

ENHANCING INDIA-MYANMAR BORDER TRADE

Policy and Implementation Measures

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**Department of Commerce
Ministry of Commerce and Industry
Government of India**

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FOREWORD

India and Myanmar not only share national borders but also historical, cultural and civilizational linkages. It is thus no surprise that the two countries have traditionally shared important economic linkages. Myanmar is also a critical element of India's Act East Policy as, through the land borders, it connects India via its North-Eastern states with the South-East Asian countries.

Border trade between India and Myanmar thus has a significant role to play from the macroeconomic perspective of regional economic integration between South Asia and the South-East Asia region. Against this macro context, this study goes into disaggregated technical details pertaining to border trade and tries to identify both policy and implementation measures for enhancing India-Myanmar Border Trade. In doing so, the study traverses a large canvas from unravelling some of the pertinent conceptual contours to the micro-level details of identifying potential trade and economic linkages and constraints acting upon them.

One of the reasons for less than optimum levels of economic activities in the region and the low quantum of border trade is insurgency in the region and a significant information gap. The study argues the case for a new framework of 'peace-creating prosperity' focusing on employment generation to unlock the potential that the region possesses. It is in this backdrop that the enabling conditions to augment border trade could well serve as a driver for greater economic activities in the region and at the border, making newer employment opportunities for the youth a real possibility, and accelerating development and growth.

This study is comprehensive, as it focusses on trade in goods, trade in services, cross-border investment, trade facilitation, hard and soft infrastructure, including digital connectivity, of the India-Myanmar region. The study was conducted by combining desk-top research with field survey and stakeholders' consultation, in a quest to make the analysis realistic and the recommendations practical.

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Executive Summary

I. Introduction

- India and Myanmar are geographically proximate countries with strong historical, cultural and economic linkages. With recent economic dynamism and changes in their respective political regimes, the overall bilateral relations between India and Myanmar are poised to be taken up to its next higher level.
- The study has tried to address the question as to why the situation fails to improve despite the knowledge of the issues. It finds that the ambiguity at the conceptual level, a lack of information trickle-down at the operational level and narrow interests at the stakeholders' level are primarily responsible for such a situation.
- With India's unilateral Duty Free Tariff Preference (DFTP) Scheme and ASEAN-India Trade in Goods Agreement (AITGA) now in place, the bilateral trade and economic relations face a new reality, especially with important changes in the policy framework relating to Border Trade Agreement.
- It is in this context that India-Myanmar border trade assumes a new meaning and significance. It may be emphasised that the issues relating to border trade would have to be situated in a policy framework which is much broader in its canvas so that relevant policy and practical implementation measures could be identified.

II. Border Trade in Broader Context: Some Conceptual Contours

- There are four layers of conceptual contours that are focused here that include: (i) Development zones approach; (ii) Peace- creating prosperity; (iii) Linkages between domestic and external; and (iv) Adopting an integrated approach.
- Economic corridors are based on a narrow approach as they focus on economic activities in a band rather than focusing on the region as a whole. On the contrary, the Growth/ Development Zones approach focuses on regional integration among countries at different levels of economic development. What makes the Growth

Zones approach special is that it tries to harness geographical proximity and common cultural background among the countries of a growth zone, on one hand and harnesses their different resource and factor endowments on the other. This blend of some similarity and some diversity provides for an expanded scope for cooperation. Existence or generation of complementarities in the realms of both trade and production is undoubtedly a prerequisite for any successful growth zone, as these are potentially growth-inducing. The aim of the Growth Zones approach is to upgrade the developmental profiles of the participating countries by deriving tangible benefits in the form of poverty-eradication, employment and income generation, social welfare and improvement in the quality of life of the people of the Growth Zone. Thus, it is an endeavour to convert poverty zones into a development zone. It is thus clear that while the present study focuses on border trade between India and Myanmar, it does so in the overall perspective on the development course that the participating countries could adopt.

- Regional economic integration needs to focus simultaneously on both peace and prosperity. This is particularly important for economic regionalism among developing countries. The causality between peace and prosperity runs in both the directions. While the obvious narrative has remained where peace precedes prosperity, it may be time that the 'reverse causality' is focused whereby enabling condition for economic prosperity is created through economic integration to achieve peace. It may be argued that

underdevelopment and unemployment could be the origins of instabilities and violence. Unemployed and under-privileged, especially the educated youth may be prone to adopting unfair means to earn a livelihood. Providing productive employment opportunities to them through scaling-up economic activities with the help of economic integration could well ensure prosperity that is peace-creating.

- There is another very crucial aspect which needs to be highlighted and that is the linkage between the domestic economic imperatives and the external economic environment. The causality runs in both the directions whereby both the domestic and external economic parameters get enmeshed. In principle, this should simplify the analysis. But it is becoming increasingly difficult to draw any clear line between what is 'domestic' and what is 'international'. Thus, the issue of border trade and the overall development in the border areas of India and Myanmar needs to be understood in this perspective whereby both domestic policy repercussions and India's policy towards Myanmar would have to be evolved together.
- The export-led growth strategy has been successful in various countries, especially in East and South-East Asian economies and also in India. However, the debate over choosing between Export-led growth strategy and Growth-led export strategy has become immaterial. It may be highlighted that exports and growth entail dual causality and border trade between India and Myanmar needs to be approached from this perspective.

- While concentrating on engendering and facilitating border trade has in turn growth-inducing effects; focusing on the overall growth and development of the border region has border trade-augmenting effects. Hence, both the strategies would have to be adopted simultaneously in the context of Indo-Myanmar border trade.
- Trade in goods cannot be stepped up unless institutional mechanisms exist for facilitating concomitant trade in services. For instance, trade in goods is incumbent upon the presence of facilitative services like post-shipment credit, consignment-insurance, bank-guarantees, shipping services etc. that not only facilitate trade but also contribute to the competitiveness of exports. On the other hand, trade in services in a sector like health is dependent upon trade in goods pertaining to this specific services sector such as medical equipment and medicines that the health service providers are confident of. Thus, we need to recognize the two-way linkages between trade in goods and services. However, in reality the converse of it could also be observed.
- It needs to be further acknowledged that the strengthening of trade-investment linkages is crucial for achieving higher levels of bilateral trade and for its developmental impact. Such linkages help improving export supply capabilities. They are also more employment generating. Enabling conditions can spur investment flows in terms of efficiency-seeking industrial restructuring, inasmuch as the trade-creating joint ventures ultimately have a decisive impact on regional trade flows. Thus, an integrated approach towards trade in goods, services and investment needs to be adopted.

III. Trade in Goods

- India-Myanmar bilateral trade has increased from US \$ 1.3 billion to US\$ 2 billion during 2010-2014. Out of the US \$ 2 billion trade, US\$ 1.2 billion were India's imports from Myanmar and US\$ 0.77 billion were India's exports to Myanmar. It is also noticed that India's exports have registered a higher growth rate of approximately 140% than the imports; the latter increased only by 21% during 2010-14. Even when India's imports are greater than exports, it is the latter which is showing an upswing, whereas imports appear to be on a continued decline since 2012. In 2014, the top 25 commodities that India exported to Myanmar accounted for 60% of the total exports to Myanmar. On the other hand, the top 25 imported commodities from Myanmar accounted for almost 100% of imports from Myanmar. This shows that the import basket of India is more concentrated than the export basket.
- Border trade between India and Myanmar through the land routes does not get governed by just the border trade agreements. Two important developments have taken place since the operationalisation of border trade agreement. This included a shift from Barter to Normal Trade and another shift from Border Trade to Normal Trade that can take place through land border.
- The barter trade that was allowed as a sub-set of border trade between India and Myanmar was abolished by the RBI vide its circular no. RBI/2015-16/230 dated November 05, 2015. One of the most important implications of this measure is that it necessitates trade transactions at the border in permitted currencies in addition

to taking recourse to the Asian Clearing Union.

- As per the DGFT public notice no. 50 issued on December 17, 2015 it has been decided that Border Trade at Moreh, Manipur would be upgraded to Normal Trade so as to promote bilateral trade between the two countries.
- Land Customs Stations (LCS) are gateways for transit of goods, services and human beings between neighbouring countries. These are notified under Section 7 of the Customs Act, 1962 by the Department of Revenue, Ministry of Finance. Development of trading facilities in the Land Customs Stations is done by the State Governments usually with funds from the scheme of "Central Assistance to States for Developing Export Infrastructure and other Allied Activities (ASIDE)" of the Department of Commerce. Presently, there are two LCS on the international border adjacent to Myanmar, which are functional. The first one is Moreh in Manipur with the corresponding LCS in Tamu in Myanmar. The second LCS which was recently launched and became functional is Zokhawtar in Mizoram with the corresponding LCS in Rih in Myanmar.
- With the changes in the regulations pertaining to Border Trade including Barter Trade the bilateral policy regime governing trade through land border between India and Myanmar has changed completely. With the 'normalisation' of trade flows, two other policy mechanisms become relevant: (a) The unilateral Duty Free Tariff Preference (DFTP) Scheme of India and (b) The ASEAN- India Trade in Goods Agreement (AITGA). The broad provisions contained in these two policy frameworks for India-Myanmar 'normal'

trade through the land border need to be explored by the businesses from both sides.

- India-Myanmar border trade stands at approximately US \$50 million. Border trade has risen from US \$15 million in 2005-06 to US \$48.63 million in 2013-14, registering 215% increase over this period.
- Statistics on India-Myanmar border trade differ across sources. The official statistics available at the Embassy of India, Yangon, Myanmar's website differs significantly from the statistics available at Moreh LCS. This could be due to accounting for seizure of illegal items at Moreh LCS. A distinguishing feature of India's border trade with Myanmar and official bilateral overall trade is that, in case of border trade both import and export growth exceed growth rates in overall trade. More importantly, Myanmar's exports to India grew by 272% during 2010-14 and India's exports to Myanmar grew at approximately 300% through the land border route. However, India's border trade with Myanmar is very low when compared to other countries, namely China and Thailand.
- Some of the stylised facts that emerge from the above discussion need to be highlighted. First, border trade is thought to be a subset of bilateral trade between India and Myanmar, as evident from the bilateral trade figures analysed earlier. However, what emerged from the stakeholders' consultations both at Moreh and Imphal that the ground reality suggests just the opposite. According to the stakeholders, border trade including the unofficial trade was much more than the overall official bilateral trade between India and Myanmar. No estimates of such trade could be obtained. Secondly,

composition of overall bilateral trade between India and Myanmar is different from the composition of border trade. Pharmaceutical products, iron and steel, articles of iron or steel, electrical, electronic equipment, etc. constitute major export items of India and beans, pigeon peas, wood and articles of wood, etc. constitute major import items under overall trade. Under the prevalent border trade regime, major items imported by Myanmar from India include cotton yarn, auto parts, soyabean meal and pharmaceuticals. On the other hand, betel nuts, dried ginger, green mung, black matpe, turmeric roots, resin and medicinal herbs are India's main imports from Myanmar. Therefore, overall bilateral trade and border trade are complements rather than substitutes and thus, an additional emphasis on border trade-augmentation in trade in goods is a worthwhile objective to pursue. Thirdly, imports by India through the border is predominantly of third country goods (especially from China and Thailand) from Myanmar. This is nothing but a small index of natural supply-demand gap. However, it may be highlighted then checking such trade through land routes may help increase availability of similar products in a legal manner on both sides of the border. Finally, an important observation made during the stakeholders' consultation meeting was the confusion that prevails regarding the transition to normal trade from the previously permitted 62 items for border trade between India and Myanmar. The confusion emanated from the fact that there is an information gap regarding the allowable items of border trade. The traders at Moreh are not yet aware about the switch to normal trade.

IV. Trade Facilitation

- In a significant departure from the past, the policy regime governing border trade has moved to 'normal trade' and India-Myanmar trade can take place via the land border by taking advantage of various enabling policy conditions such as those provided by the DFTP scheme and the AITGA. These would only put greater pressures on improving the trade facilitation infrastructure.
- One of the major bottlenecks at the Moreh side of the border lies in a lack of laboratory testing facilities for imported food items in terms of being fit for consumption from the point of view of health and sanitary and phytosanitary concerns.
- Trade promotion activities in the past have covered both overall trade as well as border trade. Since focus of this study is border trade we need to scale up and facilitate activities that concentrate exclusively on border trade. Otherwise, the overall trade promotion activities have the tendency to blur the difference between overall trade and border trade. If at all, they need to reinforce each other.
- As it was highlighted earlier, trade deflection was a major problem at the border whereby, third country goods are easily deflected and traded in areas close to border. This is primarily in the form of electronic goods etc. of Chinese and Thai origin getting seeped through the border into India. To address this issue without hampering the demand-supply dynamics in the border region, an efficacious system of Certificate of Origin (COO) and adequate checking of it at customs check-points would have to be implemented with the help of an e-trade online system. Now with border trade

assuming a new meaning and the fact that normal trade can take place through the land border, the COO would have to be issued as per the guidelines under the DFTP and the AITGA. Efforts need to be made to have facilities at land borders so that government-designated credible agencies could issue the COO to avoid any delays and also infringements.

- Myanmar faces significant problems while exporting betel nuts, onions and ginger. This is so because they have to unload goods for a while at Moreh Customs warehouse for inspection and only 200MT can be lodged there. Therefore, goods from Myanmar are exported when the Moreh customs warehouse is vacant. Currently, local traders have themselves established a temporary warehouse and are using that. Storage capacity at Moreh Warehouse should be extended and an inspection team can be assigned at Moreh itself. It is important to provide proper warehousing, cold storage and logistics facilities at Moreh. It may be explored if these are required also at the Imphal Airport for trading items in general and perishable products such as floriculture, mushroom and organic products in particular, in case where products have to be transported into the hinterland.
- Existing infrastructure available with Customs, Immigration and other regulatory agencies at these points on the land borders is generally inadequate. Support facilities like warehouses, parking lots, banks, hotels etc. are also either inadequate or absent. All regulatory and support functions are generally inadequate and not available under one complex. Even when located in close proximity, there is no single agency responsible for co-ordinated functioning of various government authorities/ service providers.
- To address this it has been decided to set-up Integrated Check Posts (ICPs) at major entry points on our land borders. In the context of Myanmar, Moreh in Manipur was identified as a potential location. The estimated cost of this ICP is Rs. 136 crores. The Manipur Government is working on the construction of Moreh ICP and is expected to complete by end of this year. A major cause of discontent among local traders is that the pace of construction of Moreh ICP is very slow. On the other hand, the Petrapole ICP was commissioned along with Moreh ICP, but the former has been developed and is functioning well.
- The Border Haats or the Rural Market as we call them in India plays a facilitating role of enabling local trade and increasing people-to-people contacts and promoting the well-being of the people in areas of difficult access across the borders of two countries. This is done through establishing a traditional system of marketing the local produce at local markets at the border. After realising the requirements of communities residing near the border, the two countries took the decision to set up the Border Haats. They directed concerned authorities to finalize the modalities of operation so that trade can take place through Border Haats. Currently, the authorities have agreed upon 10 locations to be set up as Border Haats.
- In this regard, laboratory testing at border, warehousing and storage facilities, certificate of origin related facilities, integrated check posts, border haats and trade promotion activities need to be stepped-up.

V. Trade in Services

- Trade in services often do not get adequate emphasis in the context of border trade. As argued earlier, trade in services need to be viewed in an integrated framework which combines trade in goods, trade in services and investment. Services do get traded across borders and often help trade in goods along the border as much as spur investment in the border regions. Potential of trade in services has not been explored much in terms of health care, hospitality and tourism. These are the areas which through backward and forward linkages can generate trade in transport, communication and related services and contribute to the growth of the two countries in the border areas.
- Currently, the main services sectors in which trade takes place between India and Myanmar are information technology, education, tourism, health and transport. Especially, people from Myanmar cross borders and travel the North-eastern region for availing of medical services and tourism. There has been a growing interest in Myanmar students to study in the border regions in India. Transport services and IT are also being traded but the field visits revealed that a lot more is required to scale them up.
- As per the WTO mandate, decisions of the WTO Ministerial Conferences and requests made by the Least Developed Countries (LDCs), developed country and developing country members of the WTO, in a position to do so, were to voluntarily consider providing LDCs preferential treatment in Trade in Services. In this regard, India has notified unilateral preferential treatment to the LDCs which includes Myanmar, in Trade in Services in respect of:
 - Article XVI of the GATS (Market Access);
 - Technical Assistance and capacity building; and
 - Waiver of visa fees for LDC applicants applying for Indian Business and Employment visas.
- The preferences will be bound with a validity for 15 years from the date of notification by India. India's preferential treatment to the LDCs in Trade in Services would involve a cost of Rs. 6.5 crore annually on account of waiver of visa fees and Rs. 2.5 to 3 crore, per annum, for providing training in management and technical consultancy courses to LDC applicants. As regards offers under Article XVI of the GATS (Market Access) is concerned, there are no direct financial implications.
- Trade in services should be extended to cover a large spectrum of services that can be offered by both countries such as education and vocational training, tourism and health-related services. India specifically, may also offer technology transfer in sectors of power, infrastructure, transport, ICT, healthcare and pharmaceuticals.
- In nutshell, it may be stated that there is a need to take an integrated approach towards trade in services in the border areas in conjunction with trade in goods and investment. There are trade in services taking place between India and Myanmar and people avail of these services by crossing border from the Myanmar side to the Indian side through land route. There is enormous scope for tapping potential trade in services (e.g. medical services, education, tourism, recreational

services etc.) between the two countries by facilitating them, while addressing the constraints identified. It is also quite clear that in this endeavour trade in goods would be stepped up as much these can improve the developmental trajectories in the border areas. A planned investment scheme would need to be evolved for this.

VI. Investment

- In order to augment trade in goods that can take place through the land borders between India and Myanmar as also to help the region develop and provide employment opportunities to the people, investment in the region and border areas becomes crucial.
- FDI dynamism and its levels of both the countries do not adequately show up in the FDI outflows from India to Myanmar, let alone investment in the border region.
- On the other hand, India is currently actively involved in a number of developmental projects in Myanmar, by way of implementation, and technical and financial assistance for several projects in infrastructural and non-infrastructural areas.
- However, the sectors that can have major impact on the border trade are not receiving adequate investment which is possibly a reason for poor condition of border areas and below potential growth of border trade.
- As highlighted above there are gaps in the investment in terms of sectors that need investment vis-a-vis areas where investment has actually been made in the previous years. To enhance the border trade between India and Myanmar, we need to develop the areas that have relevance for border trade directly or indirectly such as investment in telecommunication, transport, warehousing, capacity building etc.
- Investment in basic infrastructure is the necessity not only for economic development but also to boost trade. This is required to be undertaken for the border region as a whole as opposed to the concept of economic corridors *per se*. Investment in basic infrastructure like roads, telecom, and electricity is the basic requirement for smooth functioning of business. The lack of same could hinder business despite the potential in a specific region. This is the classic case of present scenario in the North-east, whereby despite potential in sectors like Agro-processing, Rubber, Tea, Bamboo and Timber processing etc. investment in these sectors is lacking due to absence of basic infrastructure.
- With basic infrastructure in place, a chain reaction could start which would attract domestic investment in sectors with potential. Then, goods and services with potential could be traded with other South-east Asian countries including Myanmar. For example, Mizoram has a pool of English-speaking youth. With the provision of telecom infrastructure and optical fibers, IT and BPO services could flourish in the state; and with soft connectivity across the border, these services could be traded. This would in turn make IT and BPO services an investment hotspot.
- Overall, bilateral investment relations have remained weak, especially from the point of view of Indian investment in Myanmar. More importantly, investment in the border areas between India and

Myanmar have remained far from the requirements of augmenting trade in goods and services, that could potentially provide employment opportunities to people in the region. Adequate emphasis thus is needed to treat investment in the border region in the framework of a 'development zone' rather than focussing narrowly on economic corridors. A holistic plan that includes an investment fund may be prepared for facilitation of wholly-owned subsidiaries and trade-creating joint ventures in the border region.

VII. Potential Sectors for Creation of RVCs

- The South-east Asian region, of which Myanmar has been an integral part, has remained as a success story of regional value chains (RVCs). However, both India and Myanmar have largely remained left out of this process of RVCs or production fragmentation as it is often called. This is an aspect which needs serious consideration both for the developmental imperatives of the border region between India and Myanmar and for scaling up trade through the land border routes.
- Trade and investment liberalization along with technological advancement has played a vital role in the emergence of GVCs. Currently, most of the goods and a fair share of services are produced by various countries specializing in different functions and tasks as opposed to being produced by a single country, thus forming a Global Value Chains (GVCs).
- The attributes and determinants of GVCs are quite similar to those of Regional Value Chains (RVCs). RVCs are production hubs connected with service links that prosper with improvements in soft and hard connectivity. In other words, RVCs is nothing but GVCs in a regional context.
- Some of the sectors in the context of India-Myanmar border trade that could help creation of RVCs as a part of India's strategy for the CLMV as a region could also be focused. These may include Processed food, agri-diagnostic services, maintenance and repair of road equipments, electronic data interchange (EDI), banking, hotels and restaurants, hospital services, to name a few.
- It may be highlighted that RVCs requires skill availability to undertake manufacturing and service-providers' functions, therefore skill-complementarities in terms of what India has and what is in short supply in Myanmar was also undertaken.
- Overall, the North-eastern region bordering Myanmar could well adopt the objective of creating RVCs, which in turn could help create a 'Growth and Development Zone' on both sides of the border. For this to happen, as it was highlighted an integrated approach towards trade in goods, services and investment would be needed. Such an endeavour could also make the border region more equipped in terms of tapping trade complementarities at the border and make them more capable for taking advantages of the policy enablers i.e. DFTP scheme and AITGA.

VIII. Infrastructure

- Infrastructure has been one of the apparent constraints in the growth of North-eastern region of India and subsequently in the growth of border trade with

Myanmar. It would be ironical to focus on improving border trade without giving due consideration to border infrastructure. Both India and Myanmar recognize the importance of building up required infrastructure as a means of promoting commercial, cultural, touristic and other exchanges and hence improving connectivity has been one of the focus points of all the meetings. In this regard, various initiatives have been taken by the Government of India and Government of Myanmar. During the 5th India-Myanmar Joint Trade Committee (JTC) held in Nay Pyi Taw in February (2015), both countries' respective Commerce Ministers Nirmala Sitharaman from India and U Win Myint agreed to work together to remove the bottlenecks and increase cooperation in the field of promoting two-ways investment, infrastructure development particularly to promote border trade, connectivity, agriculture, energy, skill and entrepreneurial development, pharmaceutical and people-to-people contacts.

- This increased focus of both the countries on improving connectivity highlights that infrastructure itself has many aspects starting from land and air connectivity to internet and telecommunication to facilities at border transit points as well as banking and other financial network that not only make movement of goods easy by reducing transaction costs but also facilitate even stronger people-to-people, business-to-business and business-to-consumer relations. In this study infrastructure is classified into two heads: Hard infrastructure and Soft Infrastructure.
- In hard infrastructure, the governments

have invested into many projects aimed to improve land as well as air connectivity. There has been noticeable progress made on the Kaladan Multi-Modal Transit Transport Project (connecting Mizoram to Sittwe port in Myanmar); Upgradation of the Kalewa-Yargi Road section of the Trilateral Highway (connecting Moreh in Manipur to Mae Sot in Thailand through Myanmar); Construction of 69 bridges & approach roads on the Tamu - Kalewa section of the Trilateral Highway; Rih-Tedim Road in Myanmar (across Mizoram). These projects are expected to contribute majorly to border trade and movement of people and thereby to the development and prosperity of people living in the land-locked North-eastern Region of India. Some of the projects explored in the study include Trilateral Highway, Air connectivity, Bus service, and Land Customs Stations.

- The fact that has come up in the recent round of talks between the governments and also emphasized in the consultation meeting held in Imphal is the relevance of soft infrastructure along with the presence of physical or hard infrastructure. It is imperative to establish institutions and related infrastructure that can provide support to the smooth functioning of border trade such as banking and other financial institutions, law enforcement, telecommunication, etc.
- Availability of efficient banking and related facilities is the backbone of international and cross-border transactions. Thus, banking services need to be considered as the major determinant of not only border trade flows but also instrumental for bringing informal trade flows into the mainstream. Banking is not just this. It also

facilitates trade and related transactions through a banking channel which the traders and manufactures could trust upon. Hence, any attempt to augment border trade must lay adequate emphasis on banking infrastructure.

- On the contrary, India-Myanmar border trade is not only underdeveloped, there is a complete lack of several banking and related services that are crucial for formal trade at the border. If they are not made available on an urgent basis, border trade can be adversely affected since barter trade has been done away with, as highlighted elsewhere in this study.
- Indian Banks' presence in Myanmar: In 2012, United Bank of India became the first Indian bank to open a representative office in Myanmar since 1963. The Export Import (Exim) Bank of India and the Bank of India soon followed and opened representative offices in 2013. The two countries have agreed to work towards expeditious signing of the Memorandum of Understanding (MoU) on capacity building between the Reserve Bank of India and the Central Bank of Myanmar. Some of the Indian banks already have their representative offices in Myanmar such as United Bank of India and Bank of India. SBI had received an approval from the Central Bank of Myanmar to open a representative office in the country and the office became functional in July 2015. Punjab National Bank, has also reportedly applied for a licence. Many other state-owned banks, including UCO Bank, Canara Bank, Punjab National Bank (PNB) and Bank of Baroda are considering opening operations in Myanmar.
- Banking Facilities in bordering areas: A semi-formal agreement between the

United Bank of India branch in Moreh, Manipur, and the Myanmar Economic Bank in Tamu in Sagaing Region, facilitates border trade between the two countries. To smooth the progress of greater trade and investment linkages, Myanmar Economic Bank has already opened a US Dollar account in the United Bank of India at Moreh for Letter of Credit. In response to the demands of the village leaders of Zokhawthar, the Government of India promised that a branch of State Bank of India and a post office would soon be established in the border trade centre village. Champhai town has a fully functional SBI whereas Zokhawtar has one SBI in the form of a counter. Bank in Zokhawtar is not yet functioning. It is now in the initial stages of setting up.

- SBI has taken up with three banks, viz. Myanmar Economic Bank; Asia Green Development Bank and Ayeyarwaddy Bank, in Myanmar for completion of Know Your Customer formalities and relationship management application to facilitate doing business using SWIFT. Myanmar is considering this. Given the background of the banking arrangements facilitating border trade, some constraints that are hampering border trade need to be highlighted. These are as follows:
 - Full Branch License: A major problem is that under the licence terms, the banks can only carry out liaison activities and will not be able to offer financial services. Thus, if Indian banks open just representative offices, they may end up functioning as front offices for their parents. If they have to enter even wholesale banking operations, they will, in all likelihood, have to incorporate their operations locally.

In this regard, Myanmar should consider permitting Indian banks to open branches in their country. Also this whole process of enhancing the banking system to smoothen the trade activity from both sides needs swiftness since the inefficiencies in the current banking system has led to a significant decline in the border trade after the authorities called to an end to the long followed system of barter trade.

- Letter of Credit: Although procedures for Letter of Credit are known among traders, the process has not yet started at the borders. UBI and Myanmar Economic Bank have been declared as designated banks and they are also well equipped for such kind of transactions. But traders from Myanmar side are not willing to carry out such transactions. They are complaining that issuance of Letter of Credit is a time-taking process and it delays trade transactions. This is one main reason for slow implementation of Letter of Credit. It is also possible that the traders do not wish to adopt this new system as they have been used to informal transactions or non-monetary transactions during the barter trade regime.
- Hard Currency Exchange Issues: Banking facilities, at the border, are needed for customs duty payments, warehouse charges' payments, foreign currency transactions (i.e. settling trade transactions), etc. Adjustment of currency in terms of US Dollar and Indian Rupee is supposed to be made by both UBI and Myanmar Economic Bank. But at present these payments are not fully functional in the UBI branch at Moreh. UBI accepts currency transactions only for traders making customs duty payments. This facility is not available for tourists, hampering one major trade in services. It is worth-mentioning that Myanmarese traders wish to conduct border trade denominated in US dollars only.
- Settlement of Trade in Respective Local Currencies / Bilateral Swap Arrangement: As was mentioned earlier, the issue of currency settlement remains as a major hindrance to the border trade as both the countries still find it difficult to continue bilateral trading in their national currencies. It is worth-mentioning, that trade competitiveness of India with Myanmar can be significantly enhanced if both adopt a system whereby Myanmar accepts payment for all its exports to India in Indian rupees and the export earnings can be used to make payments for goods and services imported from India, as is the practice being followed for trade between India and Nepal and India and Bhutan. In other words, a bilateral currency swap arrangement could be worked out, especially to tide over short-term liquidity crunch, in case such a situation arises.
- Operational Issues: Shortage of staff, corruption and lack of proper access to internet connectivity act as hindrance to the smooth functioning of business at the Moreh branch of United Bank of India. It has come to notice that some transactions could not be completed because of slow internet speed in the bank at the border.

- More Banks needed as designated for border trade: SBI, at Moreh, is not yet declared as a designated bank for trade related transaction and other related services. This may include foreign exchange transactions including opening lines of credit. Central Bank of Myanmar has finally granted a licence (preliminary approval) to SBI on 04.03.2016 to commence banking operation in Myanmar. The functioning of SBI at the border is in the nascent stage and trade transaction is not taking place in SBI. In fact, a planning is required for establishing more fully functional bank branches on both sides of the border from both the countries, in anticipation of improved border trade - rather than waiting for a situation when border trade increases and then existing banking facilities are found to be less than commensurate with the requirements.
- Additional Banking and Non-financial Services: Apart from opening more banks, installation of ATMs and currency exchange facilities including Western Union like transaction facilities, some insurance company should also be invited to cover exporting and importing activities from/ to Myanmar by opening their service branches on both sides of the border.
- India and Myanmar have a 'Free Movement Regime' (FMR) in place. A FMR on both sides of the border for up to 16 kms is in place, which is, however, restricted to three points, namely Pangsou, Moreh and Zokhawthar in the States of Arunachal Pradesh, Manipur and Mizoram, respectively. An additional point in Nagaland is proposed to be established in due course. To facilitate limited movement of hill tribes residing along the Indo-Myanmar border, the Governments of India and Myanmar have permitted entry of such persons residing within 16 km of the international border with only permits but without visa with certain terms and conditions. Local nationals of both sides can stay in the other country for three days within 16 km on either side.
- Traders are advocating for issuing visa-on-arrival facilities. The Myanmar side has at times shown flexibility with regards to visa procedures. For instance, Myanmar issued temporary pass to 14 out of 16 Indian Traders who did not have passport to cross over to the other side to attend a seminar on trading rules and regulations. Flexibility shown by Myanmar is not present on the Indian side.
- In the First Meeting of the India-Myanmar Joint Consultative Commission held on 16 July 2015, it was agreed that negotiations should be conducted to enable early conclusion of the bilateral MoU on Movement of People across the Land Border. India on finalization of ICP at Moreh will issue visa-on-arrival. Myanmar was requested to have similar facility at Tamu for movement of persons. Establishment of a consulate office of Myanmar in Imphal is required and it should be opened at the earliest to allow freer movement of people across the borders.
- The Ministry of Home Affairs (MHA) has described the 1643-km-long India-Myanmar border, which facilitates cross-border movement of militants, illegal arms and drugs, as 'extremely porous.

“The border runs along hilly and inhospitable terrain which grossly lacks basic infrastructure and provides cover to the activities of various Indian Insurgent Groups (IIGs). The unfenced India-Myanmar border with free movement regime is thus being exploited by various Indian Insurgent Groups (IIGs),” said an MHA report.

- Cannabis herbs, ganja and banned pseudoephedrine tablets are regularly seized by Assam Rifles personnel and Narcotics Control Bureau (NCB) officials while they are being smuggled to Myanmar.
- To check increased militant activities on the border, the Centre has taken steps to fence the area, approximately 10 km, and has given administrative approval of Rs 30.96 crore for fencing work. Clearance from the Supreme Court and the Ministry of Environment and Forests has been also been obtained and a compensation of Rs 503.68 lakh paid to the Manipur government for acquiring land.

IX. Issues highlighted during Field Visit and Stakeholders’ Consultations

- Several general issues that are hampering India-Myanmar Border Trade emerged during the course of the study. These have been compiled based on One-day Stakeholders’ Consultation held in Manipur University, Imphal and a field visit to Imphal, Moreh and Tamu, Myanmar.
- Illegal checkpoints and tax collection: Due to insurgency, security forces undertake checking of vehicles at checkpoints along Imphal – Moreh highway. However,

traders have resentment over harassment and demand for bribe by security forces i.e. Manipur police and Assam Rifles. On the way, it was observed that there are 20 such check-posts on 108 kms Imphal-Moreh highway. Cost of transportation from Moreh to Guwahati is Rs 35/kg, which includes Rs. 15-18/kg from Moreh to Imphal and Rs. 18 from Imphal to Guwahati. Whereas, cost of transportation from Mizoram to Guwahati is Rs. 15-18/kg, despite being farther away from Guwahati than Manipur is.

- Lack of Awareness about trading regimes: It was observed that on 94.6% of items, customs duty has been reduced to 0%. But the information has not yet passed on to border points and they are still charging duties as were there previously.
- Lack of advisory and Information Services: All main trade related offices are in Guwahati. EXIM bank and other advisory and information providing organizations are not present in Moreh. In this regard, opening of EXIM bank branch in Moreh along with, other trade related offices like APEDA, CII, etc. must be considered to bridge information gap.
- Stark contrast on two sides of border: Township is substantially developed in Tamu while its counterpart in Moreh is underdeveloped. Overall border area development is thus important.
- International Business Summits: To be organized at Imphal/Moreh at least biannually, inviting foreign investors and traders for further growth and development in international business.
- Entrepreneurship Development Programme: Specifically related to border trade issues such programmes should be conducted by the government and other

agencies to enhance the capabilities of traders involved in India-Myanmar trade in particular and local population in general.

- Moreh is in a state of economic emergency: Overall, it appears that Moreh is in a situation which needs immediate attention if this border area, along with other border regions, has to remain as a gateway to Myanmar and the South-east Asian region.

X. Conclusion and Recommendations

- Overall, the study concludes that there are immense possibilities to

augment border trade by adopting an integrated approach towards trade in goods, trade in services and investment. However, tremendous constraints remain. The study has tried to address the constraints by asking the question as to why the situation fails to improve despite the knowledge of the issues. It finds that there is ambiguity at the conceptual level, a lack of information trickle down at the operational level and narrow interests at the stakeholders' level.

- Against this backdrop, the study presents a summary of policy and implementation measures.

I

Introduction

India and Myanmar are geographically proximate countries with strong historical, cultural and economic linkages. With recent economic dynamism and changes in their respective political regimes, the overall bilateral relations between India and Myanmar are poised to be taken up to its next higher level.

With India's unilateral Duty Free Tariff Preference (DFTP) Scheme and ASEAN-India Trade in Goods Agreement (AITGA) now in place the bilateral trade and economic relations face a new reality, especially with important changes in the policy framework relating to Border Trade Agreement.

It is in this context that India-Myanmar border trade assumes a new meaning and significance. It may be emphasised that the issues relating to border trade would have to be situated in a policy framework which is much broader in its canvas. Some of its dimensions could include a) converting the poverty zone in India's North-eastern states and the bordering region in Myanmar into a development zone; b) combining Growth-led Exports from

both sides of the border with Exports-led Growth initiatives; c) combining initiatives that fall in the realms of domestic policy with considerations that are in the context of India-Myanmar bilateral relations; and d) adopting an integrated approach whereby trade in goods, trade in services and investment are understood to serve as means to achieve the developmental objectives in regions that lie on both sides of the border.

I.1 Objectives

In view of the above, the study focuses on the following:

- Laying down conceptual contours for situating border trade;
- Reviewing the existing border trade regime;
- Reviewing existing infrastructural facilities at border points;
- Policy measures to be adopted by both the Government of India and different North eastern states bordering Myanmar, that include Arunachal Pradesh, Manipur, Mizoram and Nagaland;

- Suggesting implementation measures to improve the efficacy of trade enhancing services; and
- Specific Trade Promotion activities to enhance border trade.

North Eastern India shares land border with Bangladesh, Bhutan, China, Myanmar and Nepal and has agreements of overland trade with these countries through Land Custom Stations notified under Section 7 of the Customs Act, 1962. Cross-border trade is defined *as the flow of goods and services across international land borders*. Cross-border trade takes advantage of geographical proximity and allows traders to take advantage of demand-supply gaps at the border.

I.3 Methodology

To achieve the above mentioned objectives the study adopted a two-pronged approach. It included conducting a desktop study with the help of available information and statistics and combined it with field visits to Imphal and Moreh. The latter was by way of stakeholders' consultation, including with traders, held in Imphal as well as Moreh.

RIS along with the Department of Economics, Manipur University, Imphal organized a One-day Stakeholders' Consultation Workshop on January 21, 2016. The consultation had representatives from both academia and practitioners belonging to states bordering with Myanmar; Indo-Myanmar Border Trade Union and Manipur Chamber of Commerce and Industries (MCCI), etc. The Agenda of the Stakeholders' Consultation is attached in Annexure I. A detailed list of participants is given in Annexure II.

Wide-ranging views including, academic perspectives and day-to-day problems faced by traders were reflected and deliberated upon in the Consultation Workshop. The detailed outcome in terms of Constraints, Potentials and Policy recommendations from consultation is presented in a tabular form towards the end of the study. The overall outcome that could be considered as common across bordering states is given in Annexure III and State-specific outcomes are presented in Annexure IV.

The RIS Team also conducted a field visit to border town of Moreh in Manipur and Tamu in Myanmar to get a firsthand experience of the ground level situation. At Moreh, RIS and Department of Economics, Manipur University conducted a Consultation Meeting with Traders not only involved in India-Myanmar border trade, but who are also living in Moreh. This was held at the International Trade Centre on January 22, 2016. The traders highlighted practical aspects of conducting trade with Myanmar through land border routes and the problems they faced. List of participants who attended the meeting is presented in Annexure V and a detailed record of discussions from this meeting is presented in Annexure VI.

1.4. Structure of the Study

The study first tries to situate border trade in a broader context in Section II followed by separate analysis on Trade in Goods, Trade Facilitation, Trade in Services, and FDI, in Sections III, IV, V, and VI, respectively. Further, investment in NE region's border areas for augmenting border trade is explored. Infrastructural issues are highlighted in Section VIII. Issues emerged during stakeholders' consultation are analysed in Section IX. Broad conclusions and policy recommendations are summarised in Section X with emphasis on implementation.

II

Situating Border Trade in Broader Context: Some Conceptual Contours

There are four layers of conceptual contours that are summarised here that include: (i) Development Zones approach (ii) Peace-creating prosperity, (iii) Linkages between domestic and external, and (iv) Adopting an integrated approach.

II.1 Beyond Economic Corridors: A Growth/Development Zones Approach¹

Economic corridors are based on a narrow approach as they focus on economic activities in a band rather than focusing on the region as a whole. On the contrary, the Growth/Development Zones approach focuses on regional integration among countries at different levels of economic development. One of the principal features of a growth zone, as the term suggests, is that it tries to bring about growth and development in several countries together by including only a particular area or part of each country. In other words, the concept of growth zone provides for an

opportunity for economic cooperation on a limited basis whereby only certain portions of different countries interact.

What makes the Growth Zones approach special is that it tries to harness geographical proximity and common cultural background among the countries of a growth zone, on one hand and harness their different resource and factor endowments on the other. This blend of some similarity and some diversity provides for an expanded scope for cooperation. Existence or generation of complementarities in the realms of both trade and production is undoubtedly a prerequisite for any successful growth zone, as these are potentially growth-inducing.

Each growth zone focuses on certain specific objectives. Apart from the fact that growth zones have a focussed approach there are certain other advantages associated with them. They can be established at a relatively lower cost than other forms of cooperation and with a greater speed. They are able to

¹ Growth Zones and Development Zones are used here as substitutes for the sake of brevity despite differences in concepts.

promote economic development not only within the zone but also outside the zone in each participating country since the zone is not an insulated zone – it is very much an integral part of the whole of economy in each country. In this kind of a localized arrangement, successful policies, projects, and programmes within the zone can be extended to the rest of the economy in the respective participating economies while any adverse consequences can be contained and confined within the zone (Thant and Kakazu, 1995). Growth zones could also promote exports growth better than what the trading blocs could. Trading blocs concentrate on the intra-regional trade whereas growth zones are export-oriented. Hence, the size of the internal market does not act as a constraint. Therefore, the latter appear to be more suited to the South Asian economies with small markets, especially the North-Eastern side of India stretching to Myanmar and other neighbouring countries.

Growth zones are also more competitive than the EPZs due to involvement of three or more countries, which helps reaping economies of scale and exploiting resource endowments of many countries together. Moreover, growth zones are non-discriminating, as they are open to non-participating economies in terms of giving market access to and getting foreign investment from them. In this manner by adhering to the principle of open regionalism, growth zones try to maximise the benefits of trade creation and trade diversion. Experiences of successful experiments with growth zones suggest that flexibility in both the intensity and the areas of cooperation in a zone has been able to induct a kind of dynamism in the whole process of cooperation.

Growth zones could put sub-regional cooperation on a fast track. It tries to combine each country's factor endowment with that of its partner's to supplement the availability of each factor in each country so that goods could be produced and exported efficiently. Therefore, low-cost land and labour in one region; semi-skilled labour and/ or natural resources in another region could be complemented with capital available in another geographically proximate region of a Growth Zone. Thus, all the participants in a zone derive tangible benefits on account of differences in factor endowments. The growth zone approach could also set an example of harmonious co-existence of governmental set-up and market paradigm.

The aim of the Growth Zones approach is to upgrade the developmental profiles of the participating countries by deriving tangible benefits in the form of poverty-eradication, employment and income generation, social welfare and improvement in the quality of life of the people of the Growth Zone. Thus, it is an endeavour to convert poverty zones into a development zone.

It is thus clear that while the present study focuses on border trade between India and Myanmar, it does so in the overall perspective on the development course that the participating countries could adopt. It is worth mentioning at this stage that this region has also been characterised by existence and persistence of informal trade as suggested by various studies² that have been in many cases many times more than the official trade

2 T. B. Singh (2007), A Study on Indo-Myanmar Border Trade V.S Seshadri (2014), Transforming Connectivity Corridors between India and Myanmar into Development Corridors. RIS.
Bezbaruah, M.P. (2007), Indo-Myanmar Border Trade: The Stakes for North East India. Quarterly Dialogue, Volume 9 No. 1.

flows. Therefore, it is possible to argue that if a developmental plan were implemented in the border areas, the setting up of various economic projects in various sectors would provide an alternative for earning one's livelihood. And it is expected that this would divert the inhabitants of the zone from informal trading activities - that are often risky and entail revenue losses to the countries of the region - to more productive and stable sources of employment and income. This leads us to touch upon the second layer of our conceptual contours, i.e. peace-creating prosperity.

II.2 Peace-creating Prosperity

Regional economic integration needs to focus simultaneously on both peace and prosperity. This is particularly important for economic regionalism among developing countries. The causality between peace and prosperity runs in both the directions. While the obvious narrative has remained where peace precedes prosperity, it may be time that the 'reverse causality' is focused whereby enabling condition for economic prosperity is created through economic integration to achieve peace. It may be argued that underdevelopment and unemployment could be the origins of instabilities and violence. Unemployed and under-privileged, especially the educated youth may be prone to adopting unfair means to earn a livelihood. Providing productive employment opportunities to them through scaling-up economic activities with the help of economic integration could well ensure prosperity that is peace-creating (Das, 2013, 2015).³

II.3 Two-way Causality between Domestic and External

There is another very crucial aspect which needs to be highlighted and that is the linkage between the domestic economic imperatives and the external economic environment. The causality runs in both the directions whereby both the domestic and external economic parameters get enmeshed. In principle, this should simplify the analysis. But it is becoming increasingly difficult to draw any clear line between what is 'domestic' and what is 'international'. The growth of economic interdependence since the 1950s, which has accelerated in recent years, means that what was previously considered to be domestic (or European) is now subject to international negotiations.⁴ Thus, the issue of border trade and the overall development in the border areas of India and Myanmar needs to be understood in this perspective whereby both domestic policy repercussions and India's policy towards Myanmar would have to be evolved together.

II.4 Export-led Growth and Growth-led Export Strategy

The export-led growth strategy has been successful in various countries, especially in East and South-East Asian economies and also in India. However, the debate over choosing between Export-led growth strategy and Growth-led export strategy has become immaterial. It may be highlighted that exports and growth entail dual causality and border trade between India and Myanmar need to be approached from this perspective.

³ Das, Ram Upendra (2015), 'Peace-creating Prosperity: A Paradigm Shift', *Yojana*, Vol. 59, July, New Delhi: Ministry of Information and Broadcasting, Government of India and Das, Ram Upendra (2013), 'Regional Economic Integration: New Context and Analytical Constructs' in Byasdeb Dasgupta (ed.) *External Dimensions of an Emerging Economy, India*, UK: Routledge..

⁴ Bayne, N. and Woolcock, S. (2003) *The New Economic Diplomacy*, Hampshire: Ashgate.

While concentrating on engendering and facilitating border trade has in turn growth-inducing effects; focusing on the overall growth and development of the border region has border trade-augmenting effects. Hence, both the strategies would have to be adopted simultaneously in the context of Indo-Myanmar border trade.

II.5 Integrated Approach towards trade in goods, trade in services and cross-border investment

Trade in goods cannot be stepped up unless institutional mechanisms exist for facilitating concomitant trade in services. For instance, trade in goods is incumbent upon the presence of facilitative services like post-shipment credit, consignment-insurance, bank-guarantees, shipping services etc. that not only facilitate trade but also contribute to the competitiveness of exports. On the other hand, trade in services in a sector like health is dependent upon trade in goods pertaining to this specific services sector such as medical equipment and medicines that the health service providers are confident of. Thus, we need to recognize the two-way linkages between trade in goods and services. However, in reality the converse of it could also be observed.

It needs to be further acknowledged that the strengthening of trade-investment linkages is crucial for achieving higher levels of bilateral trade and for its developmental impact. Such linkages help improving export supply capabilities. They are also more employment generating. Enabling conditions can spur investment flows in terms of efficiency-seeking industrial restructuring, inasmuch as the trade-creating joint ventures ultimately have a decisive impact on trade flows.

In this context, if vertical integration and horizontal specialization are also focused upon with the help of cross-country investment flows that strengthen trade-investment linkages, the gains in terms of higher trade and investment flows leading to greater employment generation become possible. This may essentially mean distribution of different stages of production in a particular industry regionally in an integrated manner viz. the vertical integration and specialization in the same stage of production with the help of product differentiation across the region viz. the horizontal specialization.

Having laid down the conceptual framework in which border trade in this study has been situated, we analyse the trends in trade in goods, including border trade between India and Myanmar in the next section.

III

Trade in Goods

Various dimensions of bilateral trade in goods between India and Myanmar are analysed in this section. This include overall bilateral trade dynamics and its composition, the border trade regime, volume of border trade and its composition, potential items of trade through border, line of credit, and constraints on border trade.

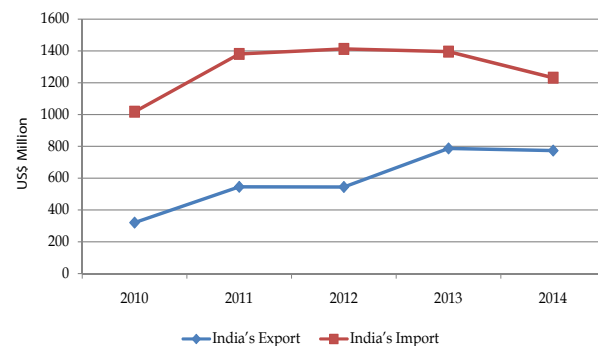
III.1 India-Myanmar Bilateral Trade

India-Myanmar bilateral trade has increased from US \$ 1.3 billion to US\$ 2 billion during 2010-2014 (Table 1). Out of the US \$ 2 billion trade, US\$ 1.2 billion were India’s imports from Myanmar and US\$ 0.77 billion were India’s exports to Myanmar. It is also visible from the table that India’s exports have registered a higher growth rate of approximately 140%

than the imports; the latter increased only by 21% during 2010-14.

The broad trends in Indo-Myanmar trade are more clearly depicted in Chart 1, which

Chart 1: Trends in India’s Exports and Imports to/from Myanmar



Source: Based on data available from Department of Commerce, Government of India

Table 1: India-Myanmar Bilateral Trade (US\$ Million)

	2010	2014	2015(Apr-Nov)	% change (2010-2014)
India's Export	320.62	773.24	458.23	141.1702
India's Import	1017.67	1231.54	774.48	21.01565
Total Trade	1338.29	2004.78	1232.71	49.80161

Source: Based on data available from Department of Commerce, Government of India

also suggests that even when India's imports are greater than exports, it is the latter which is showing an upswing, whereas imports appear to be on a continued decline since 2012.

III.2 Composition of India-Myanmar Trade

In 2014, the top 25 commodities that India exported to Myanmar accounted for 60% of the

total exports to Myanmar. These are listed in Table 2. On the other hand, the top 25 imported commodities from Myanmar accounted for almost 100% of imports from Myanmar (Table 3). This shows that the import basket of India is more concentrated than the export basket.

Pharma products are the top exports to Myanmar, followed by Oil-Cake and Other Solid Residue, electrical controls, tractors and

Table 2: India's Major Exports to Myanmar 2014 (US\$ Million)

HS Code	Description	Export Value
300490	Other Medcne Put Up For Retail Sale	109.97
230400	Oil-Cake And Othr Solid Residue W/N Grnd/In Pllts Form ObtndFrm Soya-Bean Oil Extrctn	43.39
853710	BordsEtc For A Voltage<=1000 Vlts	39.24
870190	Other Tractors	28.86
721049	OthrPrdcts Of Iron/Non-Alloy Steel Otherwise Pltd/CotdWth Zinc	26.62
520514	SnglYrn Of UncmbdFbrsMeasurng<192.31 But >=125 Dctx(>50 But <=80 Mtrc No)	22.62
852990	Othe Parts Of Hdg 8525 To 8528	19.41
730820	Towers And Lattice Masts	19.13
300420	Medicaments Containing Other Antibiotics And Put Up For Retail Sale	16.06
300220	Vaccines For Human Medicine	15.16
842952	MchnryWth A 360 Dgr. RvlvngSupr-Strctr	15.08
854460	Other Electric Conductors, For A Voltage Exceeding 1000 V :	14.99
610910	T-Shirts Etc Of Cotton	13.18
300410	MdcmntsCntngPencllns/DrvtvsThrofWth A Pencllnc Acid Strctr/Strptmycns Or ThrDervtvs Put Up For Rtl Sale	10.57
880330	Other Parts Of Aeroplanes Or Helicopters	9.79
730890	Other Structrs And Parts Of StructrsEtc	9.29
300450	Other Medicaments Containing Vitamins Or Other Products Of Heading 2936 :	9.05
252329	Other Portland Cement	8.96
240399	OthrMnfrdTobacoExtrcts And EssncsNes	8.23
050100	Human Hair,Unworked; Waste Of Human Hair	7.39
960810	Ball Point Pens	7.12
520548	Mltpl (Foldd)/CabldYrn Of CombdfbrsMsrng Per SnglYrn<83.33 Dctx And >120 Mtrc No.	6.93
401120	New Pnmtc Tyres Used On Buses/Lorries	6.89
590310	Fbrcs,Imprgntd,Coatd,Cvrd/Lamntd With Pvc	6.08
843840	Brewery Machinery	6.08

Source: Based on data available from Department of Commerce, Government of India

Note: Abbreviations in products descriptions as in the database.

iron and steel product. These five products together account for 32% of India's exports to Myanmar.

Out of the total US\$ 1.2 billion imports from Myanmar, just one commodity viz. namely Beans of the species Vignamungo, Hepper or Vigna radiate, Wilczek: Seeds of a kind used for sowing, accounted for approximately US\$ 500 million in value (Table 3). This accounts for 40 % of total imports and 25 % of total trade with Myanmar. The top four imported items viz.

Beans, Pigeon Peas, Other Tropical Wood and Other Wood together constitute 86% of India's imports from Myanmar.

III.3 Border Trade Regime

Border trade between India and Myanmar through the land routes does not get governed by just the border trade agreements, as it would be clear from the details and analysis that follow.

Table 3: India's Major Imports from Myanmar 2014 (US\$ Million)

HS Code	Description	Import Value
071331	Beans Of The SppVignaMungo,Hepper Or VignaRadiata,Wilczek Dried And Shld	498.97
071360	Pigeon Peas (CajanusCajan)	226.8
440349	Othr Tropical Wood	190.52
440399	Other Wood In Rough	144.09
071339	Oter Beans Dried And Shld	52.55
440839	Other Of Tropical Wood	14.45
440890	VennerShtsPlyshsEtc Of Other Wood	11.17
071335	Cow Peas (VignaUnguiculata)	10.85
080290	Other : Betel Nuts :	10.56
071320	Chickpeas (Garbanzos) Dried And Shld	9.51
071333	Kidny Bens InclWhite Pea Bens Dried And Shld	8.14
080280	Areca Nuts:	7.68
440729	Other :	6.9
091030	Turmeric (Curcuma)	6.73
071390	Othr Dried And ShldLuguminousVegetabls	5.34
441231	Plywood, Veneered Panels And Similar Laminated Woodwith At Least One Outer Ply Of Tropical Wood Specified In Sub-He	4.92
050100	Human Hair,Unworked; Waste Of Human Hair	3.25
440810	Veneershts Ply ShtsEtc Of Coniferous	2.95
440831	VnrShets,Mrnti(DrkRd,Lght Rd And Bakau)	2.29
030389	Other Frzn Fish InclHilsa, Dara, Seer,Pomfret	2.12
441299	Othrplywood,VineredPanelsandlmntd Wood Panel And Laminated Wood	2.1
441239	Other:	1.39
071310	Peas (PisumSativum) Dried And Shld	1.06
261710	Antimony Ores And Concrts	0.67
071340	Lentils (Mosur), Dried And Shld	0.61

Source: Based on data available from Department of Commerce, Government of India

i. Border Trade Agreement

For permitting locally produced commodities, to be traded as per prevailing customary practices on both sides of the India-Myanmar border, an agreement on border trade between India and Myanmar was signed on 21st January, 1994 and operationalised on 12th April, 1995 (*Annexure I*). The Agreement envisages that the border trade will take place through Custom Posts at Moreh in Manipur and Zowkhathar in Mizoram, corresponding to Tamu and Rhi in Myanmar. Further, increasing items were permitted for the border trade between India and Myanmar as per the details below.

ii. Permissible items for border trade as per India-Myanmar Border Trade Agreement

A total of 62 commodities, over time, were approved for trade across India-Myanmar border (*Annexure II*). These include:

- **Notice No. 289(PN)/92-97 dated 10th April, 1995:** Bamboo, Betel Nuts and Leaves, Chilies, Coriander Seeds, Food Items for Local consumption, Fresh Vegetables, Fruits, Garlic, Ginger, Katha, Minor forest products (excluding Teak), Mustard/Rape seed, Onion, Pulses and Beans, Reed Broom, Resin, Roasted Sunflower Seeds Sesame, Soya bean, Spices (excluding Nut Meg, Mace, Cloves, Cassia & Cinnamon), Tobacco, Tomato.
- **Notice No. 106(RE-2008)/2004- 2009 dated 7th November, 2008:** Agarbatti, Bicycle's Spare parts, Blades, Bulbs, Cosmetics, Cotton fabrics, Fertilizers, Imitation jewellery, Insecticides, Leather footwear,

Life saving drugs, Menthol, Mosquito Coils, Paints & Varnishes, Spices, Stainless steel utensils, Sugar & Salt, X Ray paper & Photo paper

- **22 new commodities/items added through this Public Notice No. 30 (RE- 2012)/2009-2014 dated 16th November, 2012:** Agricultural machinery/equipments/tools, Bicycle, Bleaching powder, Coal, Edible Oil, Electrical & Electric Appliances, Fabricated steel products, Garments / readymade garments/cloths, Handlooms and handicrafts items, Hardware/minor construction materials and electrical fittings, Lime, Medicines, Milk powder, tea, edible oil, beverages, Motor Cycles & Motor Cycle Spare Parts, Other items such as electronic/musical instruments, stationary item, torch light, Plastic items: water tank, buckets, chairs, plastic pipes and briefcase, Rice, Wheat, Maize, Millets & Oats, Scented tobacco, Semi precious stone, Sewing machines, Textile fabrics, Three wheelers/cars below 1000 CC.

iii Border Trade: The Current Policy Regime

Two important developments have taken place since the operationalisation of border trade agreement. This include a shift from **Barter to Normal Trade** and another shift from **Border Trade to Normal Trade** that can take place through land border. Implications of both these policy shifts need to be understood as they could be somewhat confusing. These are separately explained below:

- A. Abolition of Barter Trade by the Reserve Bank of India (RBI) and shift to Normal Trade:** The barter trade that was allowed as a sub-set of border trade between India

and Myanmar was abolished by the RBI vide its circular no. RBI/2015-16/230 dated November 05, 2015 (*Annexure III*).

a. Payments in Permitted Currencies:

One of the most important implications of this measure is that it necessitates trade transactions at the border in permitted currencies in addition to taking recourse to the Asian Clearing Union.

‘Barter trade was initially permitted to facilitate exchange of locally produced commodities along the Indo-Myanmar border. As such, these transactions were not captured in the banking system or reflected in the trade statistics. However, over a period of time the trade basket has diversified and adequate banking presence is in place to support normal trade with Myanmar’ (RBI, 2015 : *Annexure III*).

B. Transition from Border Trade to Normal Trade:

As per the DGFT public notice no. 50 (*Annexure IV*) issued on December 17, 2015 it has been decided that Border Trade at Moreh, Manipur would be upgraded to Normal Trade so as to promote bilateral trade between the two countries.

However, upon exploring these, two important issues emerge:

- a. **Lack of Clarity:** The DGFT notice rescinded all the previous documents related to India-Myanmar border trade including the India-Myanmar Border Trade Agreement. However, the public notice only mentions Moreh and the policy regime for other LCS, Zokhawatar, and other trading points remains unclear.
- b. **Lack of Information at the Border among Traders:** The information regarding transition to normal trade has yet not reached the traders in Moreh. They still believe border trade is permitted in the 62 items that were previously allowed.

iv. Land Customs Station

Land Customs Stations are gateways for transit of goods, services and human beings between neighbouring countries. These are notified under Section 7 of the Customs Act, 1962 by the Department of Revenue, Ministry of Finance. Development of trading facilities in the Land Custom Stations is done by the State Governments usually with funds from

Table 4: India-Myanmar Land Custom Stations				
S. No.	LCS in India	Indian State	LCS in Myanmar	Status
1	Zokhawthar	Mizoram	Tiddim	Functional
2	Moreh	Manipur	Tamu	Functional. Being developed as Integrated Check Post in Phase-I
3	Nampong (Pangsau Pass)	Arunachal Pradesh	Pangsau	Notified but non-functional
4	Avangkhu	Nagaland	Somara	Bilaterally agreed to open new LCS but not yet notified

Source: Based on data available from Department of Commerce, Government of India

the scheme of “Central Assistance to States for Developing Export Infrastructure and other Allied Activities (ASIDE)” of the Department of Commerce.

Presently, there are two LCS on the international border adjacent to Myanmar, which are functional (Table 4). The first one is Moreh in Manipur with the corresponding LCS in Tamu in Myanmar. The second LCS which was recently launched and became functional is Zokhawtar in Mizoram with the corresponding LCS in Rih in Myanmar. It is worth mentioning here that presently the nearest town in Myanmar which is functioning as LCS is Tiddim, which is approximately 75 kms from the border village of Zokhawtar, so Government of India is proposing to assist Myanmar to build the Rih-Tiddim Road. Also, in order to facilitate proper functioning of border trade, the Government of Mizoram has requested Government of India to request Government of Myanmar to open a counterpart LCS near the border in Tiau or Rih (Rihkhawdar-II). The initiation of third LCS Avangkhu in Nagaland with the corresponding station Somara in Myanmar has been bilaterally agreed but it has not been notified yet by the Govt. of India

The other border point identified in the consultation meeting held in Imphal is Nampong, which is located at 18 km from Jairampur in the state of Arunachal Pradesh. Presently, border trade takes place in Nampong and Pangsus Pass on the Myanmar side. The people from India go to Pangsus Pass on 15th and 30th day of every month. These two days are officially called India day. Trading at Nampong mostly takes place through Indian rupee/barter; as a lack of money exchange facility is a major constraint. Also the condition of Stilwell road from Nampong to Pangsus Pass is extremely poor and it remains off for

vehicular traffic during summer days which poses hindrance in the growth of border trade at Nampong. Zorinpui in District Lawngtlai is the place selected for a new Land Custom Station on the Indo-Myanmar border in Mizoram for the Kaladan Multi-Modal Project.

With the changes in the regulations pertaining to Border Trade including Barter Trade the bilateral policy regime governing trade through land border between India and Myanmar has changed completely. With the ‘normalisation’ of trade flows, two other policy mechanisms become relevant: (a) The unilateral Duty Free Tariff Preference Scheme (DFTP) Scheme of India and (b) The ASEAN-India Trade in Goods Agreement (AITGA). The broad provisions contained in these two policy frameworks for India-Myanmar ‘normal’ trade through the land border are briefly presented below.

v. Duty Free Tariff Preference Scheme (DFTP)

In line with the Hong-Kong Ministerial Declaration of December 2005, the Government of India has implemented unilateral Duty Free Tariff Preference (DFTP) Scheme for the Least Developed Countries (LDCs). Thus, this scheme is applicable to Myanmar.

The Scheme provides for the following:

- (a) **Duty Free items:** The DFTP scheme provides duty free market access on about 96% of India’s tariff lines at HS 6 digit level of classification.
- (b) **Positive List:** In addition to the 96% duty free tariff lines, preferential market access as per Margin of Preference (MOP) is available on about 2.2% tariff lines that cover about 114 items.

- (c) **Exclusion List:** Contains only 1.8% of total tariff lines (i.e. 97 items) on which no tariff preference is available.
- (d) **Rules of Origin:** The imports under this scheme are allowed subject to adherence to rules of origin stipulation of CTSH+30 .

vi. ASEAN-India Trade in Goods Agreement (AITGA)

The tariff lines subject to tariff reduction and/or elimination under this Agreement are categorised as follows:

Provisions in AITGA			
a) Tariff liberalisation			
(A) Normal Track		Normal Track 1:	1 January 2010 to 31 December 2013 for Brunei Darussalam, Indonesia, Malaysia, Singapore and Thailand, and India 1 January 2010 to 31 December 2018 for the Philippines and India 1 January 2010 to 31 December 2013 for India and 1 January 2010 to 31 December 2018 for Cambodia, Lao PDR, Myanmar and Viet Nam
		Normal Track 2:	1 January 2010 to 31 December 2016 for Brunei Darussalam, Indonesia, Malaysia, Singapore and Thailand, and India 1 January 2010 to 31 December 2019 for the Philippines and India 1 January 2010 to 31 December 2016 for India and 1 January 2010 to 31 December 2021 for Cambodia, Lao PDR, Myanmar and Viet Nam
		(ii) Where the applied MFN tariff rates are at 0 per cent, they shall remain at 0 per cent. Where they have been reduced to 0 per cent, they shall remain at 0 per cent. No Party shall be permitted to increase the tariff rates for any tariff line, except as otherwise provided in this Agreement.	
(B) Sensitive Track	<p>(i) Applied MFN tariff rates above five (5) per cent for tariff lines in the Sensitive Track will be reduced to five (5) per cent in accordance with the following tariff reduction schedules:</p> <p>(ii) Applied MFN tariff rates of five (5) per cent can be maintained for up to 50 tariff lines. 23 For the remaining tariff lines, applied MFN tariff rates are reduced to 4.5 per cent upon entry into force of the Agreement for ASEAN 6 2 and five (5) years from entry into force of the Agreement for Cambodia, Lao PDR, Myanmar and Viet Nam. The AIFTA preferential tariff rate for these tariff lines are further reduced to four (4) per cent in accordance with the end-date set in subparagraph (i).</p> <p>(iii) Applied MFN tariff rates on four (4) per cent of the tariff lines placed in the Sensitive Track, as will be identified by each Party on its own accord and exchanged with other Parties, will be eliminated by: 31 December 2019 for Brunei Darussalam, Indonesia, Malaysia, Singapore 3 and Thailand, and India 31 December 2022 for the Philippines and India 31 December 2024 for Cambodia, Lao PDR, Myanmar and Viet Nam</p>		
(C) Special Products	<p>(i) Special Products refer to India's crude and refined palm oil (CPO and RPO, respectively), coffee, black tea and pepper.</p> <p>(ii) Applied MFN tariff rates for the Special Products will be reduced in accordance with the AIFTA Preferential Tariffs schedule</p> <p>(iii) Any better offers made by India to other competing oils/fats shall also be duly offered to palm products.</p> <p>(iv) If the applied MFN tariff rate for CPO and RPO is lower than the preferential tariff under the AIFTA, the lower applied rate shall prevail.</p>		

(D) Highly Sensitive Lists	Tariff lines placed by the Parties in the Highly Sensitive List are classified into three (3) categories, and such tariff reduction shall be achieved by 31 December 2019 for Indonesia, Malaysia and Thailand, 31 December 2022 for the Philippines and 31 December 2024 for Cambodia and Viet Nam.	<p>(i) Category 1: reduction of applied MFN tariff rates to 50 per cent;</p> <p>(ii) Category 2: reduction of applied MFN tariff rates by 50 per cent; and</p> <p>(iii) Category 3: reduction of applied MFN tariff rates by 25 per cent,</p>
(E) Exclusion List	Exclusion Lists shall be subject to an annual tariff review with a view to improving market access.	
b) Rules of Origin		
Trade in goods under this agreement is conducted subject to fulfilment of General Rules of Origin of CTSH+35% for Not-Wholly Owned Products.		

III.4 Volume of Border Trade

India-Myanmar border trade stands at approximately US \$50 million (Table 5). Border trade has risen from US \$15 million in 2005-06 to US \$48.63 million in 2013-14, registering 215% increase over this period.

Statistics on India-Myanmar border trade differ across sources. The official statistics available at Embassy of India, Yangon, Myanmar website differs significantly from the statistics available at Moreh LCS (Table 6). This could be due to accounting for seizure of illegal items at Moreh LCS.

A distinguishing feature of India's border trade with Myanmar and normal trade is that, in case of border trade both import and export growth exceed growth rates in normal trade. More importantly, Myanmar, exports to India grew by 272% during 2010-14 and India's exports to Myanmar grew at approximately 300% trade through the land border route.

However, India's border trade with Myanmar is very low when compared to other countries namely China and Thailand (see Box 1).

Table 5: India-Myanmar Border Trade Statistics (Million US\$)

Year	Myanmar Exports	Myanmar Imports	Total trade
2005-2006	11.28	4.13	15.41
2006-2007	11.02	4.75	15.77
2007-2008	10.91	3.92	14.83
2008-2009	5.49	4.43	9.82
2009-2010	7.79	5.95	13.73
2010-2011	8.30	4.50	12.80
2011-2012	8.87	6.54	15.41
2012-2013	26.96	11.67	38.63
2013-2014	30.92	17.71	48.63

Source: Embassy of India, Yangon, Myanmar

Table 6: Indo-Myanmar Border Trade through Moreh, Imphal (US \$ Million)

Year	India's Export to Myanmar	India's Import from Myanmar	Total	Trade Balance
1995-96	10.45	05.39	15.84	05.06
1996-97	31.71	15.18	46.89	16.53
1997-98	22.45	35.08	57.53	(-)12.63
1998-99	05.06	03.74	08.80	01.32
1999-00	03.26	03.68	06.94	(-) 0.42
2000-01	05.29	00.19	05.48	05.10
2001-02	01.25	08.30	09.55	(-) 07.05
2002-03	03.66	12.15	15.81	(-) 08.49
2003-04	08.74	08.30	16.80	00.68
2004-05	05.64	05.01	10.65	00.63
2005-06	04.09	03.30	3.34	7.39
2006-07	62.13	01.78	63.91	60.35
2007-08	06.01	16.29	22.31	(-)10.28
2008-09	01.60	00.76	02.36	00.84
2009-10	21.50	08.31	29.81	13.19
2010-11	00.26	03.80	04.16	(-) 03.54
2011-12	01.49	01.36	02.85	0.13
2012-13	27.24	20.55	47.79	6.69
2013-14	14.52	48.47	62.99	(-) 33.95

Source: Land Custom Station (LCS), Moreh (2016).

Box 1: Myanmar's Border Trade with China is much higher than with India

India's border trade with Myanmar is very small when compared with Myanmar's border trade with China. China accounts for almost 87% of Myanmar's border trade. Its share has significantly improved from 62% in 1990s, whereas India that accounted for 4% share in the same period but now accounts for less than 1% (0.8% to be precise). Thailand accounts for 12% of Myanmar's border trade and rest is accounted for by Bangladesh.

As per different estimates available, China's accumulated border trade with Myanmar stands at US \$ 3.8 billion. They trade in more than 11000 items. While Bangladesh's accumulated border trade with Myanmar stands at US \$ 1.5 billion, India has the lowest at US \$ 66 million which is mere 0.8% of Myanmar's border trade. The latest figures show that in the current financial year from April 1, 2015 onwards and as of January 15, the total trade between India and Myanmar amounted to just over US \$ 1 billion, of which about US \$ 52 million passed via Tamu. Of this, Myanmar has exported about US \$ 653 million to India, mostly in farming products, while importing about US \$412 million from India in consumer goods, raw materials and other merchandise so far this year.⁵

⁵ Myanmar Times. (2016). Border trade tops \$2.4 billion: official. Can be accessed from: <http://www.mmmtimes.com/index.php/business/16294-border-trade-tops-2-4-billion-official.html>

III.5 Composition of Border Trade

The major export products from India to Myanmar being traded at Moreh are provided in the Table 7. These include primary products as well as automobiles.

Table 7: Products Exported from India to Myanmar at Moreh in 2013-14

S. No.	Commodities	No. of Consignment
1	Cumin Seeds	16
2	Wheat Flour	96
3	Tata Sumo Vehicle	02
4	Dry Grapes	01
5	Masoorie Pulse	01
	Total	116

Source: Land Custom Station (LCS), Moreh (2016).

The major products of imports of India from Myanmar being traded at Moreh are provided in the Table 8. The composition of imports is concentrated in Betel Nut.

Table 8: Products Imported by India from Myanmar at Moreh in 2013-14

S. No	Commodities	No. of Consignment
1	Betel Nut (whole)	185
2	Betel Nut (split)	92
3	Dry Ginger	04
4	Fresh Ginger	01
	Total	282

Source: Land Custom Station (LCS) Moreh (2016).

III.6 Potential Items of Trade

The North-eastern region shares only 2 per cent of its border with the Indian mainland and 98 per cent with the international border of India with Bangladesh, Myanmar, China and Bhutan. Border trade with Myanmar and Bangladesh is thus especially important.

The North-eastern region and Myanmar have similar economic structures where agriculture dominates. Manufacturing activities contribute a small proportion to total production. Thus, it may be concluded that the resource base and production compositions in the two regions are competitive rather than complementary which limits the scope for trade between them⁶.

However, a closer look points towards a different reality with many complementarities. Based on the literature available⁷ and the Consultation Meetings held in Imphal and Moreh bilateral trade potential at the Moreh-Tanm land border is identified.

i) Potentials Imports of India

- **Rice and Pulses:** North Eastern region is deficient in production of quite a few agricultural commodities, namely pulses and rice. The supplies from other parts of the country involve large transport cost, and also some supply routes are prone to disruption during monsoon due to floods in Assam plains. Myanmar is traditionally surplus producer and exporter of these two products. Pulses are currently the

6 Border Trade, Indian Chambers of Commerce. Can be accessed from <http://www.indianchamber.org/border-trade/>

7 Border Trade, Indian Chambers of Commerce. Can be accessed from <http://www.indianchamber.org/border-trade/>; and consultation meetings held by RIS Team in Moreh

top imported item from Myanmar. However, India still faces shortages and in such a situation Myanmar would be able to supply these commodities to the consumers of the neighbouring North-eastern India.

- **Onion:** Onion from Myanmar often appears in the markets in Manipur whenever there is a shortage of its supply in India. As the border trade is now liberalised and can be conducted as normal trade, the item can be regularly imported into North-eastern India and even beyond. As of now supplies to North-eastern India come from such distant states as Maharashtra.
- **Fish:** Fish is a staple food in the North-eastern region. Currently, the fish is sourced from Andhra Pradesh, but liberalising trade can help source fresh fish from Myanmar. At present there is an impediment to import fish from Myanmar into India officially. This is because Moreh border does not have Animal Quarantine facility for testing such products in Moreh.
- **Minerals:** Myanmar also has strength in various types of mineral deposits. Granites produced in Myanmar can find a market in North-eastern India where house construction has been a booming activity. As of now heavy and bulky stones like marble and granite used in construction in the North-eastern region come from Rajasthan in western India.
- **Precious stones:** Myanmar is also famous for high value stones like jade and ruby. Some quantity of these stones is in any case regularly smuggled into India. Such

stones can be formally imported to India through the North East though perhaps not so much for sale in the region itself.

- **Power & Gas:** Myanmar's coastal areas are richly deposited with natural gas. Couple of Indian companies including the ONGC are already engaged in exploration and production in the area. Gas supply from Myanmar can be of great advantage for the Indian Economy. In fact, there are already some initiatives towards laying pipelines for importing gas from Myanmar. Since laying pipelines through the Bay of Bengal is likely to be far more expensive than through land, the pipeline should be laid through the North-eastern region. A connecting pipeline from Tripura will then enable the country to use the Tripura gas reserves too. Both the imported and domestic natural gas can be used for thermal power generation and other industrial uses in the North-eastern region and the rest of the country. It is worth mentioning here that as of now the North-eastern region depends heavily on hydel power for its electricity requirement. Though the region has huge untapped potential for hydel power, proposed construction of dams for utilising such potential has run into controversies. Moreover, the supply from existing hydel power projects become insufficient and unreliable in dry winter months, especially in the years of deficit monsoon. Supply from gas based thermal stations can be useful to stabilise the power supply situation in the region. Overall, this would be critical not only for economic activities in the border region but also for border trade.

ii) Potential Exports of India

- **Crude oil:** Despite the North-eastern region's overall industrial backwardness, the region has come to acquire a significant capacity for refining crude oil. The four refineries of the region, all located in the state of Assam, together have a refining capacity of about seven million tonnes of crude annually. In the event of all the four refineries operating near capacity, the region will have a substantial exportable surplus of refinery products. Exporting these surpluses to neighbouring countries can be a more economical proposition than transporting the same to some distant parts of the country. This will also help diversify India's exports at the border.
- Already kerosene produced in the region is smuggled across the border to Myanmar as informal export. In a normalised and liberalised trading environment between the two countries kerosene and other refinery products from the North-eastern region can easily find outlet in Myanmar.
- **Manufactured items:** There are several products such as bicycles, motor parts, fertilisers, medicines and food products like Moltova and Horlicks etc. that are informally exported from India to Myanmar. With the normalisation of border trade, the Indian manufacturers will be able to explore and exploit markets in Myanmar more extensively. The way the Chinese have established production centres near the border and even inside

Myanmar to penetrate into cross border markets, the Indian manufacturers can set up production base in the North-eastern region for catering to the markets in Myanmar and beyond.

- **Tea:** India can consider exporting Tea to Myanmar, as there exists demand for it. Currently the tea leaves from tea gardens in bordering states are sent to Assam for processing. So tea processing factories can be setup in North-eastern states especially to cater demand for it in Myanmar.

These potential products for both imports and exports were identified as per the previous regime of border trade agreement under which 62 items were permitted. Now when all commodities are permitted or in other words trade is normal across the land border the potential lists of trade will cover a wide variety of products. Broad sectors where such potential can be explored in the context of forming RVCs has been highlighted in section VII.

III.7 Line of Credit

A total of 10 LOCs amounting to US \$607.59 million have been extended to Myanmar Foreign Trade Bank (Table 9). These were extended for a range of projects including railway infrastructure, manufacturing of vehicles, upgradation of petrochemical complex, telecommunication, refinery assembly plant, hydropower project and transmission lines and 16 ongoing irrigation schemes and 2 rehabilitation schemes in the irrigation project in Myanmar.

Table 9: Lines of Credit given by India to Myanmar

S. No.	Borrower	Amount of Credit (US \$ mn)	Purpose	Tenure	Amount Available for Utilization (USD mn)
1	Myanma Foreign Trade Bank, Myanmar	56.36	Railway Rehabilitation	Upto 10 years	-
2	Myanma Foreign Trade Bank, Myanmar	7.00	Moreh-Tamu OFC link with Cor-DECT System at Yangon and Mandalay urban centers	Upto 10 years	-
3	Myanma Foreign Trade Bank, Myanmar	20.00	Thanlyin Refinery	Upto 20 years	-
4	Myanma Foreign Trade Bank, Myanmar	60.00	Railway projects	Upto 20 years	-
5	Myanma Foreign Trade Bank, Myanmar	20.00	Setting up an assembly/manufacturing plant for assembly and manufacturing of heavy turbo trucks	Upto 20 years	-
6	Myanma Foreign Trade Bank, Myanmar	64.07	three transmission lines (ThahtayChaung- Oakshitpin 230 KV; ThahtayChaung - Thandwe - Maei-Ann 230 KV and Thandwe - Athoke 230 KV)	Upto 20 years	-
7	Myanma Foreign Trade Bank, Myanmar	20.00	Upgradation of Thanbayakan Petrochemical Complex	Upto 20 years	-
8	Myanma Foreign Trade Bank, Myanmar	198.96	16 ongoing irrigation schemes and 2 rehabilitation schemes in the irrigation project in Myanmar	Upto 15 years	179.07
9	Myanma Foreign Trade Bank, Myanmar	155.00	Procurement of rolling stock, equipment and up-gradation of three major Railway Workshops by procurement of machinery	Upto 15 years	155.00
10	Myanma Foreign Trade Bank, Myanmar	6.20	Implementation of a Microwave Radio Link on the Rhi-Mindat route in Myanmar	Upto 15 years	6.20

Source: EXIM Bank (2015)⁸

⁸ EXIM Bank. 2015. Exim Bank's Operative Lines Of Credit as on December 23, 2015

III.8 Issues relating to India-Myanmar Border Trade Regime

There are several constraints acting on India-Myanmar trade through the land border route. However, here mention of only those issues have been made that specifically relate to the border trade policy regime.

i) Abandoning Barter Trade

There are two major issues that have emerged due to abandonment of border trade:

- a) **Currency Issues:** Barter trade, one of the primitive forms of trading continued to exist as a major dimension of border trade between India and Myanmar until RBI in November, 2015 passed a circular and put a halt to this traditional form of trading. RBI rolled out a circular mentioning that Indo-Myanmar trade through border will no longer take place through barter system and it will switch over completely to normal trade with effect from December 1, 2015. An alternative mechanism was also suggested in the same circular to settle the transactions. RBI has allowed the dealers to settle their payments in any permitted currency in addition to Asian Clearing Mechanism (ACU). Under the ACU, traders can settle border trade transactions through their central banks. However the issue of currency settlement remains as a major hindrance to the border trade as both the countries still find it difficult to continue bilateral trading in their national currencies. Currently, for trade transactions, Letter of Credit

facilities, third country currencies like Euro, Singapore dollar are required, which increase transaction costs, thereby making Indian exports lose their competitive edge.

- b) **Slump in border trade:** Recent reports suggest that the abandoning of barter trade has caused a slump in India-Myanmar border trade⁹. U Khin Mg Tin, joint secretary of the Border Trade Chambers of Commerce Association said that Indian banks were not yet issuing letters of credit. This has significantly hampered formal trade, whereas unofficial cross-border trade, however, continues. The issue has been analysed further in detail in the section on banking.

country goods

Reasons for third country goods entering into Indian markets may be as follows:

- Low Price of third country goods
- Electronic items not available in the North-eastern Market
- Demand by average households for low price and easily affordable goods
- Myanmar imports third country goods from the neighbouring countries such as Thailand, China, Korea, etc legally and exports it to India through Moreh Border without adhering to rules of origin requirements by producing certificate of origin.

Earlier when there were no restrictions on the kind of goods that can be exchanged

⁹ Myanmar Times. 2016. India Myanmar border trade slumps. Can be accessed from: <http://www.mmtimes.com/index.php/business/18705-india-myanmar-border-trade-slumps.html>

under the barter trade mechanism, items such as Chinese/Korean made blankets, readymade garments from Thailand, Chinese-made electronic goods, household items such as crockeries, appliances, precious stones, etc. were freely imported from across the border with mis-declaration at customs check-point. Similarly, items such as pharmaceuticals, wood furniture, etc. were exported from India through the same route. Paona Bazaar in Imphal, has rows of shops selling Chinese and Thail goods that come to India through Moreh. The market is flooded with cheap electronics, plastic items, footwear, baggage, and other amenities. It is thus expected that such practises may decline with a switch to normal trade at the border.

iii) Lack of Clarity

As was mentioned earlier, the DGFT notice rescinded all the previous documents related to India-Myanmar border trade including the India-Myanmar Border Trade Agreement. However the public notice only mentions Moreh and the policy regime for other LCS, Zokhawatar, and other trading points remains unclear. Traders appear confused about trade regime.

iv) Lack of Information about trade regime at the border among Traders

The information regarding transition to normal trade has yet not reached the traders in Moreh. They still believe border trade is permitted in the 62 items that were previously allowed. This acts as a major constraint on border trade.

III.9 Summary of stylised facts

Some of the stylised facts that emerge from the above discussion need to be highlighted. First,

border trade is thought to be a subset of bilateral trade between Indian and Myanmar, as evident from the bilateral trade figures analysed earlier. However, what emerged from the stakeholders' consultations both at Moreh and Imphal that the ground reality suggests just the opposite. According to the stakeholders, border trade including the unofficial trade was much more than the overall official bilateral trade between India and Myanmar. No estimates of such trade could be obtained.

Secondly, composition of overall bilateral trade between India and Myanmar is different from the composition of border trade. Pharmaceutical Products, iron and steel, articles of iron or steel, electrical, electronic equipment, etc. constitute major export items of India and beans, pigeon peas, wood and articles of wood, etc. constitute major import items under normal trade. Whereas through border trade regime, major items imported by Myanmar from India include cotton yarn, auto parts, soya bean meal and pharmaceuticals. On the other hand, betel nuts, dried ginger, green mung, black matpe, turmeric roots, resin and medicinal herbs are India's main imports from Myanmar. Therefore, overall bilateral trade and border trade are complements rather than substitutes and thus, an additional emphasis on border trade augmentation in trade in goods is a worthwhile objective to pursue.

Thirdly, imports by India through the border is predominantly of third country goods (especially from China and Thailand) from Myanmar. This is nothing but a small index of natural supply-demand gap. However, it may be highlighted then checking such trade through land routes may help increase availability of similar products in a legal manner on both sides of the border.

Finally, an important observation made during the stakeholders' consultation meeting was the confusion that prevails regarding the transition to normal trade from the previously permitted 62 items for border trade between

India and Myanmar. The confusion emanated from the fact that there is an information gap regarding the allowable items of border trade. The traders at Moreh are not yet aware about the switch to normal trade.

IV

Trade Facilitation

In a significant departure from the past, the policy regime governing border trade has moved to 'normal trade' and India-Myanmar trade can take place via the land border by taking advantage of various enabling policy conditions such as those provided by the DFTP scheme and the AITGA. These would only put greater pressures on improving the trade facilitation infrastructure. Considering this, an attempt was made to pin-point the important aspects of trade facilitation infrastructure that need to be addressed on an urgent basis. The field-visit to Imphal and Moreh focused on this issue as well. These issues have been summarised in a manner that provides us with policy-insights.

IV.1 Need for Laboratory testing at border

One of the major bottlenecks at the Moreh side of the border lies in a lack of laboratory testing facilities for imported food items in terms of being fit for consumption from the point of view of health and sanitary and phytosanitary

concerns. Considering that this must receive the highest priority, the reality is just the opposite. Food samples from Moreh are sent to food testing facility at Imphal. Dispatch of material to Imphal, testing and declaration of results take around 15 days. At times sealed samples are opened on the way from Moreh to Imphal by security forces for checking and opened samples are not accepted by Food testing facility at Imphal. This imposes huge cost on traders and hinders trade. Since Moreh is the border trading point, opening a food testing facility at Moreh would significantly reduce this delay. Also, there is a significant potential for import of livestock from Myanmar. In this regard, setting up of veterinary and fishery testing labs at Moreh should be given serious consideration.

Myanmar has stated that the standard law for Mutual Recognition in Food and drug testing was under drafting stage. Myanmar has set up a mini lab at Tamu and has requested for finance and technology for food and drug testing lab at Tamu and Rhi border trade posts.

Table 10: Product, Location and Agencies

S I . No	Product	Location for testing facility	Indian Agency	Myanmar Coordinating Agency
1.	Agricultural Crops (betel nut, etc) / Issues of Plant Quarantine	Moreh	FSSAI	Plant Protection Division, Department of Agriculture, Ministry of Agriculture and Irrigation
2.	Livestock	Imphal	Department of Animal Husbandry, Dairying & Fisheries	Livestock Breed and Veterinary Department, Ministry of Livestock, Fisheries and Rural Development
3.	Pulses	Imphal/Moreh	FSSAI	Department of Food and Drug, Administration Ministry of Health
4.	Fish	Moreh	MPEDA	Fish Inspection and Quality Control, Division Department of Fisheries, Ministry of Livestock Fisheries and Rural Development
5.	Water	Imphal/Moreh	FSSAI	Department of Food and Drug, Administration Ministry of Health

Source: Based on RIS team field visit (2016).

For export of wheat flour, chick peas and lentils Myanmar has requested India for equivalence to its FDA certification on the Sanitary and Phyto-sanitary issues.

Some of the products along with agencies of India and coordinating agencies in Myanmar, for which testing facilities are required, have been mentioned in the Table 10.

IV.2 Trade Promotion Activities

Exchange of visits by various business chambers and participation in each other's exhibitions/fairs has tried to harness the business ties between the two countries. Business delegations have been visiting Myanmar regularly and a number of business events are taking place in Myanmar. Indian commercial activities have increased over the last two years in Myanmar which includes the following:

a. 18 companies from CHEMEXCIL also visited Myanmar in March 2011 and organized a Buyer Seller Meet at UMFCCL.

MIBC and India's Pharmaceuticals Export Promotion Council, (PHARMEXCIL) also organized an Indian Pharma Exposition 2011 and Buyer-Seller Meet in February 2011 to boost partnership and cooperation in the Health sector.

- b. Similarly hospitals like Apollo, AMRI and started their operations through local Myanmar agents to boost Medical tourism. In the education sector, Myanmar India Business Chamber (MIBC) organized two Education fairs (March 2012 and May 2011) to create Indian education awareness in Myanmar.
- c. A delegation each from Export-Import Bank (EXIM) and Reserve Bank of India (RBI) visited Myanmar in August and September 2012 respectively to discuss mutual cooperation in banking sector.
- d. An India Product Show-2014 was organized by Indo-Myanmar Chamber of Commerce (Mumbai) from January 17-19, 2014 in Mandalay. Indian companies namely Kirloskar, TVS Motors, Mahindra

and Mahindra, Shakti Pumps, Ind Boilers, Sahayadri Industries etc and over 40 companies participated in show and B2B interaction. Over 40 Artisans of Manipur and Handloom and Handicraft Exhibition with support from the State government of Manipur also participated at Indian Product Display.

- e. Indian Chamber of Commerce in association with Embassy of India and UMFCCI organised an India Investrade 2014 in Sedona Hotel from 23-24 July 2014. 55 companies from various sectors participated in the exhibition cum conference and B2b events. CM of Yangon region inaugurated the event on 23 July. Following which a seminar was also organized in Mandalay on 25 July on enhancing border trade.

Source: Excerpted from Embassy of India, Yangon, Myanmar

The above is not a full list of trade promotion activities which is available from Embassy of India in Myanmar. It may be mentioned that from such a list it is evident that several trade promotional activities have taken place. However, the fact remains that several of these are not directly focused on enhancing border trade and possibly therefore these have not fructified in terms of any border trade incumbent upon these visits or activities.

Trade promotion activities in the past have covered both- overall trade, as well as border trade. Since focus of this study is border trade we need to scale up and facilitate activities that focus exclusively on border trade. Otherwise, the overall trade promotion activities have the tendency to blur the difference between overall trade and border trade. If at all, they need to reinforce each other.

- Some of the policy measures that could be adopted and implemented as trade promotion measures could include:
- An information portal should be developed and made accessible. The portal should provide details with respect to prevailing regulations and trade agreements under which trade can be conducted on India-Myanmar border.
- Regular interaction between Ministry of Commerce and Industry and the relevant departments/agencies of bordering states with Myanmar, in presence of traders on a periodic basis to provide explanation and clarification in terms of the prevailing policy regimes that may be utilised to conduct border trade.
- B2B and G2G need to interact simultaneously in an annual event where participation from both sides of the border could be ensured in areas that strengthen the linkages across border trade in goods, services and cross-border investments.
- The previous point should be combined with a small exhibition of products and services with representatives from both sides of the border. This event can be alternatively held on both sides of the border.

As it was highlighted earlier, that trade deflection was a major problem at border whereby, third country goods are easily deflected and traded in areas close to border. This is primarily in the form of electronic goods etc. of Chinese and Thai origin getting seeped through the border into India. To address this issue without hampering the demand-supply dynamics in border region, an efficacious system of Certificate of Origin (CoO) and adequate checking of it at custom check-point

would have to be implemented with the help of an e-trade online system.

The system of issuing COO to traders was issued to Indian traders by Indo-Myanmar Border Trade Union (IMBTU) and Moreh Chamber of Commerce (as per Government of Manipur Gazette). Earlier there were two other associations Associated Chamber of Commerce and FACIMO but only the two associations, IMBTU and Moreh Chamber of Commerce survived. In Myanmar, Union of Myanmar Border Trade Chamber of Commerce is issuing COO to traders.

Now with border trade assuming a new meaning and normal trade can take place through the land border, the COO would have to be issued as per the guidelines under the DFTP and the AITGA. Efforts need to be made to have facilities at land borders so that government-designated credible agencies could issue the COO to avoid any delays and also infringements.

IV.4 Warehousing and Storage

Myanmar faces significant problems while exporting betel nuts, onions and ginger. This is so because they have to unload goods for a while at Moreh Custom warehouse for inspection and only 200MT can be lodged there. Therefore, goods from Myanmar are exported when the Moreh custom warehouse is vacant. Currently, local traders have themselves established a temporary warehouse and are using that. Storage capacity at Moreh Warehouse should be extended and an inspection team can be assigned at Moreh itself.

It is important to provide proper warehousing, cold storage and logistics facilities at Moreh. It may be explored if

these are required also at the Imphal Airport for trading items in general and perishable products such as floriculture, mushroom and organic products in particular, in case where products have to be transported into the hinterland.

IV.5 Integrated Check Posts

Existing infrastructure available with Customs, Immigration and other regulatory agencies at these points on our land borders is generally inadequate. Support facilities like warehouses, parking lots, banks, hotels etc. are also either inadequate or absent. All regulatory and support functions are generally inadequate and not available in one complex. Even when located in close proximity, there is no single agency responsible for co-ordinated functioning of various government authorities/ service providers.

To address this it has been decided to set-up Integrated Check Posts (ICPs) at major entry points on our land borders. These ICPs would house all regulatory agencies like Immigration, Customs, border security, etc. together with support facilities like parking, warehousing, banking, hotels etc. in a single complex equipped with all modern facilities. Infrastructural facilities to be provided by the ICPs include: Passenger terminal building, Currency exchange, Internet, Cargo process building, Cargo inspection sheds, Warehouse/ Cold storage, Quarantine laboratory, Clearing agents Banks, Scanners, CCTV/PA System, Isolation Bay, Parking, Cafeteria and Other public utilities.

In the context of Myanmar, Moreh in Manipur was identified as a potential location. The estimated cost of this ICP is Rs. 136 crores. Manipur Government is working on the

construction of Moreh ICP and is expected to complete by end of this year. A major cause of discontent among local traders is that the pace of construction of Moreh ICP is very slow. Petrapole ICP was commissioned along with Moreh ICP, but it has been developed and is functioning well.

IV.6 Border Haats

The Border Haats or the Rural Market as we call them in India plays a facilitating role of enabling local trade and increasing people-to-people contacts and promoting the well-being of the people in areas of difficult access across the borders of two countries. This is done through establishing a traditional system of

marketing the local produce at local markets at the border. After realising the requirements of communities residing near the border, the two countries took the decision to set up the Border Haats. They directed concerned authorities to finalize the modalities of operation so that trade can take place through Border Haats. Currently, the authorities have agreed upon 10 locations to be set up as Border Haats.

In sum, to augment trade across land borders between India and Myanmar, the trade facilitating infrastructure need to be improved. This has assumed greater importance in the wake of significant regulatory changes that have made border trade akin to normal trade.

V

Trade in Services

Trade in services often do not get adequate emphasis in the context of border trade. As argued earlier, trade in services need to be viewed in an integrated framework of that combines trade in goods, trade in services and investment. Services do get traded across borders and often hel trade in goods along the border as much as spur investment in the border regions. An attempt has been made to address this gap in the existing information and analysis on this aspect.

V.1 Existing Trade Linkages

Most of the developing countries of the world are gaining their strength in services sector with its share increasing in the gross domestic product (GDP) of these countries. In addition, trade in services as a share of total trade, too has been high. The shares of trade in services in total trade are 16.8% and 26.7% for Myanmar and India respectively in 2013.¹⁰

In 2014, 3.08 million tourists visited Myanmar and 2.04 million visited it in 2013. However, India is at the 13th position on the list of tourists visiting Myanmar with Thailand and China being the top two countries in the ranking¹¹. On the other hand, India is striving hard to become one of the top-most tourist destinations of the world. There is an increase in the number of foreign tourists visiting India from 7.65 lakh to 8.15 lakh in 2015, a remarkable growth of 6.5 per cent¹². Further with 113 countries allowed for availing e-visa facility, Tourism Ministry aims to achieve a greater number of foreign tourists visiting India in the coming years and attracting Myanmar people could well be a part of overall tourism initiatives.

Currently, the main services sectors in which trade takes place between India and Myanmar are information technology, education, tourism, health and transport.

¹⁰ World Development Indicators Data

¹¹ <http://timesofindia.indiatimes.com/city/guwahati/India-Myanmar-look-to-boost-ties-with-tourism/articleshow/47993146.cms>

¹² Daily Excelsior (2016). Tourist arrivals up, forex earnings went down in 2015. can be accessed from: <http://www.dailyexcelsior.com/tourist-arrivals-up-forex-earnings-went-down-in-2015-3/>

Especially, people from Myanmar cross borders and travel the north-eastern region for availing of medical services and tourism. There has been a growing interest in Myanmar students to study in the border regions in India. Transport services and IT are also being traded but the field visits revealed that a lot more is required to scale up these.

V.2 Potential Trade in Services

Trade in services, one of the major components of their bilateral trade has not been explored much in terms of its potential in areas like health care, hospitality and tourism. These are the areas which through backward linkage can generate trade in transport, communication and related services and contribute to the growth of the two countries.

As per the WTO mandate, decisions of the WTO Ministerial Conferences and requests made by the Least Developed Countries (LDCs), developed country and developing country members of the WTO, in a position to do so, were to voluntarily consider providing LDCs preferential treatment in Trade in Services. In this regard, India has notified unilateral preferential treatment to the LDCs and which includes Myanmar, in Trade in Services in respect of¹³:

1. Article XVI of the GATS (Market Access);
2. Technical Assistance and capacity building; and
3. Waiver of visa fees for LDC applicants applying for Indian Business and Employment visas.

The preferences will be bound with a validity for 15 years from the date of notification

by India. India's preferential treatment to the LDCs in Trade in Services would involve a cost of Rs. 6.5 crore annually on account of waiver of visa fees and Rs. 2.5 to 3 crore, per annum, for providing training in management and technical consultancy courses to LDC applicants. As regards offers under Article XVI of the GATS (Market Access) is concerned, there are no direct financial implications.

Trade in services should be extended to cover a large spectrum of services that can be offered by both countries such as education and vocational training, tourism and health related services. India specifically, may also offer technology transfer in sectors of power, infrastructure, transport, ICT, healthcare and pharmaceuticals.

Some of the potential areas in services sector are discussed below.

i) Medical Services

The health sector in both the countries is gaining prominence as development of medical facilities at border areas is a key to enhance trade in services and medical tourism. In this regard, India is taking several initiatives such as revamping the hospitals situated at border districts of Chandernagore, Churachandpur and Ukhrul in North-eastern India which will not just benefit the locals but also the poor Myanmar people settled along the neglected border areas.

For example, Cost of kidney stone removal in Myanmar is \$2000, whereas the same in India is Rs 40000. Some of the bordering states like Manipur are rich in trained human

¹³ http://commerce.nic.in/trade/WTO_Notification_30_09_2015.pdf

resources to provide these services. Further police near these areas no longer arrests the Myanmarese national areas who visit the border hospitals for treatment¹⁴. Therefore, improving infrastructure and other conditions can contribute to enhanced medical tourism between the two counties.

ii) Education

Education is one such area which not only adds to current gains of an economy but it also creates opportunities for the future via skill-enhancing effects. Hence, this has a special relevance in services sector for both the countries. Given the lack of educational capacity in Myanmar, India has an opportunity to build on this and strengthen their relations. Education in India is relatively cheap and North-eastern region is well developed in English and science education which can attract students from Myanmar's bordering areas. Further, North East has various educational institutions like IIT, NIT as well as central universities that can provide quality education to students of Myanmar especially those residing in bordering areas. Apart from traditional text book education, India can also offer diverse vocational and language proficiency courses. Myanmar students can come to India to learn other languages especially English.

Tourism

Tourism is also one of the potential service activities on which North-eastern India and Myanmar can mutually trade in. This sector not just contributes to GDP of the country but also creates opportunities for other services like transport, restaurants, hotels of all categories,

guides, financial services, etc. Despite of the fact that this sector has so much to contribute to India-Myanmar relations, India has not been able to realise this potential so far and as a result has failed to attract more visitors from Myanmar. There could be many reasons for this like low per-capita income of people residing in border areas, infrastructural deficiencies, security issues, etc. But having said, it is worthwhile to mention that both the countries have now realised the need to act together to bridge this gap.

India and Myanmar have strong ethnic and linguistic ties that has a great potential for enhancing tourism activity between the two. There are many ethnic groups that live all along the Indo-Myanmar border from Arunachal Pradesh to Mizoram. These have a lot in common from language to cultural ties but the political boundary keeps many of them separate. Myanmar is taking initiatives to build on this, for instance, Rih-del lake-crosses both sides of border and Myanmar is developing it as a Cultural Tourist Centre. India can also build on this cultural proximity and language that both countries share and utilize this to develop trade prospects.

Further, India can market its tourist destinations and distinctive culture in Myanmar to attract people to these tourist spots. For instance, one such tourist spot is Loktak Lake in Imphal. It is the largest freshwater lake in northeast located near Moirang, just few kilometres from Imphal International Airport. This place has a potential to attract a large number of tourists if marketed adequately. Further Arunachal Pradesh has 12 tourist

¹⁴ The Statesman (2016). Manipur's border hospitals bring succour even to poor Myanmarese. Can be accessed from: <http://www.thestatesman.com/news/northeast/manipur-s-border-hospitals-bring-succour-even-to-poor-myanmarese/117340.html>

circuits across 83,500 sq. km. Each tourist circuit is distinctive in character with different ethnic culture, topography and vegetation. There are many tourists destinations located in north eastern India that need little improvement in terms of infrastructure and other hospitalities to mark themselves as the biggest tourist destinations of India.

iii) Recreational Services

North Eastern region of India is mainly famous for its natural and scenic beauty. It is rich in natural vegetation and freshwater lakes but this alone is not enough for attracting tourists. People across India and also other neighbouring countries that share border with north eastern states would want to visit these places but could not do due to lack of basic hospitality services in these areas. For instance, during our field visit to Imphal we observed that the city shuts down post 6 p.m. The security issues could be one reason but lack of presence of any recreational activity is also a major reason. Further tourism is a function of both nature and man-made tourism. There are cases where man-made tourism can attract more people than natural beauty. Therefore it is imperative to combine both the aspects of tourism and unless we combine this, it is difficult to attract tourists.

Hence, there is a need to create recreational services in these areas like hotels, movie theatres, some major food joints, local restaurants, clubs, malls, amusement parks for children, etc. which will not only promote healthy and active living of local people but also act as a source of income of the people residing in these areas. This will also help to reduce the migration in the search of employment and better living. These will add to the tourists' numbers and a high standard of living of the people living there.

V.3 Constraints to Trade in Services

What is most glaring as far as India-Myanmar border trade is concerned, is a complete neglect of focus on trade in services. Trade in services is mentioned only as an adjunct to trade in goods, but not as a core area of strength with rich potential. To enhance overall trade, and especially trade in services, it is essential to develop overall border area. This is important because in absence of basic amenities and supporting infrastructure like schools, colleges, hospitals, etc. no service provider will be willing to settle there and provide his services. For instance, although there is a hospital built in Moreh but due to lack of civil amenities there is no doctor and hence, the hospital is non-functional. Hence development of border areas becomes very crucial to realise the potential of trade in services across border.

i) Lack of adequate medical facilities

The facilities for advanced medical treatment are also available in the region but these are concentrated in Guwahati and not in bordering towns as of now which needs attention as one area is not enough to cater to a large population of north east. Also India is a cost effective destination for well-developed medical facilities. But to open up such facilities to neighbouring states like Myanmar, issues related to security and free movement of people needs consideration.

The medical centres and hospitals situated in north eastern states especially in border areas not only provide treatment to locals but to Myanmar people as well. But the concern that needs major attention here is that despite the presence of hospitals and medical institutions they failed to cater to the need of the people residing near border areas on both sides due to unavailability of proper facilities

which includes the full time presence of doctors as well as other staff to attend the patients. For instance, Moreh, the border town in Chandel district where there is legalised border trade, has a major hospital, but people from both sides did not feel benefited. In cases of emergency, the local tribals in Manipur border areas get help from the military hospitals or medical camps of Assam Rifles but in major emergencies, they have to travel to Imphal or may be to some other north eastern state for their better treatment.

ii) Poor Mobile and Internet Connectivity

Internet connectivity is very poor in border areas due to which most of the businessmen do not have any official email ID. Also poor internet connectivity causes transaction failures. For instance, internet failure at the single bank branch of UBI at Moreh, which deals in foreign exchange, leads to delay and interruption in movement of traders and goods.

The traders at border points also face the problem of poor mobile network. Due to which most of the traders operate two cell phones, out of which one belongs to Myanmar telecom operator as signal strength from Myanmar is excellent at Moreh when compared to India service providers. The main service providers on the other side of the border are Telenor, Ooredoo and MPT.

iii) Lack of Educational Compatibility

Myanmar's education system follows 10+7 system for professional courses whereas India has a system of 12+. The lack of educational compatibility is causing problems for students of Myanmar who wish to pursue further education in India. Mutual Recognition Agreements for educational degrees, between the countries does not exist.

iv) Lack of Information and Advisory Services

Another issue that was raised in consultation meeting was lack of awareness among traders. Due to lack of awareness among traders about custom rules and regulations, a lot of illegal activities take place and traders have to face exploitation by custom officials and demand for bribe. A total of 8 documents are required to import and export and one of these is Certificate of Origin but failure to comply with all these causes using the informal route. The failure to comply with these is primarily due to the sheer lack of information about the documents required and procedures to be adopted. These are given below.

v) Documents required for export and import:

Export: Sale Contract¹⁵, Export Report¹⁶, Shipping Bill, Invoice, Packing List, Phytosanitary

¹⁵ Sale contract is a form of declaration paper confirmed by both buyer and seller. The contract includes commodities, quality, prices, country of origin, delivery period, packing, total value and settlement of dispute. It is required by both buyer and seller.

¹⁶ Export report is a prescribed format in which the Exporter of Agent declares that relevant information provided in connection with export of consignment and issue of certificate is true and correct in every respect. This certificate gives details about the exporters, nature of commodity, packages, country of origin, means of conveyance & mode of shipment, date & place of inspection of goods, invoice/shipping/airway Bill. No and date. The documents to be enclosed in the certificate include import permit, letter of credit, contract, agreement, export license, shipping bill, etc. It is usually signed by the exporter or agent.

Certificate/Quarantine Certificate, Duty Challan¹⁷ and Certificate of Origin.

Import: Sale Contract, Import Report¹⁸, Bill of Entry, Invoice, Packing List, Phytosanitary Certificate/Quarantine Certificate, Duty Challan and Certificate of Origin

Thus it has created an urgent need for capacity building programmes for local traders on both sides.

iv) Impediments to tourism development

Inadequate tourism marketing strategies, infrastructure, wayside amenities, hospitality infrastructure and security and administrative issues are the most prominent reasons that explain why the north east India is not a most sort after tourist location. Lack of information

about the tourism potential of north east India is clearly evident in public sphere.

In nutshell, it may be stated that there is a need to take an integrated approach towards trade in services in the border areas in conjunction with trade in goods and investment. There are trade in services taking place between India and Myanmar and people avail of these services by crossing border from the Myanmar side to the Indian side through land route. There is enormous scope for tapping potential trade in services between the two countries by facilitating them, addressing the constraints identified. It also is quite clear that in this endeavour trade in goods would be stepped up as much these can improve the developmental trajectories in the border areas. A planned investment scheme would need to be evolved for this.

¹⁷ Duty Challan is a receipt issued by the Customs Office to traders. It is one of the important documents required for carrying out trade. Generally, DC is issued to traders when the imported or exported goods arrive at the warehouse of Customs offices.

¹⁸ Import report is a prescribed form in which it gives the particulars of the Cargo, the Stores and the Private Property imported in the vehicle. It is a kind of declaration made that no imported goods have been unloaded or delivered out of the vehicle since its departure from the last station. Further, it assures that no drugs and contraband are loaded in the truck. The certificate is divided into three parts. The first part consists of Cargo details which provide information on bill no., packages, identifying mark, quantity, weight, description of goods, name of consignee, clearance, and remarks. The second part consists of Stores which provide information on unit, weight, quantity and remarks. The last parts give us Private Property which gives detailed information on currency, tobacco products, alcoholic products, watch (brands), jewellery, any other article and total value respectively. The certificate includes signature of person concerned or agent and Superintendent.

VI

Investment

In order to augment trade in goods that can take place through the land borders between India and Myanmar as also to help the region develop and provide employment opportunities to the people, investment in the region and border areas becomes crucial.

FDI Inflows in Myanmar stood at \$946 million in 2014 (Table 11). FDI in Myanmar peaked in 2010 when inflows reached \$6.7 billion. India, on the other hand, has been an

attractive destination for FDI over the years. Inflows in India amounted to \$34.4 billion in 2014.

The sectors which attract most of the foreign investments in Myanmar are Oil and Gas, mining and power followed by Hotels and tourism and real estate (also see Box 2). Countries which invest heavily in Myanmar are China, Thailand, Honk Kong, Republic of Korea and the UK¹⁹. In India services, construction, telecommunications, computer-software and hardware, drugs and pharmaceuticals, etc. are the sectors that attract majority of investment. Mauritius, Singapore, UK, Japan and USA are the top investing countries in India. India has also shown dynamism in terms of its outward FDI as well.

However, FDI dynamism and levels of both the countries do not adequately show up in the FDI outflows from India to Myanmar,

(US\$ Million)		
Year	Myanmar	India
2000	91.115	3587.99
2005	110.35	7621.769
2010	6669.403	27417.08
2013	584.298	28199.45
2014	946.223	34416.76

Source: UNCTAD Stat

¹⁹ <http://www.kpmg.com/in/en/issuesandinsights/articlespublications/documents/india-calling-myanmar.pdf>

Box 2: Myanmar: The Next Foreign Investment Hot Spot

Mercedes Steps into Myanmar Car Market

Automobile Alliance Co. Ltd of Myanmar partnered with Singapore's Jardine Cycle and Carriage Co. Ltd. to import luxury Mercedes Benz cars into Myanmar. A Satellite workshop is fully operational and Mercedes plans to open a showroom and a workshop early next year. Mercedes aims to serve Myanmar's luxury segment with its friendly staff and world-class facilities and services.

China's Hin Leong Group Invests US\$ 200m in Myanmar Oil sector

Hin Leong Group, a Singapore-based oil trading company has entered into Myanmar market to meet the rising consumer demand for the commodity, which in turn is a consequence of increased business activity. As first step, the company will supply kerosene, gasoline, jet fuel and asphalt in amount of 100,000 cubic meters of storage in East Timor.

EU and US try to Extend their Garment Manufacturing in Myanmar

Accordingly to Daw KhineKhineNgwe, secretary of Myanmar Garment Manufacturers Association, Europe and United States will invest in Myanmar garment manufacturing industry. Earlier, companies used to study Myanmar's garment industry and then return to their native land. With the improved situation, there is an increasing number of companies willing to invest in Myanmar. For instance, Dewhurst Company, a UK-based garment manufacturing company, plans to extend its operations in the country with more than 2,000 workers.

A Project That Will Change the Face of Myanmar

Thailand and Myanmar governments signed a MoU on July 23, 2012 to develop Dawei Special Economic Zone and its related project areas. The investment is aimed at developing a deep sea port facility, an industrial estate dividend into six zones, a petrochemical complex with oil and gas pipelines for the Gulf of Martaban to the Myanmar/Thailand border along a road and rail link from Dawei to Thailand.

Source: Myanmar B2B Management Magazine ACUMEN, September 2013; Myanmar Insider, Vol. 1, Issue 1, November 2013.

let alone investment in the border region of Myanmar.

VI.1 India's FDI in Myanmar

During April 1996 to March 2014, the cumulative approved Indian FDI in joint ventures and wholly owned subsidiaries (FDI outflow) including equity, loan and guarantee issued, in

Myanmar stood at US\$ 217.7 million. In 2013-2014, approved FDI outflows from India to Myanmar were US\$ 16.2 million (Table 12). On the other hand, cumulative inflows into India from Myanmar during April 2000- March 2014 amounted to US\$ 8.9 million.

Further, the Table 13 shows the sector-wise classification of India's outward FDI

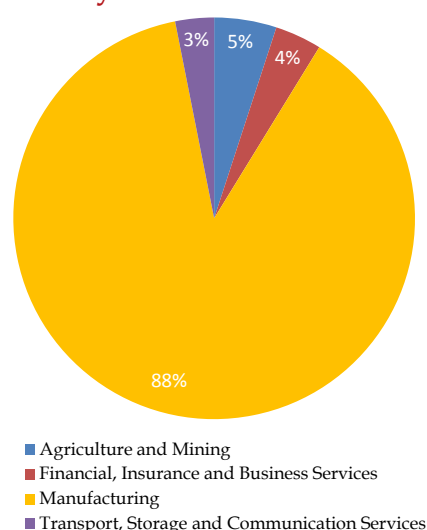
Table 12: Outward FDI From India To Myanmar (In USD Million)

	2013-14	2014-15	2015-16*
Equity	15.843	3.7895	1.0551
Loan	0.3695	0.2	0
Total	16.2125	3.9895	1.0551

Source: RBI Database, 2016
Note: Data of 2015-16 till December 2015

to Myanmar. Till December, 2015 the major part of the Indian investment in Myanmar i.e. around 77 per cent was in the manufacturing sector followed by agriculture and mining, transport, storage and communication services and financial, insurance and business services (Table 13 and Chart 2).

Indian companies having operations in Myanmar include ONGC Videsh Limited (OVL), Jubilant Oil and Gas, Century Ply, Tata Motors, Essar Energy, RITES, Escorts, Sonalika Tractors, Zydus Pharmaceuticals Ltd., Sun Pharmaceuticals Ltd, Ranbaxy, Cadila Healthcare Ltd, Shree Balaji Enterprises,

Chart 2: India's Investment in Myanmar: Sector-Wise**Table 13: Outward FDI From India To Myanmar, Sector-Wise**

	2013	2014	2015 (Up to Dec)
Agriculture and Mining			
Amount (USD Million)	3.6707	0.2	0.1188
Share in Total (%)	22.64117	5.01316	11.2596
Financial, Insurance and Business Services			
Amount (USD Million)	0.0391	0.15	0.025
Share in Total (%)	0.241172	3.75987	2.369444
Manufacturing			
Amount (USD Million)	12.5027	3.5151	0.809
Share in Total (%)	77.11766	88.10879	76.6752
Transport, Storage and Communication Services			
Amount (USD Million)	--	0.1244	0.1023
Share in Total (%)	--	3.118185	9.695763
Grand Total	16.2125	3.9895	1.0551

Source: RBI Database, 2016

Shree Cements, Dr. Reddy's Lab, CIPLA, Gati Shipping Ltd, TCI Seaways, Apollo and AMRI.

On the other hand, India is currently actively involved in a number of developmental projects in Myanmar, by way of implementation, and technical and financial assistance for several projects in infrastructural and non-infrastructural areas. These include ²⁰:

- Setting up of a national centre of excellence-the Myanmar Institute of Information Technology (MIIT) being set up at Mandalay
- Setting up of an Advanced Centre for Agricultural Research and Education (ACARE) along with a Rice Bio Park at Yezin Agriculture University Nay Pyi Taw
- Implementation of various connectivity projects including the
 - Kaladan Multimodal Transit Transport Project, building/ upgrading 71 bridges on the Tamu-Kalewa-Kalemyo road
 - Construction/ upgradation of the KalewaYargyi section of the trilateral highway (which envisages seamless connectivity between India, Myanmar and Thailand by 2016).
- Setting up of an India-Myanmar Industrial Training Centre in Pakokku with the assistance of Government of India, with a second centre was being set up in Myingyan
- Setting up of Myanmar-India Centre for English Language (MICELT), and a MyanmarIndia Entrepreneurship Development Centre (MIEDC) with the assistance of Government of India

- Setting up and upgradation of the India Myanmar Centre for Enhancement of IT Skills (IMCEITS) with state of the art equipment with Government of India assistance
- Setting up a Language Laboratories and E-Resource Centre at the Ministry of Foreign Affairs in Yangon and Nay Pyi Taw
- Other projects include restoration of the Ananda Temple in Bagan, upgradation of the Yangon Children's Hospital, Sittwe General Hospital along with proposed upgradation of Monywa General Hospital
- Besides, the Government of India is also closely working with the Government of Myanmar towards implementing the MoU on Border Area Development where India has granted an assistance of US\$ 5 million each year for five years. The first year project is under implementation and under which 21 schools, 17 health centres and 8 bridges are being built in Chin State and Naga self-Administered Zone of Myanmar

However, the sectors that can have major impact on the border trade are not receiving adequate investment which is possibly a reason for poor condition of border areas and below potential growth of border trade.

VI.2 Potential areas for Investment

As highlighted above there are gaps in the investment in terms of sectors that need investment vis-a-vis areas where investment has actually been made in the previous years.

²⁰ EXIM Bank of India. 2014. Enhancing India's Bilateral Ties with Cambodia, Lao PDR, Myanmar, Vietnam: A Brief Analysis. Working Paper No. 34. November

To enhance the border trade between India and Myanmar, we need to develop the areas that have relevance for border trade directly or indirectly such as investment in

- telecommunication
- transport,
- warehousing,
- capacity building

VI.3 Investment in North-eastern region augmenting border trade

Against the backdrop provided above, the focus must be on investment in the border areas that can tap the synergies of infrastructure improvements leading to trade augmentation.

Investment in Infrastructure, Trade and FDI linkage

Investment in basic infrastructure is the necessity not only for economic development but also to boost trade. This is required to be undertaken for the border region as a whole as opposed to the concept of economic corridors per se. Investment in basic infrastructure like roads, telecom, and electricity is the basic requirement for smooth functioning of business. The lack of same could hinder business despite presence of potential in a specific region. This is the classic case of present scenario in North East, despite potential in sectors like Agro-processing, Rubber, Tea, Bamboo and Timber processing etc. investment in these sectors is lacking due to absence of basic infrastructure.

With basic infrastructure in place, a chain reaction would start which would attract domestic investment in sectors with potential. Then, goods and services with potential could be traded with other South East Asian countries including Myanmar. For example, Mizoram

has a pool of English speaking youth. With the provision of telecom infrastructure and optical fibers, IT and BPO services could flourish in the state; and with soft connectivity across the border, these services could be traded. This would in turn make IT and BPO services an investment hotspot.

Some of the areas in the North eastern region that require investment are:

- **Road connectivity within the region**- Investment is required to improve the road connectivity within the region. Some prominent routes that require attention are the Champhai-Aizawl route in Mizoram, Pangsau-Nampong in Arunachal Pradesh and widening of road from imphal-Moreh in Manipur.
- **Hydropower** -Investment in infrastructure and finance is a key to utilizing the over 90 percent untapped hydropower potential in the north east region. Electricity produced could be exported to other bordering countries like Myanmar and Bangladesh.
- **Bamboo** - Bamboo is an important forest resource found in abundance in the region (28 percent of India's total bamboo resource is in the NE). India is the second largest producer of bamboo in Asia, and Mizoram alone produces 40 percent of the country's bamboo production. The world bamboo market is expected to grow by US \$5.5 billion in 2015.
- **Rubber** - Rubber is another cash crop that can attract a lot of foreign investment - about 46,000 tons of rubber is produced annually in the northeastern states, and India ranks fifth in rubber production in the world. Tripura has the potential to produce 10,000 hectares of rubber. Under

the 12th Five Year Plan (2012–2017), the Indian Rubber Board has proposed to double the existing areas of rubber cultivation in the northeast region²¹.

- **Tea** – The region is popular for its tea production. Assam is the largest tea producing state and accounts for more than 50 percent of the country’s total tea production. Currently tea leaves from tea gardens of north eastern states are sent to Assam for processing as there are no tea processing units in the region. Investment is required in setting up of such units.
- **Border Area Development**- lack of basic amenities is quite evident on the Indian side, for instance Moreh. Whereas the Myanmar side is developed and has features of a well established township, such as Tamu.
- **Land Custom Station**- work has to be intensified at the Moreh ICP which is not yet developed, although Petrapole

ICP announced at the same time is now fully functional. Moreover, significant investment is also required for faster development of Zorinpui and Nampong LCS.

Overall, bilateral investment relations have remained weak, especially from the point of view of Indian investment in Myanmar. More importantly, investment in the border areas between India and Myanmar have remained far from the requirements of augmenting trade in goods and services, that could potentially provide employment opportunities to people in the region, Adequate emphasis thus is needed to treat investment in the border region in the framework of a ‘development zone’ rather than focussing narrowly on economic corridors. A holistic plan that includes an investment fund may be prepared for facilitation of wholly-owned subsidiaries and trade-creating joint ventures in the border region.

²¹ India Briefing. 2016. India–Myanmar–Thailand Trilateral Highway: An Investment Opportunity In The Making

VII

Potential Sectors for Creation of RVCs

The South-east Asian region, of which Myanmar has been an integral part, has remained as a success story of regional value chains (RVCs). However, both India and Myanmar have largely remained left out of this process of RVCs or production fragmentation as it is often called. This is an aspect which needs serious consideration both for the developmental imperatives of the border region between India and Myanmar and for scaling up trade through the land border routes.

Trade and investment liberalization along with technological advancement has played a vital role in the emergence of GVCs. Currently, most of the goods and a fair share of services are produced by various countries specializing in different functions and tasks as opposed to being produced by a single country, thus forming a Global Value Chain (GVC).

As a result, economies become more interconnected and specialize in different stages of production rather than specific products or

industries. For developing countries, too, GVCs prove to be extremely beneficial.

The trade, investment, and knowledge flows that underpin GVCs can provide mechanisms for rapid learning, innovation and industrial upgrading. Apart from benefitting from economies of scale, firms through participation in GVCs are pushed to acquire new competencies and be more quality centric. Such improvements have far reaching effects beyond exporting firms and sectors.

The attributes and determinants of GVC are quite similar to those of Regional Value Chain (RVC). RVCs are production hubs connected with service links that prosper with improvements in soft and hard connectivity. In other words, RVC is nothing but GVC in a regional context.

Given the backdrop of RVCs above, an integrated approach towards Trade in Goods, Trade in Services and Investment is required

Table 14: Focus Sectors/Areas for India for creating potential RVCs with Myanmar

Trade in Goods	Textiles and Garments; Pharmaceuticals; Gems and Jewellery; Marine and Seafood; Automobile, Electrical and Electronic Equipment; Iron and Steel, Articles of Iron and Steel; Processed Food; Oil and Natural Gas
Trade in Services	Agri Diagnostic services: Single window delivery system for technology products, diagnostic services and information through Agricultural Technology Information Centres.
	Transport & infrastructure: Internal Waterways- Passenger & Freight transportation, Rental of vessels with crew, Maintenance repair of vessels, Pushing towing services, Rail- Passenger & Freight transportation, Pushing towing services, Maintenance & repair of rail equipment, Road- Passenger & Freight transportation, Rental of commercial vehicles with operator, Maintenance repair of road equipment.
	Telecommunication services: Voice telephone services, Packet switched & Circuit-switched data transmission services, Telex services, Telegraph services, Private leased circuit services, Electronic mail, Voice mail, On-line information and data base retrieval, electronic data interchange (EDI).
	Financial services: Insurance and related, Banking.
	Tourism and Travel Related Services: Hotels and restaurants (incl. catering), Travel agencies and tour operators' services, Tourist guides services
Indian OFDI	Health: Hospital services leading healthcare facilities, Medical and dental services, Veterinary services, Services provided by midwives, nurses, physiotherapists and paramedical personnel.
	Oil & Gas: Oil and gas Exploration, Light Petroleum oils and preparations, Other petroleum oils and preparations.
	Agriculture: Farm Mechanization: Paddy drum seeder, Tractors, Paddy transplanter, Power Tiller, Zero till drill; Rubber technology such as Rubber roller ginning machine.
	Pharmaceuticals: Pharmaceutical products mfg.: chemistry and process reengineering skills
	Textiles and Garments: Cotton, Silk, Wool, Manmade staple fibres, Manmade filaments, Articles of apparel, accessories, knit or crochet, Impregnated, coated or laminated textile fabrics
	Marine Sector: India's m-krisi advisory services; Post harvest management
	Steel: Iron and Steel, Articles of Iron and Steel
Skills available in India and required by Myanmar	Leather: Raw hides, Skins and Leather
	Gems and Jewellery: Cutting and polishing of Diamond and other gems, Gold jewellery exports, Diamond trading institutions: Training
	Textiles and Garments: skilled textile workers
	ICT and Telecommunication: IT technicians, engineers
	Pharmaceuticals and Medicine: Dentists and pharmacists
	Gems and Jewellery: equipment and computer-aided manufacturing
Marine and Seafood: Modern technology	
Oil and Natural Gas: Experienced and skilled technicians in oil and gas exploration and development	
Source: Das, 2015 ²²	

²² India Briefing. 2016. India–Myanmar–Thailand Trilateral Highway: An Investment Opportunity In The Making

to look at India-Myanmar Border Trade with a holistic view. The study (Das, 2015) of the Department of Commerce identified the potential sectors for creation of RVCs across broad themes viz. Trade in goods, trade in services, investment and skill complementarity.

Some of the sectors in the context of India-Myanmar border trade that could help creation of RVCs as a part of India's strategy for the CLMV as a region could also be focused (Table 14). These may include Processed food, agri-diagnostic services, Maintenance and repair of road equipments, electronic data interchange (EDI), banking, hotels and restaurants, hospital services, to name a few.

It may be highlighted that RVCs require skill availability to undertake manufacturing

and service-providers' functions, therefore skill-complementarities in terms of what India has and what is in short supply in Myanmar was also undertaken.

Overall, the North-eastern region bordering Myanmar could well adopt the objective of creating RVCs, which in turn could help create a 'Growth and Development Zone' on both sides of the border. For this to happen, as it was highlighted an integrated approach towards trade in goods, services and investment would be needed. Such an endeavour could also make the border region more equipped in terms of tapping trade complementarities at the border and make them more capable for taking advantages of the policy enablers i.e. DFTP scheme and AITGA.

VIII

Infrastructure

Infrastructure has been one of the apparent constraints in the growth of North-eastern region of India and subsequently in the growth of border trade with Myanmar. It would be ironical to focus on improving border trade without giving due consideration to border infrastructure. Both India and Myanmar recognize the importance of building up required infrastructure as a means of promoting commercial, cultural, touristic and other exchanges and hence improving connectivity has been one of the focal points of all the meetings. In this regard various initiatives have been taken by the Government of India and Myanmar's government. During the 5th India-Myanmar Joint Trade Committee (JTC) held in Nay Pyi in February, 2015, both countries' respective commerce ministers Nirmala Sitharaman from India and U Win Myint agreed to work together to remove

the bottlenecks and increase cooperation in the field of promoting two-ways investment, infrastructure development particularly to promote border trade, connectivity, agriculture, energy, skill and entrepreneurial development, pharmaceutical and people-to-people contacts²³.

This increased focus of both the countries on improving connectivity highlights that infrastructure itself has many aspects starting from land and air connectivity to internet and telecommunication to facilities at border transit points as well as banking and other financial network that not only makes movement of goods easy by reducing transaction costs but also facilitates even stronger people to people, business to business and business to consumer relations.. In this study infrastructure is classified into two heads: Hard infrastructure and Soft Infrastructure. Both have gained

²³ The Economic Times (2015). India, Myanmar to remove bottlenecks to boost trade. Can be accessed from: http://articles.economictimes.indiatimes.com/2015-02-17/news/59232325_1_border-trade-bilateral-trade-industry-minister-nirmala-sitharaman

prominence in Indo-Myanmar border trade talks and hence we discuss the two hereafter.

VIII.1 Hard Infrastructure

In hard infrastructure, the governments have invested into many projects aimed to improve land as well as air connectivity. There has been noticeable progress made on the Kaladan Multi-Modal Transit Transport Project (connecting Mizoram to Sittwe port in Myanmar); Upgradation of the Kalewa-Yargi Road section of the Trilateral Highway (connecting Moreh in Manipur to Mae Sot in Thailand through Myanmar); Construction of 69 bridges & approach roads on the Tamu -Kalewa section of the Trilateral Highway; Rih-Tedim Road in Myanmar (across Mizoram). These projects are expected to contribute majorly to border trade and movement of people and thereby to the development and prosperity of people living in the land locked North Eastern Region of India. Some of the projects are discussed below.

i) Trilateral Highway

The India-Myanmar-Thailand highway is a strategic project that has taken up the priority in the Prime Minister Narendra Modi's newly coined 'Act East' policy. This trilateral highway once opened will run from Moreh in Manipur to Mae Sot in Thailand via Mandalay in Myanmar²⁴. The first stretch of 26.5-kilometre connecting Myawaddy-ThingganNyenaung-Kawkareik part of the Asian Highway is now operational. This has reduced the travel time between ThingganNyenaung and Kawkareik

from three hours to only about 45 minutes. This trilateral highway, building with the assistance of India, is expected to facilitate trans-border movement between India and Myanmar. It will improve the connectivity between India and Myanmar and facilitate movement of goods and traffic.

Under the Trilateral Highway project, about 48.4 miles (78 km) of new roads will be constructed, and the existing 248.5 miles (400 km) of roads will be upgraded along with the construction of all-weather approach lanes. In Phase 1, India will assume the responsibility of 48.4 miles (78 km) of missing links, upgrade 36 miles (58 km) of existing roads, and possibly improve a further 82 miles (132 km) of road. Thailand will upgrade a total of 119.3 miles (192 km) of road under this phase and will take up another 62 miles (100 km) under Phase 2. India's Border Roads Organization (BRO) has already upgraded the Tamu-Kalewa-Kalemyo road (TKK) in Myanmar, and the Indian government is responsible for its maintenance. The Trilateral Highway project will be completed by 2018²⁵. The completion of the India-Myanmar-Thailand Trilateral Highway will therefore expand trade and commerce opportunities, as increased connectivity is key to deeper integration with the ASEAN states.

ii) Air Connectivity

Air connectivity to the region is poor: three of the State capitals do not have airports, and feeder services 31 from Delhi/Kolkata/Guwahati to the State capitals where airports exist are scarce. Most intra-regional connection

24 The Indian Express (2014). Trilateral Highway gets Modi Push. Can be accessed from: <http://indianexpress.com/article/india/india-others/trilateral-highway-gets-modi-push/>

25 <http://www.india-briefing.com/news/indiamyanmarthailand-trilateral-highway-investment-opportunity-making-11535.html/>

is routed through Kolkata, which is expensive in terms of both time and money. Given security concerns in some of the bordering states, movement of people should be increased by strengthening air connectivity within the region as well as with Myanmar.

iii) Bus Service

The first Imphal-Mandalay bus service carrying 27 officials was flagged off by the Chief Minister of Manipur on the 10th of December 2015. These efforts face a major impediment i.e. poor road conditions along the border areas. In this regard, India has signed an agreement with Myanmar to construct 71 bridges along the road where the Indian buses will ply, during PM Modi's visit. The Myanmar government has started construction of two bridges. The Union cabinet has also sanctioned Rs.371.58 crore for constructing the remaining 69 bridges²⁶.

iv) Land Customs Stations

Land Customs Stations are gateways for transit of goods, services and human beings between neighbouring countries. These are notified under Section 7 of the Customs Act, 1962 by the Department of Revenue, Ministry of Finance. Development of trading facilities in the Land Custom Stations is done by the State Governments usually with funds from the scheme of "Central Assistance to States for Developing Export Infrastructure and other Allied Activities (ASIDE)" of Department of Commerce.

Presently, there are two LCS on the international border adjacent to Myanmar, which are functional. The first one is Moreh

in Manipur with the corresponding LCS in Tamu in Myanmar. The second LCS which was recently launched and became functional is Zokhawtar in Mizoram with the corresponding LCS in Rih in Myanmar. It is worth mentioning here presently the nearest town in Myanmar which is functioning as LCS is Tiddim, which is approximately 75 kms from the border village of Zokhawthar, so Government of India is proposing to assist Myanmar to build the Rih-Tiddim Road. Also, in order to facilitate proper functioning of border trade, the Government of Mizoram has requested Government of India to request Government of Myanmar to open a counterpart LCS near the border, say, Tiau or Rih (Rihkhawdar-II). The initiation of third LCS Avangkhu in Nagaland with the corresponding station Somara in Myanmar has been bilaterally agreed in Indo-Myanmar Joint Trade Committee meeting in October, 2008 but it has not been notified yet by Govt. of India.

The other border point identified in the consultation meeting held in Imphal is Nampong, which is located at 18 km from Jairampur in the state of Arunachal Pradesh. Presently border trade takes place in Nampong and Pangsu Pass (Myanmar side). The people from India go to Pangsu Pass on 15th and 30th day of every month. These two days are officially called India day. Trading at Nampong mostly takes place through Indian rupee/barter; therefore non-existence of money exchange facility is a problem. Also the condition of Stilwell road from Nampong to Pangsu Pass is extremely poor and it remains off for vehicular traffic during summer days which poses hindrance in the growth of border trade at Nampong. In the consultation meeting the potential point which needs to be develop

²⁶ <http://www.easternmirrornagaland.com/myanmar-reluctant-for-trade-across-moreh-border/>

to work as Land Custom Station was also highlighted. Zorinpui, District Lawngtlai is the place selected for a new Land Custom Station on the Indo-Myanmar border at Mizoram for the Kaladan Multi-Modal Project. The location is very remote as Zorinpui is situated on the border line and is 287 km away from Sittwe Port in Myanmar.

VIII.2 Soft Infrastructure

The fact that has come up in the recent round of talks between the governments and also emphasized in the consultation meeting held in Imphal is the relevance of soft infrastructure along with the presence of physical or hard infrastructure. It is imperative to establish institutions and related infrastructure that can provide support to the smooth functioning of border trade such as banking and other financial institutions, law enforcement, telecommunication, etc. In this section we have discussed some of these connectivity issues which are not only relevant to improve border trade but also to facilitate trade in services between the two countries.

i) Banking and Related Services

Availability of efficient banking and related facilities is the backbone of international and cross-border transactions. Thus, banking services need to be considered as the major determinant of not only border trade flows but also instrumental for bringing informal trade flows into the mainstream. Banking is not just this. It also facilitates trade and related transactions through a banking channel which the traders and manufactures could trust upon. Hence, any attempt to augment border

trade must lay adequate emphasis on banking infrastructure.

On the contrary, India-Myanmar border trade is not only underdeveloped, there is a complete lack of several banking and related services that are crucial for formal trade at the border. If they are not made available on an urgent basis, border trade can be adversely affected since barter trade has been done away with, as also highlighted elsewhere in this study.

Indian Banks' presence in Myanmar: In 2012, United Bank of India became the first Indian bank to open a representative office in Myanmar since 1963. The Export Import (Exim) Bank of India and the Bank of India soon followed and opened representative offices in 2013.

The two countries have agreed to work towards expeditious signing of the Memorandum of Understanding (MoU) on capacity building between the Reserve Bank of India and the Central Bank of Myanmar. Some of the Indian banks already have their representative offices in Myanmar such as United Bank of India and Bank of India. SBI had received an approval from the Central Bank of Myanmar to open a representative office in the country and the office became functional in July 2015. Punjab National Bank, has also reportedly applied for a licence.

Many other state-owned banks, including UCO Bank, Canara Bank, Punjab National Bank (PNB) and Bank of Baroda are considering opening operations in Myanmar.²⁷

²⁷ Livemint. 2014. Indian banks make inroads into Myanmar. June 30. Can be accessed from: <http://www.livemint.com/industry/tttkm8D3Bts5r99m8qXyj4K/Indian-banks-make-inroads-into-Myanmar.html>

Banking Facilities in bordering areas:

A semi-formal agreement between the United Bank of India branch in Moreh, Manipur, and the Myanmar Economic Bank in Tamu in Sagaing Region, facilitates border trade between the two countries.²⁸

To smooth the progress of greater trade and investment linkages, Myanmar Economic Bank has already opened a US Dollar account in the United Bank of India at Moreh for Letter of Credit. Also after comprehending the demands of the village leaders of Zokhawthar, the Government of India promised that a branch of State Bank of India and a post office would soon be established in the border trade centre village.

Champhai town has a fully functional SBI whereas Zokhawthar has one SBI in the form of a counter. Bank in Zokhawthar is not yet functioning. It is now in the initial stage of financial institution.

SBI has taken up with 3 banks, Myanmar Economic Bank; Asia Green Development Bank and Ayeyarwaddy Bank, in Myanmar for completion of Know your customer formalities and relationship management application to facilitate doing business using SWIFT. Myanmar is considering this.

Given the background of the banking arrangements facilitating border trade, some constraints that are hampering border trade need to be highlighted. These are as follows:

Full Branch License: A major problem is that under the licence terms, the banks can only

carry out liaison activities and will not be able to offer financial services. Thus, if Indian banks open just representative offices, they may end up functioning as front offices for their parents. If they have to enter even wholesale banking operations, they will, in all likelihood, have to incorporate their operations locally. In this regard, Myanmar should consider permitting Indian banks to open branches in their country. Also this whole process of enhancing the banking system to smoothen the trade activity from both sides needs swiftness since the inefficiencies in the current banking system has led to a significant decline in the border trade after the authorities called to an end to the long followed system of barter trade.

Letter of Credit: Although procedures for Letter of Credit are known among traders, the process has not yet started at the borders. UBI and Myanmar Economic Bank have been declared as designated banks and they are also well equipped for such kind of transactions. But traders from Myanmar side are not willing to carry out such transactions. They are complaining that issuance of Letter of Credit is a time-taking process and it delays trade transactions. This is one main reason for slow implementation of Letter of Credit. It is also possible that the traders do not wish to adopt this new system as they have been used to informal transactions or not monetary transactions during the barter trade regime.

Hard Currency Exchange Issues: Banking facilities, at the border, are needed for custom duty payments, warehouse charges' payments, foreign currency transaction (i.e. settling trade

²⁸ Myanmar Times. 2015. State Bank of India to open rep office. 28 May. Can be accessed from: <http://www.mmmtimes.com/index.php/business/1472-state-bank-of-india-to-open-rep-office.html>

transactions), etc. Adjustment of currency in terms of dollar and rupee is made by both UBI and Myanmar Economic Bank. But at present these payments are not fully functional in the UBI branch at Moreh. UBI accepts currency transactions only for traders including custom duty payments. This facility is not available for tourists, hampering one major trade in services. It is worth-mentioning that Myanmar traders wish to conduct border trade denominated in US dollars only. Conversion of Indian Rupees to Myanmar Kyat & *vice-versa* has been a long standing issue in bilateral trade and currency exchange market. There is the need to work out a currency exchange mechanism to resolve the problem.

Settlement of Trade in Respective Local Currencies / Bilateral Swap Arrangement: As was mentioned earlier, the issue of currency settlement remains as a major hindrance to the border trade as both the countries still find it difficult to continue bilateral trading in their national currencies. It is worth-mentioning, that trade competitiveness of India with Myanmar can be significantly enhanced if both adopt a system whereby Myanmar accepts payment for all its exports to India in Indian rupees and the export earnings can be used to make payments for goods and services imported from India, as is the practice being followed for trade between India and Nepal and India and Bhutan. In other words, a bilateral currency swap arrangement could be worked out, especially to tide over short-term liquidity crunch, in case such a situation arises.

Operational Issues: Shortage of staff, corruption and lack of proper access to internet connectivity act as hindrance to the smooth functioning of business at the Moreh branch of United Bank of India. It has come to notice that some transactions could not be completed

because of slow internet speed in the bank at the border.

More Banks needed as designated for border trade: SBI, at Moreh, is not yet declared as a designated bank for trade related transaction and other related services. This may include foreign exchange transactions including opening lines of credit. Central Bank of Myanmar has finally granted a licence (preliminary approval) to SBI on 04.03.2016 to commence banking operation in Myanmar. The functioning of SBI at the border is in the nascent stage and trade transaction is not taking place in SBI. In fact, a planning is required for establishing more fully functional bank branches on both sides of the border from both the countries, in anticipation of improved border trade – rather than waiting for a situation when border trade increases and then existing banking facilities are found to be less than commensurate with the requirements.

Services: Apart from opening more banks, installation of ATMs and currency exchange facilities including Western Union like transaction facilities, some insurance company should also be invited to cover exporting and importing activities from/ to Myanmar by opening their service branches on both sides of the border.

ii) Visa Issues

India and Myanmar have a 'Free Movement Regime' (FMR) in place. A FMR on both sides of the border for up to 16 kms is in place, which is, however, restricted to three points, namely Pangsou, Moreh and Zwkhatthar in the States of Arunachal Pradesh, Manipur and Mizoram respectively. An additional point in Nagaland is proposed to be established in due course.

To facilitate limited movement of hill tribes residing along the Indo-Myanmar border, the Governments of India and Myanmar have permitted entry of such persons residing within 16 km of the international border with only permits but without visa with certain terms and conditions. Local nationals of both sides can stay in the other country for three days within 16 km on either side.

Traders are advocating for issuing visa on arrival facilities. The Myanmar side has at times shown flexibility with regards to visa procedures. For instance, Myanmar issued temporary pass to 14 out of 16 Indian Traders who did not have passport to cross over to the other side to attend a seminar on trading rules and regulations. Flexibility shown by Myanmar is not present on the Indian side.

In the First Meeting of the India-Myanmar Joint Consultative Commission held on 16 July 2015, it was agreed that negotiations should be conducted to enable early conclusion of the bilateral MoU on Movement of People across the Land Border²⁹. India on finalization of ICP at Moreh will issue Visa on arrival. Myanmar was requested to have similar facility at Tamu for movement of persons. Establishment of a consulate office of Myanmar in Imphal is required and it should be opened at earliest to allow freer movement of people across the borders.

Other Issues

Security Issues

The Ministry of Home Affairs (MHA) has described the 1643-km-long India-Myanmar border, which facilitates cross-border movement of militants, illegal arms and drugs, as 'extremely porous.

"The border runs along hilly and inhospitable terrain which grossly lacks basic infrastructure and provides cover to the activities of various Indian Insurgent Groups (IIGs). The unfenced India-Myanmar border with free movement regime is thus being exploited by various Indian Insurgent Groups (IIGs)," said an MHA report.

Cannabis herbs, ganja and banned pseudoephedrine tablets are regularly seized by Assam Rifles personnel and Narcotics Control Bureau (NCB) officials while they are being smuggled to Myanmar.

To check increased militant activities on the border, the Centre has taken steps to fence the area, approximately 10 km, and has given administrative approval of Rs 30.96 crore for fencing work. Clearance from the Supreme Court and the ministry of environment and forests has been also been obtained and a compensation of Rs 503.68 lakh paid to the Manipur government for acquiring land.

²⁹ Joint Statement by India and Myanmar on First Meeting of the India-Myanmar Joint Consultative Commission. Can be accessed from: <http://mea.gov.in/bilateral-documents.htm?dtl/25485>

IX

Issues highlighted during Field Visit and Stakeholder Consultation

This section includes general issues that are hampering India-Myanmar Border Trade. These have been compiled based on our field visit to Imphal, Moreh and Tamu and also One-day Stakeholder Consultation held in Manipur University, Imphal.

- **Illegal checkpoints and tax collection-** Due to insurgency, security forces undertake checking of vehicles at checkpoints along Imphal - Moreh highway. However, Traders have resentment over harassment and demand for bribe by security forces i.e. Manipur police and Assam Rifles. On our way, we observed 20 such check-post on 108 kms Imphal-Moreh highway. Cost of transportation from Moreh to Guwahati is Rs 35/kg, which includes Rs. 15-18/kg from Moreh to Imphal and Rs. 18 from Imphal to Guwahati. Whereas, cost of transportation from Mizoram to Guwahati is Rs. 15-18/kg, despite being farther away from Guwahati than Manipur is.
- **Lack of Awareness about trading regimes:** It was observed that on 94.6% items duty has been reduced to 0. But the information has not yet passed on to border points and they are still charging duties as were there previously. Also, it is important to consider opening of an EXIM Bank Branch in North eastern bordering states along with, other trade related bodies' offices like APEDA, CII, etc.
- **Lack of advisory and Information Services:** All main trade related offices are in Guwahati. EXIM bank and other advisory and information providing organizations are not present in Moreh. In this regard it must be considered to open EXIM bank Branch in Moreh along with, other trade related offices like APEDA, CII, etc.
- **Stark contrast on two sides of border-** Township developed in Tamu while its counterpart in Moreh is underdeveloped. Overall border area development is important.
- **International Business Summits be organized at Imphal/Moreh at least biannually,** inviting foreign investors

- and traders for further growth and development in international business.
- **Entrepreneurship Development Programme-** specifically related to border trade issues should be conducted by the government and other agencies to enhance the capabilities of traders involved in India-Myanmar trade in particular and local population in general.
- **Moreh is in a state of absolute emergency:** Overall, it appears that Moreh is in a situation which needs immediate attention if this border area, along with other border regions, has to remain as a gateway to Myanmar and the South-east Asian region.

Box 3: Moreh in an Economic Emergency Situation

Cost of transportation from Moreh to Guwahati is Rs 35/kg, which includes Rs. 15-18/kg from Moreh to Imphal and Rs. 18 from Imphal to Guwahati. Whereas, cost of transportation from Mizoram to Guwahati is Rs. 15-18/kg, despite being farther away from Guwahati than Manipur is. Though Moreh to Guwahati takes 2 days and Mizoram to Guwahati takes 4 days, traders are preferring Mizoram because of low cost.

There are three levels of illegal taxes that the traders in Moreh are charged. One is the annual tax, second is the tax on goods and vehicles and third, warehousing and storage charges. All these added to cost makes trade via formal channels inefficient and informal/illegal trade much cheaper. Also, the rates charged vary on day-to-day basis. These are the reasons that goods coming via formal channels face strong competition from same products arriving through illegal channels.

Infrastructural bottlenecks, rent seeking behaviour of custom officials and security forces & money extortion by insurgents has significantly increased trading cost from Moreh trade-point. Frequent *bandh* and road blockades add to the higher trading cost. Modernization of Aizwal – Champhai- Zokhawthar with combination of above factor would drive Indo – Myanmar border trade from Manipur to Mizoram. A significant exodus of traders from Moreh to Mizoram has already taken place and within one year trade via Moreh will cease to exist. In the absence of prompt action, employment and state's revenue would be lost, with unemployment having direct bearing on increase in insurgency.

X

Conclusion and Recommendations

The study has tried to address the question as to why the situation fails to improve despite the knowledge of the issues. It finds that the ambiguity at the conceptual level, a lack of information trickle-down at the operational level and narrow interests at the stakeholders' level are primarily responsible for such a situation.

It has been highlighted that border trade between India and Myanmar through the land routes does not get governed by just the border trade agreements. There has been perceptible shift in the border trade policy regime towards 'normalisation'.

With India's unilateral Duty Free Tariff Preference (DFTP) Scheme and ASEAN-India

Trade in Goods Agreement (AITGA) now in place, the bilateral trade and economic relations face a new reality, especially with important changes in the policy framework relating to Border Trade Agreement.

Overall, the study concludes that there are immense possibilities to augment border trade by adopting an integrated approach towards trade in goods, trade in services and investment. However, tremendous constraints remain.

Against this backdrop, the study presents a summary of policy and implementation measures in the following Table:

Table A: Policy and Implementation Measures

S.No	Constraint	Policy Measure	Implementation Measure	Nodal Point
Trade in goods				
1.	Overall bilateral trade and border trade are complements rather than substitutes	Focus on products that could be traded through land border routes	Identified potential items of goods' trade need to be focused by of special border export promotion scheme	Department of Commerce
2.	Border trade is severely constrained by lack of information on number goods which could be traded. It is still perceived that only 62 items are permitted for trade. Border trade between India and Myanmar through the land routes does not get governed by just the border trade agreements. Two important developments have taken place since the operationalisation of border trade agreement. This included a shift from Barter to Normal Trade and another shift from Border Trade to Normal Trade that can take place through land border. With the 'normalisation' of trade flows, two other policy mechanisms become relevant: (a) The unilateral Duty Free Tariff Preference Scheme (DFTP) scheme of India and (b) The ASEAN- India Trade in Goods Agreement (AITGA). The broad provisions contained in these two policy frameworks for India-Myanmar 'normal' trade through the land border need to be explored by the businesses from both sides.	Adequate information and advisory services are required	Conduct <i>Policy Awareness Programmes</i> on a periodic basis at the border-points Attune Trade Promotion Measures to border trade	Department of Commerce
3.	Statistics on India-Myanmar border trade differ across sources.	Harmonisation of statistical systems	Constitute a Task Force on Border Trade statistics	Department of Commerce / DGCIIS/ Customs
4.	Most of the goods which are traded have third country origin, mainly Chinese due to their low cost and illegal trading.	Tap Indigenous Myanmar goods- Instead of third country goods, efforts should be made to tap indigenous Myanmar goods, especially of the border areas.	Adequate checking of Certificate of Origin (CoO) at Customs check point should be ensured.	Department of Revenue / CBEC

Table A Continued...

Table A Continued...

Trade Facilitation and Soft Infrastructure				
1.	<p>Integrated Check post (ICP) at Moreh is still under construction – pace of implementation does not commensurate with traders' expectations.</p> <p>Lack of civic amenities and favorable facilities in Moreh and on Imphal-Moreh road</p>	<p>Moreh ICP should be completed at the earliest</p> <p>Moreh itself should be developed to facilitate India-Myanmar border trade.</p>	<p>Assessment of factors impeding progress must be made and subsequently addressed.</p> <p>Provision of basic amenities at Moreh- Reliable electric power and High speed Internet connectivity should be made available at Moreh town, apart from hotels, restaurant, school, hospital, shopping centre facilities etc.</p>	<p>Department of Commerce</p> <p>Department of Commerce in consultation with other ministries like Health, Education, Finance etc.</p>
3.	<p>Law & order situation – Frequent Bandhs & Blockades</p> <p>Too many check points, extortion and Illegal taxation- There are more than 20 check points out of which only 2 are legal. Security forces and Insurgents demand illegal taxes and extortion money respectively.</p>	<p>Need to improve law & order situation and promote good governance. In fact in the name of this bottlenecks have arisen.</p>	<p>Optimise number of check points- Make trade flow as smooth as possible <i>en route</i> to Imphal optimising the check points. Also a check should be kept on illegal taxation and extortion.</p>	<p>Department of Commerce in consultation with Ministry of Home</p>
4.	<p>Lack of banking and currency exchange facilities- United Bank of India at Moreh which deals in foreign exchange, however it is severely constrained in manpower and infrastructure. Presently, foreign banks in other countries are being used for transactions with high currency conversion rates</p> <p>SBI also has a branch in Moreh but SBI is not declared as designated bank for foreign exchange transactions and related services. The functioning of SBI at the border is in the nascent stage and trade transaction is not taking place through SBI as license to SBI has been given recently by Myanmar.</p>	<p>Setting up Multiple Banking and other Financial institutions</p>	<p>Proper banking facilities, currencies exchange facilities, customs duty payments, line and letters of credit, hard currency issues, local currency swap facilities with Myanmar, increase number of ATMs, shortage of staff etc. This would further facilitate in regularizing trade and currency exchange</p> <p>Insurance facilities for traders, consignment</p>	<p>Department of Commerce and RBI and Ministry of Finance</p>

Table A Continued...

Table A Continued...

5.	Lengthy trade procedures consume a lot of time	Easing of customs procedures and Capacity building program for the local traders	Online customs clearance mechanism should be developed.	Department of Commerce in consultation with CBEC
6.	Lack of food testing laboratory	Need to establish food testing laboratory, Veterinary and fishery testing labs with equipment of international standard at Moreh.	These facilities should be provided at the Moreh ICP which is being developed.	Department of Commerce and FSSAI, Department of Animal Husbandry, Dairying and Fisheries, MPEDA
7.	Lack of warehousing and storage facilities	It is important to provide proper warehousing , cold storage and logistics facilities for trading items in general and perishable items such as floriculture, mushroom and organic products in particular	These facilities should be provided at the Moreh ICP which is being developed as well as at Imphal Airport.	Department of Commerce and Ministry of Civil Aviation
8.	Lack of Institutions at State level to promote trade	Trade and advisory bodies should open offices in North Eastern States that are involved in India-Myanmar border trade	A think tank should be established by the DoC for research on policy-oriented trade and economic development related aspects of North Eastern States.	Department of Commerce
9.	Goods are off-loaded at Moreh and they are then uploaded on Indian Trucks thereafter. This adds to time and costs.	Cross border trucking facilities be initiated for faster movement of goods	Vehicle Pass can be issued to trucks carrying goods from the other side of the border.	Department of Commerce and MoRTH needs to hasten the process.
10.	Lack of Entrepreneurship among local businessmen	Capacity Building Programmes, Stakeholders Consultation, International Business Summits, Awareness Programmes and advisory workshops should be held regularly.	Entrepreneurship Development Programme- specifically related to border trade issues should be conducted by the government and other agencies	Department of Commerce and Entrepreneurship Development Institute, Ahmedabad

Table A Continued...

Table A Continued...

Trade in Services				
1.	Unavailability of proper facilities at hospitals which includes the full time presence of doctors as well as other staff to attend the patients	Medical infrastructure should be developed	Improve facilities at the hospitals situated at border districts of Chandel, Churachandpur and Ukhrul in north eastern India which will not just benefit the locals but also the poor Myanmar people	Department of Commerce and Ministry of Health
2.	Poor Mobile and Internet Connectivity	Expand network capacity in North eastern Region	Proper monitoring of Comprehensive Telecom Development Plan for North-Eastern Region implemented during the 12 th plan and further re-orientation, if needed	Department of Commerce and Ministry of Telecommunications
3.	Inadequate tourism marketing strategies	Publicizing the tourism potential of the Northeast to tour operators at both the national and international levels	A combined vision for tourism in the region should be perceived. Develop cultural tourist centres.	Department of Commerce and Ministry of Tourism

Table A Continued...

Table A Continued...

Trade Promotion Activities		Department of Commerce
1.	Trade Promotion Activities to enhance border trade.	<p>It has been observed that the trade promotion activities are often not focused on the border <i>per se</i>. Thus, we need to <i>focus on border to augment border trade</i>.</p> <p>An information portal should be developed and made accessible. The portal should provide details with respect to prevailing regulations and trade agreements under which trade can be conducted on India-Myanmar border. Regular interaction between Ministry of Commerce and Industry and the relevant departments/ agencies of bordering states with Myanmar, in presence of traders on a periodic basis to provide explanation and clarification in terms of the prevailing policy regimes that may be utilised to conduct border trade. B2B and G2G need to interact simultaneously in an annual event where participation from both sides of the border could be ensured in areas that strengthen the linkages across border trade in goods, services and cross-border investments. The previous point should be combined with a small exhibition of products and services with representatives from both sides of the border. This event can be alternatively held on both sides of the border.</p>

Table A Continued...

Table A Continued...

Infrastructure				
1.	Road Connectivity	<p>The re-building Stillwell Road from Ledo in India to Myitkyina in Myanmar shall provide a good platform for robust trade ties. Beyond Myitkyina upto Kunming the road is already well developed. Improve trade infra-structure in Moreh as well as road connectivity (Imphal - Moreh road should be 4-lane)</p> <p>Improve road connectivity between Aizawl and Champhai and Zokhawthar.</p>	<p>Speed up the launching / completion of infrastructural projects.</p>	Department of Commerce and MoRTH
	Bus Services: Bus services poor and road conditions along the border areas a major constraint.	<p>Bus services must be improved both within the border area and between the countries</p>	<p>Bus trial runs on a regular basis Car rallies could be a good way to connect people and improve road infrastructure</p>	Department of Commerce and MoRTH
2.	Air Connectivity	<p>Improve Air connectivity</p>	<p>Developing Dibrugarh airport into an international airport.</p>	Department of Commerce and Ministry of Civil Aviation
3.	Border Area Development	<p>Not only roads, but overall border area should be developed</p>	<p>Day-to-day facilities like restaurants, schools, clinics, Telecom network, banks, ATMs shopping malls etc.</p>	Department of Commerce and other ministries
People to People contact				
1.	<p>Visa on arrival facility is not available to traders from both sides. This is the single most important factor that deter trade and Investment as it restrict moment.</p>	<p>For easier movement of traders from both sides visa on arrival facility should be started.</p>	<p>A consulate office of Myanmar should be opened in North Eastern states at the earliest.</p>	Department of Commerce and MEA

Annexure I

AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF INDIA AND THE GOVERNMENT OF THE UNION OF MYANMAR ON BORDER TRADE BETWEEN THE TWO COUNTRIES

The Government of the Republic of India and the Government of the Union of Myanmar, being desirous of promoting trade relations between India and Myanmar, and through friendly consultations, , have agreed to the formal establishment of border trade on the basis of equality and mutual benefit and have reached the following agreement.

ARTICLE I

The border trade shall be conducted through the following designated customs posts and in accordance with the laws, regulations and procedures in force in either country:

- (a) Moreh in India and Tamu in Myanmar
- (b) Champai in India and Hri in Myanmar
- (c) Other places that may be notified by mutual agreement between the two countries.

Adequate provisions will be made to enable buyers of either country to inspect and take delivery of goods at the customs posts in the country of the seller.

The goods to be traded on the border under this agreement shall be as permitted by both governments.

ARTICLE II

Exchange of locally produced commodities as indicated in Annexure I, by people living along both sides of the Indo-Myanmar Border will continue as per the prevailing customary practice including the barter mechanism.

ARTICLE III

Trade under the Agreement may be conducted in freely convertible currencies or in currencies mutually agreed upon by the two countries, including through counter trade agreements.

ARTICLE IV

This Agreement shall be reviewed periodically by both sides to ensure a successful implementation of its objectives and provisions. In case of differences relating to and arising out of this Agreement, the same shall be amicably settled in the spirit of mutual cooperation and friendship.

ARTICLE V

Amendment(s) and/or supplement(s) to this Agreement shall be made by Exchange of Letter between the two sides.

ARTICLE VI

The Agreement shall come into force with effect from a date mutually agreed upon by the two sides and shall remain in force for two years from that date. It shall be automatically extended for a period of two years at a time unless either side gives notice in writing of its intention to terminate this Agreement three months in advance of the date of expiry.

Done in New Delhi on the 21st day of January, 1994 on three originals, in the Hindi, Myanmar and English Languages. The three texts shall be equally authentic, but in case of any divergence of interpretation, the English text shall prevail.

On behalf of the
Government of the
Republic of India
Sd/-
(TEJENDRA KHANNA)
SECRETARY
MINISTRY OF COMMERCE
MINISTRY OF TRADE

On behalf of the
Government of the
Union of Myanmar
Sd/-
(LT. COLONEL KYAW MYINT)
DIRECTOR GENERAL
DIRECTORATE OF TRADE

Annexure-I

COMMODITIES IDENTIFIED FOR EXCHANGE BY RESIDENTS LIVING ALONG THE BORDER BETWEEN INDIA AND MYANMAR.

1. Mustard/Rape seed
2. Pulses and Beans
3. Fresh Vegetables
4. Fruits
5. Garlic
6. Onion
7. Chillies
8. Spices (Excluding Nut Meg, Mace, Cassia and Cloves)
9. Bamboo
10. Minor forest products excluding teak
11. Betel nuts and leaves
12. Food items for local consumption
13. Any other commodities as may be mutually agreed

ADDITIONAL COMMODITIES APPROVED

1. Tobacco
2. Tomato
3. Reed Broom
4. Sesame
5. Resin
6. Coriander Seeds
7. Soyabean
8. Roasted Sunflower Seeds
9. Katha
10. Ginger

List of items permitted for imports under the Border Trade Agreement with Myanmar as on 1.04.2007.

Description of goods

1. Rice
2. Pulses and Beans
3. Chana
4. Mustard and Rape seed
5. Ground Nut
6. Fresh Vegetables and Fruits
7. Garlic and Onion
8. Reed Broom
9. Sesame Seeds
10. Betel-Nuts
11. Turmeric
12. Dried Ginger
13. Coriander
14. Dried Chilly (including in powder form)
15. Wood in the rough, whether or not stripped of bark, timber, wood roughly squared, wood sawn or chipped lengthwise, sliced of a thickness exceeding 25mm
16. Bamboo
17. Tomato
18. Sunflower seeds
19. Resin
20. Catechu
21. Betel leaves

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Ministry of Commerce & Industry
Department of Commerce
Directorate General of Foreign Trade
Udyog Bhawan, New Delhi -110 011

PUBLIC NOTICE NO. 30 (RE-2012)/2009-2014
NEW DELHI, DATED THE 16th NOVEMBER, 2012

Subject: Indo-Myanmar Border Trade.

1. In exercise of powers conferred under paragraph 2.4 of the Foreign Trade Policy, 2009-14 and in supersession of Public Notice No. 289(PN)/92-97 dated 10th April, 1995 and Public Notice No. 106(RE-2008)/2004-2009 dated 7th November, 2008, the Director General of Foreign Trade hereby makes the following arrangements with a view to promote Indo-Myanmar Border Trade:
2. In terms of the provisions contained in the Foreign Trade Policy, import/export of the following commodities/items is permitted by the people living along both sides of the Indo Myanmar Border as per the prevailing customary practice:

th April,

1995:

1. Bamboo, 2. Betal Nuts and Leaves, 3. Chillies, 4. Coriander Seeds, 5. Food Items for Local consumption, 6. Fresh Vegetables, 7. Fruits, 8. Garlic, 9. Ginger, 10. Katha, 11. Minor forest products (excluding Teak), 12. Mustard/Rape seed, 13. Onion, 14. Pulses and Beans, 15. Reed Broom, 16. Resin, 17. Roasted Sunflower Seeds 18. Sesame, 19. Soyabean, 20. Spices (excluding Nut Meg, Mace, Cloves, Cassia & Cinnamon), 21. Tobacco, 22. Tomato.

II. 18

7th November, 2008:

1. Agarbatti, 2. Bicycle's Spare parts, 3. Blades, 4. Bulbs, 5. Cosmetics, 6. Cotton fabrics, 7. Fertilizers, 8. Imitation jewellery, 9. Insecticides, 10. Leather footwear, 11. Life saving drugs, 12. Menthol, 13. Mosquito Coils, 14. Paints & Varnishes, 15. Spices, 16. Stainless steel utensils, 17. Sugar & Salt, 18. X Ray paper & Photo paper

III. 22 new commodities/items added through this Public Notice:

1. Agricultural machinery/equipments/tools, 2. Bicycle, 3. Bleaching powder, 4. Coal, 5. Edible Oil, 6. Electrical & Electric Appliances, 7. Fabricated steel products, 8. Garments /readymade garments/cloths, 9. Handlooms and handicrafts items, 10. Hardware/minor construction materials and electrical fittings, 11. Lime, 12. Medicines,13. Milk powder, tea, edible oil, beverages, 14. Motor Cycles & Motor Cycle Spare Parts, 15. Other items such as electronic/musical instruments, stationary item, torch light, 16. Plastic items: water tank, buckets, chairs, plastic pipes and briefcase, 17.Rice,Wheat, Maize,Millet&Oats, 18. Scented tobacco, 19. Semi precious stone, 20. Sewing machines, 21. Textile fabrics, 22. Three wheelers/cars below 100 CC.

3. Effect of Public Notice:

- i. Existing arrangements for import/export of commodities/items under Indo Myanmar Border have been revised; and
- ii. 22 new commodities/items have been added to the existing list of 40 tradable items and all the 62 commodities/items consolidated.

Sd/-
(Anup K.Pujari)
Director General of Foreign Trade
E-mail: dgft@nic.in

(Issued from F.No.01/89/180/Misc.49/AM-04/PC-I (A).Vol.III)



RESERVE BANK OF INDIA
Mumbai- 400 001

RBI/2015-16/230

November 05, 2015

A. P. (DIR Series) Circular No. 26

To
All Authorised Dealers in Foreign Exchange
Madam / Sir,

Switching from Barter Trade to Normal Trade at the Indo-Myanmar Border

1. Attention of the Authorised Dealers is invited to A.D. (G.P. Series) Circular No.8 dated May 17, 1997 read with A.P.(DIR Series) Circular No. 17 dated October 16, 2000 in terms of which it has been stipulated that the border trade between Myanmar and India may be settled through barter system. Further, in terms of Regulation 3 and 5 of the Notification No. FEMA 14/2000-RB dated May 3, 2000 [viz. Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2000] as amended from time to time, the trade transactions with Myanmar may be settled in any permitted currency in addition to the Asian Clearing Union mechanism.

2. Barter trade was initially permitted to facilitate exchange of locally produced commodities along the Indo-Myanmar border. As such, these transactions were not captured in the banking system or reflected in the trade statistics. However, over a period of time the trade basket has diversified and adequate banking presence is in place to support normal trade with Myanmar.

3. It has, therefore, been decided, in consultation with Government of India, to do away with the barter system of trade at the Indo-Myanmar border and switch over completely to normal trade with effect from December 1, 2015. Hence instructions contained in A.P. (DIR Series) Circular No. 17 dated October 16, 2000, stand withdrawn. Accordingly, all trade transactions with Myanmar, including those at the Indo-Myanmar border with effect from December 1, 2015 would be settled in any permitted currency in addition to the Asian Clearing Union mechanism.

4. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.

5. Reserve Bank has also amended the Principal Regulations through the Foreign Exchange Management (Export of Goods & Services) (Second Amendment) Regulations, 2015 notified through Notification No FEMA.347/2015-RB dated July 24, 2015, vide G.S.R. No 579 (E) dated July 24, 2015.

4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the FEMA, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,
(A. K. Pandey) Chief General Manager

Annexure IV

**TO BE PUBLISHED IN THE GAZETTE OF INDIA EXTRAORDINARY PART-1, SECTION-1
GOVERNMENT OF INDIA
MINISTRY OF COMMERCE AND INDUSTRY
DEPARTMENT OF COMMERCE
DIRECTORATE GENERAL OF FOREIGN TRADE**


**PUBLIC NOTICE NO. 50/(2015-2020)
NEW DELHI: DATED THE 17th December, 2015**

Subject:-Rescinding of the Public Notice No. 30 (RE-2012)/2009-2014 dated 16th November, 2012.

In exercise of powers conferred under paragraph 2.04 of the Foreign Trade Policy, 2015-2020, the Director General of Foreign Trade hereby rescinds the Public Notice No. 30 (RE-2012)/2009-2014 dated 16th November, 2012 vide which a list of 62 tradable items had been notified for the Indo – Myanmar Border Trade. Along with the Public Notice No. 30 (RE-2012)/2009-2014 dated 16th November, 2012, the Public Notice No.289/92-97 dated 10th April, 1995 and Public Notice No.106 (RE-2008)/2004-2009 dated 7th November, 2008 are also rescinded.

2. Effect of this Public Notice:

With the transition to normal trade across Indo – Myanmar Border at Moreh (Manipur), all the Public Notices on Indo - Myanmar Border Trade are rescinded herewith.


(Anup Wadhawan)
Director General of Foreign Trade
Email: dgft@nic.in

[Issued from F.No. 01/89/180/Misc.49/AM-04/PC-2 (B)]



The banner features the RIS logo on the left and the Manipur University logo on the right. The central text is in white and light blue on a purple background.

RIS
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MANIPUR UNIVERSITY

**One-Day Stakeholders' Consultative Workshop
on
India-Myanmar Border Trade:
Potential, Constraints and Policy Recommendations**

21 January 2016
Department of Economics
Manipur University
Imphal

Programme

9.30 am : Registration

10.00 am to 11.15 am : Welcome and Introductory Remarks: **Prof. Ram Upendra Das, RIS**

Business Session I

Moderator: **Prof. Ch. Priyoranjan Singh, Department of Economics, MU**

Theme: *The General Context of Indo-Myanmar Border Trade & India's Act East Policy*

Speakers:

1. Prof. Amar Yumnam, Department of Economics, Manipur University
India's Act East Policy & Indo-Myanmar Border Trade: A Critical Perspective
2. Prof. Konsam Ibo, Department of Political Science
Indo-Myanmar Relationship and the Emerging Political Economy in SE Asia
3. **Dr. L. Rajen, Department of Political Science**
Indo-Myanmar Relationship: Opportunities and Challenges

11.15 am to 11.30 am : High Tea

11.30 am to 1.00 pm : Business Session II
Moderator: **Prof. Amar Yumnam, Department of Economics, MU**
Theme: *State-Specific Experience*

Invited Speakers from Manipur, Nagaland, Mizoram & Arunachal Pradesh

1. **Prof. D K Chakraborty**, Dept. of Economics, Dibrugarh University, Assam
Indo-Myanmar Border Trade: The Arunachal Experience
2. **Prof. E. Nixon Singh**, Department of Management, Mizoram University
Indo-Myanmar Border Trade: The Mizoram Experience
3. **Dr. RKPG Singha**, Pachunga University College, Aizwal
Indo-Myanmar Border Trade: The Mizoram Experience
4. **Dr. Thiyam Bharat**, Reader, CSSEIP, Manipur University
Indo-Myanmar Border Trade: The Manipur Experience
5. **Dr. T ZarenthungEzung**, Department of Economics, Nagaland University
Indo-Myanmar Border Trade: The Nagaland Experience

1.00 pm to 1.30 pm : Lunch

1.30 pm to 5.00 pm : Business Session III
Moderator: **Prof. Ch. Priyoranjan Singh, Department of Economics, MU**
Theme: Views from Invited Speakers of Trade Bodies, Traders & Other Stakeholders

Key Speakers:

1. **W. Nabachandra**, President, Indo-Myanmar Border Trade Union (IMBTU)
2. **Dr. Th. Dhabali**, President, Manipur Chambers of Commerce & Industry (MCCI)
3. **N. Ibogochoubi**, Vice President, Manipur Tourism Forum
4. **N. Rudramani**, Member, IMBTU
5. **HoabamJoyremba**, MD, CubeTen Technologies Pvt. Ltd.
6. **T. Rashmani Sharma**, IMBTU
7. **ThokchomJotin**, MCCI
8. **KhagembaSanabam**, MCCI

Concluding Remarks : **Prof. Ram Upendra Das, RIS**

List of Participants

One-Day Stakeholders' Consultative Workshop on India-Myanmar Border Trade: Potential, Constraints & Policy Recommendation

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**Overall outcomes from one day stakeholder's consultation held at
Manipur University on 21 January 2016**

Constraints	Potentials	Policy Recommendations
Trade in Goods		
Border trade is severely constrained by restriction on number goods which could be traded		Expansions of list- Further increase the items in formal trade as per the demand on both sides
	Transit trade of Indian goods to other countries - Transit trade can be started via Myanmar- to China, Thailand, etc.	Trilateral highway connecting India with South East Asia should be operationalized as soon as possible and favourable policies should be put in place to facilitate Transit trade
Trade in Services		
	Health/ Medical tourism- India is a cost effective destination for well developed medical facilities. For example, Cost of kidney stone removal in Myanmar is \$2000, whereas the same in India is Rs 40000.	State of the art Medical facilities should be established in North Eastern states to tap potential of Healthcare tourism.
	Education is relatively cheap and well developed in India vis-a-vis Myanmar. There exist significant deficit of skilled workforce and professional's in Myanmar. With change in regime economy would move on a higher trajectory of growth. This would require skilled workforce and India should arrest this opportunity	India should strengthen education intuitions in North Eastern states in order to attract pupil form Myanmar. Mutual recognition agreement of educational degrees should be concluded with Myanmar in order to make Education Degree mutually compatible.
Trade Facilitation		
Lack of awareness on tax regulations and customs procedures among traders lead to harassment by officials. This induces traders to use the informal route which cause loss to exchequer.		Capacity Building for Traders is required to fulfill Legal obligations. E- Platforms should be use Spread awareness and disseminate Information.

<p>Lack of Trade advisory services- All main trade offices are in Guwahati. EXIM bank and other advisory and information providing organizations are not there in bordering states. Moreover, Traders have resentment over lack of transit insurance facilities in bordering states</p>		<p>It must be considered to open EXIM bank Branch in North eastern bordering states along with, other trade related offices like APEDA, CII, etc.</p>
<p>Lack of monitoring and evaluation of trade related work</p>		<p>Form a North East Region Export Promotion Committee comprising of Secretary, Director (trade & commerce) and trader's representatives in each North Eastern states for supervision and evaluation of trade related projects and timely completion of projects.</p>
<p>Lack of trade related research</p>		<p>A think tank should be established for research on Trade related aspects of North Eastern States.</p>
<p>People to People contact</p>		
<p>Visa on arrival facility is not available to traders from both sides. This is the single most important factor that deter trade and Investment as it restrict moment.</p>		<p>For easier moment of traders from both sides visa on arrival facility should be started. In this regards, it is important that a opened in North Eastern states at the earliest.</p>
	<p>There exists socio-cultural and ethnic similarity along Indo-Myanmar border. This should be capitalized to boost trade.</p>	<p>Local nationals of both sides can stay in the other country for three days within 16 km on either side. Three day restriction doesn't have any logical explanation and it should be further liberalized for strengthening people to people contact. This would have positive impact on trade.</p>
<p>Investment</p>		
	<p>We can consider exporting Tea to Myanmar. Exporting tea through land route would also be relatively less time consuming.</p>	<p>Tea processing Factories should be set up in North Eastern states to especially cater to Export demand in Myanmar and South East Asia.</p>

**State-wise outcomes from one day stakeholder's consultation held at
Manipur University on 21 January 2016**

Arunachal Pradesh

Constraints	Potentials	Policy Recommendations
Trade in Goods		
Most of the goods which are traded have third country origin, mainly Chinese.		Tap Indigenous Myanmar goods- Instead of third country goods, efforts should be made to tap indigenous Myanmar goods as they have good demand in Nampong.
Main form of trading is barter trade and in some cases Indian Rupees. This is because of lack of development, currency exchange facility, remote location, etc.		Currency trade should soon replace barter trade
Trade in Services		
	Tourism- Arunachal Pradesh has 12 tourist circuits across 83,500 sq. Km. Each tourist circuit is distinctive in character with different ethnic culture, topography and vegetation.	Develop tourism sector- India has not been able to attract more visitors from Myanmar despite potential in this sector.
Trade Facilitation		
Poor Road Connectivity- Condition of stillwell road from Nampong to Pangsung Pass is not good. Practically, roads don't exist. On Myanmar side also road is in bad shape. It takes 2-3 days of travel on foot.		Road Connectivity- The re-building Stillwell Road from Ledo in India to Myitkyina in Myanmar shall provide a good platform for robust trade ties. Beyond Myitkyina upto Kunming the road is already well developed. Improve Air connectivity by developing Dibrugarh airport into an international airport. Overall Border area development- Not only roads, but overall border area should be developed with Telecom network, bank, ATMs etc.
Investment		
	Medical services and Educational services have potentials for trade across border	Need to develop Medical and Educational Infrastructure of the state

Manipur

Constraints	Potentials	Policy Recommendations
Trade in Goods		
Only 62 items are currently permitted for trade across border at Moreh. Other items which are not included in the list are traded illegally		Expansion in number of items permitted- More number of items should be included in the approved list
	Fish has an important place in diet of people in Manipur, currently it is sourced through Andhra Pradesh	Import of fish from Myanmar should be facilitated, as it transportation would be less time consuming and less expensive.
Trade Facilitation		
Integrated Check post (ICP) at Moreh is still under construction – pace of implementation does not commensurate to traders’ expectations.		Improve trade infra-structure in Moreh as well as road connectivity (Imphal - Moreh road should be 4-lane)
Lack of civic amenities and favorable facilities in Moreh and on Imphal-Moreh road		Provision of basic amenities at Moreh- Reliable electric power and High speed Internet connectivity should be made available at Moreh town
Law & order situation – Frequent Bandhs & Blockades Too many check points, extortion and Illegal taxation- There are more than 20 check points out of which only 2 are legal. Security forces and Insurgents demand illegal taxes and extortion money respectively.		Need to improve law & order situation and promote good governance. This will minimize bandh and blockades Optimise number of check points- Make trade flow as smooth as possible en route to Imphal optimising the check points. Also a check should be kept on illegal taxation and extortion.
Lack of currency exchange facilities, telecommunication, ATM- There is only single Bank branch (United Bank of India) at Moreh which deal in foreign exchange, however it is severely constrained in manpower and infrastructure		Setting up Multiple Financial institutions at Moreh- proper banking facilities, currencies exchange facilities, increase number of ATMs etc. This would further facilitate in regularizing currency exchange
Traders are facing lengthy process as official trade procedures consumes a lot of time		Easing of custom procedures and Capacity building program for the local traders
Lack of food testing laboratory and other Infrastructure facilities at Moreh		Need to establish food testing laboratory, Veterinary and fishery testing labs with equipment of international standard at Moreh. Warehousing and storage- It is important to provide proper warehousing , cold storage and logistics facilities at Moreh and at Imphal Airport for trading items in general and floriculture, mushroom and organic products in particular

Lack of Institutions at State level to promote trade		Directorate of Trade and Commerce needs to be established in Manipur as done in the States of Mizoram, Nagaland, Assam, Arunachal Pradesh, etc.
Goods are off-loaded at Moreh and they are then uploaded on Indian Trucks thereafter. This adds to time and costs.		Cross border trucking facilities be initiated for faster movement of goods
Investment		
State Government needs to do more in terms of attracting investment		International Business Summits be organized at Imphal/Moreh at least Biannually, inviting foreign investors and traders for further growth and development in international business.
		Relaxation in terms of sale tax, income tax, central excise for few years to motivate investors to invest.
	Among goods state has potential for development are Handlooms and Handicrafts products ,Cardamom,Ginger, Passion fruit, Floriculture, Minerals, Bricks, Meat products ,Silk, Coffee, Tea and Rubber.	Favourable FDI regime should be put in place to attract FDI in these sectors. At the same time Social and Physical Infrastructure should be built on. Law and Order situation should be more favourable towards Business.

Mizoram

Constraints	Potentials	Policy Recommendations
Trade in Goods		
consumer goods , other than allowed through legal channel		Move to formal trade- It is the need of the hour to sustain the trade by converting informal trade into formal trade
	Potential items for exports- Passion fruit, raw cotton, Tung seeds, citrus fruits, tapioca, ginger, processed fruits, processed spices, Tung oil, handloom & handcraft etc.	
	Potential for imports- There is good potential of importing pulses, wood, rice & its products	

Trade in Services		
	Eco-tourism - Though Mizoram has plenty of places of interest for nature lovers, but it has not been promoted appropriately	Need to encourage Eco-tourism by promoting hot spots like hot spot like Aizawl, Tamdil Lake, Vantawng Water Falls, Champai, Lunglei, and bung and Paikhai are well suited to tourists who are willing to enjoy nature sightseeing as well as rich culture and tradition of Mizo state
	- There is cultural proximity and language is same on both sides of border. Cultural affinity can be utilized to develop prospects of trade.	Rih-del lake-crosses both sides of border. Myanmar is developing it as a Cultural Tourist Centre; same can be done by India to attract Tourist from Myanmar side.
Trade Facilitation		
Lack of Financing - Financing by banks and financial institutions to the entrepreneurs for the growth and development of border trade is very crucial.		Improve access to finance by entrepreneurs at easy terms and conditions
Lack of Infrastructure especially road connectivity to border town		A substantial investment in the social sector, physical infrastructure, energy and power, health care, hotel and tourism is urgently required. Improve Road Connectivity - Improve road connectivity between Aizawl and Champhai and Zokhawthar
Lack of Entrepreneurship among local people		Entrepreneurship Development Programme - specifically related to border trade issues should be conducted by the government and other agencies
Investment		
	Potential Industries which could be Developed -Bamboo and timber based industries, Agro-horticulture sector, Food processing, Mines and Minerals sector, Safety matches units, Handloom & Handicraft products, Medicinal plants & Herbs, Tourism sector	All the sectors having favourable Investment potential should be projected across SE asia including Myanmar to attract FDI.
	High literacy rate prevalent in the state facilitates the IT industry	A separate IT policy has been announced to encourage investment in this sector; however it should be pro-actively pursued. There is a potential to export IT services because of cultural affinity across border.

Nagaland

Constraints	Potentials	Policy Recommendations
Trade in Goods		
	The Border Haats can play a facilitating role of enabling local trade and increasing people-to-people contacts	Facilitate establishment of border haat along Nagaland Myanmar border
	Potential Items for trade- Chopsticks, horticulture products, handloom & handicrafts etc.	
People to People contact		
Free movement of people across border is restricted to three points, namely Pangsou, Moreh and Zwkhatthar in the States of Arunachal Pradesh, Manipur and Mizoram respectively		An additional point on border for people to people contact should be established in Nagaland

Annexure IX

One-day Stakeholder's Consultative Workshop at Trade Centre Moreh (22nd January 2016)

Title	First name	Surname	Designation		Mobile no.
Mr.	D.P.	Kala	Deputy Director (Admn.)	RIS	9958052987
Ms.	Harpreet	Kaur	Researcher	RIs	9555343920
Ms.	Nitya	Batra	Researcher	RIS	9555343920
Mr.	Vaibhav	Kaushik	Researcher	RIS	9953308606
Mr.	Ch. Priyoranjan		Professor	Manipur University	9856159928
Mr.	Th. Bharat	Singh	Reader	Centre For Study Of Social Exclusion And Inclusive Policy(CSSEIP)	9089429376
Dr.	Ram Upendra	Das	Professor	RIS	9818125110
Mr.	Kh. Khamba	Meitei	Trader cum Transporter		8259058113
Mr.	N. Inaocha	Meitei	Facilitator		9612616787
Mr.	Md. Abdulbarik				906100378
Mr.	Lenan	Singh	Trader		9774216130
Mr.	Ganesh				8729920312
Mr.	Ajay		Trader		8258826763
Mr.	G.L.	Pawar			8258820266
Ms.	Premela				8794328265
Mr.	K. Kanta	Singh	Businessman		9862108323
Mr.	S. Surinder Singh	Patheja	Secretary		
Mr.	Pawan Kumar	Jain	Businessman		8256901570

Consultation Meeting with Traders at Moreh held on 22 January 2016

Insights Re-iterated and Re-emphasized by Traders at Moreh	conducting trade at Moreh
<ul style="list-style-type: none"> ● Tradable items should be increased from current limit of 62 items. Around 11000 items are traded between Myanmar and China. Myanmar - China border trade stands at \$3.8 billion which constitute 87% of Myanmar's total border trade. 	<ul style="list-style-type: none"> ● Due to insurgency, security forces undertake checking of vehicles at checkpoints along Imphal - Moreh highway. However, Traders have resentment over harassment and demand for bribe by security forces i.e. Manipur police and Assam Rifles. ● On our way, we observed 20 such check-post on 108 kms Imphal-Moreh highway. Traders are not against security checks but want it to be reasonable. In this regards they have advocated formation of Joint Security committee with police and traders as stakeholders so that checking is reasonable and process is faster.
<ul style="list-style-type: none"> ● ICP at moreh is not yet complete. However, ICP on West Bengal-Bangladesh border at Patrapole has been completed. Though, both projects were envisaged at the same time. 	<ul style="list-style-type: none"> ● There is only single lane two way road from Imphal to Moreh with bridges which could withstand one vehicle at a time. ● It creates capacity constraint as truck with 20 ton capacity could only carry 13 tons. This leads to under-capacity and adds to inefficiency thereby increasing transportation cost.
<ul style="list-style-type: none"> ● Food sample from Moreh are sent to food testing facility at Imphal. Dispatch of material to Imphal, testing and declaration of results takes around 15 days. At times sealed samples are opened by security forces for checking and opened samples are not accepted by Food testing facility at Imphal. This imposes huge cost on traders and hinder trade. Opening a food testing facility at Moreh would significantly reduce this delay. 	<ul style="list-style-type: none"> ● Import duty on areca nut from Myanmar has been reduced to 0% under DFQF policy towards LDC which includes Myanmar. However, custom department sill charges custom duty @5%.
<ul style="list-style-type: none"> ● Lack of awareness among traders about custom rules and regulations lead to exploitation by custom officials and demand for bribe. 	<ul style="list-style-type: none"> ● Insurgents also demand extortion money from traders which include four components; annual illegal charge, warehouse charge (for keeping goods in warehouse), goods charge (on goods which are transported from Moreh to Imphal) & entry charges.

Insights Re-iterated and Re-emphasized by Traders at Moreh	conducting trade at Moreh
<ul style="list-style-type: none"> ● Internet connectivity is very poor, most of the businessmen don't even have e-mail ID's. ● Internet failure at the single bank branch of UBI at Moreh which deals in Foreign exchange leads to delay and interruption in movement of traders and goods. ● Most of the traders operate two cell phones, out of which one belongs to Myanmar telecom operator as signal strength from Myanmar is excellent at Moreh. 	<ul style="list-style-type: none"> ● There is no warehousing facility at Moreh, traders have created temporary makeshift warehouses which are not adequate.
<ul style="list-style-type: none"> ● Administration is inflexible and rigid towards traders. Traders have many times raised their voices against rampant corruption among government agencies and illegal charges by Insurgents. But their voices have gone unheard. 	<ul style="list-style-type: none"> ● People from across India have settled in Moreh and most of them engage in Indo - Myanmar trade. There is aspiration among local population towards participation in trade and consequently driving gains from trade.
<ul style="list-style-type: none"> ● Traders advocated visa on arrival facility for movement from India into Myanmar and vice-versa. This would significantly facilitate trader's moment. 	<ul style="list-style-type: none"> ● Border Trade along North Eastern Border States could be capitalized because of good political relations with neighbours and geographic access. The same is not possible with Pakistan and China due to political and geographic reasons respectively.

About the Study

There are various strategies with which countries can economically integrate with other countries, especially with those that are geographically proximate and share land borders. Myanmar is a country uniquely placed to help integrate India not only with itself but also with the countries of the South-east and East Asian regions. India-Myanmar border trade or in other words, trade via land borders, thus assumes special significance.

This study situates border trade in a broader context by highlighting some conceptual contours relating to development zone approach; a paradigm of peace-creating prosperity; two-way causality between domestic and external imperatives; combining export-led growth with growth-led export strategy; and adopting an integrated approach towards trade in goods, trade in services and investment.

In doing so, the study incorporates insights gained from field-visits while identifying potential and constraints. It also traverses into various infrastructural issues both hard and soft, and in some instances takes into account some of the important non-economic issues.

Based on its analysis, the study recommends policy directions and practical implementation measures to make the study relevant for an informed decision-making process.

About the Author

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