

Way forward for BIMSTEC

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Chulalongkorn University , 28 May 2017



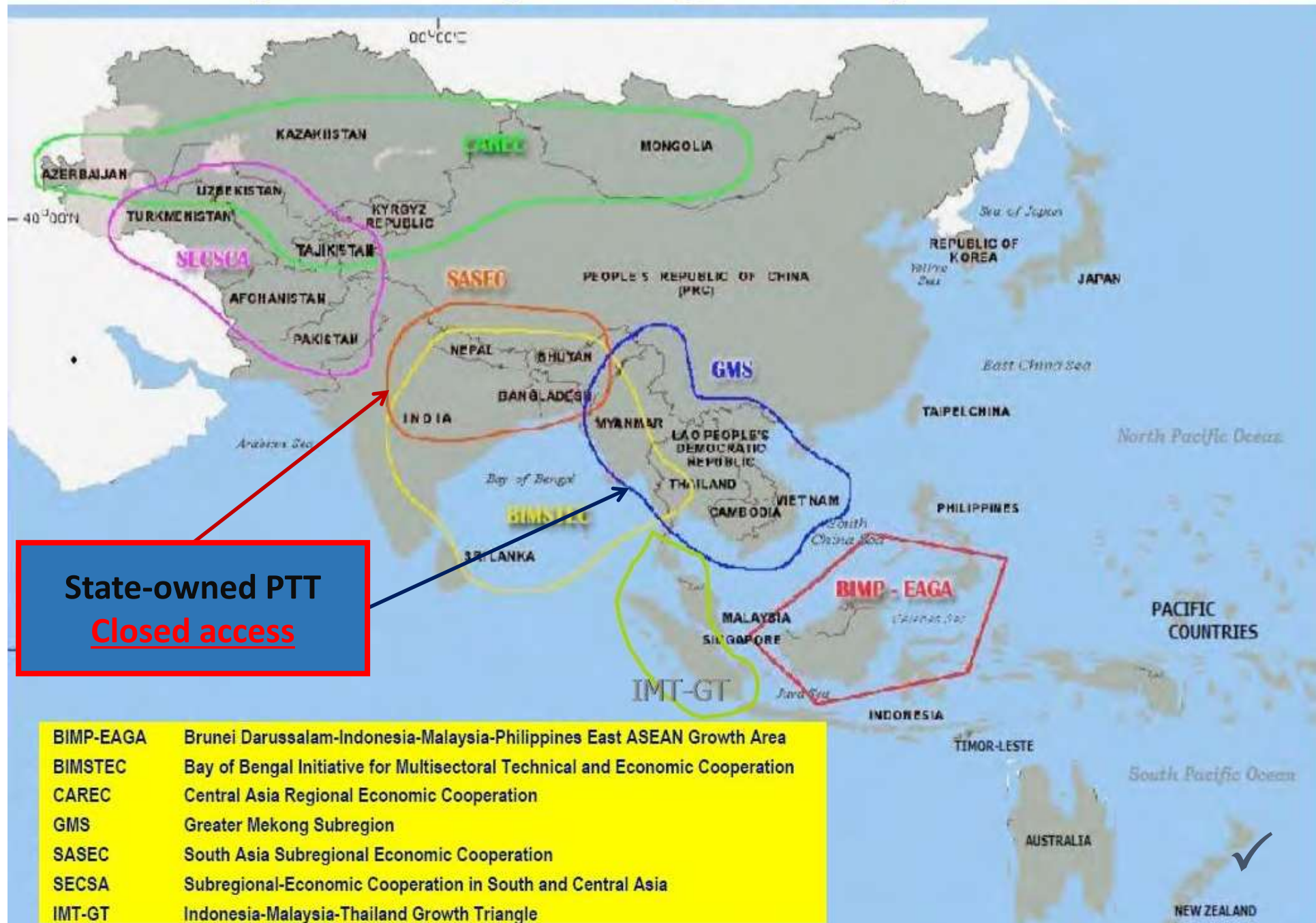
Top three actions to make BIMSTEC strong

1. Lower barriers that prevent emergence of Global/Regional Production Networks (GPNs)
 - GPNs involve multiple countries; bilateral trade agreements are better than nothing, but plurilateral better because of noodle-bowl effect of managing preferential rules of origin from multiple agreements
 - BIMSTEC+China?
 - BIMSTEC+ASEAN?
2. Do not rely on state-centric connectivity development
 - Assess and learn from experience with initiatives such as SASEC and GMR infrastructure projects - [more detail provided]
3. Keep focus on EC [economic cooperation]
 - Let SAARC continue to be political talk shop

What would be the new connectivity agenda for BIMSTEC? What actions should Member States take to attract financing for infrastructure?

Learn from previous experience

Connecting Asia Through Subregional Cooperation Initiatives



Asian Highway + Trans Asian Railway as starting point



Where gaps exist . . .

- Gaps can take two forms
 - Actual gaps such as between Myanmar and India/Bangladesh
 - Gaps in the form of road/rail connectivity of insufficient quality
- Develop public-private partnerships to fill the gaps and ensure efficient operation
 - Government have two critical functions
 - Rights of way
 - Low-cost money to provide financing to cover Viability Gaps
 - Private entities can be mobilized through “competition for the market”
- Good procedures & legal craftsmanship essential

Multi-modal connectivity

- Not just roads/railroads but also include conduits for energy and communication transmission
- Roads/railroads connect population centers, unlike stand-alone fiber-optic cables that terminate in obscure locations such as Cox's Bazar and Ngwe Saung

Open access

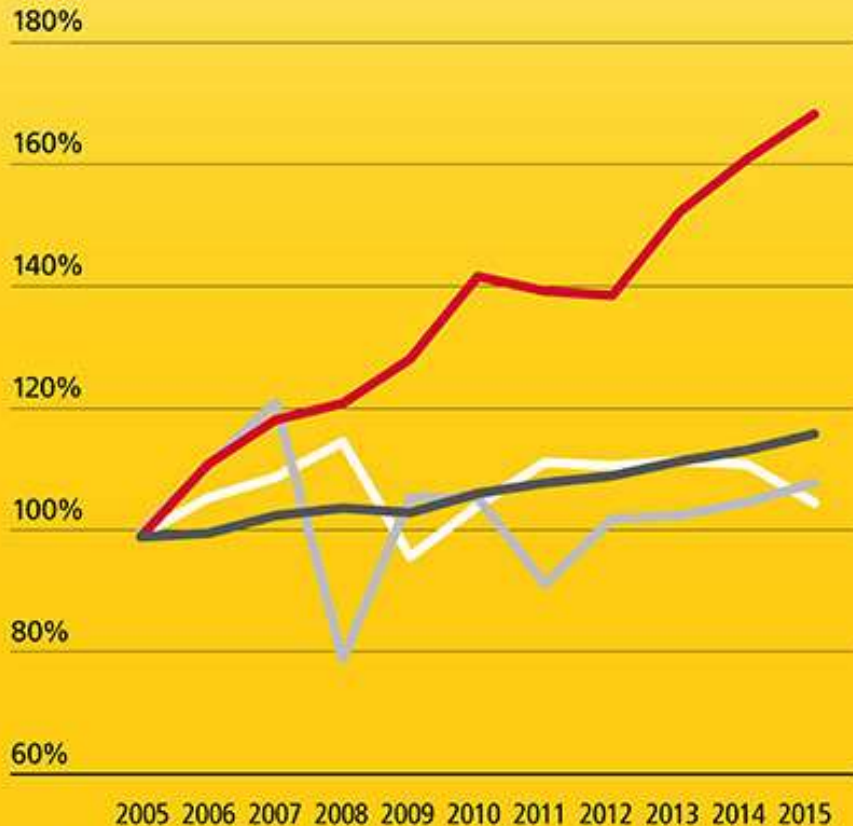
- SASEC and GMR initiatives underperformed because this principle was unenforced
- Entities other than SOEs/monopolies in energy/telecom should operate the connectivity networks
 - There should be incentives for filling up the pipes; not the usual “dog-in-the-manger” attitude



Zooming in on Asia Pacific Information Superhighway (AP-IS)

Abu Saeed Khan, Senior Policy Fellow, LIRNEasia

INFORMATION FLOWS ARE A BRIGHT SPOT FOR GLOBAL CONNECTEDNESS



This illustration shows the depth of trade, capital, information and people flows. Depth measures the proportion of interactions that cross national borders.



Information

International information flows have expanded swiftly since 2005



People

International people flows have grown modestly



Capital

Gains in international capital flows have been limited



Trade

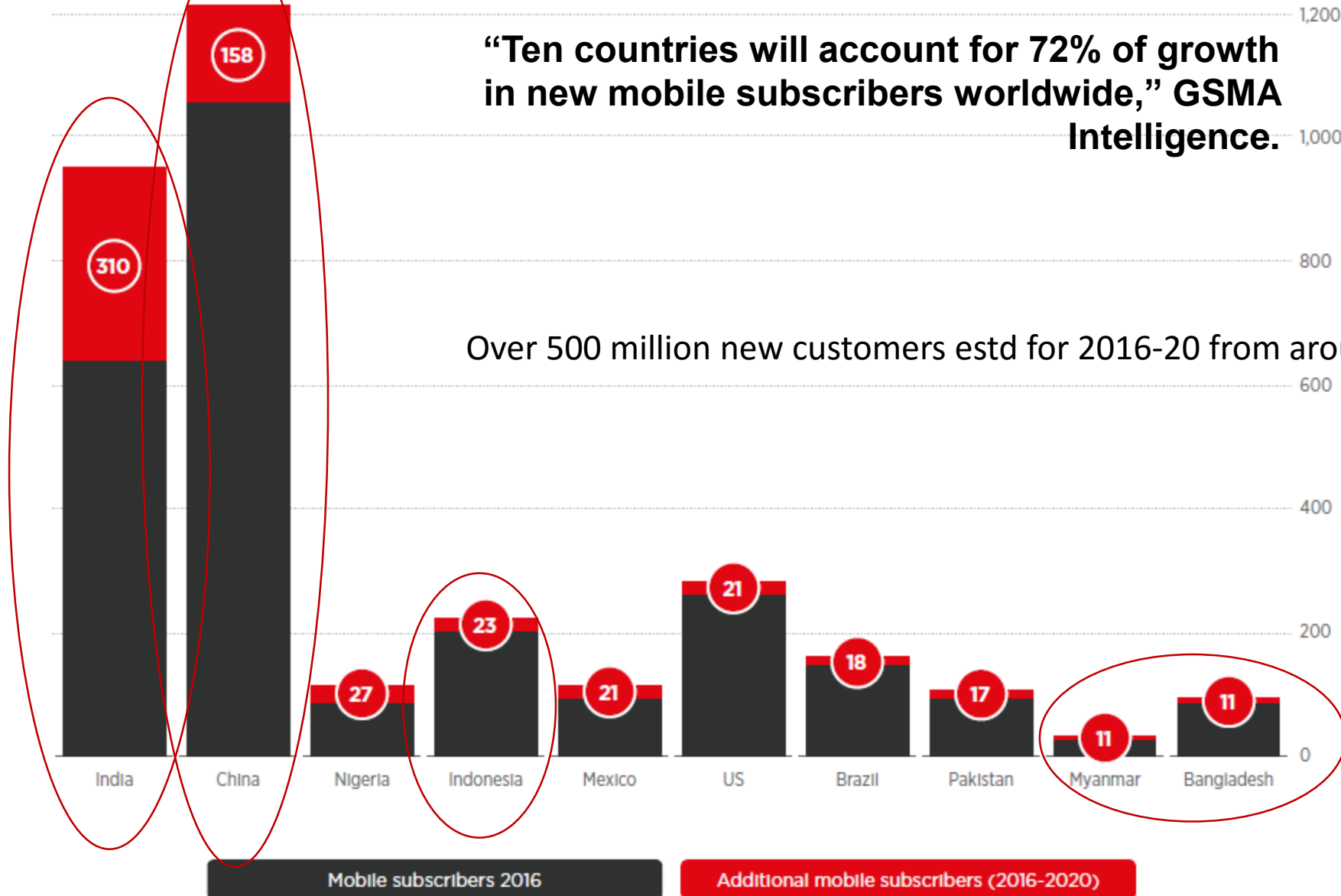
The proportion of output traded across borders has declined

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Top 10 countries by projected new subscribers (Millions), 2016-2020



Roadblocks to affordable Internet

	Order of Costs	Payback Period	Examples
Passive layer	70-80% of network costs	15 years	Trenches, ducts, dark fibre
Active infrastructure layer	20-30% of network costs	5-7 year rate of return	Electronic equipment, OSS, BSS
Service layer	N/A	Few months - 3 years	Content, services and applications

Source: ITU, Alcatel-Lucent.

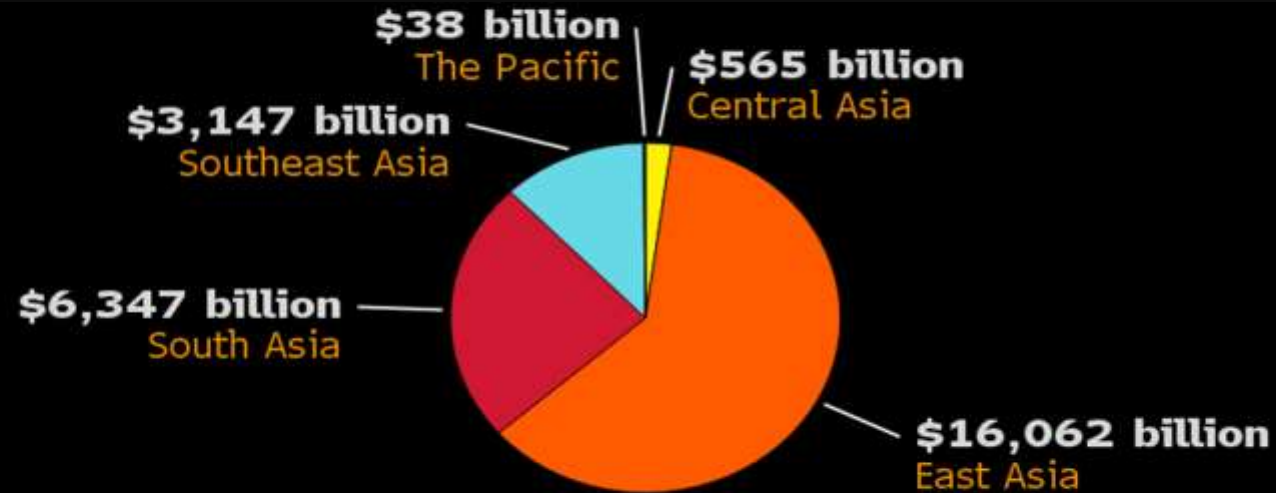
Source: *The state of Broadband 2012: Achieving digital inclusion for all.* ITU/UNESCO Broadband Commission.

Asia Pacific Information Superhighway: Core objectives

- **Creating a cross-border telecoms consortium of 32 countries being linked through the Asian Highway.**
 - Example: Intelsat (Past) and SEA-ME-WE3/4/5 (Present).
- **Using Asian Highway's right-of-way (ROW) for open-access optical fiber transmission networks.**
 - Highways are preferred ROW for long distance telecoms.
- **Each country's road authorities will own the fiber.**
 - State-ownership and open-access guaranteed. No payment is required for ROW.
- **Only the licensed operators will have access to it.**
 - No regulatory disruption.

Asia and the Pacific's Infrastructure Investment Requirements

Region needs to invest \$26 trillion until 2030.



Power (\$14.7tn), Transport (\$8.4 tn), Telecoms (2.3 tn), Water and Sanitation (\$800 bn)

Source: Meeting Asia's Infrastructure Needs, ADB. February 28, 2017

Note: Data is for 2016 to 2030 and accounts for climate change

Bloomberg 

- Developing Asia will need to invest \$1.7 trillion per year to maintain growth momentum.
- Business will need to increase infra investments from \$63 billion today to up to \$250 billion by 2020.
- Government reforms could bridge up to 40% of Asia's infra gap, the private sector will need to do the rest.