

# **Principles and modalities of regional integration: Contrasting stories of ASEAN and BIMSTEC**

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# **Why do countries want to be part of regional economic grouping in developing world?**

- ✓ **The Answer is not very difficult to search. The developing countries, especially the low income ones, are grappling with the problem of growth along with job creation**
- ✓ **Growth of the economy has both supply and demand side constraints. Regional groupings widens the market, thereby partially solving the limited demand issue. Similarly, supply constraints are also relaxed by complementary FDI**
- ✓ **Unfortunately, job creation in these economies, Myanmar included, are mostly in unorganised service sector, which does not create enough jobs for all levels of skills. One needs strong manufacturing sector as well**

# What makes a regional economic grouping successful?

- Regionalism in standard theory is Vinerian trade creation and trade diversion
- The recent theories stress on the dynamic gains in terms of economies of scale, product diversity and global value chains (GVC)
- The recent advances in technology has promoted fragmentation in a grand scale and has given rise to market led regionalism preceding treaty bound regional groupings- the most successful is the story of ASEAN
- All Regional groupings could not benefit from such a path since they could not try to promote intra regional investment along with trade. One such example is BIMSTEC
- Myanmar fortunately belongs to both the groups. The present lecture is aimed at flagging the underlying conditions which make a regional grouping either a prime mover or a laggard

## **The BIMSTEC Region**

“BIMSTEC provides a unique link between South Asia and Southeast Asia bringing together 1.3 billion people - 21 percent of the world population, a combined GDP of US\$750 bn, and a considerable amount of complementarities. A study shows the potential of US\$43-59bn trade creation under BIMSTEC FTA. When BIMSTEC was formed it had four members – Bangladesh, India, Thailand and Sri Lanka. In 1998, Myanmar joined and later in 2003, Nepal and Bhutan also became its members” (From CUTS briefing paper No. 12/2008)

**Table 7: Share of Parts and Components in Bilateral Trade Flows,  
1992/3 and 2006/7 (%)**

Reporting country		EA	Japan	DEA	PRC	ASEAN	NAFTA	EU15	World
<b>(A) Exports</b>									
East Asia (EA)	1992/3	23.6	13.9	24.9	18.5	32.1	21.1	17.7	20.2
	2006/7	47.6	32.9	50.1	51.6	54.5	25.1	24.1	34.1
Japan	1992/3	28.9	0.0	28.9	18.9	31.4	25.5	20.9	23.9
	2006/7	42.0	0.0	42.0	41.5	47.9	31.5	30.4	34.4
Developing East Asia (DEA)	1992/3	20.1	13.9	21.6	17.8	32.8	17.0	14.7	17.3
	2006/7	48.1	33.4	53.9	0.0	65.2	22.7	21.6	34.0
People's Republic of China (PRC)	1992/3	8.7	6.0	9.4	0.0	14.6	5.8	6.0	7.4
	2006/7	36.2	25.2	40.6	0.0	49.1	17.1	16.3	25.6
Republic of Korea	1992/3	19.2	15.6	21.0	9.5	25.6	20.6	16.3	18.1
	2006/7	61.9	51.5	63.5	57.3	63.7	36.6	26.8	44.2
Taipei, China	1992/3	24.1	19.5	25.3	22.8	29.8	23.9	31.9	24.7
	2006/7	51.5	59.0	50.5	39.5	61.2	35.0	37.6	44.2
Association of Southeast Asian Nations (ASEAN)	1992/3	29.4	18.0	32.6	7.7	34.6	21.1	17.3	22.7
	2006/7	58.2	39.9	61.4	64.0	56.0	32.1	33.9	44.2
North American Free Trade Area (NAFTA)	1992/3	30.0	26.7	31.5	15.7	36.8	29.0	30.4	28.4
	2006/7	46.7	36.5	49.8	34.8	67.9	28.8	30.6	31.2
European Union (EU) 15	1992/3	17.4	10.0	20.5	20.0	24.3	23.1	18.4	18.3
	2006/7	31.4	18.7	34.8	30.4	46.5	22.1	22.0	22.4

Reporter	Partner	Indicator	2000	2005	2010	2014	Source
ASEAN+3	United States	Trade Share (%)	19.200	14.336	11.229	11.054	IMF Directions of Trade Statistics
ASEAN+3	Thailand	Cumulative FDI Share (%)	0.361	0.258	0.209	0.209	UNCTAD FDI database
ASEAN+3	Thailand	Trade Share (%)	2.286	2.470	2.583	2.452	IMF Directions of Trade Statistics
ASEAN+3	Sri Lanka	Cumulative FDI Share (%)	0.001	0.002	0.002	0.002	UNCTAD FDI database
ASEAN+3	Sri Lanka	Trade Share (%)	0.115	0.082	0.079	0.094	IMF Directions of Trade Statistics
ASEAN+3	Nepal	Cumulative FDI Share (%)	0.000	0.000	0.000	0.000	UNCTAD FDI database
ASEAN+3	Nepal	Trade Share (%)	0.019	0.007	0.013	0.027	IMF Directions of Trade Statistics
ASEAN+3	Myanmar	Cumulative FDI Share (%)	0.004	0.002	0.003	0.003	UNCTAD FDI database
ASEAN+3	Myanmar	Trade Share (%)	0.107	0.112	0.160	0.396	IMF Directions of Trade Statistics

ASEAN+3	Middle East	Trade Share (%)	4.905	5.764	6.299	7.338	IMF Directions of Trade Statistics
ASEAN+3	India	Cumulative FDI Share (%)	0.018	0.022	-0.003	-0.003	UNCTAD FDI database
ASEAN+3	India	Trade Share (%)	0.854	1.286	2.075	1.878	IMF Directions of Trade Statistics
ASEAN+3	Bhutan	Trade Share (%)	0.000	0.000	0.000	0.000	IMF Directions of Trade Statistics
ASEAN+3	Bangladesh	Cumulative FDI Share (%)	0.000	0.001	0.000	0.000	UNCTAD FDI database
ASEAN+3	Bangladesh	Trade Share (%)	0.149	0.135	0.200	0.240	IMF Directions of Trade Statistics
ASEAN+3	BIMSTEC	Trade Share (%)	3.531	4.093	5.110	5.087	IMF Directions of Trade Statistics
ASEAN+3	ASEAN+3	Cumulative FDI Share (%)	18.863	20.135	18.489	18.489	UNCTAD FDI database
ASEAN+3	ASEAN+3	Trade Share (%)	45.012	47.382	46.545	45.465	IMF Directions of Trade Statistics

BIMSTEC	United States	Trade Share (%)	15.262	10.828	7.660	7.935	IMF Directions of Trade Statistics
BIMSTEC	Thailand	Trade Share (%)	0.829	0.998	1.173	1.345	IMF Directions of Trade Statistics
BIMSTEC	Sri Lanka	Trade Share (%)	0.354	0.512	0.420	0.550	IMF Directions of Trade Statistics
BIMSTEC	Nepal	Trade Share (%)	0.162	0.240	0.246	0.367	IMF Directions of Trade Statistics
BIMSTEC	Myanmar	Trade Share (%)	0.392	0.611	0.618	0.754	IMF Directions of Trade Statistics

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