

Indo Myanmar Border Trade and The Business Opportunities of The Gateway State- A Hubbub of Act East Policy

NAHAKPAM BABULIN MEITEI¹, DR. VINAY PRATAP²

^{1, 2} CMJ University, Meghalaya

Abstract— Border trade (BT) generally refers to the flow of goods and services across the international borders between two territories. Borders actually denotes the peripheral land of a country lying across the international boundary. However there are borders between states of a country too. Those areas are called state borders. For example, the entire North East of India (NOI) is a borderland in terms of in terms of India, however, the states within North East of India (NOI) has state borders among the states. The entire peripheral areas of North East of India (NOI) along the international boundaries are considered as border. Beyond the International boundary, contiguous to our border lies the border zone of the neighbouring country. With the opening of trade through Moreh, the host of opportunities of business for local indigenous youths of Manipur has also been started. Though, considerable number of people living in the border areas has some sort of trade that takes place between them, it fails to achieve the larger goal of achieving the facilitation of trade to South-East and Far-East Asian countries. It is pertinent to note that more than 90 per cent of the total trade between India and Myanmar takes place through the maritime route. The land route i.e. land border trade accounts for a negligible share i.e. less than 1 per cent of India's total trade with Myanmar even though the Northeast States share more than 1600 km of common international border with Myanmar. On the other hand, as per household census report 2014 of Myanmar, around 70 percent of emigrant Myanmar people have chosen Thailand for higher income opportunities and a meagre 0.9 percent (The 2014 Myanmar Population and Housing Census) of emigrant Myanmar people opted for India. The engagement of local youth in border trade is also very less. People from other states especially from southern states have engaged themselves in the border trade and in the façade of time they identify themselves as Manipuri too. The malls and markets of Manipur are flooded with products from South-East-Asian and Far-East Asian countries through Myanmar. However, the opening of land route couldn't help and engage people of Northeast of India, especially Manipur to rip any benefit so far. Thus Indo- Myanmar Border trade through land

route and the knocking of opportunities of trade is more of a hubbub of Act-East Policy of Government of India.

Index Terms— Act-east Policy, Border Trade, Bottlenecks, Terrestrial Trade

I. INTRODUCTION

Trade:

Trade, on the other hand, is a natural economic activity. It is generally a transaction of goods and or exchange of things for the purpose earning or to meet the day-to-day needs. Trade is a flow of commodities from the producer to the consumer. The commodities can flow between the persons, communities and between two counties. Initially the exchange of goods takes pace through barter systems, that is you have something that you give and in exchange I have something to offer. As stated above trade has many benefits such as

- i) Trade provides more choice of products and a range of qualities to choose from.
- ii) Free trade cuts the cost of living. The result of reduced cost of production and reduced prices of finished goods and services ultimately lowers cost of living.
- iii) Trade raises income. Due to the rules that put in place, trade barriers are lowered and this increases imports and exports, thus helping counties to earn foreign exchanges and which in turn helps to raise the counties income.

It can be perceived from the above discussion that border trade is the exchange of goods and services near the international border, characterised by a price difference in a range of solicited items. The trade takes place between two counties under set of rules through standard EXIM frameworks of nations.

Indo Myanmar Border trade:

Border peripheries of a country or a state have often been described as a ‘zone of contact’, where business opportunities, person to person contacts crisscrossed each other by creating new possibilities and advantages. Thus the border becomes permeable and trans-border activities become the norm.

Over the last few years North East of India (NOI) had witnessed an accent on developing the infrastructure through widening state and border roads, expanding air connectivity to all the states either by infusing funds to operate old airports or creating green field airports, extending railway networks to the nearby locations of all state Headquarters (SHQ), opening new and reactivating old dormant trade routes, and facilitating border trade and transit points. The infrastructural and logistical expansion had therefore infused a new lease of life into the towns and cities of the region, which were mostly serving as administrative centres. In 2015, 7 cities from the region, namely- Guwahati, Imphal, Agartala, Pasighat, Aizwal, Kohima and Shillong, were among the ‘smart city’ nominees. Moreh the border town of Manipur, situated on the Indo-Myanmar border, was declared a ‘Free Trade Zone’ by the Government of India in 1995 and has developed into a township. The Government of Manipur had taken the initiative to build a market complex in Moreh with a budget of Rs. 22 crores. The number of items to be traded between India and Myanmar had increased from 40 to 62 in November 2012. The table 1 below shows the list of items that are allowed to be traded with.^[1]

Table 1 List of Items under Indo-Myanmar Border Trade

List of Items	
1) Mustard/Rape seed	32) Leather footwear
2) Pulses & Beans	33) Life saving drugs
3) Fresh Vegetables	34) Menthol
4) Fruits	35) Mosquito Coils
5) Garlic	36) Paints & Varnishes
6) Onion	37) Spices
7) Chilies	38) Stainless steel utensils
8) Spice (excluding nutmeg, cloves, mace, cassia & cinnamon)	39) Sugar & Salt

9) Bamboo	40) X Ray paper & Photo paper\
10) Minor forest products (excluding teak)	41) Agricultural machinery/equipments/tools
11) Betel Nuts & Leaves	42) Bicycle
12) Food items for local consumption	43) Bleaching powder
13) Tobacco	44) Coal
14) Tomato	45) Edible Oil
15) Reed broom	46) Electrical & Electric Appliances
16) Sesame	47) Fabricated steel products
17) Resin	48) Garments /readymade garments/cloths
18) Coriander seeds	49) Handlooms and handicrafts items
19) Soyabean	50) Hardware/minor construction materials and electrical fittings
20) Roasted sunflower seeds	51) Lime
21) Katha	52) Medicines
22) Ginger	53) Milk powder, Tea, Edible oil, beverages
23) Agarbatti	54) Motor Cycles & Motor Cycle Spare Parts
24) Bicycle's Spare parts	55) Other items such as electronic/musical instruments, stationary item, torch light,
25) Blades	56) Plastic items: water tank, buckets, chairs, plastic pipes and briefcase,
26) Bulbs	57) Rice, Wheat, Maize, Millets & Oats
27) Cosmetics	58) Scented tobacco
28) Cotton fabrics	59) Semi precious stone
29) Fertilizers	60) Sewing machines
30) Imitation jewellery	61) Textile fabrics
31) Insecticides	62) Three wheelers/cars below 1000 CC

Source: ICRIER 2019

Myanmar’s response to the trans-border trade had been largely driven by the state’s internal dynamics.

Myanmar has been imbibed with multiple insurgencies issues along its borders and has had a troubled periphery since independence in 1948. The sole occupation of the Tatmadaw had, at one point of time, been the crackdown of the separatist movements as well as the pro-democracy movements in the state. The independent foreign policies helped to formulate a strategy that coincides to perpetuate Myanmar's status as a buffer state between India and China. However, it didn't help, since the late 1980s, Myanmar had been criticized for its human rights abuses. The Tatmadaw government, under the new terms of State Law and Order Restoration Council (SLORC), urgently needed foreign exchange, capital equipment, technical expertise to prevent the collapse of its ailing economy, and needed assistance in defeating ethnic insurgency. China took this as an opportune moment to establish closer military and economic ties with the Tatmadaw in Yangon. Interestingly, when Myanmar military opened up its economy, India too had stepped in. India's Twin Track policy of playing the balancing act between choosing to engage with the military regime without forsaking its policy to support restoration of democracy in Myanmar was overtaken by China's robust support to the Tatmadaw. Myanmar's border trade revolves around certain key objectives:

- To further strengthen the existing friendship between the two countries.
- To promote border trade between the two countries, putting it in line with normal trade.
- To get reasonable revenue for the State.
- To facilitate private business activities there by allowing them to acquire reasonable profit.
- To enhance the smooth flow of commodities. (Department of Border Trade)

India's 'Look and Act East Policy' was a strategic response after the collapse of the Union of the Soviet Socialist Republics (USSR) that unfolded the plethora of opportunities to Southeast Asian nations through North East India (NOI). The policy had several substructures for the region as well. It is important to count the political situation of the region, often entangled with the issues of identity of ethnicity, in order to understand how the region would react with more infusion of capital, labour and logistics. It would be a testing time for the frontier towns of India and

Myanmar, Moreh-Tamu and Champhai that are being projected as the gateways to the two upcoming mega projects uniting South and South East Asia, the Trilateral Highway and the Trans Asian Railway Network.

Trade Trends:

India-Myanmar bilateral trade has grown from US\$ 994.45 million in 2007-08 to US\$ 1.6 billion in 2017-18, an approximate increase of 61 per cent as per reports as stated in Figure-1.

Figure 1- India's Trade with Myanmar (USD Million)



Source: Director General of Foreign Trade, Ministry of Commerce and Industry, Government of India

There has been a decline of border trade in the year of 26 percent in 2017-2018 from the previous year of 2016-2017. As stated in the diagram, compared to 2016-17, exports fell by 13 per cent and imports by 40 per cent in 2017-18. In fact, 2017-18 saw imports from Myanmar fall to their lowest value in the last ten years.

The reason for the decline in imports from Myanmar has been the import restrictions on peas and lentils levied by India due to its bumper production in the home turf that drove down the domestic prices resulting the government to put the item category as 'restricted' from the earlier 'free'.

A comparison of commodities exported from India to Myanmar during 2011-12 and 2017-18 shows a change in the composition of bilateral trade. During 2011-12 to 2017-18, the share of top 5 export commodities decreased from 69 per cent to 51 per cent indicating a more diversified export basket compared to the previous period. In 2011-12, the top most item traded was articles of iron or steel. In 2017-18,

pharmaceutical products became the top traded commodity (Table 2).

Table 2 India’s Top 5 Exports to Myanmar (Values in US\$ million)

HSCode	Commodity Description	2011-12		2017-18	
		Value	% Share	Value	% Share
30	Pharmaceutical products	78	14.4	179	18.5
72	Iron and steel	31	5.6	109	11.2
85	Electrical machinery and parts	-	-	68	7.0
87	Vehicles and parts	-	-	67	7.0
17	Sugars and sugar confectionery	-	-	67	7.0
73	Articles of iron or steel	214	39.2	-	-
2	Meat and edible meat offal	28	5.1	-	-
23	Residues from food industries	27	4.9	-	-
Total of Top 5 Exports		378		490	
Share of Top 5 Exports in Total Exports			69.2		50.7

Source: Directorate General of Foreign Trade, Ministry of Commerce and Industry, Government of India

Examining India’s imports from Myanmar during 2011-12 to 2017-18, we find that the share of top 5 imports remained almost constant indicating no diversification of the import basket compared to the previous period.

Table 3 - India’s Top 5 Imports from Myanmar (in US\$ million)

HS Code	Commodity Description	2011-12		2017-18	
		Value	% Share	Value	% Share
7	Edible vegetables and roots	668	49.1	432	71.1
44	Wood and articles of wood	669	49.1	143	23.5
72	Iron and steel	-	-	14	2.3
78	Lead and articles thereof.	-	-	12	2.0
9	Coffee, tea, mate and spices.	-	-	7	1.1
27	Mineral fuels, oils and their products	11	0.8	-	-
28	Inorganic chemicals	7	0.5	-	-
5	Products of animal origin, nes	6	0.4	-	-
Total of Top 5 Imports		1361		608	
Share of Top 5 Imports in Total Imports			99.9		100

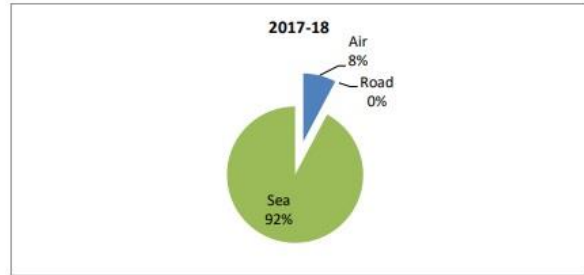
Source: Directorate General of Foreign Trade, Ministry of Commerce and Industry, Government of India

In both the time periods, the top 2 imported commodities remained the same and accounted for more than 95 per cent of the imports from Myanmar.

Mode wise distribution of Trade :

More than 90 per cent of the total trade between India and Myanmar takes place through the maritime route (Figure xx). The land route i.e. land border trade accounts for a negligible share i.e. less than 1 per cent of India’s total trade with Myanmar even though the Northeast States share more than 1600 km of common international border with Myanmar. The statistics is particularly important in general for North East of India (NOI) and particularly Manipur, to rip the benefit of the trans-border trade and to become a hub of international trade. The share of air route, on the other hand, has increased from 2 per cent in 2011-12 to 8 per cent in 2017-18.

Figure 2- India’s Mode wise trade with Myanmar



Source: Directorate General of Commercial Intelligence and Statistics, Government of India

- Significance of border trade for North East of India (NOI) and Myanmar

According to the guidelines of Ministry of Commerce, Government of India, border trade is different from trade through air, land or sea ports as trade through ports involves clearance through customs and has huge volume.

Border trade, as defined, is actually ‘over the land trade’ by way of exchange of goods from a bilaterally agreed list the people living in the periphery of International Border. For trading through Land Custom Stations (LCSs) situated on the Bangladesh and Bhutan border, there is a Free Trade Agreement (FTA), while Border Trade Agreements have been entered into with China and Myanmar. For allowing the ongoing customary trade practices on the both sides of India-Myanmar border, a border trade agreement has been signed on 21st January 1994 which effected on 12th of April 1995. The Agreement foresees 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. It is a point to ponder that India’s border trade through the North East of India (NOI) is less than 2 percent of total trade with neighbouring countries. However, in the case of Myanmar there has been a big increase in border trade with its neighboring countries since 2011-12 and it constituted 46 per cent of total trade in 2017-18.

Myanmar :

Myanmar shares its international border with Bangladesh, India, China, Laos and Thailand and engages in border trade with four countries - China, Thailand, India and Bangladesh. In comparison to

North East of India's (NOIs) border trade, Myanmar's border trade with its neighbouring countries is quite large. In the year 2017-18, Myanmar's border trade with its neighbours was US\$ 8.4 billion which amounts to 46 per cent of its total bilateral trade with its neighbours. China is Myanmar's most significant border trading partner accounting for 87 per cent of the border trade with its neighbouring countries. Thailand accounts for 19 per cent and India accounts for only 1 per cent (Table 4)

Table 4 : Myanmar's Border Trade with Neighbouring Countries in 2017-18 (in US\$ million)

Country	Total Bilateral Trade	Bilateral Border trade	Share of Bilateral Border Trade in Total Border Trade (%)
Thailand	4904	1591	18.8
India	11766	6754	79.8
China	1468	91	1.1
Bangladesh	189	29	0.3
Total	18327	8465	100

Source : Ministry of Commerce, Myanmar

- Border Trade Policy outline between Indian and Myanmar

The policy outline of border trade between Indian and Myanmar can be classified broadly into two phases. The first phase being the starting from 1995 to November 2015 and the second phase started from December 2015, after the Reserve Bank of India directed a shift from barter trade to normal trade at the Indo-Myanmar border.

1) Phase 1: 1995 to 2015

The 'overland Border agreement' signed in 1995 specified that border trade would be conducted through designated areas, viz.

- Moreh in India and Tamu in Myanmar,
- Champai (Zokhawthar) in India and Rhi in Myanmar, and
- Other places that may be notified by mutual agreement

The Indo-Myanmar Border Trade trade can be carried out through Moreh and Zokhawthar border under 3 systems namely –

- Traditional Exchange
- Barter Trade Border Trade of 22 Agreed upon Exchangeable Items
- Normal/Regular Trade (with or without opening of letters of credit) as per EXIM policy now Foreign Trade Policy (2004-2009)

(i) Traditional Exchange: Under traditional Exchange mechanisms the locally produced items up to a maximum value of USD 1000 between people living within 40 km of the international border on both sides are allowed under simplified documentation and by way of head or non-motorized transport system.^[2] Under the Traditional Exchange mechanism, import/export was to be balanced by corresponding export/import goods of equivalent value within two days. No duty was levied on the exchange of these goods. In 2000, RBI issued a guideline which required custom authorities to report import/export transactions to the Exchange Control Department, Reserve Bank of India on a monthly basis.^[3]

(ii) Barter Trade: Barter Trade is a form of trade involving the non-monetary exchange of goods between India and Myanmar via the land route. Initially, in 1995, the DGFT allowed the export and import of 22 agreed upon exchangeable items, up to the value of USD 20,000/- by the people living along both sides of the Indo-Myanmar international border as per the predominant customary practices. Later the traded goods were allowed up to 62 items.^[4] (Table 6) .Trade was permitted at a concessional customs duty of 5 per cent ad valorem.

Barter trade was to be carried out only by way of head load or non-motorised transport system. The imports from Myanmar to India were to precede the exports from India to Myanmar and the export/import value had to be balanced within a period of six months. Exporters needed to have an Import Export Code (I.E.C) and had to comply with the GR formalities along with all commercial documents which had to be submitted to the authorised bank. The designated

banks were required to maintain a record of the transactions and submit them to RBI on a monthly basis.^[5]

Importers though did not need an I.E.C and were not bound to comply with the GR requirements. However, importers were required to submit the required documentary evidence to the authorised bank where the value exceeded USD 5,000/-.^[6]

(iii) Normal Trade : Normal Trade was also allowed under the Indo-Myanmar Border Trade Agreement.^[7] In addition to the list of 62 items permissible for border trade at a concessional duty rate of 5 per cent, regular/normal trade was also allowed via LCS Moreh in all other merchandises subject to the payment of customs duties as applicable.^[8] Export and import of goods could be made as per the documentation requirements under the EXIM policy in free convertible currency or in a currency mutually agreed upon by the two countries, including through counter trade arrangement. It was also agreed upon by the two countries that the agreement shall be reviewed periodically to ensure successful implementation of its objectives and provisions.

Though the two customs posts viz. Moreh and Zokhawthar were authorised for border trade, the India-Myanmar border trade has mainly taken place across the Moreh-Tamu Border. The border trade at Zokhawthar-Rhi border yet to take off due to the delay of the execution of infrastructure projects..

The border trade at Moreh was conducted by way of three modes – Traditional Exchange; Barter Trade; and Normal Trade, and was controlled through two points known as Gate Number 1 and 2 in local dialect. The designated point for normal trade and barter trade was Gate Number 1 next to the LCS, while Gate Number 2 which connects the Namphalong market on the Myanmar side with the Moreh market were to be used for traditional exchange.

However, on ground the trade takes place in the form of ‘traditional exchange’ across Gate no 2 at Moreh as there the value limit was 1000 and duties were not levied. This window has helped trading of multiple

consignments of less than USD 1000 on a daily basis. Since the limitation was on the value of less than USD 1000 and not on restricting the number of times that the trade takes place across the border. It was a double whammy for the Indian Traders to avoid paying the 5 percent duty on imports applicable on the barter trade through gate no.1-LCS, the imports didn’t have to precede the exports to Myanmar. In addition through the gate no 2, the custom officials may allow head loads without keeping any record in exchange of some unofficial payments. Thus, this mode also became a channel for informal trade in third country goods. So, only a minimal volume of trade took place through gate no 1-LCS and that too in the form of barter trade. Normal trade was negligible with most traders wanting to avoid the cumbersome documentation and payment of higher duties.

2) Phase -2 Since December 2015

Post 1st December 2015, The Reserve Bank of India^[9] has effected an order to shift the barter trade with normal trade at the Indo Myanmar border. The RBI stated that “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. 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 the normal trade with effect from December 1, 2015.” It was also decided by the RBI that 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.

- The Moreh-Tamu Border Market:

Moreh in India and Tamu in Myanmar are the two commercial hubs with a larger prospective for future development into a big cities. Myanmar and Manipur have traditional linkages with historical evidences in trading and sharing the culture, tradition and ethnicity. Manipur had a territorial issue with Myanmar over Tamu, erstwhile Kabaw valley ^[10]. Trading with Myanmar is not a new. The trade or exchange of trade

has been on for last few centuries. Trade agreement for formalising the tradable items and terms of reference for trading between the two countries is a new phenomenon.

- **Moreh Market**

Moreh, the international border town, is located in Tengenoupal sub-division of Chandel district of Manipur. Moreh lies in the Southeast of Manipur on the Indo-Myanmar border and referred as India's gateway to South-East Asia. Moreh the only urban areas in Chandel district with a geographical area of one square km is inhabited mostly by Kuki, Meitei, Tamil, Nepali, Bengalis, Biharis, Marwaris, Punjabis and Muslim communities^[11]. (Singh, 2004). The population of Moreh was around 16,847 in 2011. In Moreh in 2011, over 56 per cent of the population were Scheduled Tribes largely Thadou Kuki and related tribes and the rest were others like Meiteis, Meitei Pangal (Muslims), Tamils, Marwari, Punjabi, Nepali, etc. Tamils and Punjabis are the refugees from Myanmar. Most of the people living in Moreh are mostly traders. Moreh, being a business hub, people mostly engaged in non-agricultural activities. The distance between Moreh and Imphal the capital of Manipur is 110 km^[12] (ESM, 2009). Road is the only means for transportation of goods and services. The need to develop Moreh town arises with the India's ambitious Look East Policy / Act East Policy to establish Moreh, as the gateway to South East Asia. The construction of roads and infrastructure in the border town, which is funded by the Government of India, is to facilitate trade with South East Asian countries.

It was imperative that the development of border trade will enhance the social and economic conditions of the people who are directly participating in the trade business. Development has to boost up the export potential of India in general and Manipur in particular by creating adequate infrastructure for promotion of export oriented industrial units.

It is also proposed to develop Moreh town into a Special Economic Zone (SEZ) for promoting exportable goods. Trade centres have been established each at Moreh and Imphal in order to facilitate and regulate Indo-Myanmar border trade. Government of Manipur has intended to facilitate adequate

infrastructural facilities like telecommunication, export-import information cell, show room-cum-sales counters, conference hall, boarding and lodging facilities, guest-room and restaurants, bank and other relevant government extension counters to the trades or business in creating a business like congenial atmosphere (ESM, 2009)^[13].



Source: Myanmar Embassy, Tokyo

- **Tamu-Namphalong Market:**

Tamu^[14], erstwhile Kabaw valley, is situated in Sagaing division in northwest Myanmar near the border town Moreh, Manipur. It is a key commercial town for cross border business benefiting the Moreh town till mid-1990s. It was also a hub for smuggled goods from Thailand and China which are transported to India. It is the counterpart Land Custom Stations (LCS) of Moreh. Post signing of Border trade agreement, Government of India set up LCS adjacent to Gate Number 1. All formal trade, besides the informal head load transportation of goods, takes place through Gate Number 1.

Few years later after the establishment of Moreh LCS, the Myanmar government established a super market in Namphalong that lies adjacent to Gate Number 2. These two gates are located in the Moreh border in Manipur. Thus, the border trade at Moreh is regulated through Gate Number 1 and 2. Gate Number 1 regulates trade as per the trade rules of the government and Gate Number 2 regulates the unofficial trade^[15] (Lokendra, 2004). Trade through Gate Number 2 are permitted for the local residents that settled within a radius of 40 kms on both sides of the international border of India and Myanmar.

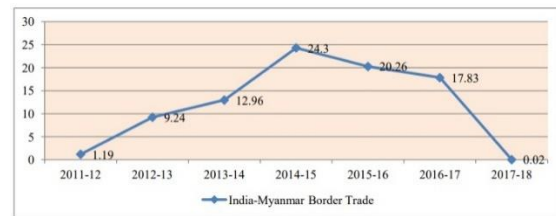
Tamu, the counterpart market of Moreh, was a main trade point until 1995. In 1996 the market was shifted to Namphalong which is about five km from Tamu^[16] (Myint, 2003). Namphalong market, started functioning in April 1997, is located at the proximity of about 300 meters from the Moreh market. Moreh’s main market, usually known as the Morning Bazaar, is located near the border Gate Number 2. Namphalong market, unlike in Moreh market, is free of militants threat in the form of illegal tax collection and extortion. Namphalong market is flooded with all varieties of foreign goods originated from the third country like China, Korea, Thailand, Indonesia and South East Asian countries. It sells items like electronic goods, blankets, chinaware, crockery, cosmetics, shoes, jeans, shirts, jackets, decorative pieces, chinaware, crockery, cosmetics, etc. Myanmar made goods particularly the eatable items such as roasted sunflower seeds, tin fish, etc are widely sold in this market. These goods, which are popular in Manipur, are sophisticated in look and are sold at a very attractive prices though it does not guarantee its durability or expiry. Moreh market is popular because of Namphalong market and so goods from Namphalong market are imported in Moreh. Over 90 per cent of Namphalong market’s customers are Indians^[17] (TNN, 2013). Most of the traders and buyers in Namphalong market are Indians; while no traders and buyers from Myanmar enter Moreh to buy Indian goods (Singh, 2004). It signifies that India’s imports are much greater than its exports through Moreh. Every business day thousands of people enter into Namphalong market from India because goods are comparatively cheaper at Namphalong. Goods available in Moreh are dearer due to the levying of illegal tax by insurgents and bribery by Indian customs and security officials^[18](Burmalibrary, 1997). There are many shops along the streets of Namphalong market which sells Indian made goods such as clothes, cosmetics, snacks, aluminium utensils, etc that are greatly in demand in Myanmar. Namphalong market and Gate Number 2 function as a major gateway for Indo-Myanmar border trade of cheap Chinese, Thai, Singapore, etc made goods. India needs to establish export based industries in Moreh by setting up a Special Economic Zone (SEZ) to produce cheaper goods while maintaining the quality to compete with the cheap products made in China or Thailand that dominates Namphalong market.

The Trade Trendsetters

The Indo-Myanmar bilateral border trade through the Moreh-Tamu land route is extremely low compared to the overall trade between the two counties and only accounted for less than 1 percent of total India-Myanmar trade during the period 2011-12 to 2017-18. In 2017-18 alone, NOIs border trade with its neighboring countries was US\$ 197 million accounting for only 0.002 per cent of the region’s total trade with its neighboring countries. However the annual trends in these years have varied significantly.

There was a substantial increase in border trade from 2012-13 till 2014-15. In the year 2014-15, India-Myanmar border trade rose from approx US\$13 million to a little over US\$ 24 million (Figure 3). Probably this is due to the expansion of the list of items that could be bilaterally traded across the land border on account of 22 new commodities were added taking the number of tradable items to 62^[19].

Figure 3: India-Myanmar Border Trade (US\$ million)



Source: Directorate General of Commercial Intelligence and Statistics (DGCI&S), Government of India

The Commodity Matrix for Indo-Myanmar trade across the land border from 2011-12 onwards is provided in Tables 5 and 6.

Table 5 : India’s Product-wise Exports through the Indo-Myanmar Border (Values in US\$ million)

Commodities	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Beans and Pulses		0	0.9	4.2	0	0	0
Betel Nuts		0.03	0	0	0	0	0
Cane Sugar	0.1						

Capsicum		0	0	0	0.5	0	0
Chemicals		0.02	0	0.1	0.01	0.1	0
Cumin	1	5.5	0.3	0	0	0	0
Dry Grapes		0	0	0	0.6	0	0
High Speed Diesel		0	0	0	0	0	0.02
Electronic and Mechanical Equipment's			0.01	0	0.2	0	0
Soyabari		0.003	0.03	0	0	0	0
Vehicles		0	0.04	0	0	0	0
Wheat		0.4	1.9	1.8	1.8	0	0

Source: Directorate General of Commercial Intelligence and Statistics (DGCI&S), and LCS Zokhawthar

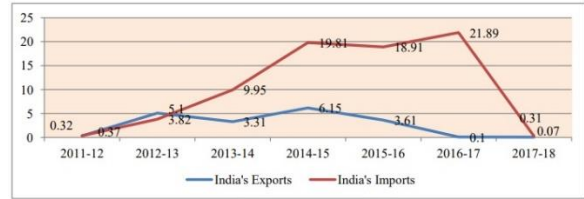
Table 6: India's Product-wise Imports through the Indo-Myanmar Border (Values in US\$ million)

Commodities	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Betel Nuts	0.3	3.4	10.1	19.6	19.7	21.8	0.3
Black Pepper	0	0	0	0	0	0	0.03
Ginger	0	0.01	0.01	0	0	0	0

Source: Directorate General of Commercial Intelligence and Statistics (DGCI&S), and LCS Zokhawthar

As state below, a conspicuous declining border trade trend is visible and this is pertinent to note that by 2017-18 India-Myanmar trade across the LCSs at both Moreh and Zokhawthar has almost become negligible (Figure 4).

Figure 4: India-Myanmar Border Trade via Moreh and Zokhawthar (US\$ million)



Source: LCS Moreh and LCS Zokhawthar, India

The border trade trends reveals that the border trade via LCS Moreh and LCS Zokhawthar in 2012-13 was reported at US\$ 8.92 million, of which exports to Myanmar were valued at US\$ 5.1 million and imports from Myanmar were valued at US\$ 3.8 million. Since then a declining trend of more than 95 percent is evident. Border trade has declined by more than 95 per cent since then. The trade value was just US\$ 0.38 million in 2017-18. Out of which, exports amounted to US\$ 0.07 million and imports were US\$ 0.31 million. Exports have become virtually negligible after 2015-16 and imports have witnessed a steep fall since 2016-17.

The decline of India-Myanmar border trade can be linked to two primary factors as stated below.

- 1) Switching of Barter trade to Normal Trade: The sudden move of RBI to do away with the barter system post December 1, 1995, and to switch over to completely to the normal mode of trade. The move have swayed border trade adversely which leads to the increase in the documentation required for normal trade as well as the increase of custom duties on imports from Myanmar.
- 2) Successive Indian Restrictions on Import of Betel Nuts. Betel nuts have been one of the vital imports from Myanmar across the Indo-Myanmar land border. With the switching over to the Normal Trade, post December 1, 1995 as per RBI guideline, the increase of applicable customs duty from 5 percent to 40 percent have dampened the trade. In addition, in an attempt to curb the illegal import of betel nuts particularly from third countries such as Indonesia, the Indian government has also increased the minimum import price (MIP) twice. First in June 2015, the MIP was increased from Rupees 110 per kg to Rupees 162

per kg and then again from Rupees 162 per kg to Rupees 251 in January 2017. Thus, from Rs. 110/- to Rs. 251/- per kilogram the CIF value of betel nuts under the HS code 082080 has experienced an increase of 128 per cent.

- Bottlenecks to Indo-Myanmar Trade across the Land Border

The increasingly high costs, in terms of time and money, in the areas of formal trade across the Indo-Myanmar Border due to the poor connectivity, absence of quality infrastructure at border periphery, extortion of informal payments, limited trade financing instruments etc. In addition, post 1st of December 2015, issuance of circular by RBI for switching mode to 'Normal Trade' have sharply increased the cost and cumbersome documentation process along with a change in the import tariffs on the Indian side.

While analyzing the trend of trade between India and Myanmar through Moreh, it is observed that till 2016-2017 there was an increasing trend and thereafter there was a continuous downfall in the trade. There are various reasons for downfall in the trade during the initial period of trade 1998-99 to 2005-06. An increasing trend was also noticed from the year 2006 and that only to meet the lowest point in the 2017-18. There are stumbling blocks in the growth of border trade which can be summarized as mentioned bellows.

- 1) Poor connectivity
- 2) Lack of basic infrastructures at Border area
- 3) Multiple Check Post on NH-39
- 4) Restrictions on Export/Import of Plant and Plant Materials;
- 5) Restriction on the Import of Timber;
- 6) Community Crises and Law and Order Problem of Moreh Town
- 7) Insurgency on the rise at Border in Myanmar,
- 8) New equations among insurgent groups
- 9) Informal Payments etc.

In addition there are other few bottlenecks which I intends to elaborate a little as mentioned below.

a) Limited trade financing instrument: International Trade Transactions are settled through countries such as Singapore use Telegraphic Transfer (TT) mode, which is very expensive on account of its brokerage fees. Due to the high cost of banking service, trade

suffers. Though the RBI Notification - RBI/2016-17/9322^[20] has facilitated Asian Clearing Union, it is yet to take off. The representative office of State Bank of India and United Bank, at the border area, used to route transactions through Singapore^[21]. This issue deters people of NOI, especially Manipur, to engage themselves in trade. The government may incorporate a startup venture facilitating all trade bottlenecks for the youths of Border state.

b) Informal trade of third country goods

The popular commodities i.e. cheap footwear, clothing items, blankets, crockery, processed food and beverages, cooking appliances etc. primarily from China and Thailand, for consumption of North East of India (NOI), exploiting the Myanmar's "liberal" transit trade regime under its 'Foreign Trade Law', has been rampant and informal trade in this sector flourished.

Myanmar's Foreign Trade Law applies limited trade transit measures, permitting the movement of third country cargo from one vessel to another in port or the movement of goods to the port and then to another vessel. Traders who wish to transship their goods need to undergo a simplistic customs procedure of filing a transshipment declaration with the Customs Authority of Myanmar with a fee of 2.5 percent of the value of the cargo^[22]. Thus markets and malls of Manipur are flooded with foreign goods but the reverse transit route has not been opened for the Local Manipuri youths.

CONCLUSION

With the RBI decision, in December 2015, to switch over completely to a normal trade between India and Myanmar across the land border the expectation was that barter trade (which had formed the mainstay of the bilateral border trade) would become normal trade. In tandem, it was anticipated that bilateral trade across the land border trade would be enhanced with the dismantling of the restrictive regime permitting trade in only 62 commodities and instead providing for normal trade in all commodities. Instead, the irony is that normal trade has since become negligible and trade has primarily shifted to the informal channels.

The primary factors that have been responsible for such low trade volumes through the formal channel

include high transaction costs due to poor connectivity, lack of quality infrastructure at border crossing points, limited trade financing instrument, and increased documentation requirements. Moreover the land route trade of India Myanmar Border trade is less than 1 percent (Figure-2) of its total trade volume. On the other hand Myanmar people prefers to migrate to Thailand for more income opportunities than to India. The markets and Malls of Manipur is largely flooded by the products of South East Asian and Far East Asian countries but the reverse is yet to take place in proportion of available commodities in the border state. Thus, to enhance the business opportunities in the gateway state of Manipur and to the fulfilment of much hyped Act-East Polices, the Government much take urgent and appropriate measures to achieve the stated objectives. So far it is much of a hubbub of International trade and relations to South-East and Far-East Asian countries through land route.

Foot note

[1] India Myanmar Border Trade, ICRIER 2019

[2] RBI Notification No. FEMA 23/2000-RB dated 3rd May 2000. Available at https://www.rbi.org.in/Scripts/BS_FemaNotifications.aspx?Id=177

[3] A.P.DIR Series, Circular no. 17 dated 16th October, 2000. Available at <https://rbi.org.in/scripts/NotificationUser.aspx?Id=266&Mode=0>

[4] DGFT Public Notice No. 30 RE-2012/2009-2014 dated 7th November 2008. Available at <https://dgft.gov.in/sites/default/files/pn10608.pdf>

[5] DGFT Public Notice No. 30 RE-2012/2009-2014 dated 16th November 2012. Available at https://dgft.gov.in/sites/default/files/pn3012_0.pdf

[6] A.P.DIR Series, Circular no. 17 dated 16th October, 2000. Available at <https://rbi.org.in/scripts/NotificationUser.aspx?Id=266&Mode=0> 16 Ibid.

[7] Ibid

[8] Notification No. 9/95-Customs dated 6th March 1995. Available at

<http://www.cbic.gov.in/htdocs-cbec/customs/cs-act/notifications/notfns-1999/cs-tarr1999/cs9-95>

[9] DGFT Policy Circular No. 53(Re-99)/1997-2002 dated 29th February 2000. Available at https://www.dgft.gov.in/sites/default/files/5_16.pdf

[10] RBI/2015-16/230 A. P. (DIR Series) Circular No. 26 Available at https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=10112

[11] According to the agreement signed on 25th January 1834, at Langthabal, between the British and Burmese Commissioners, the British Government had to pay a monthly stipend of 500 sicca rupees to the King of Manipur for leasing out Kabo Valley to the Burmese. And in keeping with this agreement the British Government had been paying this monthly stipend till 1949. This irrefutable fact shows that Kabo Valley had been the rightful property of Manipur.

[12] Singh, J N (2004). Indo-Myanmar Border Trade Agreement: A Case Study of Moreh. In D Nath (ed), Reopening of the Stilwell Road: Prospects and Problems. Delhi: Anamika Publishers. 123-31.

[13] ESM (Economic Survey Manipur) (2009). Directorate of Economics & Statistics. Imphal: Government of Manipur.

[14] Ibid

[15] Tamu is inhabited by the Chin, Burmese, Gurkha, Shan and Kachin (Myat, 2007). Anal, Chin-Thadou (Kuki in India) and Zo (Zou in India) also inhabit in Tamu (Ethnologue, 2013) besides Tangkhul Nagas and others.

[16] Lokendra, N S (2004). Reopening of the Stilwell Road: Experiences from Moreh. In D Nath (ed), Reopening of the Stilwell Road: Prospects and Problems. Delhi: Anamika Publishers. 133-40.

[17] Myint, Soe (2003). Burma File: A Question of Democracy. Delhi: India Research Press.

[18] TNN (2011). Bandh Against Tamil Leader's Arrest Cripples Moreh Town. Times of India. 22 July.

[19] Burmalibrary (1997). Moreh Traders Hard Hit by Extortion Menace. <http://www.burmalibrary.org/>

reg.burma/archives/199711/msg00089.html.

Viewed on 07 May 2013

- [20] Notification No. 9/95-Customs dated 6th March 1995. Available at <http://www.cbic.gov.in/htdocs-cbec/customs/cs-act/notifications/notfns-1999/cs-tarr1999/cs9-95>
- [21] RBI/2016-17/93 A.P. (DIR Series) Circular No. 11 [(1)/14(R)] dated 20th October 2016. Available at https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=10653
- [22] Banking curbs stagnating trade with Myanmar: businesses”, The Hindu Business Line, January 9, 2018. Available at <https://www.thehindubusinessline.com/economy/policy/banking-curbs-stagnating-trade-with-myanmar-businesses/article9960551.ece>
- [23] Myanmar National Trade Portal, 2019

REFERENCES

- [1] Soma Ghosal & Snehashish Mitra - Trade, Capital and Conflict: A Case Study of the Frontier Towns of Moreh-Tamu and Champhai
- [2] DGFT Notification 19/2015-2020 dated 05 August 2017. Available at <https://dgft.gov.in/sites/default/files/Notification No.19%28Eng%29.pdf>
- [3] DGFT Notification 22/ 2015-2020 dated 21 August 2017. Available at <https://dgft.gov.in/sites/default/files/Notification No.22%28e%29.pdf>