for furthering infrastructure and industrial development in a particular region. The most visible manifestation of this concept has been the 'Growth Triangles', principally seen in the SIJORI (Singapore, Johor, Riau) sub-regional economic cooperation. Also called the Southern Growth Triangle, this initiative was formed between Singapore, the Johor state of Malaysia and the Batam Island of the Riau province of Indonesia in 1989, and covering a population of 6 million people. It was publicly proposed by then Deputy Prime Minister of Singapore, Goh Chok Tong, in December 1989. But the formal Memorandum of Understanding (MoU) was signed between the governments of the three countries in December 1994.

"The basic vision was for Singapore more effectively to manage the cross-border hinterlandization of its economy, providing capital and strategic direction while securing access to both Malaysian and Indonesian labour, land and water. Singapore, in short, was to supply the capital, and Johor and Riau were to provide the land and labour." (Sparke et al. 2004: 486)

Basically, being a small city-state, Singapore needed both land and labour to continue with its industrial and infrastructure growth which could be supplied only by the other two neighbouring regions. Its location at the southernmost tip of the Johor peninsula gave itself access to a huge hinterland, whose need for capital and technology could be catered to efficiently. It was a three-way complementarity forming an ideal growth zone. The very fact that these three economies were in different stages of development helped them to reap greater benefits through close cooperation by harnessing such complementarities. They could utilise their competitive strengths to make the sub-region an attractive destination for regional and international investors.



Map 3.1: The SIJORI Growth Triangle in South-East Asia²²

Rahman (et al. 2007: 3) states that while Singapore made available an advanced infrastructure, financial resources and management expertise, Indonesia and Malaysia contributed natural resources and the needed work force. Banking upon the cheap labour available in Johor and Batam, a number of Singaporean property dealers developed industrial parks and the required infrastructure for the relocation of the plants of manufacturing enterprises of Singapore. Cross-border movement of labour was facilitated. During the first five years, the SIJORI initiative attracted \$10 billion in private sector investments.

“Conducive investment incentives provided by the participating governments along with supportive measures for industrial establishments contributed to the large flow of investment into the economies of the participating countries in the areas of manufacturing, trade and services, agribusiness, and tourism.”
Rahman (et al. 2007: 4)

²² Source: Sparke, Matthew et al. (2004), “*Triangulating the borderless world: geographies of power in the Indonesia-Malaysia-Singapore Growth Triangle*”, Royal Geographical Society, [Online : web] Accessed 12 July 2010 URL: <http://faculty.washington.edu/sparke/growthtriangle.pdf>

Thus, from the above example, it becomes amply clear that national boundaries can be transcended to create better economic opportunities for the people through an imaginative approach. Here again, one can hear echoes from Kenichi Ohmae's proposition for the *Region State*, which would be an economic unit cutting across national barriers and serve as 'effective entry points' to the global economy (Ohmae 1993: 80). The SIJORI growth triangle has been established as one of the most successful models of sub-regional cooperation for the promotion of trade and investment in that region.

China's attempts at sub-regional cooperation started from its domestic theatre itself, with the introduction of the SEZs. The Southern China Growth Triangle, comprising of the SEZs of Xiamen (in Fujian) and Zhuhai, Shantou, Shenzhen (in Guangdong), as well as Taiwan and Hong Kong, was meant to observe the structure of the localised nature of its economic integration. Politically, it was targeted at localising and restricting the economy to spatially demarcated zones so as to contain any negative fallout arising out of the failure of this experiment. At the institutional level, the government fully backed the market forces and the private sector initiatives which enabled the establishment of this growth triangle. The Reforms of 1978 by Deng Xiaoping generated an atmosphere of openness. The creation of the SEZs, along with tax concessions, expanded land use rights, and simplified procedures of foreign investment, bolstered the economic growth of the region and made economic cooperation with Hong Kong and Taiwan a win-win situation for all. Taiwan supplied manufacturing components and Hong Kong gave services sector facilities for the development of the industries in the Guangdong and Fujian provinces. Both the central and the provincial governments in China made huge investments in these areas by building the required infrastructure, and paving the way for the foreign investors to pump in their money for the setting up of industries and the subsequent development of this region. Nimmi Kurian (2005) quotes Peter Katzenstein's (1996) view that Asian regionalism has been characterised by dynamic market mechanisms, on the one hand, and weak formal institutional structures, on the other. She draws attention to the fact that the Southern China Growth Triangle is one such case where no formal inter-state agreements between the member economies have been signed.

“Its success owes itself in no small measure to the high degree of flexibility of its informal arrangements that created the space for

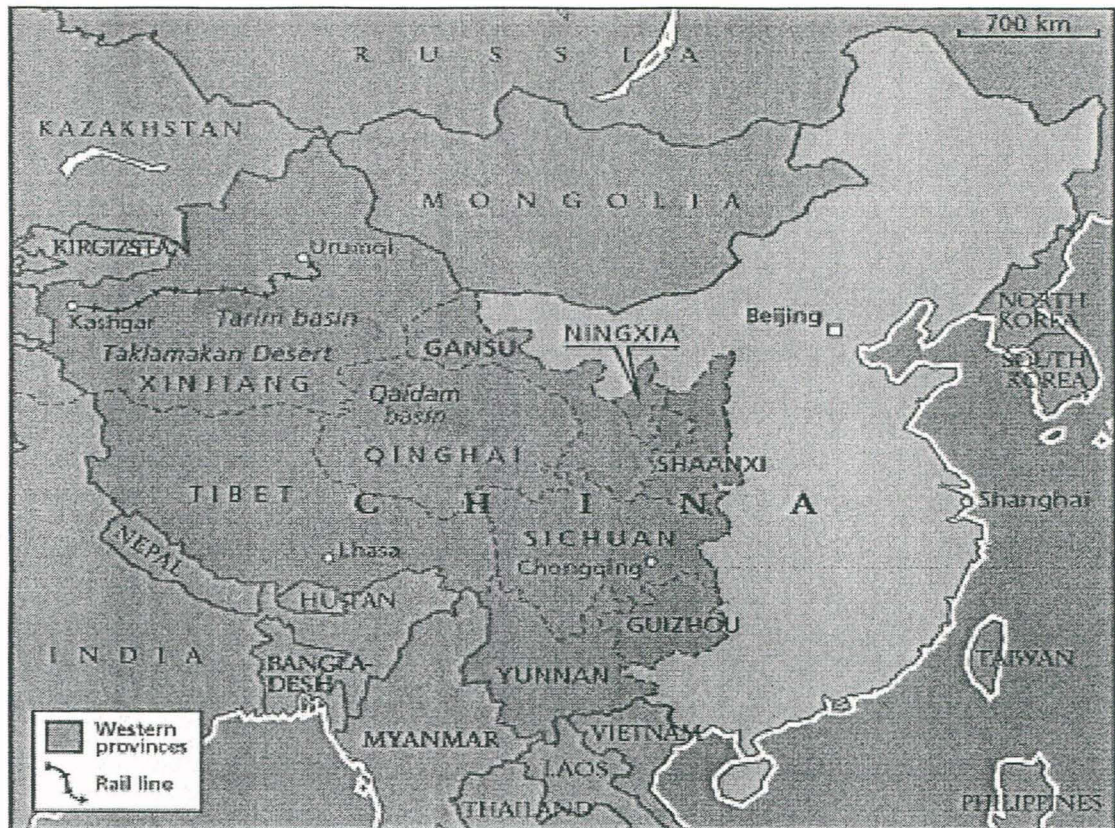
economic cooperation between divergent economic and political systems. Asia's informal or soft regionalism marks a point of departure from the elaborate formalised institutional arrangements that characterise economic blocs like the European Union." (Kurian 2005: 296)

This is a significant point where the argument focuses upon the lesser role of the state and the greater role of non-state actors in the process of establishing sub-regional cooperation. The state's interference is limited in matters related to the carrying out of trade, commerce and industrial development. Of course, it has its role to play in providing the necessary infrastructure for the fulfilment of such goals. It remains as a distant monitoring as well as a coordinating agency. But the bulk of the work is handled by the common people, who have the biggest stake in such initiatives, owing to the phenomenal prospective benefits accruing from them.

Such examples come handy when one tries to build up on a new sub-regional initiative like the BCIM. Before delving deeper into the nature and structure of this process, one needs to look at why China is taking the lead in establishing such cooperative mechanisms. The BCIM is intimately connected with China's stated goal of developing its vast hinterland areas. 'The idea of promoting sub-regional cooperation forms an integral part of China's overall policy of developing its vast western region' (Kurian 2005: 297). Home to nearly 300 million people, and 80 percent of her ethnic minorities, this region is the poorest and economically underdeveloped in China.

"The announcement of a campaign to "Open Up the West" (*xibu da kaifa*) by the leaders of the Chinese Communist Party (CCP) during the second half of 1999 indicated a change in the regional development policy of the People's republic of China (PRC). The stated goal was the development of the interior and the western regions of the PRC, in distinct contrast to the emphasis of regional development policy since 1978 that had favoured its eastern and southern parts." (Goodman 2004: 317)

The Western Development Program initiated by the central government seeks to improve the physical connectivity between the western and the eastern parts of the country as a first step towards developing the region. Covering about 56 percent of the country's total geographical area, it is home to nearly 85 percent of the country's most valuable mineral reserves.



Map 3.2: Map showing the Western hinterland provinces of China²³

The physical integration of this area to the rest of the country, especially the more affluent coastal provinces, necessitates sub-regional cooperation to ensure economic integration fully with the latter. The PRC throughout most of the 1980's and 90's concentrated upon the development of the eastern coastal region through the efforts of Deng Xiaoping. The fast pace of development in the coastal areas requires huge amounts of raw materials, which are abundant in this sparsely populated region. Locational disadvantages resulted in phenomenal costs in both time and money for the procurement of goods and services. The spectre was one of a lopsided or uneven regional development. A national conference of the heads of the Nationalities Affairs Commissions, in 1989, recommended that the opening up of the minority-dominated western region to the other parts of China and the rest of the world. The plan was the opening up of this region into two directions simultaneously-

- 1) Coastal areas and the developed countries to the south and the east; and

²³ The Economist (2000), "Go west, young Han", [Online : web] Accessed 29 April 2010 URL: http://www.economist.com/world/asia/displaystory.cfm?story_id=E1_QVSVGS

2) Neighbouring countries of the north and the west.

Therefore, precedence was being given over to optimising upon the advantages of border trade due to geographical proximity.

In 1992, Deng Xiaoping noted that the state might have to address the regional inequality by helping the less-developed regions by the end of the twentieth century, when the nation's overall standard of living reached a 'comparatively well-off level' (*yanhai jingji fazhan zhanlue*). In March 1996, the National People's congress' (NPC) proposal for the Ninth Five Year Plan had President Jiang Zemin's policy statement calling for a coordinated regional economic development for gradually reducing the gap in regional development. The NPC's designation of Chongqing, in Sichuan, as a provincial-level directly administered municipality, on 14 March 1997, gave a tremendous boost to the progress of measures for the economic development of the interior provinces. During the Ninth NPC in March 1999, Jiang Zemin proposed the western development strategy. He used the phrase "great western development" (*xibu da kaifa*) for the first time on 17 June 1999 at the Conference on the Reform and Development of State-Owned Enterprises (SOEs) (Hongyi 2002). One of the reasons for this strategy was related to the break-up of the non-performing SOEs throughout the country after the entry of the private sector in the 1990s. The state sector, by 1994, produced the highest industrial output of 69 percent in the western provinces as compared to only a third of the output in the coastal provinces. Suffering heavy losses, these enterprises were sought to be reformed by the central government. The entry of the non-state sector into the interior provinces of the west was aimed to bring much needed investment to the region to fuel economic growth. Hongyi (2002) asserts that the central leaders also wanted to help the interior provinces, through this program, to prepare for the PRC's entry into the WTO (World Trade Organisation). The entry of foreign firms would lead to the inefficient SOEs to compete with them. Also, the isolated populations of the western region, along with the provincial party cadres, would have to adjust to international economic norms. An overwhelming emphasis was put on the development of physical connectivity in the region. Some of the projects under which Yunnan and Sichuan have benefitted are the development of the Shuangliu Airport in Chengdu, Wujiaaba Airport in Kunming, the upgradation of the state of the provincial highways

linking Lanzhou-Panhan (Yunnan), Chengdu (Sichuan)-Zangmu (Tibet) etc. The Mofcom planned to overhaul the transportation system in the west by 2010.

According to a CCPIT²⁴ report, the Government of China has increased its investment in the western region, comprising of 64 percent of the country's territory, since the beginning of the Ninth Five Year Plan in 1996. Since then, priority has been given to resource development and infrastructure construction in the area. The area abounds in minerals, hydropower energy, and tourism and land resources. This area is located in the upper stream of rivers, borders on more than ten countries and regarded as the 'second gold-belt' that can open up to the outside world. According to a news report, dated 21 March 2004, from the official Xinhua²⁵ news agency, Premier Wen Jiabao pointed out, in a meeting of the State Council, that the western development strategy had achieved significant progress in infrastructure construction, ecological protection, strengthening of education in science and technology, and developments in social undertakings, since its inception in 2000. He pointed out that the development of the western region was an arduous task and would need time. Among the imperatives he suggested for instant consideration, due emphasis was given upon the development of infrastructure, especially in the rural regions, and the proper utilisation of various types of resources to develop competitive industries. The 2008 Sichuan earthquake delivered a massive blow to the economic development of the region due to the extensive damage caused to infrastructure and loss of lives. There have been renewed efforts to rebuild this area under the auspices of the Western Development Strategy. Premier Wen Jiabao said, "Since last year, China's western regions have suffered the double blow of a big natural disaster and the global economic crisis. In a basket of measures to cope with the economic crisis, China continues unswervingly to push forward with the West Development Strategy".²⁶ He made these remarks in a keynote speech at the opening ceremony of the 10th Western China International Economy and Trade Fair and the 2nd West China International Cooperation Forum at Chengdu, in early 2009. Between 2000 and 2009, the central government spent US\$ 512.4 billion to enable the

²⁴ CCPIT (2007), China Council for the Promotion of International Trade, "Chinese Economy", 24 July, URL: http://english.ccpit.org/Contents/Channel_416/2007/0105/21869/content_21869.htm

²⁵ Xinhua, "Wen Jiabao stressed: to firmly implement the western development strategy", [Online : web] Accessed 24 July 2010 URL: <http://translate.google.com/translate?hl=en&sl=zh-CN&u=http://business.sohu.com/2004/03/22/97/article219529721>.

²⁶ Beijing Review (2009), "China to Continue to Develop Western Region", [Online : web] Accessed 24 July 2010 URL: http://www.bjreview.com/headline/txt/2009-10/16/content_224328.htm

underdeveloped western region catch up with the developed east. In the period 2000-2008, the region's GDP grew from 1.66 trillion yuan to 5.82 trillion yuan at an annual average growth rate of 11.7 percent.

“An open door policy for the western region was “aimed at converting the minority regions from remote places far from domestic markets into frontier areas adjacent to an international market”.” (Lu 1989: 4; quoted in Kurian 2005)

This is something remarkable and visionary in nature. Far-flung areas, cut-off from the main centres of socio-political and, especially, economic activity, have always been left out from the mainstream development process and they lag behind both in terms of infrastructure and the basic minimum utilities (e.g. proper healthcare etc) from the rest, in spite of being rich in natural and mineral resources. The problem becomes more acute when these very resources are taken away to be utilised for the development of the already advanced areas. A sense of utter frustration and alienation towards the mainstream arises and civil unrest begins. The use of brute force cannot be a permanent and a humane option to solve such problems. Better civic amenities and improved standards of living can, on the other hand, wean people away from creating such disturbances. Geography can act as both a bane and a boon. It is in this respect that the above quote assumes significance. The opening up borders or the loosening of border controls to facilitate trade between geographically contiguous regions, forming a historical and natural economic unit, can give a huge boost to the development of such areas. It is much more sensible than deliberating continuously over ways to connect the outlying areas with the mainstream by surmounting innumerable problems, and, thus, doing little. Taking account of such issues the central government promulgated the *Foreign Trade Law of 1994*. Article 42 of this law runs as follows

“The State shall adopt flexible measures and provide favourable treatment and convenience to the trade between its frontier towns and the frontier towns of bordering countries as well as fairs among the inhabitants of border areas. Specific measures shall be formulated by the State Council”.²⁷

This law amply demonstrates the state's willingness to promote trade in its frontier areas by loosening up border controls. The most visible beneficiary, among all of

²⁷ NTI Research Library, “Foreign Trade Law Of The People's Republic of China”, [Online : web] Accessed 14 June 2010 URL: <http://www.nti.org/db/china/engdocs/tradelaw.htm>

China's border provinces, has been Yunnan. With its strategic location and equidistance from the markets of South and Southeast Asia, this province has been given a lot of leeway by the central government in conducting its own foreign trade relations with the neighbouring countries. A regional bureau of the Ministry of Foreign Affairs has also been opened up in Kunming, the capital city, so as to facilitate quicker decision-making in matters of economic cooperation with the neighbouring countries. Rana (2006) points out that these offices are funded by the provincial government, but maintain a special linkage with the Foreign Ministry in Beijing. In 2005, the Kunming Office had about 127 officials. This is huge in numbers and reflects the sincerity of both the central and provincial governments of securing their strategic objectives of the development of this region through greater access to the surrounding countries. This office helps the Yunnan Provincial Government to conduct its foreign relations on behalf of the MFA. It also handles the regional integration process, including the ADB, and the bilateral cooperation mechanism. e.g. The office has a northern-Thailand-Yunnan working group to look into issues related to navigation along the Mekong River, non-tariff barriers to trade etc. In fact, this office handles contacts with the six foreign consulates of Myanmar, Laos, Cambodia, Vietnam, Malaysia and Thailand, and the trade office of Australia. Thus, substantial powers have been delegated to the provinces in trade-related matters, although the overall administrative set-up is authoritarian. This facet can be emulated by China's neighbours to develop their respective hinterlands.

A brief discussion on China's New Security Concept²⁸ would help in understanding her push towards more cooperative arrangements. In essence, this concept means rising above "one-sided security and seek common security through mutually beneficial cooperation" (China's Position Paper on the New Security Concept 2002). The core areas, around which this concept has been built up, are mutual trust, mutual benefit, equality and coordination. This paper explains each of these terms. By mutual trust, it is meant that by discarding the Cold War baggage and transcending differences in ideologies and social systems, as well as refraining from mutual suspicions, countries can interact with each other more frequently to reduce tension and cooperate. Mutual benefit refers to all countries respecting each other's

²⁸ MFA (2002), "China's Position Paper on the New Security Concept", [Online : web] Accessed 20 May 2010 URL: <http://www.mfa.gov.cn/eng/wjzb/zzjg/gjs/gjzzyhy/2612/2614/t15319.htm>

security interests and creating an atmosphere conducive to achieving common security by meeting the objectives of social development in a globalised era. Equality means non-interference in the internal affairs of all states and democratisation of power in international relations. Coordination refers to the reducing of possibilities of the outbreak of hostilities between states through settlement of disputes peacefully at the negotiating table. Security does not necessarily mean one that can be achieved militarily. This concept is intended to be flexible in both form and model. It can take the following shapes

- Relatively strong multilateral security mechanism.
- Forum-like multilateral security dialogue.
- Non-governmental dialogue of an academic nature.
- Through promotion of greater economic interests.

Kurian (2005) states that the policy of diplomatic accommodation is very much in keeping with the strategic requirements of seeking peace “as an entrepreneurial input for development”. A state in war seldom manages to devote time for development, especially in the frontier regions. Peace is the first requirement to achieve this goal. A military frontline when turned into a trade frontline can serve national interests better by providing incentives to people in neighbouring regions to mingle and carry on trade and commerce for their mutual benefit.

Looking through this prism, one can say that China’s involvement in sub-regional initiatives like the BCIM forum is aimed at achieving the above stated goals. To overcome the locational disadvantages of its south-western provinces, China has actively sought to open multiple access routes by land and sea to South Asia and the Bay of Bengal. The Sichuan-Yunnan-Myanmar-India land route can serve as the shortest link between southwest China, Europe and Africa. This would run along the traditional Southern Silk Route, which ultimately joined the northern route at Samarqand in Central Asia. This could save a circuitous journey of about 7000 kilometres via the Straits of Malacca and through the eastern seaports of Guangdong, Hong Kong and Shanghai. The railway link connecting these areas could shorten the passage between China and the West by 4,500 kilometres. It is for

all these reasons that Yunnan has caught the attention of the central government. Falling at the juncture of the three important markets of the Chinese hinterland, South Asia and Southeast Asia, as well as the TAR and the PAH networks, Yunnan assumes much significance in the development of China's underdeveloped southwest. Border trade contributes significantly to Yunnan's economy, which touched around \$2.5 billion in 2004. Gradually, it has been promoted as a major trade and transportation hub in the region. It is the eighth largest of China's 33 provinces and shares a 4600 kilometre long international border with Vietnam, Laos and Myanmar. It is home to 25 of China's 56 official ethnic minorities. Localised insurgencies owing to relative underdevelopment pressed home the necessity for the rapid economic progress in the region. The best option was to promote border trade, which has contributed a lot to the region's economy. Yunnan is already part of the sub-regional GMS initiative with Myanmar, Laos and Vietnam since 1992 to promote development through closer economic linkages. The BCIM forum has also been envisaged to cater to similar needs.

It started off with a preparatory conference, jointly organised by the Indian Ministry of External Affairs and the ICS, in New Delhi, which was titled as *Conference on Regional Development in India and China*. A number of scholars and officials from the two sides explored the possibilities for regional cooperation between them. It provided the launch-pad for the initiation of the BCIM process the next year. Altogether, in the period 1999-2009, two rounds of negotiations have taken place between the four countries where a variety of issues have been discussed.

An article titled "BCIM Regional Economic Cooperation"²⁹ at the Yunnan Network website enumerates the evolution of the initiative from 1999 to 2008. It basically gives a brief description of all the seven conferences held in this period. The BCIM came into existence in the Kunming Conference of 1999 as a mechanism to strengthen regional ties among Bangladesh, China, India, and Myanmar on the basis of equality and mutual benefit aiming to achieve sustainable development through the utilisation of the comparative advantages. Within the ambit of the Western Development Strategy, Yunnan's economy has flourished and the per-capita GDP

²⁹ Yunnan Network (2008), "BCIM Regional Economic Cooperation", [Online : web] Accessed 24 July 2010 URL: http://translate.googleusercontent.com/translate_c?hl=en&sl=zh-CN&tl=en&u=http://special.yunnan.cn/feature/content/2008-11/28/content_148488.

increased to US\$ 1000 in the last decade. The ultimate aim for the near future is to achieve a GDP per capita of US\$ 3000. President Hu Jintao³⁰ stressed upon Yunnan's emergence as an important bridgehead for SWC during an inspection tour to the province in July 2009. Due to China's entry into the WTO, signing of the China-ASEAN FTA, the GMS and the BCIM initiatives, the Yunnan economy has got a boost and its foreign trade volume increased from US\$ 1.66 billion to US\$ 9.599 billion between 1999 and 2008. The subsequent table provides data about the BCIM meetings that have taken place till date.

³⁰ Yunnan Network (2008), "Yunnan to speed up opening new prospects to create a bridgehead building", [Online : web] Accessed 24 July 2010

First round of dialogue among BCIM countries	
Kunming, 1999	Wide ranging issues such as border trade, transport and communication, political and strategic significance of cooperation, peace and economic development of the region.
Delhi, 2000	Focus more on inter-country trade such as border trade, trade facilitation, connectivity through transport integration and communication links, tourism and cultural exchanges, institutional set up.
Dhaka, 2002	Two main themes- trade and investment opportunities, transport connectivity; and institutional and political dimensions of cooperation.
Yangon, 2003	Similar issues like the earlier three conferences.
Second round of dialogue	
Kunming, 2004	Trade, transport, tourism and inter-governmental cooperation.
Delhi, 2006	Trade centres in BCIM countries, transport, tourism, Kunming to Kolkata car rally, culture and S&T, and sister-city cooperation between Kunming and Kolkata. First attempt at emphasis on social and human development of the region.
Dhaka, 2007	Trade, transport, tourism and Kunming to Kolkata Car Rally.
Naypyitaw, 2009	Three T's; people-to-people exchange in social, cultural and academic fields; importance of China and India providing economic stimulus on the backdrop of the Global Financial Crisis; trans-border problems like HIV, narcotics, human-trafficking; multi-track approach on a case by case basis.

Table 3.1: Table showing the two rounds of BCIM meetings from 1999-2009.

If one looks carefully at all the issues discussed in the eight conferences held so far, certain broad trends emerge. The first conference, at Kunming (1999), not only concentrated on the need for improvement of border infrastructure and promotion of trade, but also looked upon the theoretical aspects of cooperation for promoting peace and development in the BCIM sub-region. According to a report in the Indian journal *Frontline*

“The main thrust of the exercise was to exhort the governments concerned to improve communications between the south-western region of China and the north-eastern region of India by developing appropriate road, rail, waterways and air links. More specifically, a call was made to revive the ancient Southern Silk Route between Assam and Yunnan.” (Indiresan 2000)

Cooperation should not only be seen as a mechanism involving interdependent relationships among states towards a particular goal, but also as a “process of working together to achieve common understandings” (Kaye 2001). “Common understanding” refers to a situation when the actors concerned commonly identify the pros and cons of the issues on the negotiating table and are willing to carry on with the deliberations without worrying about immediate success or outright failure. The second conference³¹, at Delhi (2000), came up with the “Three T’s” (Transport, Tourism and Trade) as the pivot of discussion within the BCIM forum for the first time, which has become the main theme for this initiative to carry on with the process of sub-regional cooperation. Moreover, due emphasis was also given upon promoting cultural exchanges through people-to-people contacts in an area which formed a natural economic and cultural entity since time immemorial. The issue of building an institutional mechanism for the BCIM forum was discussed comprehensively. All the four countries or parts thereof are members of a number of overlapping regional associations such as the ASEAN, SAARC, GMS, and BIMSTEC among others.

“It was also agreed that one designated institution from each of the four countries should be the focal point of the BCIM Forum, with the YASS in Kunming as the coordinating institution. Each

³¹ BCIM Forum (2000), Second Bangladesh-China-India-Myanmar Conference on Regional Cooperation, *Delhi Statement 2000*, 4-6 December.

country's institution may identify other institutions and universities as collaborating agencies." (Delhi Statement 2000; quoted in China Report 2001: 37:2)

Herein it can be noticed that the whole initiative is basically Chinese driven with the idea of putting Yunnan at the head of the development pyramid, albeit with peaceful means and mutual accommodation. The Dhaka conference³², in 2002, stressed upon the strengthening of regional cooperation in the region. It urged upon the respective governments to promote this ideal, and ultimately, convert the process from Track II to Track I. It was recommended that the cooperating institutions and organisations work hard to generate broad-based support for the BCIM idea. While continuing with the present Track II level set-up the Forum called upon the business leaders and the Chambers of Commerce to identify the strengths and constraints for promoting economic cooperation, as well as popularise the idea through exhibitions and create research opportunities in the subject to generate awareness about trade and investment in the region. The Forum also urged the BCIM governments to adopt various, regional and international, trade facilitation and transport conventions in order to ensure easy and efficient utilisation of the established transport infrastructures. In the Yangon conference³³ of 2003, apart from the Three T's, due emphasis was laid upon the establishment of an institutional mechanism for the Forum. It was agreed that a BCIM Secretariat Office had to be set up and the required location needed to be decided upon. The Chinese delegation led by Prof. He Xuan (Vice director, YDRC) underlined the importance of the Forum Secretariat for regional cooperation. He argues that, being a working organisation, the Forum Secretariat would take the promotion of mutual cooperation and development in economy, science and technology, and environment as its aim. The four sides would follow the tenets of equal consultation and mutual benefit as their working principle. The proposed Forum Secretariat should consist of two liaison officers from each side and a Secretary-General, with a one-year term, to be appointed on a rotational basis. Prof. He further said that the secretariat should consist of four teams, with three members each, for the areas of trade, transport, tourism and institution

³² BCIM Forum (2002), Third International Conference on Regional Economic Cooperation among Bangladesh, China, India and Myanmar, *Dhaka Statement 2002*, 6-7 July.

³³ BCIM Forum (2003), Fourth Forum on Regional Economic Cooperation among Bangladesh, China, India and Myanmar, *Yangon Statement 2003*, 19-21 March.

respectively. He proposed that the Chinese side should be responsible for the institutional team.

This fact shows the utter seriousness with which China, and, especially, the Yunnan government is trying to push for sub-regional cooperation among the four countries. Even the other members of the BCIM forum have also realised this. Way back in 1999, Ron Duarah wrote in *The Assam Tribune* how the Kunming has been developed to meet international standards as a regional hub. With the dismantling of the State-Owned Enterprises (SOEs), private enterprise was gaining currency and the people were busy adjusting themselves to the liberalised atmosphere. At that time itself, Kunming had more than 250 star-category hotels, of which about 24 belonged to the five-star class, catering to more than eight lakh international tourists annually. The tourism industry itself brought 30 crore US dollars every year to Yunnan's economy. Thus, China's sincerity towards the successful working of the BCIM Forum remains entrenched.

The second round began with the Kunming conference³⁴ in 2004, where besides the usual topics, attention was drawn towards taking efforts to improve cooperation in the fields of agriculture, science and technology, information, telecommunication, human resource development, environmental protection, investment etc. to form a "multi-layered, multi-formed and wide-ranging framework for cooperation" (Kunming Cooperation Statement 2004). Certain provisional measures for the BCIM Coordination Office were also taken up. The nomenclature of this office was decided as the "BCIM Forum Coordination Office", which would be based in Kunming, China. The Coordination Office would facilitate the work of the BCIM Forum by preparing documents and undertaking other work for meetings related to the forum, and establishing a database of the forum and provide exchange of information among the respective parties. However, with a futuristic note, it was decided the Rules for the Coordination Office should be stipulated and adopted, with respect to personnel arrangement, expenses and operational measures, only when the time was ripe. Therefore, for all purposes the Coordination Office was like a tooth-less tiger.

³⁴ BCIM Forum (2004), Fifth Forum on Regional Economic Cooperation among Bangladesh, China, India and Myanmar, *Kunming Statement 2004*, 21-22 December.

During the Delhi conference³⁵ of 2006, three major issues came to the forefront—emphasis on healthcare, sister-city cooperation between Kolkata and Kunming, and organising a Kunming to Kolkata Car Rally. These were significant developments. The remoteness of this sub-region contributes to very poor healthcare facilities, thereby resulting in diseases and high mortality rates. It is one basic necessity which needs to be made available to the people of the area in a war-footing. It is great that the BCIM Forum took up this issue for deliberations. Moreover, in its bid to look for warm water Indian Ocean ports, Kolkata, with its infrastructure, comes across as a major outlet for Kunming. Being the largest city in eastern India, and nearest to the Nathu la pass, the North-eastern states of India and the Bangladeshi ports of Mongla and Chittagong, Kolkata could become the entrepot for Chinese goods for the vast Indian market. Sister-city cooperation could cement good neighbourly relations, generate capital for investment and give a push for economic growth in the outlying areas of each country. In this respect the Kunming to Kolkata (K2K) Car Rally could become a handy tool for promoting growth. The proposed route would pass through some of the most underdeveloped areas of Myanmar, India and Bangladesh with very poor physical connectivity. This rally could generate the stimulus for the improvement of trade transport and tourism in the sub-region if all the governments cooperate jointly. Moreover, it could make healthcare facilities more readily available to the common man due to good connectivity.

The Dhaka conference (2007)³⁶ reiterated the Delhi statement's position on the K2K Car Rally, scheduled for November 2007, and expressed satisfaction at the progress made till then. It was expected that the rally could contribute greatly in promoting efficient movement in goods and in developing people to people contacts. The Naypyitaw conference³⁷ (2009) witnessed a significant change in the nature of the topics discussed. Apart from the usual issues related to the Three T's, this conference saw the importance of both China and India as growth engines. It needs to be borne in mind that the backdrop was the Global Financial Crisis that both the

³⁵ BCIM Forum (2006), Sixth Forum on Regional Economic Cooperation among Bangladesh, China, India and Myanmar, *Delhi Statement 2006*, 30-31 March.

³⁶ BCIM Forum (2007), Seventh BCIM Forum on Regional Economic Cooperation, *Dhaka Statement 2007*, March-April: 31-01.

³⁷ BCIM Forum (2009), Eighth Bangladesh-China-India-Myanmar (BCIM) Forum for Regional Economic Cooperation, *Nay Pyi Taw Statement 2009*, 23-24 July.

countries managed to handle comfortably, unlike the advanced western countries that experienced low, and even negative, growth rates. Being economic powerhouses with huge domestic markets, they have been capable of maintaining growth rates above 6 percent. Bangladesh and Myanmar can look forward to China and India to provide the economic stimulus for their early recovery and renewed growth. Moreover, due emphasis was given to enhancement of national and regional efforts in combating trans-boundary problems like human-trafficking, drug-trafficking, HIV/AIDS, influenza and environmental hazards. A multi-track approach was proposed on a case-by-case basis where governments, Track II and private sector institutions could work together on particular projects on a bilateral or multilateral basis, as deemed appropriate. The proposal for the setting up of a BCIM Business Council by the various Chambers of Commerce came up. Such a body would help promote trade in the region. Therefore, qualitatively, much scope exists for interactions by actors concerned within the BCIM framework to promote economic cooperation, although quantitatively the progress has been very slow. As it has been discussed earlier, the institutional mechanism lacks teeth to work towards outcomes. The Coordination Office still lacks a set of governing rules for smooth conduct of operations by the constituent units. While China and Myanmar have participated at the official level, Bangladesh and India have done so non-officially. Attempts towards according a Track I status to the process has been continuously thwarted by India on account of the Sino-Indian mutual animosities at the broader level. However the acceptance of the multi-task approach, proposed by India, by the Chinese side at the eighth conference could serve as the stepping stone for relegating unwanted issues at the backburner and skirt around them to deal with the more pressing concerns.

The BCIM process can take cue from two of the successful Asian regional cooperative institutions- the ASEAN and the GMS. The ASEAN can serve as a good example for institutional decision-making process, where both the Track I and Track II processes have gone together simultaneously.

The ASEAN Way remains the guiding principle in the working of the 10-member ASEAN. Its salient features are --- non-interference, informality, minimum institutionalisation, consultation and consensus, non-use of force, and non-confrontation.

“The principle of non-interference in the internal affairs of member countries and the search for accommodation and consensus that has traditionally guided decision-making and behaviour in the Association- collectively termed the “ASEAN Way”- has remained a constant feature of ASEAN institutions.” (Khong and Nesadurai 2007; in Acharya and Johnston 2007)

Institutional adaptations have taken place gradually so that cooperative outcomes may be delivered more effectively. This has been seen more closely in the sphere of economic cooperation where member-countries have realised the value of regional liberalisation to prevent setbacks, as seen during the Asian Financial Crisis of 1997, and raise the costs of them reneging from their prior commitments. Although the ASEAN was established on 8th August 1987, it took them nearly another decade to adopt their fundamental principles officially through the Treaty of Amity and Cooperation, signed in 1976. Moreover, another 30 years had to pass before the signing and entering into force of the ASEAN Charter. This charter serves as a firm foundation in achieving the ASEAN Community by providing legal status and institutional framework for ASEAN. The ASEAN market caters to a population of 500 million people and the combined GDP is US\$600 billion. The region has seen high economic growth, stability, and successful poverty alleviation measures over the decades. All this has continued despite the political tensions that exist among the member-countries.

The ASEAN Free Trade Area (AFTA), signed on 28 January 1992, in Singapore, had six members initially. By 1999, the rest joined, the last being Cambodia. Through the Common Effective Preferential Tariff (CEPT) Scheme for AFTA, the members have significantly lowered intra-regional tariffs. The original ASEAN-6 (Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand) have brought more than 99 percent of their products in the CEPT Inclusion List (IL) down to the 0-5 percent tariff range. Even the new members (Cambodia, Laos, Myanmar and Vietnam) have more than 80 percent of their products to their respective CEPT ILs, of which about 66 percent already have tariffs within the 0-5 percent range. The ASEAN has emerged as a successful model for regional economic cooperation in an area full of economic imbalances and socio-political volatility. Economic cooperation need not be held hostage to other considerations.

Another example of successful sub-regional cooperation is the GMS, which has been formed under the initiative of the ADB embracing the Yunnan province of China, Vietnam, the Laos, Cambodia, Thailand and Myanmar. The strategic framework of the GMS Program is founded on a common vision, goals and strategic thrusts for regional cooperation. The strategic vision of the GMS envisages the achievement of enhanced connectivity, increased competitiveness, and a greater sense of community within the sub region.

Designed to harness the economic complementarities of the entire Mekong delta region, the GMS Program, with the support from ADB and other donors, has helped the implementation of high priority projects in transport, energy, telecommunications, environment, human resource development, tourism, trade, private-sector investment, and agriculture. According to data given in the ADB's official website³⁸ there has been phenomenal progress in terms of implementing the GMS projects since 1992. Priority infrastructure projects (forty four in number) --- such as the upgradation of the Phnom Penh (Cambodia) to Ho Chi Minh City (Vietnam) highway etc. --- worth close to US\$ 11 billion have either been completed or are in the process of completion. ADB has provided around US\$ 4 billion as of the end of 2009 for the execution of these projects. According to the ADB, this project has been one of the most successful examples in terms of benefits of cooperation aimed at improved connectivity, greater competitiveness, and a larger sense of community. It has become one of the world's fastest growing areas with an average GDP growth of 6 percent since the 1990's.

China has been the key mover of this project in order to promote Yunnan as the regional economic and transportation hub. "A landlocked province, it is often considered to be inaccessible and backward, especially given that its terrain is 94 percent mountainous" (Poncet 2006: 303). Through its 8800 kilometre long border with Myanmar, Laos and Vietnam, Yunnan shares many age-old cultural linkages. Before the drawing up of the borders by the British and the French, the Mekong served as the boundary line between the people of the Tai confederation. This confederation was split up among China, Thailand, Myanmar, Laos and Vietnam. Therefore, these cultural and linguistic linkages could come handy in fostering

³⁸(*)ADB, "The GMS Program", [Online : web] Accessed 20 April 2010 URL:<http://www.adb.org/GMS/Program/default.asp>

regional economic cooperation. “It is easier to leave the country and reach the sea than it is to leave the province and reach the capital” (The Economist 6th November 2003)³⁹. This conventional saying among the people of Yunnan reflects the remoteness of this area. Historically, it had closer economic ties with its neighbours than the rest of the country. As early as the third century BC, Yunnan was an integral part of the Southeast Asian trade network where the medium of exchange was a shell-based currency. Due to the improvements in border infrastructure and the ongoing development of the road connectivity, under the aegis of the GMS, the province has become more accessible to the outside world. With the growth of border trade and markets, provisions have been worked upon to regulate the stringent customs and visa procedures inhibiting the easier movement of people across the borders.



Map 3.3: Map of the GMS members⁴⁰

³⁹ The Economist (2003), “Cosy Neighbours: Reviving ancient trade routes”, [Online : web] Accessed 20 April 2010 URL: http://www.economist.com/world/asia/displaystory.cfm?story_id=E1_NTJGNRR

⁴⁰ The Economist (2003), “The Mekong River: The sweet serpent of South-East Asia”, [Online: web] Accessed 29 April 2010 URL: http://www.economist.com/world/displaystory.cfm?story_id=2313069

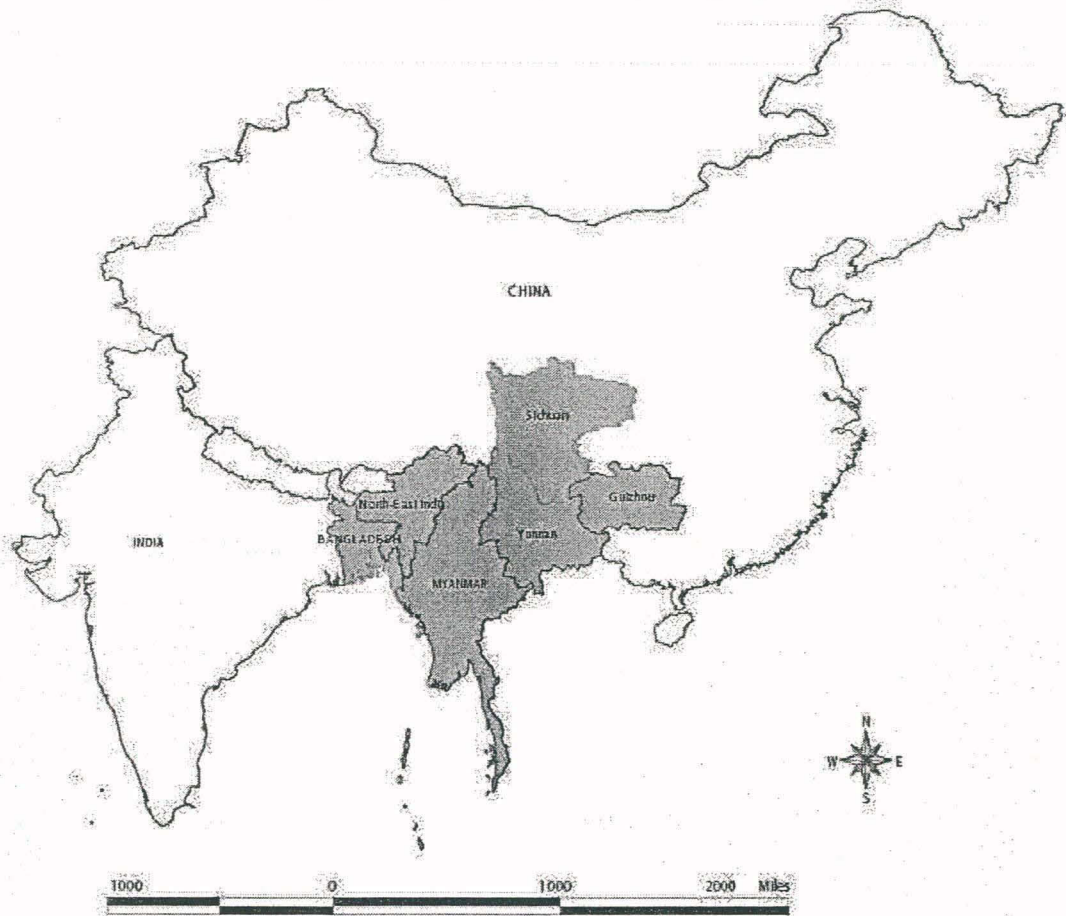
The GMS Business Forum (GMS-BF)⁴¹ was established in October 2000, as a non-governmental organisation, under the joint initiative of the chambers of commerce of the six countries for promoting and facilitating cross-border trade and investment in the region. Its main goal is to foster cooperation and growth of the private sector through information sharing, networking, and public-private sector dialogue. It seeks to promote the GMS as a unique trade-investment-transport hub. Its membership is open to all national and international businesses operating within the GMS countries. Its secretariat office is located in Vientiane, while three satellite offices are located in Bangkok, Hanoi and Beijing respectively. Thus, it seems that the GMS has managed to grow as a forum for sub-regional cooperation, where economic cooperation has been facilitated with the help of the establishment of a set of rules and institutions in spite of the absence of an overall institutional framework like the European Union or the ASEAN. Member-states have collaborated wholly to make this program a success. Unlike ASEAN, the GMS involves constituent parts of sovereign entities participating in international agreements for the promotion of regional cooperation. The Yunnan government has been delegated substantial powers by the central government of China to enter into trade agreements with her neighbours. This shows certain amount of positive flexibility within an otherwise authoritarian politico-administrative system in China.

The BCIM Forum has to learn a lot from the above two institutions to transform itself into a vibrant sub-regional initiative. Both the organisations can be said to be the examples of the dictum--*'Where there is a will, there is a way.'* Despite the existence of mutual animosities between the member-countries, mostly in the political sphere, they have moved ahead to foster cooperation, especially in the economic sphere. ASEAN has gradually evolved into a more concrete grouping with a Secretariat and legal Charter, but with its unique form of informal integrative mechanisms. The ASEAN Charter was adopted after the passage of a whopping forty years from the day the organisation had been born. Yet, the regional economic cooperation went ahead in the region resulting in a combined GDP of US\$ 600 billion in spite of the addition of impoverished new member states like Myanmar later. The policy of non-interference, much criticised howsoever, has also provided

⁴¹ Greater Mekong Subregion Business Forum, "Welcome to the GMS Business Forum", [Online : web] Accessed 9 June 2010 URL: http://www.gmsbizforum.com/index.php?option=com_frontpage&Itemid=1

the sheet-anchor for the organisation to flourish. This involved pushing the political issues to the backburner and concentrating on development instead. Even the GMS serves as a reminder for BCIM of how fast a sub-regional initiative can grow if all the concerned actors work together. Without any formal institutional set-up, the initiative has surged ahead, with generous help from the ADB and others, in promoting border trade, physical connectivity, infrastructure development and others among the riparian states of the Mekong basin.

Map of Bangladesh, China, India, Myanmar



Map 3.4: Map⁴² showing the BCIM region

In less than a decade since the first GMS Summit (2002), the governments of all the states, along with the ADB, have supported the creation of a GMS Business Council

⁴² **Disclaimer:** The external boundaries of India, depicted in this map, are neither approved of nor authenticated by the Government of India.
Source: Rahman, Mustafizur (et al), "BCIM Economic Cooperation: Prospects and Challenges", Paper 64, Dhaka: Centre for Policy Dialogue, 2007, p.61

to promote and facilitate trade and economic growth in the sub-region. This Council has a full organisational mechanism to work towards its goals. The BCIM can learn from the ASEAN about measures towards the setting up of a Secretariat of its own, and a Business Council from the GMS.

The principal actors within the BCIM Forum are India and China. Both, having billion-plus populations, trillion-dollar economies and impressive GDP growth rates (6 percent for India, and 9 percent for China), especially in the backdrop of the Global Financial Crisis, are huge economic powerhouses that can steer the economic growth of the BCIM region towards impressive levels. With a combined area of 1.483 million square kilometres, and home to 400 million people, this area holds immense promise for economic growth in the future, if all countries work collectively. At present, the combined GDP of the BCIM countries amounts to less than US\$ 6 trillion, of which China and India alone share more than US\$ 5.5 trillion combined. The ten-member ASEAN, by contrast, has a population of 500 million people and a combined GDP of US\$ 600 billion. The BCIM Forum has much scope for harnessing its resource base and building upon the complementarities of its individual members to promote growth and development on a sustainable basis in the region. The ASEAN market also looks very promising, with Myanmar serving as the common denominator between the two regional groupings. The only factor holding up the progress of the BCIM Forum from the Track II to the Track I level is the lack of mutual trust between China and India. While China wants this initiative to be accorded the Track I status, the Indian government is reluctant to do so. It has got its own apprehensions over the opening up of its borders in the Northeast for trade. The area is already a hotbed of many secessionist movements. The GoI fears that open borders may lead to increase in crimes related to trafficking in arms, drugs and human beings and spread of infectious diseases like HIV/AIDS, thereby destabilising her security architecture in the region. Moreover, there are fears of cheap Chinese goods completely flooding the Indian market and throwing the local businesses out of reckoning for market competition. On top of that remains the unsolved boundary problem. The Indian officialdom's mood is best reflected in the words of Rajiv Sikri, who retired as the Secretary, East Asia Division, in the Indian Ministry of External Affairs:

“...no matter that China is now India’s largest trading partner, India’s relationship with China is essentially a political and strategic one arising out of the fact that India and China are neighbours with an unresolved boundary dispute.” (Sikri 2009: 94)

This security phobia arising out of the 1962-mindset has prevented the Indian government from moving ahead with relaxing border regulations to promote trade with her neighbours. Even in his address to the 6th BCIM Forum Conference in New Delhi (2006), Sikri concentrated more on the benefits of India pushing ahead for regional economic cooperation with the SE Asian countries through her *Look East Policy* than throwing light upon the GoI’s plans for strengthening the BCIM process. He clearly rules out any support from the Indian government’s side toward the BCIM being accorded a Track I status, in his book *Challenge and Strategy: Rethinking India’s Foreign Policy* (2009: 72). Track I status can often lead to a situation where innovative thinking can be constrained on account of issues like diplomatic niceties, strategic considerations etc. Track II status allows for more manoeuvrability in deciding upon issues that can be considered worth deliberating for achieving common understandings. Sikri, on a later note, realises the importance of sub-regional cooperation for both the countries to build mutual stakes in each other’s economic growth and stability. But he steers clear from issues related to the accordance of Track I status to BCIM.

China is trying to reach out to South Asia through various ways to connect it with its south-western region. In addition to hosting a number of fairs, Kunming has organised two China-SAARC Fairs till date, alongside the Kunming Expo⁴³. The aim is to connect and develop the hinterland areas of the Pan-Pearl River Delta and the Yangtze River Basin with South and SE Asia. Between 2000 and 2008 China’s trade with South Asia increased from US\$ 5.7 billion to US\$ 66 billion, out of which trade with India amounted to around US\$ 52 billion. Moreover, the CCPIT has held the China-South Asia Business Forum twice (2004 and 2007) in Yunnan, which yielded positive outcomes. In 2008, Wan Jifei, Chairman of the CCPIT, appreciated Yunnan’s development process, in a meeting with Yunnan Vice-Governor, Gu Zhaoixi, and stressed that Yunnan should become the regional centre

⁴³ Yunnan Network (2009), “SAARC is expected to settle down in China in Kunming Expo”, [Online : web] Accessed 24 July 2010 URL: http://translate.googleusercontent.com/translate_c?hl=en&sl=zh-CN&tl=en&u=http://yn.yunnan.cn/km/html/2009-05/15/content_364777

linking China with South Asia.⁴⁴ He pledged the support of the CCPIT to Yunnan for the achievement of this objective. At the opening of the Second China-South Asia Business Forum in 2007, at Kunming, Wan Jifei highlighted that as immediate neighbours, the South Asian nations have been traditional trading partners of China. The total trade volume had increased by 39 percent to US\$ 26.7 billion in 2005 from 2004⁴⁵. He reiterated that the trading achievements have also been showcased through on-going promotion of economy and technology cooperation, the widening scope of two-way investment and active multilateral/bilateral business cooperation. Thus, the thrust has been towards the development of links with South Asia and the West through the successful functioning of the BCIM process. The GMS is already functioning well and China's objectives on the eastern front are progressing in a stable manner. To emerge as a bridgehead for the South and SE Asian regions, Yunnan's interest lies in the success of the BCIM. It is not only officially, but also through Track II levels that it is trying to achieve this objective. Some of the best think-tanks in China are conducting research for economic cooperation in the BCIM region. e.g. The YASS is one of the premier institutions in this field and has been active since the first BCIM conference in Kunming. It has a research centre⁴⁶ for BCIM regional cooperation, founded in 2005, and collects information and analyses current events and problems within the area. The Joint Communiqué between Chinese President, Hu Jintao, and Indian Prime Minister, Manmohan Singh, in November 2006 endorsed the BCIM plan for the Kunming-to-Kolkata Car Rally. This can be seen as a tacit approval of the Indian government for the BCIM process. Yet, no further incidences have occurred in this respect. This might be due to the still persistent Indian fears about China. Yet, one cannot hold a region with an iron fist and not allow its people to lead a decent standard of living through the generation of greater employment opportunities. One cannot ignore the burgeoning illegal border trade running into millions of dollars in India's Northeast. Its markets are full of goods, of every utility, made in China. So, the GoI's contention that the

⁴⁴ CCPIT (2008), "Chairman Wan Jifei and Vice Chairman Wang Jinzhen meet with Yunnan vice Governor Gu Zhaoxi and the delegation", [Online : web] Accessed 25 July 2010 URL: http://english.ccpit.org/Contents/Channel_410/2008/0227/89428/content_89428.htm

⁴⁵ CCPIT (2007), "The 2nd China-South Asia Business Forum Held in Kunming", [Online : web] Accessed 25 July 2010 URL: http://english.ccpit.org/Contents/Channel_410/2007/0403/32079/content_32079.htm

⁴⁶ YASS, "Research Centre of Regional Cooperation among Bangladesh, China, India, Myanmar [Study Centre of BCIM]", [Online : web] Accessed 24 July 2010 URL: <http://www.sky.yn.gov.cn/content.aspx?id=988286408813>

Chinese goods would flood and destroy the local businesses is unfounded. On the contrary, it can generate healthy competition and innovation for improvement in product quality. All would have something to be happy about---the government by earning extra revenue through legalised border trade; the businessmen by earning handsome profits; the entrepreneurs through their innovations; and the consumer through the larger variety of products to choose from for meeting his requirements. Through efficient border control mechanisms, creation of awareness among the populace about HIV/AIDS and narcotics, and improving healthcare facilities, problem related to communicable diseases can be dealt with efficiently. Improvement of physical infrastructure and connectivity as well as better policing along the border areas can help in controlling arms and narcotics trafficking. If all the actors have mutual stakes in improving the lot of their people, then no negative exigency can prevent them from achieving their goals. This can ensure political stability in the region. China and India have far too much to gain from this relationship. Both their landlocked regions can jointly have access to all the three major markets of South Asia, Southeast Asia and the Chinese mainland. BCIM is a new and evolving process. It is too early to jump into any conclusions about its non-workability. The promises it holds for transforming the entire sub-region into a zone of prosperity are substantial. Therefore, looking through the above stated arguments, my two hypotheses stand validated. The comparative advantages of sub-regional cooperation between China and India outweigh conflicts between them. Moreover, economic growth and development through greater cross-border economic and cultural linkages can ensure political stability in the region.

Chapter Four

The Nature of Infrastructure Projects, Tourism and Trade

The BCIM Forum has completed a decade of existence in 2009 with two rounds of negotiations involving eight conferences among the member countries. The period between 1999 and 2009 witnessed the active participation of academicians, business leaders and government officials to explore ways of achieving sustainable growth and development of the economy and the standard of living of the common people of the region through concerted attempts at sub-regional cooperation by the parties involved. The three pillars needing utmost attention to realise this goal are the Three T's--- Trade, Transport and Tourism. They are the vital necessities for transforming the economy of a remote land-locked region from near stagnation to vibrant growth. Of these, improvement of the transportation system is the most important job to be completed. The remoteness of this area is personified by the hilly terrain, densely forested plains and valleys, and the presence of some mighty rivers like the Mekong (Lancang), the Irrawaddy, the Brahmaputra, and the Ganges, along with their innumerable tributaries. Physical connectivity has been hampered due to poor transportation networks. Trade and Tourism can only be fostered to generate employment and income when the road, rail and waterway networks are repaired as well as extended to cover the entire region. Apart from these, some other important issues have also been discussed. Matters related to cultural exchanges, healthcare, science and technology, sister-city cooperation, narcotics and human-trafficking have been discussed in detail. Some of the more significant developments have the initiative to organise the Kunming-to-Kolkata Car Rally, and realisation of the role of China and India in providing economic stimulus to the BCIM Forum, especially in their remarkable ability to weather the Global Financial Crisis with impressive GDP growth rates. However, not much progress has been made in the setting up of an institutional framework for the efficient and smooth functioning of the process. The only positive outcome has been the adoption of a multi-track approach to look at

issues on a case-by-case basis, in the absence of a formal inter-governmental interactive process.

The prime backers of this initiative since the very beginning have been the Yunnan Provincial Government and the Chinese Central government. The idea has been to transform the far away and poorly connected economies of Sichuan and Yunnan into prosperous ones through greater economic integration with the neighbouring countries. The Southern Silk Route connected Sichuan with Central Asia via Myanmar and the Indian sub-continent. Herein, Yunnan always enjoyed an advantage because of the long international borders it shares with its neighbours, which helps in pursuing cross-border commercial and cultural relations more easily. The strategic importance of Yunnan had been realised as early as the 19th century by the Europeans. J. Coryton (1875) describes the trade routes which had been explored by the British from Calcutta to Yunnan. He mentions

“Although the subject in this form has but recently attracted the attention of the public at home, the Government of India has, for the last half century, omitted no opportunity of gaining an insight, through actual inspection by competent officers, into the disposition and resources of the neighbouring States, and the facilities afforded by the formation of the country for the establishment of routes which should “tap” Western China”.
(Coryton 1875: 229)

This reflects the keen interest shown by the Government of British India in exploring ways to have access to the markets in the western provinces of China, the most notable of them being Yunnan, since the early decades of the nineteenth century. With the British conquest of Assam in 1826, they came into contact with the Burmese and through them the Chinese, and started exploring trade routes to this unexplored region. The discovery of tea in Upper Assam led to an increased search for markets. In that process, and following the British conquest of the whole of Burma (now Myanmar), explorers moved along the old trade routes and reached Yunnan, thereby bringing the Europeans into the contact with the Chinese for the first time in Yunnan. However, proper motorable roads were built only from the mid-1930's onwards. “It was military necessity which first induced the building of motor roads in west China” (Fitzgerald 1940:164). The Nationalist Government's campaign against the Communists in 1935 and 1936 led to the construction of roads in the region. The eastern section of the Burma-Chongqing highway, the part crossing

Guizhou and connecting Yangtze city with Kunming, was ready for traffic by 1935. The major development was the construction of the 1,154 kilometre long Burma Road from Kunming to Myanmar's town of Lashio. It was built by 200,000 Chinese labourers during the Japanese aggression of China in 1937. Completed by 1938, it was used by the British to transport war material to China through the port town of Rangoon (now Yangon) via rail till Lashio. The Japanese occupation of Myanmar in 1942 led to a counter-attack from the Allied forces, and a new route was developed through Upper Myanmar to secure lines of communication and supplies. This road started from Ledo, in Assam, and joined the old Burma Road at Wanding on the Myanmar-China border. It was called the Ledo Road. Built under the supervision of the US General Joseph Stilwell, it was later renamed after him as the Stilwell Road. Thus, a new motorable road had been built roughly over the same route followed by the traders of the Southern Silk Route from Southwest China to Northeast India in antiquity.

Yunnan is the eighth largest of China's 33 provinces and lies at the strategic geographical frontier between China, Myanmar and Southeast Asia. Lattimore (1943) states that, historically, Yunnan was the frontier where the British penetration by land routes of the hinterland of India and Myanmar dwindled away in the nineteenth century. It was remote and less developed than the coastal areas. Yunnan lacked cheap inland water transport. Although it has some of Asia's largest rivers flowing through it, they run violently through deep gorges which made them un-navigable. The rugged mountainous terrain hindered the development of cheap road transport. Mule tracks had been the only means through which traders carried traditional handicrafts and special commodities like tea, salt and tin. But the Japanese Aggression of China and the Second World War, preceded by the First Chinese Civil War, led to the development of physical connectivity and the relocation as well as the development of industries in the region to escape the vagaries of war. Most of these industries (such as textiles, arsenals, steel etc.) were located around Kunming, the capital city. Also present was a government-owned plant for the manufacture of "high-precision machine-making machinery" (Lattimore 1943: 489). Moreover, the Burma Road completely changed the structure of production and distribution within Yunnan. It provided access to new sources of raw materials and linked them by an efficient mode of transport with the new industrial complex in Kunming. He

calculated that with the heavy industry taking a firm foothold in the western parts of China, closer to deposits of natural and mineral resources, it would not move to the east coast again. "The relation of agriculture to industry will change, and with it the character of China's foreign trade and foreign relations" (Lattimore 1943: 491). He however cautioned that such changes would depend on what China and the other countries did respectively. Yunnan would become one of the most profitable places in China for men of energy, ambition, and special skill or experience. Thus, it can be surmised that much before the emergence of the GMS and BCIM as initiatives designed for promoting Yunnan as a regional economic hub in the twenty-first century, not only the Chinese leadership, but people from other parts of the world realised the strategic importance of Yunnan to emerge as a powerful economic centre, contributing to the growth and development of both China and the neighbouring countries. The Communist takeover changed everything. The economic development of the nation as a whole suffered during the Mao-years. Deng Xiaoping concentrated more on his 'Coastal Development Program' and passed laws for the investment of foreign capital as well as the loosening of state controls over the industrialisation and trade promotion in the coastal provinces of China initially. It was only after these areas developed substantially that attention was paid to the development of the hinterland. However, his main contribution in this respect lies in the enunciation of the 'trade first' approach, whereby trade and diplomacy went together with the maintenance of peace as the main bedrock to achieve economic development. Yunnan was the first beneficiary. The GMS Program, at the initiative of the ADB, since 1992, has witnessed a slew of sub-regional development measures been taken up in the area covering Yunnan, Myanmar, Thailand, Cambodia, Laos and Vietnam. The one remarkable thing seen in this respect is the complete support given by the central government of China to the provincial government of Yunnan to enter into foreign economic relations with its neighbours. To facilitate this, a regional bureau of the Chinese Ministry of Foreign Affairs (MFA) has been opened up in Kunming to facilitate easier visa procedures for people to indulge in economic activities. This shows the importance that the Government of China attaches to the development of this region and its sincerity to this effect.

While the GMS is concentrated upon the SE Asian region, the BCIM has been envisaged to promote closer economic cooperation with the Eastern South Asian

Region. Srikanth Kondapalli (2009) states that the BCIM proposal had been preceded by domestic political and economic considerations in China, especially when the south-western provinces of Sichuan and Yunnan were on the process of modernising their respective economies. Sichuan, being a historically labour-surplus area, always saw its people migrating to the eastern coastal regions for earning livelihood. The emergence of the SEZs in the south-eastern coastal regions favoured an economic set-up based upon increased exports to the world. Sichuan lost around 5 million labourers to this area which hampered its economic growth in comparison to Yunnan. Moreover, Yunnan's unique advantage lay in the fact that it shared a long international border of 4,800 kilometres with four SE Asian countries and had the foundational infrastructure, towards physical connectivity, to be improved upon.

Ravni Thakur (2006) states that the BCIM initiative, envisaged as a free trade zone between Bangladesh, SWC, NEI and Myanmar, draws its push from the Chinese project of developing its Western Region. China's current economic development strategy is aimed at balancing the regional inequalities between the lesser developed western provinces and its prosperous east coast.

“A major emphasis of the policy of development of China's western provinces is to open trade ties with the South Asian sub-continent and turn this geographical area, stretching from western China to the Bay of Bengal into an economic trade zone.....this is a continuation of the same policy imperatives which have led China to create the Shanghai Cooperation Organisation (SCO) directed towards Central Asia, with Xinjiang as a bridge.”
(Thakur 2006: 1-2)

Thakur's comparison of the BCIM with the SCO is interesting. There's no doubt that the six member-states --- China, Russia, Kazakhstan, Kyrgyzstan, Uzbekistan, and Tajikistan --- have economic cooperation amongst themselves. But there are a few differences between the BCIM and the SCO. The BCIM is a sub-regional venture involving the constituent units of the participating countries. Its primary goal is the achievement of regional economic cooperation and improvement of the living standards of their people. It is tilted more towards the use of soft power for the achievement of its objectives. The SCO is a multilateral organisation with a fully institutionalised mechanism and aimed primarily at regional security cooperation through the use of military power. It favours the use of hard power for fulfilling its goals. However, the member-states have been trying to broaden its ambit through

limited forays into the economic and cultural spheres also. Looking at it from the Chinese viewpoint, the main concern is the stability of its disturbed western province of Xinjiang, which is home to vast reserves of natural gas, the tapping of which is necessary for meeting China's growing energy needs. In this respect, the BCIM shares a similarity with SCO. If proved successful like the SCO, the BCIM can open up access to the Indian Ocean ports for China to reduce time, money and distance for transporting the necessary energy supplies to meet the needs of, not only, its coastal areas, but also, the newly developing regions of the southwest.

The regional thrust for development, Thakur states, lay in two factors. The first was the decentralisation of economic decision-making to the provinces; and the second was the compulsion for the provinces to raise their own resources for development. Yunnan has been able to optimise on both the fronts. The regional bureau of the Chinese MFA in Kunming enables easier visa and trade facilitation measures. The provincial government has already been entering into economic relations with the neighbouring countries.

“The province of Yunnan diligently carried out economic reforms in order to facilitate and promote economic cooperation between China, India, Myanmar and Bangladesh and to realise this in a mutually beneficial way.” (He 2002: 7, quoted in Thakur 2006:3)

He Yaohua suggested that Yunnan has the wherewithal to serve as the spearhead for trade and mutual cooperation between China and this region. According to him, Yunnan listed 1714 foreign-invested ventures with foreign investment worth US\$ 490 million. He Shengda (as cited in Thakur 2006) refers to a new thinking among some of the Chinese comrades about the expansion of the BCIM region to include China's areas of Tibet, Sichuan, Chongqing, Yunnan and Guizhou, comprising almost 27 percent of her territory and 20 percent of her population. He favours the inclusion of even Nepal and Bhutan since it would make little sense of keeping them out of this initiative involving a geographically contiguous region. Five major prerequisites are suggested by him for successful economic cooperation:

- 1) Specific agreements must be signed between the different governments on the levels of cooperation.

- 2) Until new agreements are signed, every effort must be made to fully implement existing agreements.
- 3) A specific charter must form the basis for economic cooperation within the region. This can take the United Nations and the ASEAN charters as the starting points.
- 4) Efforts must be made to construct popular opinion on the subject amongst the countries involved. e.g. the China Nepal Treaty of 1996 was called 'China-Nepal popular cooperation'.
- 5) Create conditions in these countries to allow public enterprises to also participate in economic and technical cooperation.

All these are necessary conditions to give a concrete shape to an evolving mechanism like the BCIM. Of these, the fourth bullet point is interesting because it has a propagandic touch to it. However, it can be utilised efficiently to yield positive outcomes in the field of public opinion and deliberation among the policymakers.

Ren Jia and Wang Chongli (as cited in Thakur 2006) point out that the BCIM comes at a moment when the decentralisation of the decision-making process has taken place in the provinces and a growing eagerness of China to fill up the vacant space left behind by the former Soviet Union in Central Asia. They explain that in the case of the SCO and the Euro-Asia Continental Bridge, Xinjiang is seen as the bridge on the one side, and Mongolia on the other. In the case of the Southwest Asian Continental Bridge, Yunnan fills the gap. Yunnan is the Chinese province closest to South Asia and the foundations for direct land routes already exist. Physical connectivity is in fine shape with Thailand, Myanmar, Vietnam, Laos and Cambodia. They point out that Kunming is seen as the natural centre for this link. Accounting for around 30 percent of Yunnan's GDP, Kunming is also a centre for education, culture, health and tourism. It is one of the links in the Southern Silk Road/ Sichuan Road of antiquity. Moreover, Yunnan is seen as a strategic point of departure for expanding China's trade links with the rest of the world, and this has been recognised and funded by the Central authorities. "Grand highway links and trade cooperation need a large city centre, and Kunming is being developed at every level to fill this role" (Ren and Wang 2003: 101; as cited in Thakur 2006:8). The region from

Yunnan to the Bay of Bengal has been historically an integrated economic zone, with the Sichuan Road playing an important role. However, the redrawing of national borders, due to colonial interference, has upset the entire network. Chen Lijun (2000: 123; as cited in Thakur 2006) calls for the revival of this relationship. He enunciates a few measures to realise this goal. Firstly, all the four countries must agree to sign a commodity exchange agreement beneficial to all parties. Secondly, an agreement dealing with industrial production in each other's countries need to be signed. e.g. Industrial production in India requires technological inputs and upgradation of its product quality. Bangladesh and Myanmar are weak in the areas of light industry, consumer goods industry and food processing industry. In all these sectors China enjoys a definite advantage over the rest. Chen says that in such cases, each country in the trade zone need to appreciate the economic policies and the constraints of the other for the arrangements to succeed. Thirdly, he calls for the development of all forms of transport links --- roadways, railways, waterways and airways --- to facilitate cooperation. Finally, he emphasises upon the importance of good management and leadership for the project to succeed, since different countries with different economies are involved. Bureaucratic red-tapism has to be reduced to a minimum so that investors find an atmosphere conducive to trade and commerce in each other's countries.

The BCIM covers a total geographical area of 1,483,717 square kilometres, of which Yunnan covers 394,000 square kilometres and NE India 255,083 square kilometres⁴⁷. The combined population amounts to a little over 400 million people. As it has been discussed earlier, this entire region formed an economic entity since the Seventh century AD. NEI and SWC are rich in both natural and mineral resources, but have remained economically backward due to their remote and tough terrain, as well as neglect from the central authorities for a long time. However, both China and India, since the 1990s, have tried to integrate these areas with the extended regional economy to promote economic cooperation. While China allowed Yunnan's participation in the GMS developmental program since 1992, institutionally it has accorded official attention to the development of the whole Western Region 9of which Yunnan forms a part) through the WDP initiated in 2001. India too realised the potential of its north-eastern region to emerge as a regional economic hub and

⁴⁷ With Sikkim and West Bengal included, this figure would rise over to 350,931 square kilometres.

contribute to the nation's development if cross-border trade was allowed with the SE Asian countries. It enunciated the LEP in 1992, for this purpose and found backing in the Shukla Commission Report of 1997. This report called for the revival of proposals for the construction of the TAR and the PAH so as to enable India's Northeast to integrate with the vibrant economies of SWC and SE Asia. In 1999, SWC contained 29 percent of the country's population, but accounted for only 16 percent of the nation's GDP. Similarly, in 2001, NE India had 12 percent of the country's population, but accounted for only 10 percent of the national GDP. The combined advantages for SWC and NEI are their strategic location at the juncture of three important markets (South Asia, SE Asia and China), untapped sources of natural energy, presence of huge reserves of natural resources, scenic beauty that could generate tourism-led growth, and a market of 400 million people. They hold immense potential for burgeoning trade and investments provided proper means of transport and communication, along with other infrastructure, are built up. Increased cross-border linkages in the fields of trade, commerce, industry, and culture can help generate jobs and income for the local populations and, cumulatively portray a powerful symbol of cooperation between the BCIM countries. China and India have to take the lead due to the sheer size of their economies, population, military might, and geographical area, which give them leverage over not only Bangladesh and Myanmar, but also over entire South and SE Asia. The promotion of sub-regional economic cooperation between them would greatly ensure

- 1) Cross-border trade.
- 2) Exploration of natural resources.
- 3) Tapping of hydropower resources.
- 4) Cooperation in the fields of agriculture, forestry, animal husbandry and fishery.
- 5) Scientific and technological cooperation.
- 6) Development of international tourism.
- 7) Faster completion of all modes of transportation links.
- 8) Partnerships in power generation, infrastructure and hydrocarbons.

SW China's Strengths	NE India's Strengths
1. Stable airways and roadways network.	1. Stable waterways and railways network.
2. Bordering mainland China and some SE Asian countries.	2. Bordering mainland India, Bangladesh, Myanmar and China.
3. Rising English-speaking population.	3. Large pool of English-speaking population.
4. Developed IT hardware and electronic equipment.	4. Developed IT software.
5. Huge potential demand for infrastructure.	5. Underutilised capacity in construction.
6. Scopes for private enterprises.	6. Presence of private capital.

Table 4.1: Complementarities between SW China and NE India⁴⁸

The BCIM's three core areas of concern are the Three T's --- Transport, Trade and Tourism. Mahendra P. Lama (2005) points out the relation between these three factors in promoting economic cooperation. He points out that transportation comes first in the list of priorities. For having efficient transportation networks investment in such infrastructure is required. Good physical connectivity also needs greater transport capacity, competence, reliability and frequency of services. This would not only help in reducing time and costs in the movement of people and goods, but also help in business expansion through relocation and restructuring, and thereby leading to increased productivity, competitiveness and economic growth. In the process,

⁴⁸ Source: Ray, Jayanta Kumar and De, Prabir (2005), 'Bilateral Cooperation between India and China', in Ray, Jayanta Kumar and De, Prabir (eds.), *India and China in an Era of Globalisation: Essays on Economic Cooperation*, New Delhi: Bookwell, p.34

tourism would flourish, enabling the creation of new jobs ancillary to this sector and generate revenue. A brief discussion on each of the three aspects is therefore necessary.

Transport:

The BCIM area despite its huge potential for economic growth lacks good transportation networks. Of the four countries, India and China enjoy some degree of good physical infrastructure, even though they are inadequate in nature. Growth in trade and commerce within this region requires vast improvements in the development of freight corridors and related logistical services. Numerous “choke points” exist which have hindered cooperation. Such bottlenecks are mostly in the nature of breakdown of existing infrastructure or those created mostly at the level of policy-making. SWC and NEI are the two most important players in the promotion of BCIM cooperation. Between themselves, Yunnan occupies the centre due to its equidistance from SE Asia, South Asia and rest of China, especially the developed coastal provinces.

“After the new china founded in 1949, especially since China’s reform under the policy of opening up to the outside, Yunnan Government has made ever effort, under the sustention of the central Government, to develop its economy and facilitate the policies of opening up to the outside. And the Provincial Government has paid much attention to the infrastructure constructions, as we believe that the economic expansion is based on the development of communications and transportation.” (Li Yu Guang, 1999)

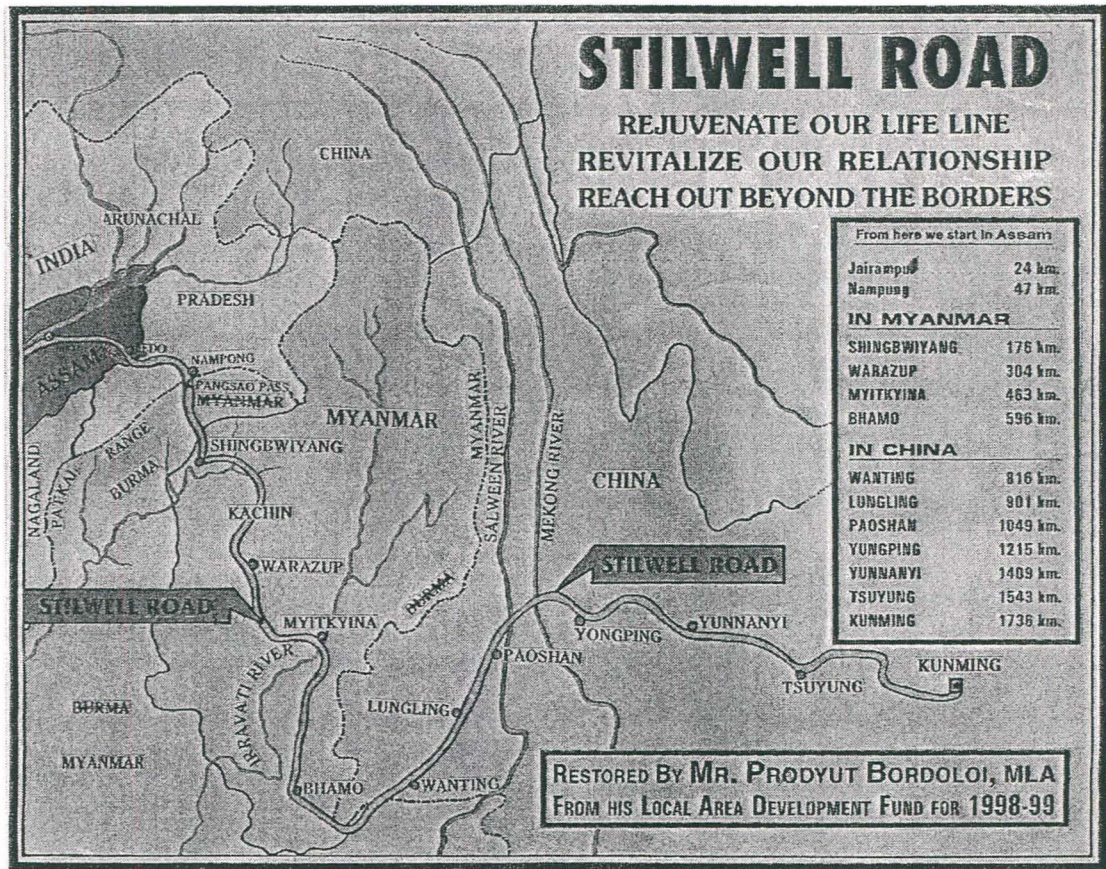
This statement by a participant from the Chinese delegation at the 1999 BCIM Conference shows the seriousness attached to this project by the Yunnan Provincial Government and the Central Government of China towards the development of Yunnan and the adjoining region. Through this initiative, as a first priority, the development of the Sino-India Road and the Sino-Myanmar Irrawaddy multi-modal transportation was emphasised upon. In the Indian journal *Frontline*, P.V. Indiresan analysed, in November 2000, the outcome of the First BCIM Conference (1999) that the principal drive was to encourage the concerned governments of the region to improve communications between the south-western region of China and the north-

eastern region of India by developing appropriate road, rail, waterways and air links. Ramtanu Maitra (2003) commented on the outcome of a national seminar, titled *Reopening of the Stilwell Road: Prospects and Problems*, which was jointly organised by the Department of History, Dibrugarh University, in November 2002 under the auspices of the Maulana Abul Kalam Azad Institute of Asian Studies (MAKAIAS), Kolkata, for looking at ways on how the reopening of the Stilwell road could help in the development of India's Northeast and what could be the challenges involved. He appreciated that the suggestion that this road should be rebuilt to measure upto international standards and be capable of carrying 40-foot containers. This route could help connect Yunnan with the Bay of Bengal. Garver (2006) too appreciates the above two views and states that Beijing had tried since the 1990's to persuade New Delhi to open new transport links between China and the states of NE India. He laments that Chinese efforts to secure Indian agreement have born little fruit. Maitra (2003) feels that political and bureaucratic inertia and fear of disturbing the status quo has hindered progress on the development of such linkages from the Indian side. He shows that the distance from Ledo to Kunming through the Stilwell Road is 1,043 miles, and that from Ledo to Kolkata is 1,065 miles. Though nearly the same distance, the former route is shorter. A strong case had been made for the reopening of this route in the First BCIM Conference by Prodip Hazarika, the then Transport Minister of the Government of Assam, India, who attended this event on a personal capacity.

“Once the entire road stretch is re-opened and the short stretch between the Indian border and Myitkyina in Myanmar is reconstructed, the economy of the entire Region of India and North Myanmar will witness a sea change, as bustling economy of South-China and South-East Asia and the mainland India will come very close.....At Myanmar town of Lashio, Stilwell road takes northward turn towards Kunming. Lashio is well connected by both railway and road link with Mandalay which leads to Yangon and then to the last Myanmarese border town Mywadi and Mao-Sot in Thailand. And from Mao-Sot the Asian Highway starts and continues upto Istanbul in turkey. The only missing link between Assam (India) and Singapore is the short stretch between Nampong and Myitkyina”. (Hazarika 1999)

This lengthy passage elaborately demonstrates the urge among the people of NEI to emerge out of the shadows and join the larger mainstream, for which transport connectivity comes first. The foundation remains in place. What needs to be done is

working towards the filling up of these gaps and making these routes functional as early as possible. In the same conference, Dr. Arun Kumar Sarma (1999), the then Member of Indian Parliament (Rajya Sabha), from Assam, pushed for the early reopening of the Stilwell Road. He gives a detailed position of the Stilwell-Burma Road.



Map 4.1: Sketch map of the Stilwell Road⁴⁹

⁴⁹ Source: Bordoloi, Pradyut (2007), "Old Routes Anew: Looking East From The North East", [Online : web] Accessed 7 September, 2009

Stilwell Road- Distance from Ledo			
Locations	In Miles	In Kilometres	Country
Ledo	0	0	India
Pangsau Pass	38	61	Indo-Myanmar Border
Tagap-Hill	79	127	Myanmar
Shingbwiyang	103	165	Myanmar
Warazup	139	224	Myanmar
Jambu-Bum	178	287	Myanmar
Myitkyina	250	403	Myanmar
Bhamo	372	593	Myanmar
Namkham	439	707	Myanmar
Mong-Yu	465	749	Myanmar
Burma Road Segment			
Wangding	507	811	China
Lungling	560	896	China
Baoshan	652	1043	China
Yungpin	755	1208	China
Yunnanyi	876	1402	China
Tsuyung	959	1534	China
Kunming	1079	1725	China

Table 4.2: Route details of the Stilwell-Burma road⁵⁰

⁵⁰ Source: Sarma, Dr. Arun Kumar (1999), "Stilwell Road- The Missing Link in Developing Trade and Cooperation in the South West China, Myanmar, Bangladesh and India Region", Conference Paper presented on 15-17 August 1999 at the International Conference On Regional Economic Cooperation and Development among India, China, Myanmar, and Bangladesh, in Kunming, Yunnan.

Out of the total 1725 kilometres length of the Stilwell-Burma Road, only 61 kilometres fall in India, while Myanmar and China possess 688 and 1076 kilometres respectively. The alignments shown in the table above roughly follow the ancient Southern Silk/Sichuan Road through which tea, salt and horses were traded. Pradyut Bordoloi (2002), Minister for Trade, Tourism and Industry, Government of Assam and the Member of the Assam Legislative Assembly from Margherita in Upper Assam, strongly urged for the development of transport infrastructure in NE India to facilitate trade within the BCIM sub-region and SE Asia. This shows there is a keen urge among not only the people of NE India but also their elected representatives for the development of the border roads and promotion of cross-border trade. Guo Nei wrote in *The China Daily*, on 11th April 2005:

“At present, trade between Yunnan and India has to follow a convoluted route from Kunming to Zhanjiang port in Guangdong Province then to be loaded onto ships bound for the Malacca Straits and India - a total of 6,000 kilometres.... To promote Sino-Indian trade, China has begun to renovate the historic Stilwell Road which was built during World War II, connecting Yunnan Province in Southwest China to Myanmar and India.... After the reopening of the renovated road, the distance from Baoshan, a border city in Yunnan, via Myitkyina in Myanmar, to Ledo in India will be a touch above 500 kilometres.”

This shows how China is bent upon saving its energy consumption as well as reduce time taken for movement of goods and services to its southwest. It needs newer energy sources to pursue its economic growth. Oil from Africa and Myanmar can be easily transported through the Indian Ocean ports. China is already developing the Sittwe port as well as Yangon and renovating the railway line till Lashio, to join the Burma Road, so as to achieve this objective. Yang Jinjian (2005) realises the importance of the opening up of trade routes from Yunnan to South Asia, where Baoshan, in China, could serve as the entry point. He says that the implementation of the West China Strategy had made it necessary for the building up of an international inland passage to connect with South Asia. In this respect the BCIM Forum should be optimally utilised to push for this outcome. He identifies three possible routes:

- 1) Kunming-Baoshan-Tengchong-Myitkyina-Ledo-Guwahati-New Delhi. This remains the premier route for international passage to South Asia

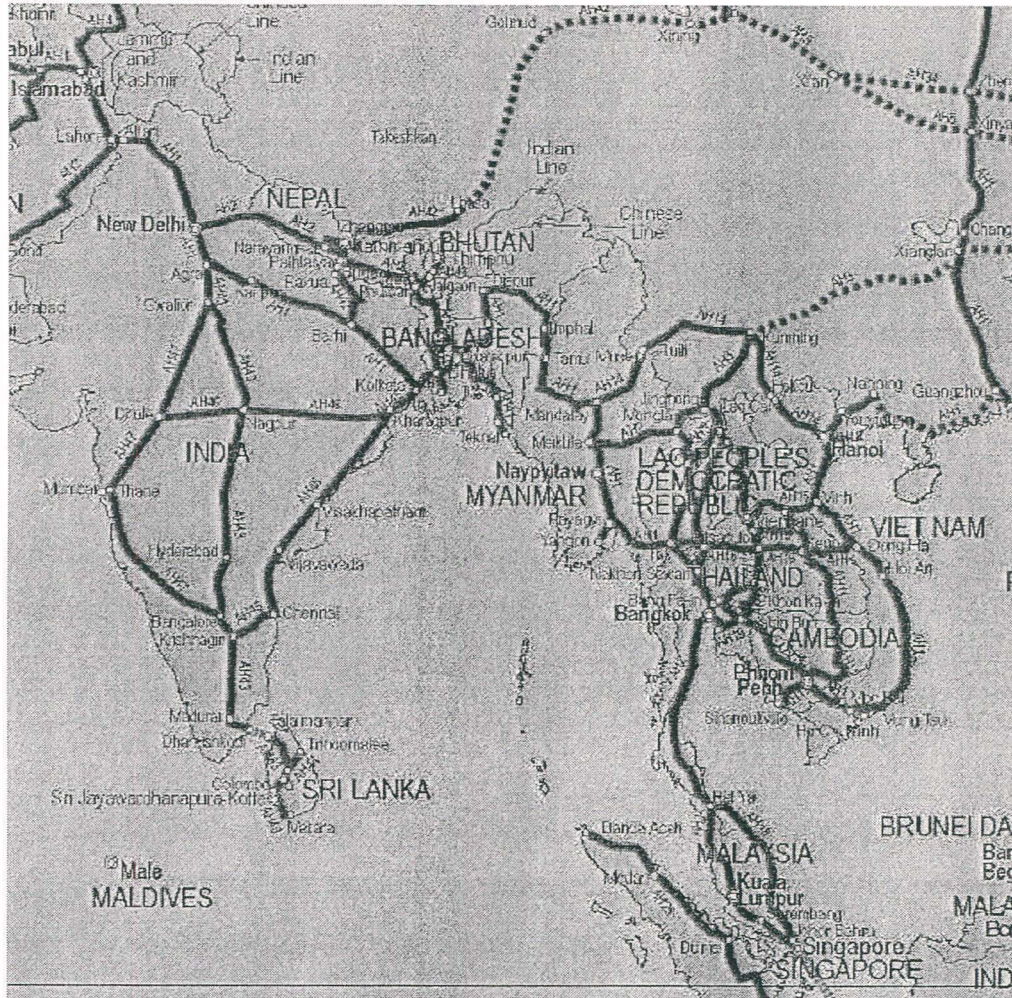
2) Kunming-Baoshan-Ruili-Mujie-Mandalay-Demu-Yinber-New Delhi. Mujie and Yinber fall in Myanmar and India respectively. This line can be developed into the most important commercial route.

3) Kunming-Baoshan-Zhangfeng-Leiji-Bhamo-Madel-Rangoon harbour-South Asia. This would form the multimodal waterway transport system.

However a key component of the development of road transport within the BCIM sub-region is that it falls largely under the shadows of the PAH network. The PAH project was initiated in 1959 by the United Nations Economic Commission for Asia and the Pacific (UNESCAP) to promote international road transport in Asia and to facilitate international trade and tourism. This is a “network of 141,000 kilometres of standardised roadways crisscrossing 32 Asian countries with linkages to Europe” (UNESCAP)⁵¹. Allied to this is the TAR network which was initiated in the 1960’s to provide a continuous 14,000 kilometre rail link between Singapore and Istanbul (Turkey), with possible onward connections to Europe and Africa. This offered the prospect of greatly shortening distances and reducing transit times between countries and regions. It could also act as a catalyst for the “notion of international transport as a tool for trade expansion, economic growth and cultural exchanges” (UNESCAP)⁵². The southern corridor of the TAR proposed to connect Thailand and Yunnan with Turkey, through Myanmar, Bangladesh, India, Pakistan, and Iran, with Sri Lanka also being a part of the corridor. Both these networks have increasingly looked upon by the participants in the BCIM as being conducive towards the speedy and efficient development of the regional transport architecture. Apart from the Stilwell-Burma Road, another route that can connect the BCIM region is the Kunming-Dali-Baoshan-Ruili-Mandalay-Kinu-Tamadaw-Pyingaing-Griwa-Tamu-Imphal-Kumila-Dhaka-Calcutta route, which is 2675 kilometres long. “The section of Kunming-Dali-Baoshan-Ruili is part of the national arterial highway of Shanghai-Kunming-Ruili in Yunnan” (Jiang Zhigang 2004). This road is has been developed into a four-lane expressway.

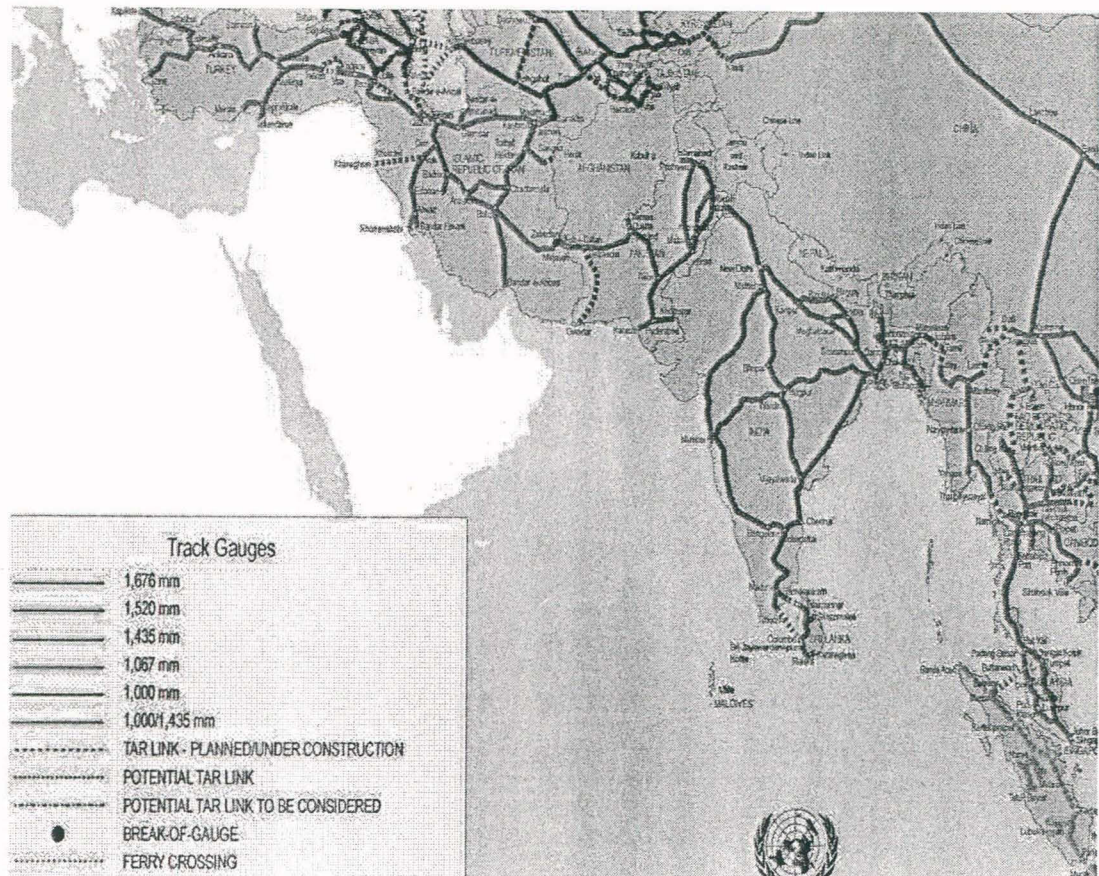
⁵¹ UNESCAP, “About the Asian Highway”, [Online : web] Accessed 19 July 2010 URL: <http://www.unescap.org/ttdw/index.asp?menuname=asianhighway>

⁵² UNESCAP, “About the Trans-Asian Railway”, [Online : web] Accessed 19 July 2010 URL: <http://www.unescap.org/ttdw/index.asp?MenuName=TheTrans-AsianRailway>



Map 4.2: Section of the PAH in the BCIM sub-region⁵³

⁵³Source: This is a cropped version of the map taken from UNESCAP, “ah_map_latest.jpg”, [Online : web] Accessed 19 July 2010 URL: http://www.unescap.org/ttdw/common/TIS/AH/maps/ah_map_latest.jpg



Map 4.3: The Southern Corridor of the TAR touching the BCIM sub-region⁵⁴

So far as the road networks are concerned, the completion of the Indian stretch of the Stilwell Road and the repairing of the section through Upper Myanmar can facilitate cross-border trade and movement of people at the earliest. However, apart from the GoI's security concerns over this area, the Government of Myanmar is also not too keen right at the moment for the development of this road. The stretch through Myanmar passes through its lawless northern states where various insurgencies have been going on, the most powerful among them being the KLA (Kachin Liberation Army). Instead the road through Moreh-Tamu Kalewa section can be a better venture to start with. Already the GoI has constructed Tamu-Kalewa-Kalemyo road in Myanmar, bordering the Indian border market town of Moreh in the state of Manipur, and handed it over to the Government of Myanmar. This route joins Mandalay and then Ruili on the one hand. On the other, it passes through Moreh, Imphal, Dimapur, Nowgong, Guwahati, Shillong, Dawki and the border point of

⁵⁴ Source: This is a cropped version of the map taken from UNESCAP, "tarmap_latest.jpg", [Online : web] Accessed 19 July 2010 URL: http://www.unescap.org/ttdw/common/TIS/TAR/images/tarmap_latest.jpg

Tamabil in Bangladesh. This route runs parallel to the PAH network scheme. However, the hilly terrain could make it difficult for the movement of heavy containers. To solve this problem, India and the UNESCAP identified a shorter route from Imphal to Sylhet (Bangladesh) passing through Karimganj (India) and Austragram (Bangladesh). Incidentally, Coryton (1875) wrote that the “route most in favour with the Calcutta merchants is that which it had been proposed to make in a direct line from Dacca through Sylhet and Munnipoor to Bhamo”. Rahmatullah (2003) argues that the BCIM countries might be emphatic to India about considering this shorter alternative which passes through more level terrain. So, all that is required now is the political will among the leadership of all the BCIM countries to get along with the development of these historic lines of communication.

As far as the railway networks are concerned, India has a well developed system put in place since British days, and expanded recently. Western Bangladesh has better railway network than its eastern part. China has been working vigorously in expanding its railways to its border areas. Myanmar’s rail transport system is good but inadequate. While these networks are well functioning within their national boundaries, they are not connected with one another. Gupta (2005) explains the way the proposed TAR network connecting Yunnan with India exists presently. In Bangladesh, the dual gauge line runs from Gede/Darsana to Jaydebpur. From Jaydebpur the meter gauge (1000 mm) network continues till Mahisasan and then gets converted into the broad gauge (1676 mm) till Jiribam (Manipur, India). There remains a missing link of about 200 kilometres from Jiribam to Tamu, in Myanmar. From Tamu the meter gauge line continues till Lashio. From here till Ruili, in China, and then onto Dali, the railway network does not exist. From Dali onwards the standard gauge (1435 mm) railway line reaches Kunming and connects it with the rest of China. Rahmatullah (2003) rightly analyses that due to the presence of various railway gauges, any traffic from Yunnan to Myanmar, or from Bangladesh and India to Myanmar, would need transshipment from one system to another. However, this problem can be overcome since now transshipment has been facilitated mainly through containerisation. The use of cranes enables easy movement of containers from one gauge to the other in short time. Another link from Lashio, in Myanmar, to Lekhapani, in Assam (India), can be developed to facilitate railway traffic, since the broad gauge line from Lekhapani runs, through Guwahati, uninterrupted till

Pakistan-Iran border, and falls in the line of some of the most growing market regions of the Indian sub-continent.

The potential for the development of land-cum-water transport mainly lies in two sectors --- Yunnan-Myanmar, and Bangladesh-India. In the first case, the river port of Bhamo on the Irrawaddy River along with the road link to Ruili (Yunnan) can serve as a multimodal means of communication. China is already helping Myanmar improve this channel through funds and expertise. The Inland Water Transport (IWT) ran a burgeoning service between Bangladesh and India through the Brahmaputra River until 1965. Heavy siltation in the river has led to a gradual decline in the level of cargo carried. Rahmatullah (2003) points out that the India has already made a request to Bangladesh that the latter's port of Ashuganj be included as a port of call from in the approved route from Kolkata to Dhubri/Karimganj and transshipment of Indian cargo from Ashuganj to Agartala by road should be permitted. This riverine transportation system can be turned into a multimodal means of transport among all the countries through the use of the Kaladan multimodal transport system, which India is constructing for Myanmar, when it gets fully operational.

Moreover, improvement of air connectivity has become a vital necessity in today's world. Direct air links have already been established between Kunming-Yangon and Kunming-Mandalay. But Kunming remains only as a transit stop between Delhi and Shanghai, which should be upgraded to a regular halt. Direct flights in the Kunming-Guwahati and Kunming-Kolkata should be encouraged. Jiang Zhigang underlines the emergence of Yunnan as a regional transfer hub for the international air routes network leading to SE Asia and South Asia. The China Eastern Airline Company started operations, in 2002, in the Beijing-Shanghai-New Delhi route with Kunming as a technical halt. The company's Yunnan branch opened the Kunming-Mandalay air route in the same year, with a frequency of three flights a week. The Beijing-Kunming-Dhaka air route was opened in May, 2005, with a flight frequency of seven per week. Shi Haibo (2004), of the China Eastern Yunnan Airlines, pressed that this aviation company, based in Yunnan, paid close attention to the progress of economic cooperation in the BCIM region for a long time and wished to participate in cooperation in the fields of transport, tourism and trade. With a fleet of thirty-three Boeing aircrafts, it operated in ninety-four routes --- fifteen international and

seventy-nine domestic --- the whole of China as well as East and SE Asia. While it operations, within the BCIM region, continue in the routes stated by Jiang Zhigang, the China Eastern Yunnan Airlines seeks to play a part in the efforts towards economic cooperation in the sub-region, catering to Yunnan's needs. "Kunming would be built into a gateway to Southeast Asia and the intermediate transit point linked to the East, South Asia and South Pacific countries" (Shi Haibo 2004). The Kunming Wujiaaba International Airport handles nearly 20 million passengers now and is the seventh busiest airport in China. A new international airport is being built in Kunming to cater to greater passenger load in the coming years. Qin Guangrong⁵⁵, Governor of Yunnan, while addressing a SAARC media delegation, at the 17th Kunming Import and Export Fair, held concurrently with the 2nd South Asian Countries Commodity Fair, in 2009, said that the 23 billion RMB airport was meant to be a step towards establishing Kunming as an economic hub, catering to not only SE and South Asia, but also Europe. He added that the plan of the first phase was to meet the annual passenger capacity output of 38 million, a 95,000 ton cargo and 303,000 flight movements in the first target year of 2020. He further said that his government was committed to spend around RMB 100 billion to invest in the building of infrastructure to improve transportation facilities for the neighbourhood as well. This is welcome. However, some constraints remain. Shi cited five main reasons for the present difficulties in opening new routes. Firstly, there is an absence of sufficient number of clients, especially tourists and business travellers. Secondly, apart from Myanmar, Bangladesh and India have not established their consulates in Kunming and other bordering provinces and cities. It becomes difficult for the handling of visas and other issues, and inconveniences Yunnan travellers from travelling to the other BCIM countries. Thirdly, there needs to be a publicity blitzkrieg among the BCIM countries about level and nature of their interactions, especially in the fields of trade, technology, culture and education. This would create genuine eagerness among people to visit such areas. However, the Indian government should also take steps to promote air connectivity of its Northeast with the neighbouring countries. NE India has eight airports--- Guwahati, Dibrugarh, Jorhat, Silchar, Tezpur, Lilabari, Imphal and Agartala. Apart from Guwahati none of

⁵⁵ Ministry of Commerce, The People's Republic of China (18 June 2009), "China Yunnan set to become economic hub for South Asia, South East Asia: Governor Qin" [Online : web] Accessed 20 July 2010 URL: <http://english.mofcom.gov.cn/article/counselorsreport/asiareport/200906/20090606348910.html>

the others have an international status. Even the Guwahati airport's infrastructure is not world class. All of them should be upgraded to modern-day international airports to improve connectivity and promote tourism and trade. Air networks can serve as the fastest mode of attracting tourists, apart from facilitating freer movement of people from place to place.

All said and done, it has to be borne in mind that among all the means of transportation within the BCIM, roadways remain the largest network and easiest to connect regions, howsoever remote they may be. Most of the points about this sector have been discussed above. The concluding part pertains to a five-point proposal, forwarded by Peng Zhihui (2004) from the Yunnan Transport Department, on achieving transport cooperation among the BCIM countries. Firstly, a transport cooperation mechanism has to be established to study the objectives for cooperation, policies for coordination and identify the short, medium and long-term goals to be achieved. Secondly, through mutual consultation, on the basis of fully utilising the existing networks and the principle of connecting first and upgrading next, more attention should be devoted right from the planning to the construction stages of building highway infrastructure. Thirdly, highway transport cooperation can be carried out on a trial basis enabling joint investigation for collecting data on the grades, capacity and detailed mileages of overland passageways. It can lay the ground for future transport cooperation. Fourthly, a transport agreement, either bilaterally or multilaterally, should be signed to make the movement of goods and people easier in the region. Lastly, the self-driving Kunming-to-Kolkata Car Rally should be jointly conducted to extend the international profile of this region and lay the foundation for cooperation. This would also serve as a powerful means for educating the people along the route about the benefits of sub-regional cooperation. Only by strengthening transport cooperation can the BCIM proceed towards comprehensive cooperation in other spheres.

Trade:

Trade relations within the BCIM sub-region is not new and has been in place for centuries via the Sichuan/Southern Silk Road, which started from Chengdu (Sichuan) and proceeded towards the Gangetic valley through Kunming, Upper Myanmar and

the Brahmaputra valley. The main items of trade were horses, tea, cotton and salt. Yunnan has been actively promoted by both the PRC Central Government and the Yunnan Provincial Government as a strong regional economic centre. The 'China Kunming Import and Export Commodities Fair'⁵⁶ has been held successively since 1993 at Kunming covering the areas of import and export, cross-border trade, investment, economic and technical cooperation. This regional trade fair is jointly sponsored by the Ministry of Commerce of the Government of China, and the seven local governments of Yunnan, Sichuan, Guizhou, Guangxi, Tibet, Chongqing and Chengdu. It is organised by the People's Government of Yunnan Province. Some of the co-organisers are the CCPIT, All-China Federation of Industry and Commerce etc. interestingly some international institutions like the India-China Chamber of Commerce and Industry, ASEAN Chambers of Commerce and Industry, United Nations Industrial Development Organisation etc. also act as co-organisers. It's annually held from June 6th-10th at the Kunming International Convention & Exhibition Center, Kunming. The fair has attracted over 1000 Chinese exhibitors and about 4000-6000 overseas guests from around fifty countries each year. It is estimated that the accumulated contracts signed for trade and investment in these fairs amount to US\$ 25 billion. Yunnan's importance lies in the fact that its total border length of 4061 kilometres accounts for about one-fifth of China's total. According to a report in the *China Daily*⁵⁷ the 2008 Kunming Fair had 2300 standard booths in a total exhibition area of 52,000 square metres, which included six pavilions- IT Industry, Machinery & Electronics, Pharmaceuticals & Healthcare Products, Agricultural Products, Chemical and Mineral Products, and Light Industrial and Textile Products. Commodities from South Asia, SE Asia and other countries were exhibited here. In the 17th Kunming Fair (2009), the number of exhibition booths surpassed the previous year's numbers by ten percent. According to Li Yihong⁵⁸, director of the International Affairs Department of the Ministry of Commerce, Government of China, Yunnan was providing the economic stimulus with its fast-expanding border trade amid the global economic meltdown. The Chinese objective for Yunnan's outreaching to its neighbouring areas is best

⁵⁶ China Import and Export Fair, Kunming, "Summary of Kmairs", [Online : web] Accessed 24 July 2010 URL: <http://www.kmfair.org/en/about/content/125/202.html>.

⁵⁷ China Daily, "Special supplement: Kunming fair promotes regional trade", [Online : web] Accessed 24 July, 2010 URL: http://www.chinadaily.com.cn/cndy/2008-05/16/content_6688739.htm.

⁵⁸ China Daily (2009), "Yunnan a pivot for cross border trade" [Online : web] Accessed 20 July 2010 URL: http://www.chinadaily.com.cn/bw/2009-06/22/content_8306809.htm.

exemplified in the words of Sun Xiaohong⁵⁹, the then Secretary-General of the Kunming Export-Import Fair. She said that Yunnan is one of the significant areas in south China that can connect eastern, south-eastern and southern Asia and link the Indian Ocean with the Pacific Ocean. She hoped that the connecting of China with South Asia through Yunnan can lead to the formation of an emerging market and directly affect the world economy.

Yunnan's Governor, Qin Guangrong, speaking to a SAARC media group, on the sidelines of the 17th Kunming Import and Export Fair, in 2009, said that the province has great potential for trade as its share of international trade amounted to US\$ 10 billion, and that with the South Asian countries to US\$ 1 billion, of which the largest share went to India. Yunnan has been assiduously following a policy of promoting economic relations with its neighbours. Way back in 1992, the State Council of China granted Kunming trading privileges equal to those enjoyed by her coastal cities. This gave a big boost to Kunming's profile as an emerging regional economic hub. The process was further cemented when the city hosted the Kunming Trade Fair for the first time. This fair drew attendance from all the major neighbours of China and has become a regular affair since then. This has also helped Yunnan to promote cross-border trade with its neighbours, aided by the development of transportation networks. "Border trade has become the driving force of Yunnan's economy and the total volume of its border trade crossed \$ 2.5 billion in 2004" (Kurian 2005: 299). According to the Ministry of Commerce (Mofcom)⁶⁰, Government of China, the Yunnan-India trade volume increased to US\$ 110 million in 2004 for the first time, with India emerging as Yunnan's seventh biggest trading partner in 2003. Yunnan's main items of import from India included iron ore, phosphorous chemicals, lead and spices. To aid the growth of trade, the chambers of commerce of Yunnan and India signed an agreement in February 2005 which aimed "to strengthen air and road connectivity in the region" (Kurian 2005: 299). This shows a significant improvement in the level of trade volume within a decade. The Yunnan-India trade amounted to only US\$ 11.347 million in 1996, while that in 1997 amounted to US\$ 22.094 million (Wang Chongli 1998).

⁵⁹ Ibid.

⁶⁰ Ministry of Commerce, The People's Republic of China (12 November 2004), "Trade Between Yunnan and India were Over Than US\$100 Million" [Online : web] Accessed 20 July 2010 URL: <http://english.mofcom.gov.cn/aarticle/newsrelease/commonnews/200411/20041100304184.html>

Basically, the Provincial Government of Yunnan⁶¹ has laid out an elaborate structure for enabling the investors to use their money easily in the regional economy. The *Office of the Foreign Investment Affairs* (OFIA) of the Yunnan Provincial Government was established in 1997 to increase and facilitate foreign investment in the province. It helps in the implementation of the foreign investment policies and measures determined by the Provincial Party Committee and Government, and coordinates relations with the foreign investors. It also serves as the leading coordinating agency for provincial and local government agencies and administrations with foreign funded enterprises, as well as scrutinises and approves foreign investment applications. Moreover, it conducts research related to foreign investment in Yunnan and makes policy recommendations to the Yunnan Provincial Government. Another institution in this respect is the *Yunnan Provincial Foreign Investment Service Centre* which provides services to the foreign investors in three broad areas --- legal advice for businesses, investor services, and information supply. It assists both Chinese and foreign investors in understanding the rules, regulations and policies of the Yunnan Government, and also gives advisory support for establishing businesses. It helps throughout the entire investment process, beginning with inspection tours for prospective investors, and extending up to the construction phase and the actual opening up of business. The centre also maintains a database that facilitates parties to come together for joint ventures and cooperative business activities. This database contains information on investment projects, networks, contacts, and experts in various fields. The third institution is the *Yunnan Provincial Complaint Centre for Foreign Funded Enterprises* which seeks to uphold the rights of foreign investors and enable them to smoothly set up and operate their businesses. The investors can lodge a complaint to this centre if they realise that their legitimate rights and interests are infringed upon, and which will then forward it to appropriate administrative and judiciary bodies. Moreover, the Yunnan Chamber of Commerce plays a positive in the promotion of the investment climate in the region. Although a non-governmental organisation (NGO) for industrial and commercial entrepreneurs, this body is a part of the Yunnan Committee of the Chinese People's Political Consultative Conference (CPPCC). Apart from it participating in economic and social decision-making affecting Yunnan, through involvement in policy formulation

⁶¹ (*) UNESCAP, United Nations Economic Commission for Asia and the Pacific, "Yunnan Province, China", 21 July, URL: http://www.unescap.org/tid/publication/chap7_2183.pdf.

and regulations, this Chamber of Commerce also promotes cooperation between foreign and local companies. It has fostered relations with the other chambers of commerce in SE Asia, particularly in the GMS. The Yunnan Provincial Government has facilitated investment in a number of areas for foreign investment. Some of them are listed in the following table:

Sectors	Areas of investment
Infrastructure	Development and operation of local railways, related bridges and tunnels, civil airports hydropower and thermal power stations with a capacity of 300 megawatts or more; construction of highways, bridges and tunnels.
Agriculture and Biological Resources	Cultivation and processing of tropical cash crops, new varieties of commercial plants and fruit trees; investment in nurseries, plantations and processing plants; developing post-harvest technology; livestock rearing and processing.
Minerals	High density phosphorous compound fertilisers, food and feed additives, and other refined chemicals; iron and steel; non-ferrous metals.
Tourism	Development of national and provincial tourist destinations and scenic spots; construction of recreational facilities in vacation zones.
Technology	Development of new high technology and applying them to upgrade conventional industries
Environmental Protection	Recycling industrial wastes; equipment for urban sanitation; pollution control.

Table 4.3: Table showing the sectors of investment, in Yunnan open, to foreigners.⁶²

⁶² **Source:** (*) UNESCAP, United Nations Economic Commission for Asia and the Pacific, "Yunnan Province, China", 21 July, URL: http://www.unescap.org/tid/publication/chap7_2183.pdf.

From this table one thing which appears clearly is the maximum push given by the Yunnan Government for investments in the development of its infrastructure. A good infrastructure is the foundation upon which an economy can develop. Although a 100 percent ownership is not permitted in areas like railways and civil aviation, yet they are kept open for substantial investments. The inclusion of the Yunnan Chamber of Commerce as a part of the Yunnan Committee of the CPPCC shows the seriousness with which the authorities are dealing with the development of this province economically. The establishment of relations with the chambers of commerce of the SE Asian countries along with government institutions for promoting and facilitating investment in Yunnan has boosted confidence among foreign investors to flock into the province and contribute to its emergence as an economic hub in the region.

Swaran Singh (2005) argues that from the global perspective, both China and India represent two unique new players. They put forward an “extraordinary combination of a very large GDP and still with significant poverty and pockets of unrest and a very low per capita income and living standards” (Singh 2005). Their emergence as major economies and search for energy resources and markets has led them to competing for the same space. This raises concerns in the politico-strategic sphere about the likely negative fallouts to be faced by the global economy in case of conflicts between them. Singh contends that, however, recent political initiatives at confidence-building helped in the expansion of the areas of mutual cooperation, premised on the new dictum of mutual accommodation and mutual benefit. Sino-Indian bilateral trade has become the most important element of their rapprochement. According to the Confederation of Indian Industry (CII) website⁶³, this trade volume touched US\$ 51.8 billion by end-2008. While China became India’s largest trading partner, India emerged as the seventh largest export market of China and the tenth largest trading partner. In fact, the target of US\$ 40 billion fixed for 2010 during President Hu Jintao’s visit to India, in 2006, had been achieved already by 2008. This target was revised to US\$60 billion for 2010 which is likely to be met. The common trend seen here is that despite the presence of political tensions between China and India, the two countries have not let them affect the growth in economic cooperation.

⁶³ “Trade Statistics:: Bilateral Trade” [Online : web] Accessed 18 July 2010 URL: http://www.indiachina.org/trade_statistics.htm

Economic reforms in both countries have facilitated such development and the consequent search for new business partners. The political problems have been marginalised, which reflects a growing maturity in the build-up of trust and meaningful cooperation between them. Singh (2005) explains this with factual data. He says that China used trade as a diplomatic tool to increase cooperation with its Northeast Asian estranged neighbours like Japan and South Korea. Their trade with China increased from US\$ 16.8 billion and US\$ 0.7 billion for 1990 to US\$ 99.6 billion and US\$ 36.2 billion respectively for 2002. For the same period China's bilateral trade increased from US\$ 0.2 billion in 1990 to US\$ 5 billion for 2002, which now stands at more than US\$ 50 billion. However, recently the Sino-Indian trade volume has increasingly tilted towards China's benefit. This trade deficit amounted to US\$ 11.2 billion by end of 2008 which needs to be addressed by both the governments. However, this should not act as an impediment towards further economic cooperation. The trade items for China and India the period 2006-2007 have been shown in the following figure.

<p>India's top 15 exports to China (2006-2007)</p>	<p>Ores, slag, ash; Cotton + yarn, fabrics; Organic chemicals; Copper + articles thereof; Precious stones, metals; Iron and steel; Plastic; Machinery; Salt, sulphur, earth, stone; Inorganic chemicals, rare earth metals; Hides and skins; Artificial flowers, feathers; Tanning, dye, paint, putty; Fish and seafood</p>
<p>China's top 15 exports to India (2006-2007)</p>	<p>Electrical machinery; Machinery; Organic chemicals; Iron and steel; Iron/steel products; Fertilizers; Plastic; Impregnated textile fabrics; Silk, silk yarn, fabric; Vehicles; Inorganic chemicals, rare earth metals; Man-made filament, fabric; Optical and medical instruments; Mineral fuel, oil etc.; Aluminium</p>

Table 4.4: Table showing the items of export in the Sino-Indian trade for the period 2006-2007⁶⁴

The CII has made the following conclusions from the above data:

- 1) Ores, Slag, Ash; Cotton + Yarn, Fabric; Copper + Articles Thereof; Precious Stones, Metals; Artificial Flowers, Feathers and hides and skin account for US\$ 11229.57 million, which is 76% of the total exports to China. This means majority of exports are still low end products.
- 2) Organic chemicals, iron and steel, plastics, machinery, inorganic chemicals, electrical machinery account for only US\$ 2203.592 million, which is 15% of the total exports to China. This means export of value added products is still to pick up.
- 3) Electrical machinery, machinery, plastics, iron & steel, fertilizers, inorganic chemicals, organic chemicals, optical instruments, medical instruments, auto components and aluminium recorded heavy growth in imports from China.

⁶⁴ Ibid.

- 4) Electrical products, electronic products and machineries occupy 47% of the total imports from China.
- 5) Majority of the products imported from China are high end or value added products.

So, it appears that China is mainly procuring raw materials from India, while it is selling finished products to India. The export basket from both sides needs re-arrangement. The Yunnan- India trade has to be studied under the overall context of the Sino-Indian trade.

Chen Hangao (2005) points out that trade, with India, has a very important status for Yunnan. Yunnan could use the complementarities for cooperating with India. Its main export item is chemical products, which can cater to the demands of India's chemical, industrial and agricultural sectors. The import of metallurgical raw materials from India shows the competitiveness and advantage Yunnan has gained in the metallurgy sector. He rues that the overall demand for goods in this trade is far too small, but which can be improved upon with the development of communication networks. Both Yunnan and India have abundant resources at their disposal to meet the needs of each other's market and industry. India's major export items are gems and jewellery, ready-made garments, cotton, yarn, aquatic products, leather and leather products, chemical products, iron ore and other resources such as computer software, etc. These can be an important source of support in the development of Yunnan's economy. Yunnan has 31 items of export value of over US\$ 10 million. The main items for export are yellow phosphorous, flue-cured tobacco, aluminium, lead, fabrics, tin, cigarette, acid phosphate, steel, potassium permanganate, silver, phosphoric acid, matsutake, hydrogen phosphate, electrical machinery etc. Some advanced industries in Yunnan can have large-scale cooperation with India especially in the areas of tobacco, sugar, tea, water and electricity supply, chemical industry, metallurgy, pharmaceuticals, food-processing, animal husbandry, medicines, spices, flowers, tourism etc. Chen emphasises that the line along the Tropic of Cancer from the West, through the Middle East, is a big international passage from Yunnan to India.

“With planned cooperation, land passage from China to west Asia, and east Africa can be so opened as to reduce 1/3rd of the

route length, 1/4th of the transportation cost and 2/3rd of the transportation time. Direct land transport can be accomplished to facilitate greater business opportunities.” (Chen Hangao 2005: 117).

There remains a close co-relation between the need for good physical connectivity and trade facilitation. Prabir De (2006) highlighted the adverse nature of overland trade within the BCIM sub-region in spite of the existence of lower tariffs and presence of geographical contiguity. Except for the India-Bangladesh and China-Myanmar trade sectors, around 85 percent of the merchandise trade within BCIM passes through sea. There is complete absence of overland trade between China and India except the seasonal trade conducted through the Lipulekh Pass (in Uttaranchal), the Shipkila Pass (in Himachal Pradesh) and the Nathula Pass (in Sikkim). The entire part, virtually, of the Sino-Indian trade passes through the sea, via the Straits of Malacca and the South China Sea. In spite of the presence of numerous potential trade outlets, overland trade in BCIM has not gained momentum. De suggests the following reasons for this anomaly:

- 1) absence of integrated and harmonised transportation networks in the entire region, more or less,
- 2) absence of adequate and active overland official trade outlets and associated facilities,
- 3) absence of trade facilitation policy measures, e.g. the presence of primitive land customs stations.

The following measures can help reduce these problems:

- 1) There remains the need for an efficient and effective customs administration. The BCIM governments can learn from the GMS Cross-Border Transport Agreement (CBTA), which has been very successful in implementing single-window customs clearance at all border crossings in GMS. The customs authorities need to use a single administrative document, proper computerisation of procedures, facilitate e-usage and enable pre-shipment inspection of all non-government imports.
- 2) A number of new Land Customs Stations (LCS) has to be set up, especially between India and Myanmar to promote sub-regional trade and services. These LCSs act as gateways for the transit of goods, services and people among neighbouring

countries. The only two LCSs between India and Myanmar at present are Moreh (Manipur) and Champai (Mizoram), which are grossly inadequate to promote trade between SW China and NE India.

3) Local resources at the border areas have to be integrated with overland trade. The common denominator in the trade between SWC and NEI is Myanmar. The two-way Indo-Myanmar would mainly a transit trade which is conducted through the Moreh-Tamu sector. This trade is mostly conducted through the barter system. The NE India-Myanmar trade has not been linked with the local resource bases and production structures across the border, which emerges as a big hindrance towards growth of vibrant trade in the region.

4) The setting up of industrial zones/free trade zones can involve the local people in overland trade and transform the closed economy of the border area into an open one. Its success would largely depend upon the intensity of growth generating trade in terms of employment creation. E.g. the industrial zone at the Laos-Vietnam border (at Lao Bao in Vietnam) has greatly enhanced overland trade between the two countries and generated employment for their populations. Local conditions are the most important factors in facilitating trade and commerce. Therefore, within the BCIM region a local approach would be beneficial to sustain overland trade.

5) The establishment of proper overland transportation networks is the first and the most necessary component for promoting trade. The factors plaguing the BCIM region are the lack of harmonisation of railway networks, standardisation of all-weather paved roads, international airports, modern border trading points, restrictive domestic policies, lack of intra-regional cooperation, and inefficient procedures for documentation and clearance. These issues need to be addressed at the earliest by the BCIM countries, especially India and Myanmar.

6) Controlling the costs involved in trade is important. Increasing competition in the international market has pushed countries to adopt measures for producing goods at lower costs, but by maintaining the quality demanded by buyers, without compromising upon international norms.

7) Transit trade must be encouraged within the BCIM sub-region. Since all the four countries are geographically interlinked, with a growing trade volume, they

should agree to transit trade within or even outside the BCIM. The CBTA signed between the GMS members has led to the development of an East-West road corridor aimed at connecting the Andaman Sea (Myanmar coast), through Thailand and Laos with the South China Sea (at Danang in Vietnam). The BCIM urgently requires such an arrangement.

Thus, for the BCIM trade cooperation to succeed, rapid improvement in transport and logistics is necessary. For those are apprehensive about the opening up of cross-border trade within the BCIM region, especially the mandarins in the higher echelons of the Indian bureaucracy and Myanmar's junta, it should not be forgotten that a thriving informal border trade already exists in the region. Through Moreh in Manipur, the border trade takes place through two gates – (a) Gate I as per official rules, and (b) Gate II for unofficial trade. From 1995 to 2000, as per the record of the Moreh LCS, the volume of official trade amounted to 1.34 billion Indian rupees, while the unofficial trade hovered between 12-16 billion Indian rupees⁶⁵. Thus, Chinese products abound the markets in NE India. The Indian businesses are competing successfully with them and running well. So the Indian government's fear about Chinese goods flooding the Northeast's market and ruining the local businesses once the cross-border trade starts is unfounded. On the contrary, opening up of the border would enable the legalisation of much of the present trade that passes through the unofficial channels and help the government with tapping its revenue. It would also increase market competitiveness leading to better productivity to meet consumer demand and thereby generate income and more jobs for the local people. "Sealing of borders has not deterred flows of all kinds which is an indication of the considerable potential that exists for cross-border commerce" (Kurian 2005: 299). It is of no use in curbing trade over porous borders in a difficult terrain and spending considerable money, energy and time to secure this outcome. This is simple foolhardiness. Borders should be made accessible to facilitate trade and commerce. In fact, in an interview to the Indian daily *The Telegraph*, dated 17th June 2004⁶⁶, the Chief General Manager of the State Bank of India (SBI), North Eastern Circle, O.P. Bhatt, supported the idea of promoting cross-border trade through the banking

⁶⁵ Singh, N Lokendra (2002), "Reopening of the Stilwell Road: Experiences from Moreh", in D. Nath ed. *Reopening of the Stilwell Road: Problems and Prospects*, New Delhi: Anamika Publishers and Distributors (P) Ltd.

⁶⁶ The Telegraph (17 June 2004), "March to corporatization" [Online : web] Accessed 15 May 2010 URL: http://www.telegraphindia.com/1040617/asp/northeast/story_3374431.asp

channel. The landlocked NE Indian region, with 98 percent international borders, offers huge potential for such trade, mainly through Myanmar and Bangladesh. Bhatt proposed the opening of the bank's branches at places where land customs stations are located, opening forex desks and upgrading branches from lower to higher levels in order to handle all types of foreign transactions. He cited the example of the opening up of an extension counter at Zokhawtir under the SBI's Champai branch in Mizoram to facilitate trade with Myanmar. Other border trade centres such as Dawki (Meghalaya) and Karimganj (Assam) along the Bangladesh border already had SBI branches. This is an interesting development since the SBI falls under the public sector in India. This signifies that the Government of India too realises the potential benefits accruing from border trade. What needs to be addressed is its inertia in giving the process a push for success.

Tourism:

The question that arises is why governments should focus on tourism. How can it deliver towards greater economic cooperation within the BCIM region? According to the World Tourism Organisation⁶⁷, tourism has become the world's largest industry. The international tourist output increased from 682 million in 2000 to 920 million in 2008, although it dipped marginally to 880 million in 2009 due the Global Financial Crisis. The international tourism receipts increased from US\$ 475 billion in 2000 to US\$ 946 billion in 2008. In 2009, India showed a 5 percent growth in tourism expenditure, while China recorded a phenomenal 20 percent growth, even though most of the world was under recession, which reflects the tremendous potential of their tourism market. SWC and NEI have been bestowed with beautiful scenery. Yunnan, particularly, is famous throughout China for tourism. The uniqueness of its highland plateau landscape, tropical and sub-tropical scenery and multiplicity of ethnic groups and folk cultures makes it a tourist haven. Some of the famous attractions include the Dianchi Lake (Kunming), the Stone Forest (Lunan County), Tengchong Dormant Volcanoes and Geothermal Springs (Tengchong County), Yulong Snow Mountains (Lijiang, Ninglang, Zhongdian Counties), Source of the

⁶⁷ UNWTO (2010), "UNWTO World Tourism Barometer (Vol. 8, No. 10)", Accessed 20 July, URL: http://unwto.org/facts/eng/pdf/barometer/UNWTO_Barom10_1_en.pdf

Pearl River (Qijiang) etc. Among these, the Stone Forest represents a very rare geological phenomenon. It is a large karst limestone terrain running 126 kilometres from Kunming. The area covered is over 300 square kilometres of which only 1.2 kilometres are developed and opened to the public. NE India too is very rich in scenery. Most of the land is mountainous, being an extension of the Himalayas. The mountains offer opportunities for mountaineering, adventure sports, camping and trekking. A 'Spiritual Himalayan Trail' can also be promoted covering the Buddhist and Hindu holy places, which have historically been famous (Bhoothalingam 2004). The river systems of the Ganga, Brahmaputra and the Barak can offer excellent river cruises. This region is rich in forest cover and home to many national parks and wildlife sanctuaries, the most prominent, among them, being the Kaziranga National Park, for its one-horned rhinoceros, and the Keibul Lamjao National Park, for its floating islands made of reed and populated by the Sangai deer. This region is also famous for its variety of tribal cultures. At present, however, tourism links within BCIM, general, and between Yunnan and India, in particular, are poor. Chen Lijun and Guo Suiyan (2000) proposed that tourism cooperation was needed to function as a breakthrough for economic and technological cooperation between China and India. Such cooperation in the field of conventional and business tourism enables the formulation of economic policy and better understanding of the background of the destination countries. "It is the media for political, economic and cultural cooperation" (Chen Lijun and Guo Suiyan 2000). Movement of people creates awareness about the investment opportunities through the flow of information through first-hand experience.

Tourism is also one of the most labour-intensive industries. Bhoothalingam (2004) explains this with an interesting example taking Guwahati as his subject. He says that if a jumbo airliner, having a capacity of 400 people, lands daily per week, and if every tourist spends a modest sum of US\$ 50 per day for seven days in the area, then the annual revenue earned would be Rs. 250 crores for India. Furthermore, if only a meagre two percent of this sum is invested in tourism business, around 2400 jobs could be created by this single daily flight. Tourism also demands no high educational qualifications except for a cheerful disposition and a good understanding of the prospects of the concerned area. It also generates part-time and seasonal employment, thereby encouraging women and first-time workers entering the job

market. He says that 46 percent of the tourism employees are women. Chen Lijun and Guo Suiyan (2000) stress that the development of the tourism industry would stimulate improvement in other sectors of the economy, such as trade, commerce, transport, handicrafts etc. since they are inter-linked. Both China (Yunnan) and India can learn from each other about improving their tourism sector. China has invested heavily on infrastructure in the form of highways, hotels, airports etc. which provided a solid hardware foundation. India has devoted more time on the adaptation of the Western managerial system to provide quality service. Nearly a third of the population belongs to the middle class which can be tapped for tourism purposes. Yunnan already has a solid backing from the central government of China and has become a tourist centre for the entire SE Asian region. The existing impediments to the growth of such cooperation are the absence of direct flights between Yunnan and NE India, under-utilisation of the IT sector for publicity purposes and the absence of a tourism agreement between the two regions.

“With long histories, diversified cultures and various natural landscapes, the contiguous areas among China, India, Myanmar and Bangladesh are rich in tourist resources.....significance for the four countries to cooperate on transnational tourism in the neighbouring areas to integrate these areas’ vantages as a whole, to set up a new tourist image for the region, and to advance this region’s competing ability in the international tourist market by making use of the complementary vantages of the four countries, strengthening tourist marketing together, and making joint efforts to develop international market in order to promote tourism as well as other industries in the contiguous zone” (Zhou Zhao 2000).

Zhou’s view summarises in a nutshell what needs to be achieved through BCIM tourism cooperation and the ways to carry them forward. His call for improving the tourist image of the region reflects farsightedness because this would not only bring in more tourists, leading to economic development by creating more jobs, but also wean the youth away from violence and reduce the strength of the various insurgencies operating in the region. Peace can prevail and there will be political stability. In 2001, Yunnan received 48.6 million domestic and foreign tourists with a total income of 25.7 billion yuan (US\$ 3 billion)⁶⁸. The emphasis had been on the development of tourism resources and the sale of tourism souvenirs. To further

⁶⁸ China Daily (2002), “Yunnan Province to expand tourism market”, [Online : web] Accessed 24 July 2010 URL: http://www.chinadaily.com.cn/en/doc/2002-05/03/content_118273.htm

promote the tourism industry, the Yunnan Provincial Government decided to upgrade the local handicrafts industry and help individuals involved in the trade to become more market oriented. An important step to promote tourism in Yunnan has been the holding of the annual China International Travel Mart (CITM)⁶⁹, in Kunming and Shanghai alternatively. Yunnan has over 100 international and domestic air routes, 1,648 kilometres of railways and 160,000 kilometres of highways. The meet seeks to utilise this advantage as a means to attract more tourists from South and SE Asia. Yunnan launched the first Kunming International Cultural Tourism Festival in 2000. Since then it has been attracting hordes of tourists to get a taste of Yunnan's unique ethnic culture through colourful performances, food and major attractions.

Yang Ye (2003) elaborated upon a slew of measures to strengthen BCIM tourism cooperation. He pushed for the signing of a tourism cooperation agreement among the BCIM countries. The four countries should simplify the transit level procedures and establish regular mechanisms for ensuring the safety of the tourists. They should also actively promote the setting up of mutual agencies in charge of BCIM tourism and help create a BCIM tourism circuit. Some of the programs that can be adopted for promotion are international commercial tourism, conference tourism, sightseeing tourism and ecological tourism. Bezbaruah (2006) points out that the spectacular increase from 84,000, in 1999, to 309,000, in 2004, of Indian tourists to China was largely due to business travel. This facilitated by strong bilateral trade relations, and China's ability to professionally capitalise upon the Exhibition sector, something which the other BCIM countries can learn from. He says that more than 30 percent of India's outbound travel market could be for the MICE (Meetings, Incentives, Conferences, Exhibitions) segment. He describes the four categories as follows:

- 1) Pure corporate incentive travel forms the fastest growing sector with respect to economic growth. Most of these travellers head for a single destination with limited time duration.
- 2) Corporate executives travel for board meetings, training programmes etc. which are organised outside the headquarters as a sort of incentive.

⁶⁹ CITM, China International Travel Mart, [Online : web] Accessed 25 July 2010 URL: http://www.citm.com.cn/en/2006_en.htm

3) The third group constitutes conferences, meetings of professional bodies and associations (such as in IT, Health and other sectors) which have large groups and require professional management.

4) Exhibitions for promotion of products and their marketing fall in the last category.

Bezbaruah says that China has been the only country which has capitalised upon it owing to providing easier accessibility, affordable cost of travel and stay, good travel arrangements within the country and attractive destinations nearby for post-conference trips. He argues for the improvement of physical infrastructure and connectivity to promote NE India as the centre of the BCIM tourism business, since it enjoys the advantages of proximity, rich ecology and cultural and ethnic links. Bhoothalingam (2006) supports the cause for the development of a tourist circuit within BCIM and calls for the inclusion of Sichuan, the whole of China and Bhutan within it as a first step. The BCIM forum, he suggests, should discuss tourism projects and form a Coordinating Group, having a representative from each country to work upon the finally selected proposals and gain their clearance from their respective governments. A representative tourism enterprise should be appointed in each country to execute these projects. Moreover, the private sector should be roped in to fund these projects, apart from contributions from the central and provincial governments in the BCIM countries. He quotes Confucius:

“He who learns but does not think, is lost, but
He who thinks but does not learn, is in danger.”

Bhoothalingam urges the BCIM governments to learn about tourism development from the Caribbean region and the GMS. The main asset of the Caribbean region is cooperative marketing, whereby all the countries of the region pooled their assets together, and drew up a plan to promote the region as home to something more than just sun, sand and sea --- cricket, cuisine, music, and a relaxed lifestyle. The GMS has worked together toward the establishment of a Tourism Secretariat, with inputs from the ADB, UNESCAP etc. to promote cooperation in marketing, transit, research, training, and the detailed creation of tourism products and programmes. BCIM can greatly benefit from such a model.

To conclude, the Three T's (comprising transport, trade and tourism) form the backbone of the BCIM Forum's initiative towards greater sub-regional economic cooperation. Improved physical connectivity forms the basis for the realisation of the next two initiatives. This chapter's arguments basically have a prospective touch, since most of the fields discussed have potential advantages to foster cooperation within BCIM, and especially Yunnan and NE India. Very little has been achieved at the ground level between the four countries even after completing a decade of existence (1999-2009), covering eight conferences. Yunnan has gained considerably by concentrating efforts upon the development of the transport, trade and tourism sectors. Apart from roadways and airways, Yunnan has invested a lot in the railway system. The Kunming Railway Administration is a unique administration where gauge railway and meter-gauge railway exist at the same time in the Chinese railway network. The total mileage has increased to 2982 kilometres. While the demand for freightage and transportation increased phenomenally, the actual supply has been less satisfactory. Only 20 percent of the daily loading request of 10000 trains is achieved, causing a loss to the economy. It is for these reasons that the railway network has been gradually overhauled in Yunnan. In 2009, Yunnan tried to complete the investment of railway construction of 8-10 billion yuan, and construct the "eight-route-in and four-route-out railway network"⁷⁰. This network would connect the province with not only the rest of China, but also with South and SE Asia through the TAR. This could help Yunnan establish itself as the bridgehead for the three markets of China, South Asia and SE Asia. Dong (2010) contends that this network would not only enhance the transport capacity of the railways, but also accelerate the development of the economy of the western region, promote the transition of Yunnan from a 'big tourism province to a strong tourism province', encourage the flourishing border trade, strengthen national defence construction, and effectively enhance the comprehensive competitive force of Yunnan for the development of itself and the surrounding regions. Thus, the presence of 11 in-and-out highways, 10 in-and-out railways and 3 in-and-out waterways make Yunnan collect the maximum number of goods imported and exported from SWC and North China to South and SE Asia. It can prove to be the centre-point of the Third Asia-Europe Land Bridge. It is for these reasons that Yunnan is effectively looking out to developing sub-regional relations

⁷⁰ Kailing Dong (2010), "Influence of Yunnan Railway Network on the Economy of Yunnan Province Based on Location Advantage", *International Journal of Business Management*, 5(2): 1-3.

with neighbouring regions, where the BCIM emerges as one of the main vantage points if successful. But here, one of the main bottlenecks has been the bureaucratic intransigence in Indian Government's ministries of Home, Defence and External Affairs. The negative security mindset enveloping NE India should be discarded. As Kaye (2001) argues, cooperation is a process which does not entail outright success or failure. It must continue. The odds against conflict are far too great to blanket the region within a militarily confrontational architecture. The prospects, discussed in this chapter, are huge for cementing sub-regional cooperation between Yunnan and NE India. Bilateral between India and China has emerged as the strongest factor in promoting cooperation between them. This can easily percolate down to the sub-regional level. The Government of Myanmar should also promote the development of the Stilwell Road to economically integrate the sub-region. Pending the repairing of this road, all the four governments should operationalise trade and tourism traffic through the PAH network through the Moreh-Tamu sector between India and Myanmar. This initiative has immense potential to promote peace and political stability in this restive region. It would be unwise to rule the failure of BCIM. It is still in a developmental stage. Let it be given time.

Conclusion

China and India are trillion-dollar economies and have billion-plus populations, thus, signifying huge market potential for trade and commerce. They are great ancient civilisations with a shared heritage in the form of Buddhism, trade and cultural links, and a common legacy of subjugation by foreign powers. Their inherent desire is to create their respective spheres of influence in an increasingly multipolar international order in the coming decades of the 21st century. However, the primary attention, now, is developing their economies fast and securing newer sources of energy to meet the demand for their growth. Many theories have been explored for testing the rationale behind sub-regional cooperation between SWC and NEI. The Realist paradigm looks through only in terms of power being the single objective for states to achieve in IR. Cooperative hegemony explains the states' requirement for cooperation through the use of other means, like power-sharing, payment etc., for achieving their goals. However, these theories are based upon the principle of states trying to increase their power either through coercion or without. But cooperation is not all about power. It involves the urge among states to come together to jointly pursue a set of definite goals, which can ultimately benefit their respective populations. The theory of interdependence propounded by Robert Keohane and Joseph Nye tries to explain why states cooperate. Nation-states as well as non-state actors cooperate through mutual dependence where reciprocity forms a very important element. D.D. Kaye takes this argument further by pointing out that cooperation should not be seen as an end in itself, but as a process of continuous interaction to keep the spirit of collaboration alive. It does not entail complete success or failure. The BCIM initiative must be seen as a process of interaction among the four countries, for now, at the academic level. The inability to give it an institutional framework even after a decade of existence should not necessarily mean failure. Even the GMS took a lot of time to emerge as a viable sub-regional initiative between Yunnan and SE Asian region.

One of the major focuses has been in the development of their vast resource-rich but economically underdeveloped hinterland areas --- China's western provinces and India's north-eastern states. To achieve this goal, China has formulated and executed the 'Western Development Program' since 2001. Garver (2006) rightly says that this development is analogous with the opening up of the North American west in the second half of the nineteenth century. The settlement and economic development of the American west facilitated the creation of a large internal market and a powerful, unified nation. In a similar fashion, China's opening up of its western region would be crucial to its rise as a great power in the 21st century. The strategic disadvantage of China with respect to America is the absence of a western ocean, which severely constrains its carrying out of trade and commerce with the rest of the world and bringing in investment for the development of its west. To overcome this difficulty, it has pumped in huge sums of money and resources for the development of modern means of transportation as a prelude to the economic development of this area. The harsh nature of the terrain and great distance prevented China from spreading its influence over Central Asia, South Asia and, to some extent, SE Asia. The development of modern roads and railways would enable the easier accessibility of the natural resource deposits placed in these distant areas and their utilisation in the growth of the economy. Chinese manufactured goods would have increasing number of markets to compete in leading to the creation of trade flows and interdependencies. To achieve this goal, China has entered into a number of multilateral groupings such as the SCO, GMS etc. to cater to the different sub-regions' needs within the western region. The BCIM is one such initiative through which the country wants to reach out to South Asia, particularly the Bay of Bengal littoral region. The idea has been conceived bearing in mind the development of Yunnan and its neighbouring provinces of Sichuan and Guizhou through greater integration with the regional economy of the South and SE Asia. In the words of Liu Ping (2006), Yunnan has witnessed a consistent growth rate of 9 percent for the preceding two decades. Its infrastructure has been improved vastly, while its foreign trade volume has grown over to US\$ 4.7 billion by 2005. China knows that cooperation with India is necessary towards strengthening the economy of its south-western region, owing to the vast market, political stability and strategic location offered by the latter. The *Joint Declaration between the People's Republic of China and the Republic of India*, signed between China and India during Chinese Premier

Wen Jiabao's visit to India in April 2005, declared the establishment of a strategic partnership for peace and prosperity. This is significant because of the application of the word 'strategic' in the agreement. It signifies the upgradation of their bilateral relationship to a high level because both countries recognise each other's potentialities to cooperate for mutual benefit and the stakes each have in the shaping of a newly emergent multipolar world with the slow and gradual decline of the US hegemony. One can echo Deng Xiaoping's observation that the 21st century can be called a 'century of the Asia-Pacific region' only after both China and India became strong.

However, many experts such as Mohan Malik, Rajiv Sikri and Christopher Griffins highlight more upon the conflictual nature of the Sino-Indian relationship and predict the failure of any cooperation initiative like the BCIM since both do not trust each other and have shared a tense relationship ever since 1962. Malik (2004) argues that China is a status-quoist power and views India much the same way as the US looks at it. The existence of two powerful economies could create tensions as both try to exert their authority within the same or overlapping spheres of influence. However, he contends that an economically prosperous and militarily confident China and India might come to terms with each other eventually if their policies of containing each other start yielding diminishing returns. Till then, hopes for cooperation are less. Griffin (2006) maintains that China's increasing attempt to engage India bilaterally and multilaterally is aimed at containing the latter's emergence as a great power. Beijing is wary of the growing Indo-US bonhomie, such as the nuclear cooperation deal, and fears encirclement by the two. To prevent this, it wants to involve India into cooperative ventures with New Delhi to wean it away from American influence. Absence of US backing would naturally stem India's efforts to emerge as a superpower, and give China enough leeway to become the dominant force in the eastern hemisphere. Sikri (2009) reflects the classical stand of the Indian leadership not to trust China fully owing to the overarching dominance of the 1962-mindset in their psyche. Nobody knows for certain why the 1962 debacle happened. The official Henderson Brooks Report on the 1962 Sino-Indian War is still a classified document. No official materials, after 1914, on Sino-Indian relations are available in the Indian archives owing to the Indian government's security phobia. The point is that the truth must come out and one should honestly learn from past incidents through proper scrutiny and analysis. Merely concentrating upon the

negative fallouts would not help. Even Garver (2006) contends that the Chinese efforts for securing the Indian government's approval for transport connectivity and border trade between NE India and Yunnan, within the ambit of the BCIM Forum has borne little fruit this far. This bureaucratic dogmatism prevalent in India's Home, Defence and Foreign ministries must be done away with. Fear of cheap Chinese goods flooding NE India's market and stamping out local businesses is a foolish thought. The informal border trade, already amounting to millions of dollars (Kurian 2006) itself points out the flourishing nature of trade connectivity within the sub-region. In places like Moreh, Dimapur, Mariani in NE India, the markets are full of goods made of Chinese origins. But that has not led a closure or failure of local businesses. On the contrary demand for better quality products and services has gone up. This presents a golden opportunity for the Indian manufacturers to produce goods of high quality at affordable rates and compete with Chinese goods not only within the country but also in the entire BCIM area as well as SE Asia and the whole of China. India's Look East Policy aims at developing trade and other relations with SE Asia, in order to develop its Northeast. However, China is more closely integrated with the SE Asian region through various regional and sub-regional initiatives and hence, can be bypassed under no circumstances.

However, all is not lost. India and China have a burgeoning bilateral trade amounting to US\$ 58 billion as of end-2009, despite the global recession. This trade is still growing and has the potential to transform the economy of the entire region for the better. China is India's largest trading partner. Both have cooperated jointly in international fora, such as the Copenhagen Summit on climate change (2009). The upgradation of Sino-Indian relationship to a strategic level signals the GoI's willingness to shed some of the past baggage and think fresh. It also signals China's recognition of India's emergence as a responsible power and booming economy. The Joint Communiqué between Chinese President, Hu Jintao, and Indian Prime Minister, Manmohan Singh, in November 2006 endorsed the BCIM plan for the Kunming-to-Kolkata Car Rally. This can be seen as a tacit approval of the Indian government for the BCIM process. India wants to proceed slowly in developing its relations with its neighbours. This lethargy is painful for the people of its Northeast. However, growing levels of interdependence in world politics is changing things for the better. States cooperate, as Keohane and Nye (1977) argue, when common

interests persist. It involves both negative and positive inducements for the achievement of goals. India's willingness to cooperate with China is signified by the trade figures itself. Hiccups do exist. But they have to be solved through dialogue. As Kaye (2001) says that cooperation is a process which involves continuous dialogue, which should not be stopped. Failure to reach an outcome does not necessarily mean that the process stops. China and India cannot afford another military confrontation. The question is not about who wins, but who loses. In such a situation, both would be the losers. Their economies would be the first casualty, leading to social unrest and political instability. Neither wants this outcome. SW China and NE India have vast reserves of natural and mineral resources. Both fall in the PAH and TAR routes. The foundational infrastructure in the form of old routes already exists. Only their repairing and reconstruction is needed. Border controls have to be relaxed and a proper mechanism for regulating entry and exit of goods, services and people should be put in place. The BCIM countries cannot afford the costs of building and maintaining border posts and fences/walls through the difficult terrain. Drugs and communicable diseases like HIV/AIDS do not require open borders to spread. The internal security architecture should be revamped to address these threats and not make cross-border economic cooperation a casualty of this fallacious argument. Good connectivity to the interior areas can bring in other benefits like healthcare, jobs, education etc. apart from trade benefits and wean the youth away from the numerous insurgencies plaguing the sub-region. This aspect on social and human development was one of the major focuses in the Eighth BCIM Summit held in Naypyidaw, Myanmar, in 2009. Regional diplomacy, as Kishan S. Rana (2008) says, plays a major role in fostering cooperation between states owing to the mutual benefits arising out of increased interdependence and globalisation. China and India are both aware of this and have come together in a number of multilateral fora (e.g. Conference on Interaction and Confidence Building Measures in Asia, or CICA) to foster good relations.

This research began by formulating two hypotheses:

- i. The comparative advantages of sub-regional cooperation between China and India are far too great in shaping the contours of their relations to merely confining them within a narrow conflict scenario.

- ii. Economic growth and development through greater cross-border economic and cultural linkages can ensure political stability in the region.

The scope of this work has been strictly limited to the exploring the possibilities of cooperation between SWC and NEI within the ambit of the BCIM Forum, in the period between 1999 and 2009. This period is significant because the first conference took place in Kunming in 1999, while the eighth conference was held at Naypyidaw in 2009. In this time it can be analysed how far this sub-regional initiative has progressed and what more it can achieve. The area has been limited to SWC and NEI because of the paucity of time required to completely studying the whole BCIM region within a short period of two years work in M.Phil. Another reason is that these two areas are underdeveloped and landlocked, due to which the people have been left bereft of good education, healthcare, investment and other opportunities. Many local insurgencies have arisen because of this neglect. But this sub-region is home to many natural and mineral resources, which, if properly utilised, can transform it into a very dynamic economy in the coming years. The first hypothesis points out to the vast potentialities for cooperation existing between SW China, especially Yunnan, and NE India which can be optimally utilised for ensuring economic growth and development in the region and connecting it with the global economy through the proper utilisation of the PAH and TAR networks. For Yunnan, access to the Indian Ocean ports, through the BCIM initiative, could save costs, time and energy of making a 6000 kilometre long detour along the Straits of Malacca and the South China Sea ports in Guangdong province, and the overland journey from thereon. For India, it would give access to the SE Asian and Chinese markets to invest and bring in much needed money into its Northeast for development of this landlocked region. The second hypothesis refers to the benefits accruing from cross-border economic linkages and their role in fostering regional political stability. The entire BCIM sub-region is full of ethnic minorities, especially more so in SW China and NE India. Long years of economic underdevelopment have fuelled resentment among people leading a particular section of the youth to take up arms against the state. These insurgencies have brought only suffering to the people and a drain on the state's exchequer to subdue them through military means. One can use the armed forces to quell insurgencies only for a limited time with limited success. The

problems will not go unless the people are given access to basic amenities like good roads, education, healthcare, and a better standard of living. Only economic growth and development can ensure such an outcome. The people of the sub-region share common cultural links. e.g. The Ahom tribe, which ruled over the Brahmaputra Valley for 600 years, came originally from the Mekong Valley and share kinship ties with the people of Yunnan and Myanmar. Such linkages can be utilised to promote tourism. Transport, Trade, Tourism --- the Three T's can be used intelligently to promote economic growth in the sub-region and, therefore, ensure political stability, by weaning people away from violence. Therefore, both of my hypotheses stand validated.

As Anthony Giddens (1999) argues, the embrace of risk is the very essence of that energy which creates the modern economy. It involves the need of a society to continuously change its ways of determining its own future, rather than leaving it at the hands of religion, tradition and the vagaries of nature. China and, especially India, must take the risk of integrating their hinterland areas with the regional and global economies to satisfy the aspirations of their people and emerge as strong modern nation-states. This does not necessarily come into conflict with the concept of the 'Region State' as propounded by Kenichi Ohmae. Forces of globalisation and interdependence would compel nations to cooperate for securing better outcomes in the economic and political spheres. But national sovereignty will remain intact as the prospect of a stateless world is hypothetical since it would create chaos. A region state can still work across national boundaries provided concerned national governments accept the idea. The urge to develop landlocked hinterlands, by capitalising upon the complementarities with the neighbouring regions, would be too great for national governments to ignore. Patricia Uberoi (2008) too calls for looking into the transnational character of a region through the prism of historically active economic and cultural linkages as well as the issues of shared resources and livelihood. Academic cooperation within the BCIM Forum should be encouraged to look into such issues and emerge as a think-tank with sufficient research base. Even though the BCIM process is yet to pick up steam like the GMS and ASEAN, it is still in the evolutionary stage and would require time for coming out on its own as a full-fledged institutional process. It is too early to write its epitaph. On the contrary,

prospects for sub-regional cooperation between SW China and NE India appear bright. On a more positive note, in the words of Tan Chung (2010), India and China are becoming 'geo-civilisational twins' from now onwards in their united effort to reshape the world order and marching towards the Indian ideal of *vasudhaiva kutumbakam* (the world be one family) and the Chinese ideal of *shijie datong* (a world in grand harmony).

Annexure I

FOREIGN TRADE LAW OF THE PEOPLE'S REPUBLIC OF CHINA

Adopted at the Seventh Meeting of the Standing Committee of the
Eighth National People's Congress on 12 May 1994,
Promulgated by Order No.22 of the President of the People's Republic of China
on 12 May 1994,
and effective as of 1 July 1994

Chapter I General Provisions

Article 1 This Law is formulated with a view to developing foreign trade, maintaining the order of foreign trade and promoting a sound development of the socialist market economy.

Article 2 Foreign trade as used in this Law refers to the import and export of goods and technologies, and the international service trade.

Article 3 The competent department in charge of foreign economic relations and trade under the State Council shall be in charge of the work of foreign trade throughout the country in accordance with this Law.

Article 4 The State shall institute a uniform system of foreign trade and safeguard a fair and free foreign trade order in accordance with law. The State shall encourage the development of foreign trade, bring into play the initiative of localities and ensure the independence of management of foreign trade operators.

Article 5 The People's Republic of China promotes and develops trade relations with other countries and regions in accordance with the principle of equality and mutual benefit.

Article 6 The People's Republic of China in foreign trade grants the most favoured nation treatment and the national's treatment to other signatories or acceding parties on the basis of the international treaties and agreements that China has signed or acceded to, or to the other party under the principle of mutual benefit and reciprocity.

Article 7 Where a country or a region adopts prohibitive, restrictive or other similar measures that are discriminative in nature against the People's Republic of China in trade, the People's Republic of China may, in the light of the actual conditions, adopt corresponding counter-measures against such a country or region.

Chapter II Foreign Trade Operators

Article 8 Foreign trade operators as used in this Law refer to the legal persons or other organizations engaged in the operative activities of foreign trade in accordance with the provisions of this Law.

Article 9 Foreign trade operators handling the import and export of goods or technologies must satisfy the following conditions, and obtain the permission from the competent department in charge of foreign economic relations and trade under the State Council:

- (1) having their own names and organizational structures;
- (2) having clear-cut business scopes of foreign trade;
- (3) having Premises, funds and professionals needed for the foreign trade business they are engaged in;
- (4) having fulfilled the required performance of having necessary sources of goods for import and export in the case of entrusting others to handle imports and exports; and
- (5) other conditions provided by laws and administrative rules and regulations.

The measures for the implementation of the provisions of the preceding paragraph shall be formulated by the State Council.

Enterprises with foreign investment shall be free from obtaining the permission as stipulated in the first paragraph of this Article, if they, in accordance with the laws and administrative rules and regulations governing enterprises with foreign investment, import non-productive goods for their own uses, or necessary equipment, raw materials and other goods for their production, or export their own products.

Article 10 The establishment of the international service trading enterprises and organizations and their business activities shall comply with the provisions of this Law and other relevant laws and administrative rules and regulations.

Article 11 Foreign trade operators shall in accordance with law enjoy full autonomy in their management and shall be responsible for their own profits and losses.

Article 12 Foreign trade operators shall, in conducting foreign trade activities, honor contracts, ensure product quality and improve after-sale service.

Article 13 Organizations or individuals without permits for foreign trade business may entrust foreign trade operators within China to conduct foreign trade businesses on their behalf within the business scope of the trustees. The foreign trade operators who are entrusted to conduct foreign trade business shall truthfully provide the trustors with market information, commodity prices, information about clients and other relevant business information. The trustors and trustees shall conclude a trusteeship contract in which the rights and obligations of both parties shall be specified.

Article 14 Foreign trade operators shall, in accordance with the provisions of the competent department in charge of foreign economic relations and trade under the State Council, present documents and material pertinent to their foreign trade business to the relevant departments. The departments concerned shall keep business secrets for such providers.

Chapter III Import and Export of Goods and Technologies

Article 15 The State shall allow free import and export of goods and technologies, however, except as otherwise provided for in laws or administrative rules and regulations.

Article 16 The State may restrict the import and export of the goods and technologies under any of the following circumstance:

(1) for safeguarding national security or public interests, there is need to restrict imports or exports;

(2) due to short supply on domestic market or for effective conservation of exhaustible domestic resources, there is need to restrict exports;

(3) due to the limited market capacity in the country or region of destination, there is need to restrict exports;

(4) for establishing or speeding up the establishment of a particular domestic industry, there is need to restrict imports;

(5) for any form of agricultural, animal husbandry or fishery products, there is necessity to restrict imports;

(6) for safeguarding the State's international financial position and ensuring the balance of international receipts and payments, there is need to restrict imports; or

(7) under the international treaties or agreements signed or acceded to by the People's Republic of China, there is need to restrict imports or exports.

Article 17 The State shall prohibit the import or export of the goods and technologies falling into any of the following categories:

(1) those that endanger national security or public interests;

(2) those whose import or export must be prohibited for the protection of human life or health;

(3) those that impair ecological environment; or

(4) under the international treaties or agreements signed or acceded to by the People's Republic of China, the prohibition of import or export is required.

Article 18 The competent department in charge of foreign economic relations and trade under the State Council shall, in collaboration with other relevant departments under the State Council, formulate, readjust and publicize the catalogue of goods and technologies whose import or export is prohibited or restricted according to the provisions in Articles 16 and 17 of this Law. The competent department in charge of foreign economic relations and trade under the State Council may, independently or jointly with relevant departments under the State Council, subject to the approval of the State Council and within the scope stipulated in Articles 16 and 17 of this Law, specially decide to restrict or prohibit the import or export of specific goods or technologies which are not included in the catalogues specified in the preceding paragraph.

Article 19 Goods under import or export restrictions shall be managed by distributing quotas or issuing licences; while technologies under import or export restrictions shall be managed by issuing licences. Goods and technologies managed by distributing quotas or issuing licences may be imported or exported, as prescribed by the State Council, only with the permission of the competent department in charge of foreign economic relations and trade under the State Council or together with relevant departments under the State Council.

Article 20 Quotas for import and export of goods shall be distributed by the competent department in charge of foreign economic relations and trade under the State Council or by relevant departments under the State Council within their respective functions and responsibilities on the principles of efficiency, impartiality, transparency and fair competition and according to the performance and ability of the applicants in import or export and other conditions. Ways and measures for the distribution of quotas shall be prescribed by the State Council.

Article 21 In respect of cultural relics, wild animals and plants and their products as well as other goods and merchandise, if their imports or exports are prohibited or restricted under other laws or administrative rules and regulations, the provisions of such laws or administrative rules and regulations shall be applied.

Chapter IV International Service Trade

Article 22 The State shall promote the progressive development of international service trade.

Article 23 The People's Republic of China shall, in international service trade, grant other signatories and acceding parties market access and national treatment according to the commitments made in the international treaties or agreements it has signed or acceded to.

Article 24 The State may restrict international service trade on the basis of any of the following considerations:

- (1) for safeguarding national security or public interests;
- (2) for protecting ecological environment;
- (3) for establishing or speeding up the establishment of a particular domestic service industry;
- (4) for ensuring the State's balance of international receipts and payments; or
- (5) other circumstances calling for such restrictions as provided by laws or administrative rules and regulations.

Article 25 The State shall prohibit the international service trade falling into any of the following categories:

- (1) that endangering national security or public interests;
- (2) that running counter to the international commitments undertaken by the People's Republic of China; or
- (3) that prohibited by laws and administrative rules and regulations.

Article 26 The competent department in charge of foreign economic relations and trade under the State Council and relevant departments under the State Council shall

conduct management of international service trade according to this Law and relevant laws and administrative rules and regulations.

Chapter V Order of Foreign Trade

Article 27 Foreign trade operators shall, in their foreign trade activities, conduct business operations according to law, carry out fair competition and shall not commit any of the following acts:

- (1) counterfeiting, altering, buying or selling certificates of origin, or licenses of import and export;
- (2) infringing upon the intellectual property rights protected by laws of the People's Republic of China;
- (3) pushing out competitors by means of unfair competition;
- (4) fraudulently obtaining tax refund for exports from the State; or
- (5) other acts violating laws or administrative rules and regulations.

Article 28 Foreign trade operators shall, in their foreign trade activities, use, or settle their accounts of, foreign currency in accordance with relevant regulations of the State.

Article 29 Where due to the increase of imported products, domestic producers of like products or producers manufacturing products directly competitive to the imported ones suffer material damage or threat of material damage, the State may take necessary protective measures to eliminate or reduce such damage or threat of damage.

Article 30 Where products are imported at prices lower than its normal value, thereby causing substantial damage or threat of substantial damage to the relevant domestic industries already established, or substantially hindering the establishment of relevant domestic industries, the State may take necessary measures to eliminate or reduce such damage or threat of damage or hindrance.

Article 31 Where imported products receive subsidies of any form directly or indirectly from countries of exportation, thus causing substantial damage or threat of substantial damage to relevant domestic industries already established, or substantially hindering the establishment of relevant domestic industries, the State may take necessary measures to eliminate or reduce such damage or threat of damage or hindrance.

Article 32 When circumstances specified in Article 29, 30 or 31 occur, departments or organs designated by the State Council shall investigate and handle them according to laws or administrative rules and regulations.

Chapter VI Promotion of Foreign Trade

Article 33 The State shall, in light of the needs for the development of foreign trade, set up and improve financial institutions in service of foreign trade and establish development fund and risk fund for foreign trade.

Article 34 The State shall adopt promotional measures to develop foreign trade such as providing credits for import and export and refunding taxes on exports.

Article 35 Foreign trade operators may set up and join import-export chambers according to law. Import-export chambers shall observe laws and administrative rules and regulations, coordinate and direct foreign trade activities of their members according to the articles of associations, provide consultant services, report suggestions of their members concerning the promotion of foreign trade to relevant governmental departments and actively conduct activities for the promotion of foreign trade.

Article 36 China's international trade promotion organizations shall, according to the articles of associations, carry out foreign liaison activities, hold exhibitions, provide information and consultant services as well as other activities for the promotion of foreign trade.

Article 37 The State shall support and promote national autonomous regions and economically under-developed areas to develop foreign trade.

Chapter VII Legal Liability

Article 38 Whoever smuggles goods whose import and export are prohibited or restricted, if such an act constitutes a crime, shall be investigated for criminal responsibility according to the Supplementary Provisions for the Punishment of the Crime of Smuggling. If such an act does not constitute a crime, the offender shall be punished according to the Customs Law. The competent department in charge of foreign economic relations and trade under the State Council may concurrently revoke their business licenses for foreign trade.

Article 39 Whoever counterfeits or alters certificates of origin or licenses of import and export shall be investigated for criminal responsibility according to the provisions of Article 167 of the Criminal Law. Whoever buys or sells the certificates of origin for import and export or licenses of import and export, or buys or sells counterfeited or altered certificates of origin, or licenses of import and export shall be investigated for criminal responsibility by applying *mutatis mutandis* the provisions of Article 167 of the Criminal Law. Where a unit commits the crimes specified in the preceding paragraph, it shall be punished with a fine. Persons directly in charge and persons who are held directly responsible in the unit shall be investigated for criminal responsibility according to or by applying *mutatis mutandis* the provisions of Article 167 of the Criminal Law. The competent department in charge of foreign economic relations and trade under the State Council may concurrently revoke their business licenses for conducting foreign trade. Whoever knowingly uses counterfeited or altered licenses of import and export to import or export goods shall be punished according to the provisions of Article 38 of this Law.

Article 40 Whoever in violation of this Law imports or exports technologies whose import and export are prohibited or restricted, if such an act constitutes a crime, shall be investigated for criminal responsibility by applying *mutatis mutandis* the Supplementary Provisions for the Punishment of the Crime of Smuggling.

Article 41 The State functionaries engaged in foreign trade who neglect their duties or practise irregularities for personal gains or abuse their power shall be investigated for criminal responsibility according to law if their acts constitute a crime. If their acts do not constitute a crime, they shall be given administrative sanctions. The State

functionaries engaged in foreign trade who by taking advantage of their office extort other persons' money or goods or illegally accept other persons' money or goods so as to seek benefits for such persons shall be investigated for criminal responsibility according to the Supplementary Provisions for the Punishment of the Crime of Corruption and Bribery if their acts constitute a crime. If their acts do not constitute a crime, they shall be given administrative sanctions.

Chapter VIII Supplementary Provisions

Article 42 The State shall adopt flexible measures and provide favourable treatment and convenience to the trade between its frontier towns and the frontier towns of bordering countries as well as fairs among the inhabitants of border areas. Specific measures shall be formulated by the State Council.

Article 43 This Law shall not apply to the separate customs areas in the People's Republic of China.

Article 44 This Law shall go into effect on July 1, 1994.

Annexure II

Joint Statement of the Republic of India and the People's Republic of China

I. H.E. Mr. Wen Jiabao, Premier of the State Council of the People's Republic of China, is currently paying a state visit to the Republic of India from 9 to 12 April 2005 at the invitation of H.E. Dr. Manmohan Singh, Prime Minister of the Republic of India.

During the visit, Premier Wen Jiabao held talks with Prime Minister Dr. Manmohan Singh, called on President Dr. A.P.J. Abdul Kalam and Vice President Shri Bhairon Singh Shekhawat, and met with Chairperson, United Progressive Alliance Smt. Sonia Gandhi. External Affairs Minister Shri K. Natwar Singh and Leader of Opposition, Lok Sabha Shri L.K. Advani will call on him. Premier Wen paid a visit to Bangalore and will deliver a speech at the Indian Institute of Technology in New Delhi.

Leaders of the two countries had an in-depth exchange of views in a sincere, friendly and constructive atmosphere and reached broad consensus on bilateral relations and international and regional issues of common concern.

II. The two sides reviewed the friendly contacts and progress in their bilateral relations in recent years and agreed that India-China relations have entered a new stage of comprehensive development. Both sides noted with satisfaction that with the frequent exchange of visits between leaders of the two countries, the process of building trust and understanding has gained momentum. Rapid growth of trade and economic cooperation has been coupled with the expansion of exchanges and cooperation in other fields. The two sides have made incremental progress in addressing outstanding issues. The two sides have also maintained good communication and collaboration in international and regional affairs. Both sides

agreed that India and China have made satisfying progress in developing their long-term constructive and cooperative partnership.

The two sides recalled the Declaration on Principles for Relations and Comprehensive Cooperation between the two Prime Ministers on 23 June 2003 and reiterated that the Declaration provided a shared vision of bilateral relations and an agreed framework for cooperation.

III. In the light of the development of their bilateral relations, in order to promote good neighbourliness, friendship and mutually beneficial cooperation and taking into account the profound changes in the regional and international situation, the two sides agreed that India-China relations have now acquired a global and strategic character. The leaders of the two countries have, therefore, agreed to establish an India-China Strategic and Cooperative Partnership for Peace and Prosperity.

Such a partnership is based on the principles of Panchsheel, mutual respect and sensitivity for each other's concerns and aspirations, and equality; provides a sound framework for an all-round and comprehensive development of bilateral relations based on mutual and equal security, development and prosperity of the two peoples; and contributes to jointly addressing global challenges and threats. It reflects the readiness of the two sides to resolve outstanding differences in a proactive manner without letting them come in the way of the continued development of bilateral relations.

IV. The two sides agreed that high-level exchanges between the governments, parliaments and political parties of the two countries play an important role in expanding overall bilateral cooperation. They conveyed their determination to maintain and strengthen the momentum of such exchanges in future and agreed to hold regular meetings between the leaders of the two countries. In this context, the two sides also reiterated their intention to promote regular ministerial-level exchanges and make full use of the India-China strategic dialogue and other bilateral dialogue mechanisms.

V. The year of 2005 marks the 55th anniversary of the establishment of diplomatic relations between India and China. To mark the occasion, the two countries will

organize a series of commemorative activities. It was noted that “Cultural Festival of China” was currently underway in India and that a corresponding “Cultural Festival of India” would be organized in China later in the year. The two sides would also organize other cultural activities to further promote mutual awareness and deepen the friendship between the two peoples. The two sides declared 2006 as the “year of India-China friendship”.

Both sides expressed satisfaction with strengthened exchanges in the area of culture, and affirmed that mutual understanding and cultural exchanges would facilitate development of cooperation in other areas as well. In order to reinforce traditional cultural links, an agreement was concluded for the construction of an Indian-style Buddhist temple at Luoyang in Henan Province of China.

VI. The two sides stressed that an all-round expansion of India-China economic cooperation, including trade and investment, constitutes an important dimension of a stronger India-China relationship. The two countries agreed to make joint efforts to increase the bilateral trade volume to US\$ 20 billion or higher by 2008. The two sides welcomed the report of the Joint Study Group (JSG) that was set up to examine the potential complementarities between the two countries in expanded trade and economic cooperation. The JSG in its Report has identified a series of measures related to trade in goods, trade in services, investments and other areas of economic cooperation, and recommended their expeditious implementation to remove impediments and facilitate enhanced economic engagement between India and China. The two Prime Ministers tasked the Ministerial-level India-China Joint Economic Group (JEG) to consider these recommendations and coordinate their implementation. For this purpose, the two sides will make their best endeavour to hold the next meeting of the JEG within the next six months. The JSG has also recommended an India-China Regional Trading Arrangement, comprising of trade in goods and services, investments, identified understandings for trade and investment promotion and facilitation, and measures for promotion of economic cooperation in identified sectors. The Prime Ministers agreed to appoint a Joint Task Force to study in detail the feasibility of, and the benefits that may derive from, the India-China Regional Trading Arrangement and give recommendations regarding its content.

Both sides noted that the Agreement on the Establishment of a Financial Dialogue Mechanism would further facilitate the dynamic and diversifying economic cooperation between the two sides. They will continue consultations on concluding the Bilateral Investment Promotion and Protection Agreement.

The two sides noted with satisfaction that the two countries have signed the SPS Protocols for the export of grapes and bitter melon from India to China. The two sides also agreed to constitute a Joint Working Group to implement expeditiously the MOU on Application of SPS between the Chinese General Administration of Quality Supervision, Inspection and Quarantine and the Indian Ministry of Agriculture.

China positively evaluates market access for Indian rice to the Chinese market and will launch as early as possible the risk analysis procedure of the Indian rice in accordance with relevant Chinese laws and regulations.

VII. The two sides agreed to further promote the cooperation in the spheres of education, science and technology, healthcare, information, tourism, youth exchange, agriculture, dairy development, sports and other fields on the basis of mutual benefit and reciprocity. The two sides decided to establish an India-China Steering Committee on Scientific and Technological Cooperation chaired by their Ministers for Science and Technology, and start consultations on an agreement on mutual recognition of academic certificates and degrees between India and China. The two sides announced the launching of regular youth exchange activities. China will invite 100 Indian youth to China within the year of 2005 and hold an exhibition this year on advanced and applicable technologies in India.

VIII. The two sides recognized the importance of strengthening mutual connectivity and agreed to jointly work towards further enhancement of direct air and shipping links, tourism and people-to-people contacts. It was noted with satisfaction that an MOU on major liberalisation of civil aviation links between India and China was concluded during the visit.

IX. The two sides will continue to cooperate in exchanging flood-season hydrological data of the trans-border rivers as agreed between them.

In response to concerns expressed by the Indian side, the Chinese side agreed to take measures for controlled release of accumulated water of the landslide dam on the river Parechu, as soon as conditions permit. It was noted with satisfaction that an agreement concerning the provision of hydrological data on Sutlej/Langgen Zangbo was concluded during the visit and that the two sides had also agreed to continue bilateral discussions to finalize at an early date similar arrangements for the Parlung Zangbo and Lohit/Zayu Qu Rivers.

The two sides agreed to cooperate in the field of energy security and conservation, including, among others, encouraging relevant departments and units of the two countries to engage in the survey and exploration of petroleum and natural gas resources in third countries.

X. The two sides noted the useful exchanges and interaction in the military field and decided to further promote such exchanges and interaction. They agreed that broadening and deepening of defense exchanges between the two countries was of vital importance in enhancing mutual trust and understanding between the two armed forces, and to ensuring a peaceful environment in which they could pursue their respective national development objectives. The two sides decided to further strengthen effective contacts and exchanges in this field.

XI. During the visit, the two sides exchanged views on the India-China boundary question and reiterated their readiness to seek a fair, reasonable and mutually acceptable solution, through equal and friendly consultations and proceeding from the overall interests of bilateral relations. They expressed satisfaction over the progress made in the discussions between the Special Representatives of the two countries and welcomed the conclusion of the Agreement on the Political Parameters and Guiding Principles for the Settlement of the Boundary Question. Both sides are convinced that an early settlement of the boundary question will advance the basic interests of the two countries and should therefore be pursued as a strategic objective. They expressed their commitment to the mechanism of Special Representatives for seeking a political settlement of the boundary question in the context of their long-term interests and the overall bilateral relationship.

Pending a final resolution, the two sides will continue to make joint efforts to maintain peace and tranquility in the border areas in accordance with the Agreements of 1993 and 1996. Both sides agreed that while continuing the discussions between the Special Representatives, it is also important that the Joint Working Group (JWG) continues its work to seek an early clarification and confirmation of the Line of Actual Control (LAC). Progress made so far on the clarification of the LAC in the India-China border areas was noted. It was agreed to complete the process of exchanging maps indicating their respective perceptions of the entire alignment of the LAC on the basis of already agreed parameters, with the objective of arriving at a common understanding of the alignment, as soon as possible.

The two sides expressed satisfaction at the progress achieved in the implementation of the Agreements of 1993 and 1996 and agreed to fully implement them expeditiously. Towards that end, they concluded a Protocol on Modalities for the Implementation of Confidence Building Measures in the Military Field along the Line of Actual Control in the India-China Border Areas.

XII. The Indian side reiterated that it recognized the Tibet Autonomous Region as part of the territory of the People's Republic of China and that it did not allow Tibetans to engage in anti-China political activities in India.

The Indian side recalled that India was among the first countries to recognize that there is one China and its one China policy remains unaltered. The Indian side stated it would continue to abide by its one China policy.

The Chinese side expressed its appreciation for the Indian positions.

XIII. Both sides reviewed with satisfaction the implementation of the memorandum on the border trade through the Nathula Pass between the Tibet Autonomous Region of the People's Republic of China and the Sikkim State of the Republic of India.

XIV. The two sides noted with satisfaction that through friendly consultations an agreement in principle had been reached between the two countries to solve the long-pending issue of property originally belonging to Indian Consulate General in

Shanghai with the Chinese side agreeing to provide a plot of land in lieu of the premises of the original Consulate General of India.

XV. As two large developing countries, both India and China were aware of each other's important role in the process of promoting the establishment of a new international political and economic order. Both sides share common interests in the maintenance of peace, stability and prosperity in Asia and the world at large, and share the desire to develop closer and more extensive understanding and cooperation in regional and international affairs.

The two sides are supportive of democratization of international relations and multilateralism, stand for the establishment of a new international political and economic order that is fair, rational, equal and mutually beneficial, and promote North-South Dialogue and South-South Cooperation. The two sides believe that the international community should eliminate poverty, narrow the gap between North and South, and achieve common prosperity through dialogue and cooperation.

XVI. The two sides reiterated the importance of the United Nations in global peace, stability and common development and expressed their determination to continue their efforts, together with the international community, in strengthening the UN system to develop a sound multilateral basis to address global issues. Both India and China agree that reform of the United Nations should be comprehensive and multi-faceted and should put emphasis on an increase in the representation of developing countries. The Indian side reiterated its aspirations for permanent membership of the UN Security Council. The Chinese side also reiterated that India is an important developing country and is having an increasingly important influence in the international arena. China attaches great importance to the status of India in international affairs. It understands and supports India's aspirations to play an active role in the UN and international affairs. The two sides reaffirmed their readiness to conduct close consultations and cooperation in the process of UN reforms.

XVII. The two sides, aware of the threats posed by terrorism to the peace and security of the two countries and the whole world, resolutely condemn terrorism in any form. The struggle between the international community and global terrorism is a comprehensive and sustained one, with the ultimate objective of eradication of

terrorism in all regions. This requires strengthening the global legal framework against terrorism. Both sides noted the positive outcome of the meetings held so far of their bilateral dialogue mechanism on counter-terrorism and agreed to further strengthen and consolidate their discussions and cooperation. It was agreed to hold the next meeting of the dialogue mechanism on counter-terrorism later this year.

XVIII. Both sides agreed to conduct regular exchange of views on major international and regional issues, strengthen cooperation in the WTO and other international multilateral organizations, and to continue the consultations on other issues of common concern. They agreed to work together to preserve stability and growth in the global economy and reduce disparities between developed and developing countries. They supported an open, fair, equitable and transparent rule-based multilateral trade system and resolved to safeguard the legitimate rights and interests of the developing countries.

XIX. Aware of their linked destinies as neighbours and the two largest countries of Asia, both sides agreed that they would, together, contribute to the establishment of an atmosphere of mutual understanding, trust and cooperation in Asia and the world at large, and facilitate efforts to strengthen multilateral coordination mechanisms on security and cooperation.

XX. During the visit, the two sides signed and/or released the following documents.

- i). Agreement on Political Parameters and Guiding Principles for the Settlement of the India-China Boundary Question.
- ii). Report of India-China Joint Study Group on Comprehensive Trade and Economic Cooperation.
- iii). Protocol on Modalities for the Implementation of CBMs in the Military Field Along the Line of Actual Control in the India-China Border Areas.
- iv). Agreement on Mutual Administrative Assistance and Cooperation in Customs Matters.
- v). MOU on the Launch of the India-China Financial Dialogue.
- vi). MOU on Civil Aviation.
- vii). Protocol of Phytosanitary Requirement for Exporting Grapes from India to China.

- viii). Protocol of Phytosanitary Requirement for Exporting Bitter Gourds from India to China.
- ix). MOU on Provision of Hydrological Information of the Sutlej /Langgen Zangbo River in Flood Season by China to India.
- x). Protocol on India-China Film Cooperation Commission.
- xi). MOU on Cooperation between the Indian Council of World Affairs and the Chinese People's Institute of Foreign Affairs.
- xii). Memorandum on the Construction of an Indian-style Buddhist Temple on the Western side of the White Horse Temple in Luoyang, China.

XXI. The two sides believed that Premier Wen Jiabao's highly successful State visit to the Republic of India marked a new level of India-China relationship and opened a new chapter in the friendly relations and cooperation between the two countries.

Premier Wen Jiabao, on behalf of the Chinese Government and people, expressed his appreciation to the Government and the people of India for their warm hospitality, and invited Prime Minister Manmohan Singh to visit China at a mutually convenient time. Prime Minister Manmohan Singh appreciated the invitation and accepted it with pleasure. The Indian side also reiterated the invitation to President Hu Jintao to visit India. The exact time of the visit will be decided through diplomatic channels.

Prime Minister of the Republic of India

Premier of the State Council of the People's Republic of China

New Delhi

April 11, 2005

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