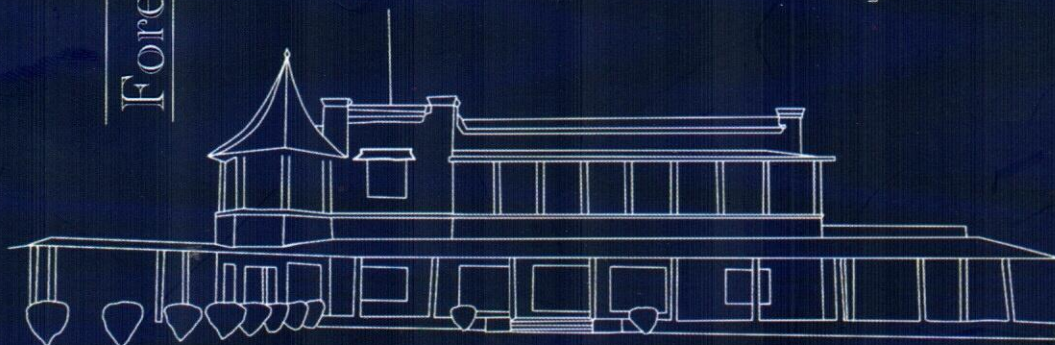


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BIMSTEC Free Trade Area (FTA): Potentials for Bangladesh

Mohammad Navid Saifullah

Abstract

The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) marked its 27th Anniversary on June 6, 2024. As Bangladesh navigates its transition from Least Developed Country (LDC) status, being a signatory to BIMSTEC, the Framework Agreement on BIMST-EC Free Trade Area presents an opportunity to secure greater market access, reduce trade barriers, and improve investment prospects. This article examines the current state of trade relations among BIMSTEC member countries and analyzes the ongoing negotiations encompassing the BIMSTEC Free Trade Area (FTA). It explores the potential economic benefits that the FTA could offer Bangladesh, particularly in enhancing its market access, fostering regional integration, and strengthening economic cooperation. The article also identifies the challenges Bangladesh may encounter in fully leveraging the BIMSTEC FTA, such as barriers to trade and investment, and the slow progress of FTA negotiations. The methodology involves the use of secondary data from international agencies and related publications, analyzed thematically to align with the article's objectives. To address the challenges, the article offers recommendations aimed at overcoming these challenges, including accelerating FTA talks, improving trade facilitation, and enhancing cooperation within the BIMSTEC framework. By doing so, the article highlights the potentials for Bangladesh to capitalize on regional opportunities and advance its economic growth.

Keywords: BIMSTEC, BIMSTEC FTA, Regional integration, Intra-regional trade, Economic cooperation

Introduction

Bangladesh has emerged as a key advocate for regional cooperation in South Asia, playing a proactive and influential role in numerous regional, sub-regional, and inter-regional initiatives. BIMSTEC, a unique cross-regional platform connecting South and Southeast Asia, has become a cornerstone of

Sáez, L. 2011, *The South Asia
An Emerging Collaborative*

Schmidt, B. 2005
Journal of International Trade

Singh, R.

of Bangladesh
(2018).

Since its inception in 1997, trade has been recognized as one of the six core areas of cooperation within BIMSTEC, acknowledging its crucial role in fostering national and regional economic development. Bangladesh's transition from Least Developed Country (LDC) status marks a significant milestone in its economic trajectory, but this shift also presents challenges, particularly regarding the loss of preferential trade benefits and financial support, which have been key drivers of its economic growth. In response, Bangladesh is strategically leveraging trade agreements, such as the potential Regional Trade Agreements (RTAs), to mitigate these challenges and maintain economic momentum (Kabir, 2024). The World Trade Organization's (WTO) RTA's database reported that as of May 2024, there are 375 Regional Trade Agreements in force, reflecting a notable increase over the years, highlighting the growing importance of such agreements in global trade relations.

Bangladesh has proactively sought a variety of trade agreements to strengthen its economic relations and expand trade opportunities. It is pertinent to mention that the country has successfully established two Regional Free Trade Agreements (FTAs). The first is the South Asian Free Trade Area (SAFTA), which succeeded the 1993 SAARC Preferential Trading Arrangement and was implemented in 2006. The second is the BIMSTEC, which aims to foster free trade within the region (Kabir, 2024).

Bangladesh, as a founding member of BIMSTEC, plays a critical role in facilitating cooperation among countries in South and Southeast Asia. Given this context, it is essential to assess the existing trade relations among BIMSTEC member states and analyze the current status of BIMSTEC FTA negotiations. This article aims to investigate the potential economic benefits of the BIMSTEC FTA for Bangladesh while identifying the challenges the

nd reflects an expanded vision of (2021). BIMSTEC now includes seven , Nepal and Sri Lanka from South Asia; East Asia (BIMSTEC, 2024a). Together, re than 1.8 billion people, representing tion (BIMSTEC, 2024b). In 2023, the TEC member states reached USD 0.8 was estimated at USD 4.7 trillion (World core the significant economic presence of The purpose of the regional organization n among the countries bordering the Bay ation System for Developing Countries,

country may face in leveraging this agreement. Furthermore, it will propose policy recommendations to overcome these barriers and maximize the advantages of regional cooperation.

Objectives of the study

The objectives of this article are:

- I. To assess the existing trade relations among BIMSTEC member countries;
- II. To analyze the current status of BIMSTEC FTA negotiations;
- III. To examine the potential economic benefits of the BIMSTEC FTA for Bangladesh;
- IV. To identify challenges Bangladesh may face in leveraging the BIMSTEC FTA and
- V. To propose recommendations to overcome these challenges.

Methodology

Method: The article employed secondary data, which was analyzed to draw conclusions.

Data Sources: The sources of quantitative data comprised international agency such as the International Trade Centre (ITC) and United Nations Conference on Trade and Development (UNCTAD). Apart from that, various national policies and plans were examined, including the BIMSTEC Charter, BIMSTEC trade facilitation strategic framework 2030, World investment report-2024 etc.

Data Collection: The data were collected according to specific themes that were aligned with the objectives of the article. The defined objectives guided the selection of data sources and the design of the collection plan. The methodology for information and data collection included a literature review from secondary sources, making the desk review a principal method of data collection.

Data Analysis: Following data collection, those were converted into analyzable formats and units. The analysis of the quantitative data was conducted using Microsoft Excel.

Brief Overview of BIMSTEC FTA

BIMSTEC is actively working to reduce tariff barriers by developing a framework agreement for the establishment of a BIMSTEC Free Trade Area (FTA). The Agreement is being designed to reduce or eliminate tariff barriers that impede both intraregional and global trade flows. It was signed on 8 February, 2004, in Bangkok, Thailand. This came into force on 30 June

2004, and sets out the steps to address tariff and non-tariff barriers (NTBs) that would be necessary to be undertaken. The BIMSTEC trade negotiating committee (TNC), at the time of writing, has held 21 rounds of negotiations toward finalizing the agreements and protocols that will form the integral parts of the free trade area, including agreements on trade in goods and services, rules of origin, trade facilitation, and the protocol for amending the framework agreement (Asian Development Bank, 2023a).

The purpose of the BIMSTEC FTA is to enhance economic cooperation and trade among the member countries of the BIMSTEC. The agreement seeks to create a conducive environment for trade and investment, promote regional integration, and foster sustainable economic growth among member states.

Key Features

The agreement emphasizes key areas such as Trade in Goods and Services, Tariff Reductions, Investment Facilitation, Technical Cooperation and Flexibility. It seeks to enhance trade in goods and services by promoting a free and fair-trade environment, with member states committing to reduce tariffs on a mutually agreed list of goods to facilitate market access. It aims to create a favorable investment climate by addressing barriers and providing mutual protection for investors. In addition, the agreement encourages technical cooperation across various sectors to strengthen economic ties and enhance mutual benefits. The agreement also allows for flexibility in implementation timelines and specific commitments, accommodating the differing levels of development among Member States.

Existing trade Relations among BIMSTEC Member Countries:

As BIMSTEC has seven Members, it is crucial to examine trade flows among these Member States in order to assess the existing trade relations among them:

Country-wise Total Trade in Goods of BIMSTEC

Table I: Country-wise Total Trade of BIMSTEC, 2023, US\$ billion

Countries	Exports	Imports	Total Trade	% of Total Trade
Bhutan	0.45	1.19	1.65	0.09
Bangladesh	55.03	64.45	119.49	6.41
India	431.99	667.17	1099.17	58.99
Myanmar	14.75	16.44	31.19	1.67
Nepal	1.22	10.05	11.27	0.60
Sri Lanka	12.05	16.38	28.43	1.53
Thailand	280.08	292.05	572.14	30.70
Total	795.59	1067.77	1863.36	100

Source: ITC Trade Map

According to the data from the International Trade Centre (ITC), 2023, the total value of goods traded within the BIMSTEC region in 2023 stands at US\$ 1,863 billion. Exports contribute US\$ 796 billion to this figure, while imports amount to approximately US\$ 1,068 billion. India accounts for 58.99% of the total trade among BIMSTEC countries, followed by Thailand with 30.70% and Bangladesh with 6.41%.

Intra-Regional Trade Flows among the 7 BIMSTEC Economies

Table II: Intra-regional trade flows among the 7 BIMSTEC economies, 2023, US\$ billion

Countries	India	Myanmar	Nepal	Thailand	Sri Lanka	Bangladesh	Bhutan	Total Intra-regional trade of BIMSTEC
India	0	1.8	9.43	17.29	7.38	15.83	1.36	53.09
Myanmar	1.8	0	0.01	6	0.01	0.21	0	8.03
Nepal	9.43	0.01	0	0.09	0.01	0.06	0.01	9.61
Thailand	17.29	6	0.09	0	0.36	0.19	0.02	23.95
Sri Lanka	7.38	0.01	0.01	0.36	0	0.3	0.01	8.07
Bangladesh	15.83	0.21	0.06	1.19	0.3	0	0.07	17.66
Bhutan	1.36	0	0.01	0.02	0.01	0.07	0	1.47

Source: ITC Trade Map

The above table illustrates intra-regional trade flows among the 7 BIMSTEC economies in 2022. Each row represents the total trade volume between a BIMSTEC member country and another within the region. For instance, in 2022, India's total trade with Myanmar reached US\$ 1.80 billion, while its trade with Sri Lanka amounted US\$ 7.38 billion. Thailand emerged as India's largest trading partner within the region, with bilateral trade totaling US\$ 17.29 billion, followed by Bangladesh, Nepal, Sri Lanka, Myanmar, and Bhutan in descending order of trade volume.

Intraregional trade among BIMSTEC member states remains relatively low in 2022, comprising only 5.9% of the total trade of the bloc which increased to 6.5% in 2023 (International Trade Centre, 2022 and 2023). In comparison, intraregional trade within ASEAN stands significantly higher, accounting for approximately 24%. This disparity underscores the untapped opportunities for enhancing trade cooperation within the BIMSTEC region.

The BIMSTEC Business Summit 2024 report indicates that mineral fuels, mineral oils, distillation products, bituminous substances, and minerals constitute the primary imports for Bhutan, India, Myanmar, Nepal, and Sri Lanka, while Thailand's leading imports include electrical machinery, equipment, and related components such as sound recorders and televisions. In this context, Bangladesh, as a member of BIMSTEC, holds considerable

potential to explore export opportunities for these products within the region. This, in turn, could contribute significantly to enhance Bangladesh's trade performance under the BIMSTEC framework (Confederation of Indian Industry, 2023).

Country-wise Total Trade in Services of BIMSTEC

Total Trade in Services (Value in US\$ Million)



Figure IV: Country-wise Total Trade in Services of BIMSTEC

Source: ITC Trade Map

*The values are estimated by UNCTAD and WTO

The services sector plays a crucial role in facilitating goods trade, particularly through supply chains and e-commerce. Among BIMSTEC member states, there exists a significant variation in the proportion of services exports within their respective export baskets. In 2022, India emerged as the leading exporter of services in terms of value, followed by Thailand as the second-largest. In contrast, Bangladesh, Sri Lanka, Myanmar, Nepal, and Bhutan recorded considerably lower service export levels compared to these top two countries. For example, India's expertise in IT and digital services has made it a key player in supporting technological advancement across the BIMSTEC region (Confederation of Indian Industry, 2023).

FDI Landscape in BIMSTEC: Inflows and Outflows of Investment

FDI Inflows (2022-2023, in US\$ Billion)

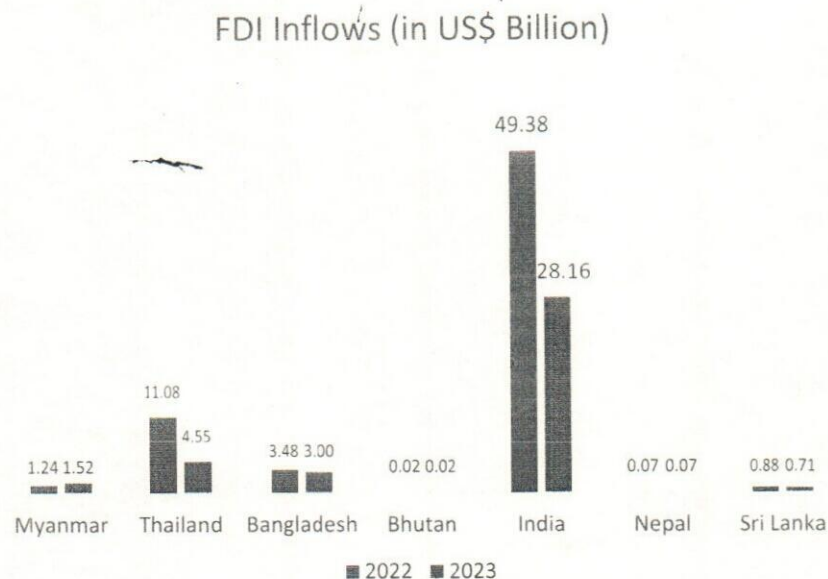


Figure II: FDI Inflows (2022-2023, in US\$ Billion)

Source: World investment report-2024, UNCTAD

Figure II illustrated that the largest economies in the region—India, with FDI inflows amounting to 28.16 billion US dollars; Thailand, at 4.55 billion US dollars; and Bangladesh, at 3.00 billion US dollars—recorded the highest levels of foreign direct investment in 2023, while the total global FDI inflow was \$1355.75 billion in 2022 and \$1331.81 billion in 2023. In contrast, the smaller and least-developed economies attracted comparatively low FDI, reflecting their limited absorptive capacity.

According to the data from Foreign Direct Investment and External Debt (FIED) Management Cell, Statistics Department, Bangladesh Bank, 2023, the net FDI inflow from India to Bangladesh in CY2023 amounted to 133.34 million USD. Of this, approximately 39.68% was allocated to the textile and wearing sector, followed by other sectors, banking, power, trading, agriculture and fishing, food, chemicals and pharmaceuticals, clinical, computer software and IT, construction, gas and petroleum, telecommunications, fertilizer, and cement, according to their respective shares. India shows substantial FDI inflow in textiles, which aligns closely with Bangladesh's own strengths.

Bangladesh could further attract FDI in this sector by promoting its competitive advantage and skilled workforce.

In the case of Thailand, net FDI inflow to Bangladesh in CY2023 totaled 51.39 million USD. About 59.58% of this investment was directed towards the construction sector, followed by agriculture and fishing, cement, other sectors, food, trading, textile and wearing, banking, power, gas and petroleum, telecommunications, chemicals and pharmaceuticals, fertilizer, computer software and IT, leather and leather products, and clinical, based on their proportionate investment allocations. Thailand's high FDI in construction highlights the potential for Bangladesh to attract investment in infrastructure, especially in urban development and industrial facilities, which are critical for economic growth.

FDI Outflows (2022-2023, in US\$ Billion)

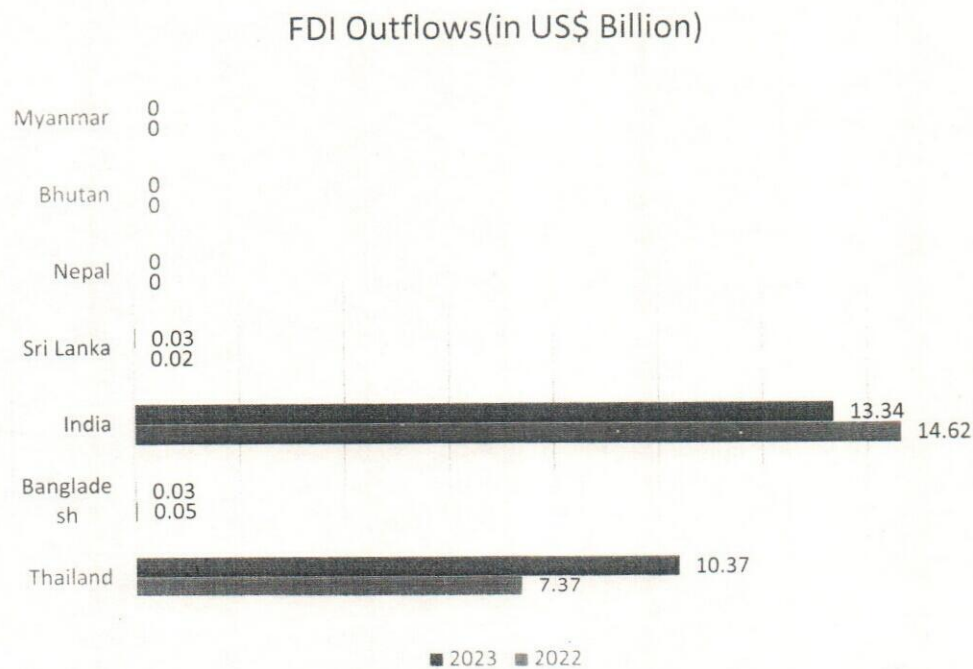


Figure III: FDI Outflows (2022-2023, in US\$ Billion)

Source: World investment report-2024, UNCTAD

Figure III indicates that India demonstrated the highest Foreign Direct Investment (FDI) outflows within the BIMSTEC region, amounting \$13.34

billion in 2023. Following India, Thailand recorded FDI outflows of \$10.37 billion where the total FDI outflows of world was 1574.72 US\$ Billion in 2022 and 1550.58 US\$ Billion in 2023. In contrast, both Bangladesh and Sri Lanka experienced relatively low levels of FDI outflows. Notably, Bhutan, Myanmar, and Nepal reported no FDI outflows in either year, highlighting a potential area of concern regarding investment mobility and economic engagement in these countries.

As per the data provided by the Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India, and the Reserve Bank of India on Destination-wise FDI Outflows for 2022-23 shows that Indian outward foreign direct investments (FDI) totaled US\$ 22.9 billion. The largest share of these investments went to Singapore, accounting for 21% of the total outflows. Other key destinations included the United Kingdom (21%), the United States (13%), and the United Arab Emirates (12%).

The Sector-wise FDI Outflows reveals that the Financial, Insurance, and Business Services sector received the highest portion of outward FDI at 32%, followed by Manufacturing (30%). Other significant sectors include Wholesale, Retail Trade, Restaurants, and Hotels (18%), Agriculture and Mining (7%), and Transport, Storage, and Communication Services (6%). Smaller investments were made in Construction (5%) and other miscellaneous sectors (2%). This sectoral distribution indicates India's emphasis on expanding its service-oriented businesses globally, as well as strengthening its presence in manufacturing and trade, reflecting an aim to diversify investment portfolios and support economic growth (Reserve Bank of India, 2024).

Current Status of BIMSTEC FTA Negotiations

BIMSTEC's agenda for economic cooperation achieved a significant milestone with the signing of the Framework Agreement on the BIMSTEC Free Trade Area on 8 February 2004 (BIMSTEC, 2024b). In September 2004, a trade negotiation committee was established, with Thailand serving as the permanent chair regarding this. The committee's mandate includes negotiations on trade in goods and services, investments, economic cooperation, trade facilitation and the provision of technical assistance to the less developed member countries. It was agreed that after the completion of negotiations on trade in goods, the Committee would continue discussions on trade in services and investment (Asian Development Bank, 2023 a).

The trade negotiating committee is currently in talks to conclude the following constituent agreements and a protocol that would form the integral parts of the BIMSTEC Free Trade Area Agreement:

SL NO	Name of FTA Agreement	Current Status of the agreement
1.	Trade in Goods	The BIMSTEC FTA text is finalized. 21 meetings held so far. Significant progress has been made in finalizing the text of the Annex.
2.	Cooperation and Mutual Assistance in Customs Matters	02 Meetings held so far. Considerable progress has been made in finalizing the text of the agreement.
3.	Dispute Settlement Procedures and Mechanism	The draft of this agreement has been finalized.
4.	Trade in Services	08 rounds of negotiations have already been held by the Working Group on Trade in Services. The negotiation on the Draft text of the Agreement is at an initial stage.
5.	Investment	08 th round of negotiations held so far. Negotiations on the text of the draft agreement are in the initial stages.
6.	Trade Facilitation	02 rounds of negotiations have already been held by the Working Group on Trade Facilitation. Significant progress has been made to finalize the draft text of the agreement.
7.	[2nd] Protocol to amend the Framework Agreement	The draft text of the 2nd Protocol is ready.

Table III: Current Status and Progress of the FTA Agreement

Source: Website of BIMSTEC

Two (2) working groups were set up on the trade agreement to work on technical aspects: a working group on the rules of origin and the working group on the dispute mechanism.

It is understandable that none of the agreements has yet been ratified. As mentioned above, the FTA Framework Agreement has not been implemented as many of its constituent agreements have not yet been approved. The Trade Facilitation Agreement is still in the negotiation stages, while the Agreement on Cooperation and Mutual Assistance in Customs Matters for the BIMSTEC Free Trade Area is already in a final draft text format (Asian Development Bank, 2023a).

Potential benefits of the BIMSTEC FTA for Bangladesh

As per the BIMSTEC FTA agreement, it encouraged the creation of effective trade and investment facilitation measures, including the simplification of customs procedures and the development of mutual recognition measures, among others. Early implementation of the BIMSTEC FTA will bring enormous benefits to the BIMSTEC countries. BIMSTEC offers an avenue to strengthen trade relations and economic integration in the region. The FTA within this framework could bring significant benefits by reducing trade barriers and enhancing market access for Bangladesh's exports. Other economic benefits are described below:

Enhancing trade diversification

In 2023, Bangladesh exports to BIMSTEC countries amount to \$2.09 billion, while imports from these countries total \$12.63 billion (International Trade Centre, 2024). Key exports within the BIMSTEC region include iron and steel, mineral fuels and oils, distillation products, bituminous substances, coffee, tea, spices, knitted or crocheted apparel, and electrical machinery, including sound recorders and televisions. In contrast, leading imports comprise mineral products for countries such as Bhutan, India, Myanmar, Nepal, and Sri Lanka, while Thailand's primary imports are electrical machinery and equipment (Confederation of Indian Industry, 2023). In BIMSTEC region, India is the largest trade partner constitutes 29.82% of the total intra-regional trade with Bangladesh. Thailand is the second largest trading partner followed by Bangladesh, Sri-Lanka, Nepal, Myanmar and Bhutan (International Trade Centre, 2024). As Bangladesh continues exporting various products within this region, it could further explore opportunities in top imported goods to strengthen market engagement. In pursuing more diversified trade flows, the new approach for diversification emphasizes the need to effectively reduce geographic distance through improved connectivity, such as optimized seaport operations, to reduce transit times for goods (International Monetary Fund, 2021). By enhancing

transportation logistics, Bangladesh can better access regional markets, expanding its trade portfolio across the BIMSTEC countries.

Leveraging regional strengths for global value chains

Global value chains (GVCs) are present to varying degrees among BIMSTEC countries, encircling the international dispersion of design, production, assembly, marketing, and distribution of goods and services. The positioning of links within these chains is influenced by several factors, including technical expertise, wage levels, taxation, capital costs, transport expenses, access and reliability, and the ease of international product movement among the various processes in the chain (Asian Development Bank, 2023a).

For instance, Thailand has sourced organic chemicals from India and Myanmar, as well as plastics from Bangladesh, for the purposes of further processing and subsequent export to their final destinations (International Food Policy Research Institute, 2023). As members of BIMSTEC, these three countries can utilize each other's strengths to establish a collaborative chain that facilitates value addition and enhances integration into global value chains. This strategic collaboration has the potential to improve competitiveness and increase export value across the region.

Addressing trade barriers and strengthening trade facilitation

The FTA will work to reduce both tariff and non-tariff barriers, enhance mutual recognition agreements, and improve trade facilitation. These measures will promote smoother cross-border movement of goods, benefiting businesses in Bangladesh by lowering costs and increasing market access. By prioritizing infrastructure improvements, streamlining trade logistics, and modernizing container handling and customs procedures, Bangladesh can effectively reduce lead times and operational costs, thereby enabling firms to better compete internationally. Lower transport costs and faster delivery times would not only boost trade but also support export diversification, strengthening the country's position in global markets and fostering long-term economic resilience (Asian Development Bank, 2023b).

Optimizing trade and connectivity in South Asia through BIMSTEC corridors

Industrial corridors are linear zones that connect major economic centers through an integrated infrastructure network, including roads, railways, ports, and airports to promote industrial growth by offering essential services and minimizing logistical costs (Invest India, 2024).

The BIMSTEC program has established 14 road corridors, 4 rail corridors, 2 inland waterway routes, along with 11 maritime and 15 aviation gateways. These corridors are primarily intended to guide BIMSTEC policy and strategy on specific transport and logistics challenges that impede trade or increase transport costs across different areas of the region (Road Transport and Highways Division, Government of Bangladesh, 2016).

According to Updating and enhancement of The BIMSTEC Transport Infrastructure and Logistics Study Final Report 2018, identifies 14 corridors of regional significance. Seven (7) of them connects Bangladesh. Several road and railway corridors coincide with the routes of the Asian Highway (AH) and Trans-Asian Railway (TAR) networks (Road Transport and Highways Division, Government of Bangladesh, 2016).

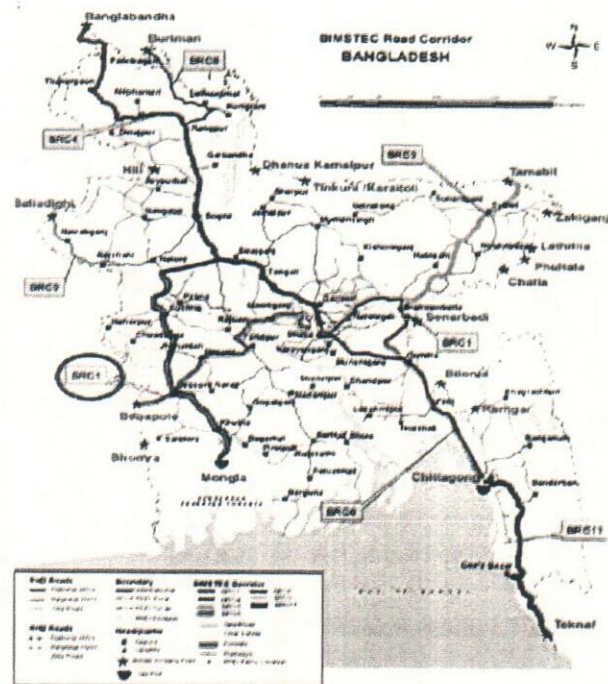


Figure IV: BIMSTEC Road Corridors

Source: The Padma Multipurpose Bridge
and Bangladesh, 2022

Table IV: Road Corridors of BIMSTEC

Sl	Road Corridor	Aligns with
1.	Kolkata-Petrapole/Benapole-Dhaka-Akhaura-Agartala	AH1, SHC*1
2.	Kathmandu-Kakarvita-Phulbari-Banglabandha- Mongla / Chittagong	AH2, AH41, SHC4
3.	Samdrupjongkhar-Shillong-Sylhet-Dhaka-Kolkata	AH1, SHC1, SHC5
4.	Agartala-Akhaura-Chittagong	SHC6
5.	Thimphu-Phuenthsholing-Jaigon-Chengrabandha-Burimari - / Mongla	AH2, AH41, SHC8
6.	Maldha-Shibgang-JamunaBridge, Bangladesh	SHC9
7.	Chittagong-Ramu (Cox's Bazaar)-Teknaf-Maungdaw	AH41

Source: Strengthening Transport Connectivity through Road Corridors in Bangladesh, 2014

* SAARC Highway Corridor (SHC)

The Blue Economy

The Blue economy presents a significant economic opportunity for Bangladesh under the BIMSTEC Free Trade Agreement. Upon peaceful resolution of maritime boundaries with India and Myanmar, Bangladesh is now more proactive in sustainably managing its marine resources, which is key to advancing its goal of becoming a middle-income country. However, Bangladesh currently lacks the capacity and resources to fully exploit these resources, and resourceful BIMSTEC member states like Thailand can provide crucial support through research collaboration and technical assistance. Furthermore, the BIMSTEC FTA can help attract foreign direct investment (FDI) into marine industries such as fisheries, aquaculture, and renewable marine energy. Bangladesh has proposed an Inter-Governmental Expert Group to develop a Blue Economy Action Plan, and cooperation

within BIMSTEC will help strengthen regional trade, investment, and environmental protection in this vital sector (Biswas, 2020).

Challenges for Bangladesh in Leveraging BIMSTEC FTA

While it is anticipated that robust regional cooperation and bilateral engagement can facilitate Bangladesh's transition to a more developed status, several challenges persist that need to be addressed. If these issues are not effectively resolved, the potential advantages of such cooperation will remain unattainable. The subsequent section provides a detailed analysis of these challenges:

Slow progress on free trade agreement (FTA) negotiations

Despite the anticipation surrounding the signing of a Free Trade Agreement (FTA), progress to date has been sloth. The initial proposal was made in 2002, with the agreement expected to be finalized by 2006, encompassing not only trade in goods but also services and investments. Despite over a decade of negotiations and multiple discussions, the bloc is yet to achieve consensus or finalize the trade agreement. However, the FTA remains a central focus on the BIMSTEC agenda (Confederation of Indian Industry, 2023).

Tariff reduction challenges

The modalities of tariff reduction and elimination were finalized in the 19th BIMSTEC TNC meeting. For goods under fast track, member countries have exchanged their lists of items to be eliminated under the fast-track schedule, comprising 10% of tariff lines at HS 6-digit level (HS 2007). For tariff reduction/elimination under normal track schedule, goods under normal track are divided into two categories, normal track elimination and normal track reduction which are 48% and 19% of tariff lines at HS 6-digit level. Other than those of fast track and normal track, some of the goods are placed on the negative list, to which tariff reduction will not be granted at this point. The number of goods under negative list is subject to maximum ceiling which is 23% of HS 6-digit level and mutually agreed upon by the member countries. (Hossain, 2013). As stipulated by the ASEAN Trade in Goods Agreement (ATIGA) in February 2009, import duties on products listed in Schedule A of each Member State's tariff liberalization plan were to be eliminated by 2010 for the ASEAN-6 countries and by 2015 for Cambodia, Lao PDR, Myanmar, and Vietnam (CLMV), following the timelines outlined in the respective schedules (ASEAN, 2009). Comparing the BIMSTEC FTA with ATIGA suggests that the spirit of the free trade agreement is somewhat

compromised in the case of BIMSTEC, indicating a less rigorous approach to tariff elimination.

Rules of Origin and Eligibility for Tariff Concessions

A key challenge for Bangladesh under the agreement lies in the inclusion of rules of origin, which, as in most Free Trade Agreements (FTAs), are essential for determining eligibility for tariff concessions. To qualify, products must either be wholly produced within the member country or fulfill specific origin criteria, such as a change in tariff heading at the six-digit HS level and a domestic value addition of 30-35 percent (Research and Information System for Developing Countries, 2016). However, the complexity of these rules remains a barrier, highlighting the need for simplified and more flexible rules of origin to allow traders to maximize the benefits of the agreement.

Inadequacies in Establishing Standards and Prioritizing Participation

One of the primary challenges facing BIMSTEC is its inadequacy in establishing operational and legal standards and prioritizing diverse areas of participation. The organization has primarily focused on committees and conventions rather than the critical processes of monitoring and reviewing action plans (Nesa, 2022).

Recommendations to overcome challenges

Based on the challenges outlined regarding BIMSTEC FTA and Bangladesh, the following recommendations may be proposed:

Accelerate FTA Negotiations

To accelerate Free Trade Agreement (FTA) negotiations within BIMSTEC, it is essential to implement streamlined processes by establishing dedicated task forces focused on resolving contentious issues, thereby minimizing delays. Additionally, scheduling regular review meetings among member states will facilitate ongoing assessment of progress and realignment of priorities, ensuring that the FTA remains a prominent agenda item.

Rationalization of the Negative List

The negative list (which refers to products or sectors excluded from tariff concessions) should be revised or minimized so that a larger portion of trade is included under the agreement. This would ensure that the FTA covers substantial trade and leads to meaningful economic benefits for member countries.

Addressing Non-Tariff Barriers (NTBs)

Non-tariff measures, such as regulations or standards that could act as barriers to trade, should be identified early in the negotiation process. These NTBs need to be addressed in conjunction with tariff reductions to ensure that trade liberalization is not hampered by hidden barriers, thereby promoting smoother and more effective trade.

Facilitating Market Access through Simplified Rules of Origin

To address the challenge Bangladesh faces with complex rules of origin (ROO) under the agreement, it is recommended to simplify and strengthen ROO implementation in alignment with the ASEAN Economic Community (AEC) Blueprint 2025. This involves making ROO more business-friendly and trade-facilitative to benefit regional commerce, particularly by encouraging the participation of MSMEs. Bangladesh could advocate for the negotiation of priority sectors for Product Specific Rules (PSRs), which would streamline compliance for key products, and simplifying origin criteria determination processes, such as reducing documentation complexity and harmonizing procedures. These steps would lower barriers for exporters, enabling them to better utilize tariff concessions, expand regional linkages, and fully leverage the agreement's benefits.

Enhance Operational and Legal Frameworks

The establishment of comprehensive operational and legal standards is essential for facilitating trade and investment among BIMSTEC member states, ensuring consistency and transparency in their interactions. Additionally, strengthening monitoring mechanisms by creating robust evaluation frameworks will allow for the effective review of agreement implementations, thereby promoting accountability among member countries.

Conclusion

In fine, this article has assessed the existing trade relations among BIMSTEC member countries, analyzed the current status of FTA negotiations, and examined the potential economic benefits the agreement could bring to Bangladesh. It is evident that despite the significant potential of BIMSTEC to serve as a bridge between South Asia and Southeast Asia, progress in regional cooperation and integration has been slow. Finalizing the BIMSTEC Free Trade Agreement (FTA) is crucial, as it would facilitate trade, drive economic growth, and increase interdependence among Member States. To overcome the challenges hindering the progress of BIMSTEC's Free Trade Agreement (FTA) and regional cooperation, a set of comprehensive solutions is proposed. Key measures include accelerating

FTA negotiations by streamlining processes and holding regular review meetings, along with revising the negative list and addressing non-tariff barriers to ensure wider trade coverage. Simplifying rules of origin will make it easier for traders to access tariff benefits, while inclusive discussions and consensus-building efforts will resolve contentious issues like tariff cuts. Lastly, strengthening legal frameworks and monitoring mechanisms will ensure transparency and accountability in the implementation of agreements which will boost economic integration.

About the Author

Mohammad Navid Safiullah, serving as an Additional Secretary at the Ministry of Commerce in Bangladesh, is an accomplished civil servant with 29 years of professional experience. He obtained advanced degrees in English Linguistics, Digital Technologies Management, and Governance. With a wealth of expertise in Performance Management, Public Service Innovation, Economic Diplomacy, Business English, the Sustainable Development Goals (SDGs), and the Fourth Industrial Revolution (4IR), Mr. Navid has made significant contributions to the academic and professional sphere.

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