



# Expansion of North East India's Trade and Investment with Bangladesh and Myanmar

An Assessment of the Opportunities  
and Constraints



सत्यमेव जयते

Ministry of Development of  
North Eastern Region  
Government of India



**RIS**  
Research and Information System  
for Developing Countries



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North Eastern  
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## LIST OF ABBREVIATIONS

AAGR	Average Annual Growth Rate
APTA	Asia-Pacific Trade Agreement
ASEAN	Association of Southeast Asian Nations
BCIM	Bangladesh, China, India, Myanmar Forum on Regional Cooperation
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BIPPA	Bilateral Investment Protection and Promotion Agreement
BIS	Bureau of Indian Standards
BSTI	Bangladesh Standards and Testing Institution
BOT	Balance of Trade
CAGR	Compound Annual Growth Rate
EAS	East Asia Summit
EDI	Electronic Data Interchange
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GMS	Greater Mekong Sub-region
ICP	Integrated Check Post
IT	Information Technology
ITES	Information Technology Enabled Services
IWTT	Inland Water Transit and Trade
JEC	Joint Economic Commission
KSFS	Karimganj Steamer and Ferry Station
LC	Letter of Credit
LCSs	Land Customs Stations
LEP	Look East Policy
MEB	Myanmar Economic Bank
MGC	Mekong Ganga Cooperation
MoU	Memorandum of Understanding
NER	North Eastern Region
NH	National Highway
NSDP	Net State Domestic Product
OTOP	One Tambon One Product
RMG	Ready Made Garment
RoO	Rules of Origin
SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asian Free Trade Agreement
SASEC	South Asia Sub-regional Economic Cooperation
SDP	State Domestic Product
SHEFEXIL	Shellac and Forest Products Export Promotion Council
SMEs	Small and Medium Enterprises
UBI	United Bank of India

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## UNIT OF CONVERSION

1 Crore	=	10 Million
10 Lakh	=	1 Million
1 Lakh	=	100,000



**U.K. SANGMA, IAS**  
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Dated: 15<sup>th</sup> November, 2011

**MESSAGE**

The **North Eastern Region** of our country shares almost 98% of its total boundary with the neighbouring countries such as **Bangladesh, Myanmar, China and Bhutan**. Although some trade relations exist with some of these countries, there also exists enormous scope of development of the relations further. These relations would not only bring economic benefit to the region and its people but would also help in **promotion of tourism** in the long run.

With this objective in view, NEC had commissioned a study to the Research and Information System for Developing Countries, New Delhi and I must say that the work done by the team headed by Dr. Biswajit Dhar, Director General, Research and Information System is a meaningful one. I congratulate them and also hope that this study will be useful for further policy initiatives.

My best wishes and greetings to all concerned.

**(U. K. Sangma)**



### **Acknowledgements**

The Report has been prepared by a research team led by Dr. Biswajit Dhar, Director-General, RIS, and comprising Dr. Prabir De, Fellow, RIS; Dr. Gurudas Das, Associate Professor, National Institute of Technology (NIT) Silchar; and Professor E. Bijoy Singh, Department of Economics, University of Manipur, Imphal. Ms. Poulomi Dasgupta provided research assistance to this study. Usual disclaimers apply.

# EXECUTIVE SUMMARY

India's North Eastern Region (hereinafter NER) has 9 per cent of India's geographical area and contributes 3 per cent to the country's gross domestic product (GDP). In relative terms, it is one of India's economically laggard regions. However, given its natural resource base and strategic location, the NER has the potential to become India's "powerhouse" in terms of trade and investment. Although the NER is rich in resources like hydrocarbons and other minerals, and has immense potential to produce hydroelectricity, absence of adequate infrastructure has impeded its development.

The NER is unique in terms of the economic opportunities it offers. About 98 per cent of the region's borders form India's international boundaries; it shares borders with China, Bangladesh, Bhutan and Myanmar. Given its strategic location, the region can be developed as a base for India's growing economic links not only with the Association of Southeast Asian Nations (ASEAN) but also with neighbouring countries, viz. Bangladesh, Bhutan, and Nepal.

Over the past several years, India has been a part of a number of regional and sub-regional initiatives that countries in South and South East Asia have taken to deepen their economic integration. These include the South Asian Free Trade Agreement (SAFTA), which is the first step towards an eventual South Asian Economic Union, the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)<sup>1</sup> and the Asia-Pacific Trade Agreement (APTA)<sup>2</sup>. Further, as a part of

its "Look East" policy, India has increased its engagements with the members of the ASEAN and countries belonging to the East Asia Summit (EAS)<sup>3</sup>. As is clear from Figure 1, the centrality of the NER is critical in effectively pursuing these initiatives.

Set against this backdrop, the present study attempts to better understand the existing level of trade links through both formal and informal channels between India and its neighbours around the country's North East by focusing on two of its neighbours, viz. Bangladesh and Myanmar. More specifically, the study analyses the scope of utilising major Land Customs Stations (LCSs) for improving border trade with two countries. Three sets of issues are examined in the study. These are: (a) pattern of border trade between India and its two neighbours and the possibilities of expanding it; (b) supply-side constraints that may exist in the NER which inhibit India's two-way trade with its two neighbours; and (c) exploring India's investment opportunities in Bangladesh and Myanmar with buy-back provisions that can promote border trade through the LCSs.

Formal trade links between India and its two neighbours, Bangladesh and Myanmar, have remained at a very low level. While the share of Bangladesh in India's total trade was about 0.6 per cent in 2009-10, Myanmar had an even smaller share of about 0.3 per cent. In absolute terms, India's two-way trade with Bangladesh increased from US\$ 1.8 billion in 2005-06 to US\$ 2.6 billion in 2009-10. It should be pointed out that the level of two-way trade between the two dipped

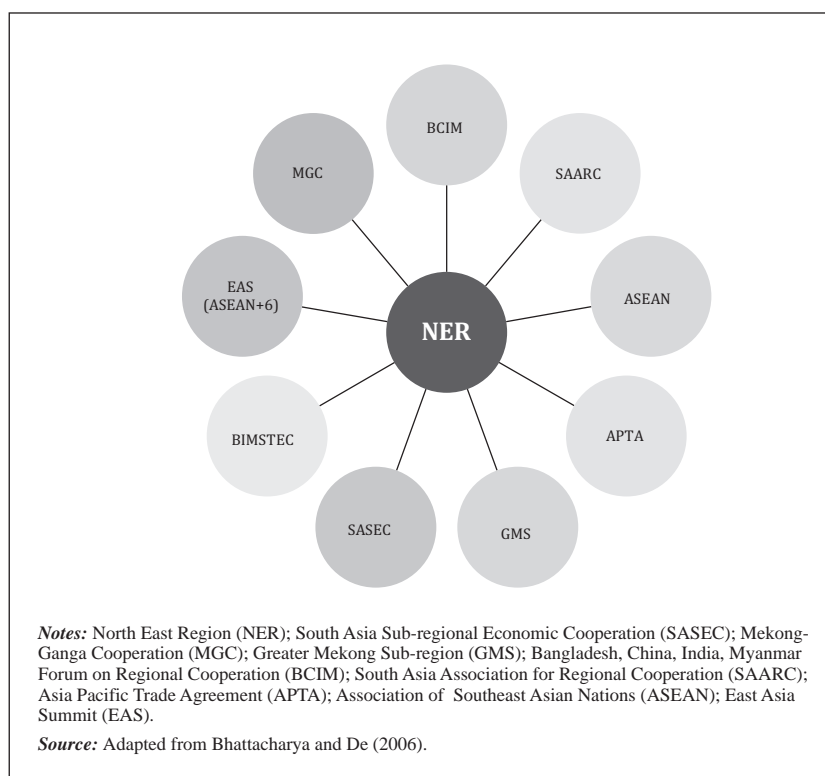
slightly in 2009-10 from the record level of US\$ 3.2 billion registered in the immediately preceding year. In the same period, India's two-way trade with Myanmar grew almost three-fold between 2005-06 and 2009-10 to reach US\$ 1.5 billion.

These low levels of trade do not factor in the informal trade that takes place through the local trade points, which have not been systematically recorded so far. People living in the border regions have had economic and cultural links going back to several centuries and drawing of the political boundaries has failed to sever their ties. The interdependence of the peoples on the two sides of the political boundaries has given rise to informal channels of trade in goods and services. In fact, much of the trade taking place through the borders are through informal arrangements, including through the border haats, whose importance seems to have hardly diminished despite the restrictions that have come into being in the past few decades. Informal trade has thus provided sustenance to the economies of the region.

The importance of border trade is immense for the NER, for it brings direct tangible benefits to the region. However, border trade involving both Bangladesh and Myanmar face a plethora of problems. Supply-side constraints, among others, are inhibiting two-way trade across the borders with its two neighbours. There is an urgent need to strengthen not only transport and communication infrastructure but also the institutional support for enhancing the existing level of trade and economic linkages.

Government of India has taken initiatives to improve the policy regime aimed at promoting trade on the borders with both Myanmar and Bangladesh. India concluded a border trade agreement with Myanmar in 1994, which allows border trade to take place initially through two points, i.e., Moreh and Champhai, and subsequently through any other points to be identified by mutual agreement. The border trade agreement allowed 22 locally produced commodities to be traded by people living along both

**Figure 1: NER as India's Gateway to East**



sides of India-Myanmar Border, as per the prevailing customary practice including the barter mechanism. In 2008, the two countries took several significant decisions regarding the existing border trade arrangements. One, trade through the Moreh-Tamu and Zokhawthar-Rhi border points was upgraded to normal trade. All goods except a handful of restricted items were allowed to be traded at these points at MFN rates. Two, decision was also taken to open a new border trade point at Avakhung-Leshi. Three, the list of items for barter trade identified under the 1994 Agreement was expanded to 40. And, finally a decision was taken to operationalise new banking arrangement for trade.

Border trade arrangements between India and Bangladesh remained largely undeveloped until the decision was taken by the Prime Ministers of the two countries in January 2010 to establish border *haats*. A formal agreement was signed in October 2010 to establish border *haats*, as a pilot project, at two locations. The two countries also agreed to open border *haats* in other locations based on factors like historical location, accessibility, interdependence of the population on both sides of the border and availability of suitable location.

### **NER-Bangladesh Border Trade: Emerging Pattern**

Resource-industry linkages determine the pattern of India-Bangladesh border trade taking place through the NER. Some critical minerals, which are available in the NER but not in Bangladesh, provide the basis of NER-Bangladesh trade. What follows is that NER's exports to Bangladesh are distinctly different from major export lines from rest of India to Bangladesh. The product-wise trade between the NER and Bangladesh indicates a complementarity between the resource availability in the NER and the demand structure of Bangladesh. Bangladesh lacks mineral resources like coal and limestone which the country imports from the NER. In

return, the NER imports finished products from Bangladesh. This provides a firm basis for trade expansion between the two regions.

To summarise, the following are the features of India-Bangladesh border trade:

- a. Exports from NER to Bangladesh dominate NER-Bangladesh trade.
- b. The NER exports raw materials like coal, limestone, stone chips, bamboo, to Bangladesh and imports finished products like cement, plastic goods, readymade garments, process food and soft beverages.
- c. Minerals from Meghalaya are exported to Bangladesh through the LCSs of Assam and Meghalaya.
- d. Trade flows through Tripura-Bangladesh sector are dominated by imports from Bangladesh.
- e. As the resource structure of the NER and demand structure of Bangladesh are complementary to each other, there exists a huge potential for trade between these two regions.
- f. Export trade in exhaustible resources like coal and limestone suffers from severe limitations in that the trade dries up with the depletion of stock of resources. As a result, for sustainable growth it is important to diversify the export basket and also to add value to export by switching over from export of raw materials to export of processed/ semi-processed goods.

### **Trade between NER and Myanmar**

At present, four LCSs are in operation, through which trade between India and Myanmar is conducted.

Moreh in Manipur is the busiest LCS, handling almost 99 per cent of the NER's trade with Myanmar. Exports through Moreh LCS increased from US\$ 0.1 million in 1995-96 to a peak of US\$ 13.5 million in 2006-07 and then declined to US\$ 1.5

million in 2009-10. Imports, on the other hand, witnessed relatively less fluctuations, which increased from US\$ 1.7 million in 1995-96 to US\$ 2.1 million in 2009-10. The interesting development is that the second half of previous decade witnessed a rise in Indian export through Moreh, compared to previous two periods, whereas import declined consistently from US\$ 72 billion in 1995-96/1999-2000 to US\$ 38 billion in 2005-06/2009-10.

The field survey conducted for this study across nine LCSs in the NER clearly shows that the LCSs suffer from tremendous 'infrastructure deficit'. Unavailability of electricity, bad road, manual handling of goods, unfriendly exchange rate and many such barriers are making the trade at border very expensive. Undoubtedly, these are the barriers which are prohibiting the official trade to grow at the NER. As a result, unofficial (informal) trade has been very much rampant. Although congestion at border is not a problem in the NER, unfriendly trading environment is prohibiting the trade growth. The field survey shows that the transaction costs at LCSs are very high, which vary between Rs. 2500 to Rs. 500 per transaction. The high transaction cost at border can be mitigated through implementation of trade facilitation measures and policies, one which should focus on reducing the number of agencies providing clearances.

Our assessment is that trade creation can take place only if measures are taken, in particular to improve the quality of infrastructure at border and connectivity to the rest of state and the region and to increase the supply capacities from the Indian side. Informal/illegal trade is a feature of border trade taking place with both neighbours. This trade is taking place through well-established trade points that have historically been inhabited by the people of the region. The informal/illegal trade taking place through Moreh-Tamu is thriving on the back of the

supplies being provided by both China and Thailand. As a result, trade comprises of products that are well beyond the 40 items that have been identified by India and Myanmar as a part of their Border Trade Agreement of 1994, as amended in 2008. The magnitude of informal/illegal trade taking place on Moreh-Tamu border may prompt the authorities to put regulations to check the growth of this trade. In this context, our assessment is that since the trade at Moreh symbolises the historical links that existed between the people living in the border areas, it would make little economic sense to impose policy induced barriers. Rather, the available infrastructure and connectivity must be improved to enable greater trade flows to take place through border trade points like Moreh.

Our view is that trade flows can be improved by adopting two sets of strategies for Bangladesh and Myanmar. In case of the former, there are immense possibilities of promoting vertical trade or "fragmentation of production across borders", provided appropriate investments are made on two sides of the border on activities that give rise to trade complementarities. For instance, the NER, which is a hub of fresh fruits and vegetables, can act as a source of raw materials for the growing food processing sector in Bangladesh. Furthermore, Indian investment and technology can help strengthen the food processing sector. And, finally, this investment should take up primarily in the SME sector.

Yet another sector that can be considered in this regard is the textiles and clothing. The NER has traditionally been a treasure trove of handloom and niche fabrics like the "Assam muga". Although the uniqueness of "Assam muga" has been recognised through the grant of "geographical indication", the artisans have remained in the poverty trap because of inadequate demand for their product. Linking the "Assam muga" producers to the clothing industry would provide a definite boost to the producers.

While the above examples were intended to highlight the potential for vertical integration that exists between the NEER and Bangladesh, the strategic imperative of promoting these activities cannot be overlooked. As mentioned above, promotion of such activities would lead to strong trade complementarities, thus promoting trade between the two countries. Thus, India's exports of raw materials can be matched by its imports of processed products from Bangladesh. This pattern of trade, if promoted in a large scale, would certainly enable Bangladesh to export higher value added products and can thus help reduce its large trade imbalance with India.

In case of border trade with Myanmar, efforts would have to be made by both Government of Manipur and the Government of India to address the supply-side bottlenecks that have caused a huge trade imbalance against India in the trade taking place through the informal trade point, or "Gate No. 2" at Moreh. There is evidence of demand for Indian products in Myanmar and, therefore, it is important to widen the market for these products. While the market for traditional products is well recognised, it is important that non-traditional products are identified for possible exports to Myanmar.

Government of Manipur has been arguing that industrialisation must precede the opening up of trade. The Government has suggested that local industry like agro-processing, horticulture, textiles, etc., must be encouraged through the employment-led expansion of the regional market, which can result in substitution of imported products with local produce while at the same time servicing external demand. It has further been pointed out that there is ample scope for the development of manufacturing/processing units for medicines, rubber goods, cycles and cycle parts, pharmaceuticals, edible oils, petroleum products, cement, cotton yarns, etc.

We would argue that a well-honed strategy, which has a medium-term perspective, needs to be put in place. This

strategy should be developed in the context of the closer economic integration that India is seeking with its immediate neighbourhood, the ASEAN region. While the infrastructure needs have gained some serious attention, including the discussions on the Asian Highway and Trilateral Highway projects that would go through Moreh, the stakeholders seem to be some distance away from putting in place plans that would help in exploiting the markets in the South East Asia. From India's point of view, the lack of initiative on this score seems particularly stark given that the country had signed the Free Trade Agreement (FTA) with ASEAN almost a year and a half ago, and that the first phase of implementation of this FTA has already been gone through since the FTA became operational in January 2010.

### **Policy Recommendations and the Way Forward**

NEER is critically located for it holds the key to India's economic integration efforts with its neighbours in South and South East Asia. A logical starting point for an exercise for enhancing trade and investment cooperation involving the neighbouring countries, with whom India shares common land frontiers, is to study the dynamics of trade taking place through the local trade points. Over the years, both the Government of India and the Governments of the State where these trade points exist, have realised the importance of these trade points and have set up Land Customs Stations (LCSs) with the objective of bringing the informal/illegal trade taking place onto the formal channels. An elaborate plan has now been drawn up to convert a number of these LCSs into Integrated Check Posts (ICPs), which would provide better facilities to the traders.

The recommendations of this study are presented in four parts. The first relates to the policy measures that are needed to provide impetus to border trade. The second covers the infrastructure and trade facilitation measures that must be taken to provide added



incentives to the traders. The third relates to the payments arrangements, without which trade will always face impediments. And, finally, suggestions are made as to how the supply-side issues can be addressed, keeping in view a medium term perspective.

### **Policy Measures**

- i) Development of “border haats”, alongside upgrading the LCSs into ICPs, would provide tremendous boost to border trade. While steps have already been taken to open border *haats* on the India-Bangladesh border, similar initiatives can also be taken on the India-Myanmar border.
- ii) The Border Trade Agreement between India and Myanmar needs to be revisited with a view to substantially increase the list of products in which barter trade is allowed at present. The list of 40 items has lost its relevance while the normal or regular trade has gained the popularity over time. With almost all possible tradable items being traded through Moreh, the most important trade point on the India-Myanmar border, artificial barriers like the ones imposed through the Border Trade Agreement would only result in the development of a parallel economy. Government may, therefore, allow normal trade to take place in accordance with the Foreign Trade Policy.

### **Infrastructural Bottlenecks**

- i) All the LCSs covered in this study lack essential infrastructure necessary to promote border trade. Road and rail connectivity have to be improved. Government of India and the State Governments should give priority to upgrading of the National Highways and the State Highways linking the LCSs with the rest of the country. Upgradation of the road infrastructure will help in improving the supplies of goods from the rest of the region and would help in

reducing the large trade imbalances that India faces exist at some of the trade points, in particular at Moreh. This study has pointed out that there is a demand for Indian products in Myanmar, and possibly, beyond, which can be satisfied by connecting these trade points with the rest of the country. Local enterprise will also receive an additional incentive to go beyond the borders if the problems of connectivity are addressed.

- ii) Although the LCSs exist in most of the border trade points that were included in the study, inadequate infrastructure and other facilities at these LCSs prevent conducting high volumes of trade. Communication systems are in a general state of disrepair in most of the border trade points. In some cases, like Moreh, where communication systems are in place, the service is highly erratic. Most of the other infrastructural facilities are either non-functional or are unavailable. These include weighbridges, warehouses and dumping sheds.
- iii) Since food items account for a significant proportion of trade taking place through the border trade points, specific infrastructural needs of these products would have to be addressed. Animal and plant testing and quarantine facilities, conforming to international standards, need to be put in place near the LCSs to prevent spread of undesirable pests and pathogens. Since a significant proportion of the traded products are in the nature of perishables, establishment of cold storages would not only fetch in better value for the products, there would be an additional incentive for expanding both the volume of products being traded at present and the range of products being traded through the LCSs.
- iv) Upgrading the infrastructure should be done with a view of improving the efficiency of the customs authorities so that the lead-time for clearances is



reduced to the bare minimum. Appropriate trade facilitation measures are needed to reduce the transactions cost. These would involve reducing the number of clearances required for trade transactions. It may be mentioned in this context that the use of Information Technology (IT) and Information Technology Enabled Services (ITES) has provided fillip to trade facilitation in many countries and these experiences need to be replicated in India to facilitate border trade.

### Payment Arrangements

- i) India-Myanmar trade has steadily increased over the past decade. Two-way trade between the two countries increased from around Rs. 1,000 crore in 2000-01 to more than Rs. 7,000 crore in 2009-10. India faces a huge trade deficit: in 2009-10, the deficit was in excess of Rs. 5,100 crore. The trade deficit should register a decline during the previous fiscal year since in the first nine months of the fiscal, exports from India had exceeded the level recorded in 2009-10, and imports were barely one-half of the previous year's level.
- ii) The official statistics, however, does not provide the true indication of the level of trade relations between India and Myanmar because of the presence of informal trade. This form of trade takes places almost entirely through the land border that connects Moreh in India to Tamu in Myanmar. Imports consist of precious stones, agricultural commodities including beans, vegetables and fruits, besides electronic equipment. Quite clearly, the goods that are traded through the informal/illegal channels are well beyond the 40 items that have been included in the Border Trade Agreement between India and Myanmar. Most of the products coming through Moreh are not of Myanmar origin - they are produced in China and elsewhere.
- iii) Trade through the informal channel takes place through head-loads. Consequently, there are no official accounts kept on the volume/value of trade. Trade seems to be flourishing since there are no explicit checks at the border by the governments on either side. The magnitude of trade taking place is phenomenal. According to the traders, daily imports are in the vicinity of Rs. 3-4 crore. As is usually the case, any estimate of this kind are likely to be underestimates of the actual level of trade taking place. This is borne out from the evidence presented by studies conducted in 2009, which have estimated that the value of informal border trade transacted through Moreh is estimated at about Rs. 2000 crore a year. Thus, even if the number provided by the traders is considered, annual trade taking place through informal channels is between Rs. 1100 and Rs 1450 crore. And, this trade balance is hugely against India given the large quantities of Chinese (and some Thai) products being imported. As against this, imports to India through the LCS in Moreh were a mere Rs. 16 crore during 2009-10. The numbers for informal/illegal trade clearly suggest that these trade and related activities are sustaining the economy of the region.
- iv) Informal trade is heavily skewed against India. Traders on the Indian side of the border report that the infrastructure facilities are well developed on the other side of the border at Namphalong (Tamu). About 700-800 well stocked shops form the basis for imports from Myanmar. The situation across the border in Moreh is in sharp contrast – there are less than 100 shops. There is clearly no momentum in India's exports to Myanmar.
- v) At the same time, however, there is evidence that there is a market for Indian products in Myanmar, some of which are currently being supplied at sub-optimal levels. Field surveys undertaken

have revealed that products like tea, confectionery products, cosmetics, tyres, utensils, fruit juices and processed food products are in considerable demand, although they face serious competition with the Chinese products.

- vi) Besides supply-side bottlenecks, trade expansion from India seems to have suffered because payments arrangements remain the most serious hindrance. The absence of a realistic exchange rate appears to be a major factor impeding growth of exports to Myanmar.
- vii) The official exchange rate of the Kyat is hugely inflated. According to some estimates, in 2010, one US\$ was equivalent to 1000 Kyat in the informal market, while the official exchange rate was 5.5 Kyat per US\$. Recent reports indicate a gradual appreciation of the Kyat in the informal market. By June 2011, a 20 per cent appreciation in the value of the Kyat was registered.
- viii) Going by the official rate, one Kyat is equivalent to over Rs. 8.50. The informal rate, one that is used for the conduct of informal trade, one Rupee was equivalent to 25-30 Kyat. The official rate of the Kyat is, therefore, 210 times higher than the one being used in the grey market through which the informal/illegal trade is taking place.
- ix) United Bank of India (UBI) and the Myanmar Economic Development Bank (MEDB) have entered into an MoU for opening letters of credit (LC). At present, settlement can be made in two currencies, viz. Singapore dollars and Euros. However, not even one LC has been opened so far. Given the vexatious problem of the Kyat-Rupee exchange rate, the lack of interest in using LC is not entirely unexpected.
- x) The rupee is widely accepted as the currency for conducting India-Myanmar

trade at the border. It is, therefore, strongly recommended that India-Myanmar trade should be denominated in Rupees. There are several advantages that could accrue to India as a result, which are enumerated below:

- a) Use of Rupee would help avoid the use of third country currency, which not only involve complex procedures, but also result in considerable delays and commensurate increase in transactions cost.
- b) Rupee has been relatively more stable than most of the so-called hard currencies, including the Euro. With the Euro-zone embroiled in a crisis, there are uncertainties regarding the stability of the Euro, which is one of the currencies that is being used for settlement of India-Myanmar trade. A more stable exchange rate regime that Rupee trade would bring in would help both traders and consumers in both countries.
- c) Rupee trade may encourage greater use of the formal trade route by traders who are at present engaged in informal/illegal trade at the border. The use of LC should increase and as a result border trade could become more transparent.
- d) Assuming that the existing patterns of trade would continue to prevail, one of the favourable outcomes of introducing Rupee trade would be that Myanmar would be demanding more products from India in order to use its accumulated rupee resources, thus evening out the large imbalance in bilateral trade faced by India.
- e) India needs to consider promoting Rupee as a currency for settlement of bilateral trade with as many countries as possible, particularly, to counter the moves of the Chinese

government to push Yuan for trade settlement. Over the past couple of years, China has promoted swap in bilateral trade with a number of countries, and, as the recent trends show, Yuan denominated trade is on the rise. Available estimates show that by the first quarter of this year, almost 7 per cent of China's trade was denominated in Yuan. Recent projections made by the HSBC Bank show that by 2015, almost 50 per cent of China's trade would be Yuan denominated. If India has to establish itself as a major economic power in the region, it has to use its own currency to derive enhanced benefits from economic engagement with its neighbours.

- xi) Needless to say, the use of Rupee would require enhanced surveillance by the banking sector so as to ensure that illegitimate use of the currency is eliminated. Banking systems in the two countries, led by the UBI and the Myanmar Economic Development Bank, should be so developed as to respond to the requirements of the traders.
- xii) Prompt measures should be taken to promote use of LC. As stated above, the lack of interest on the part of the traders in LC, particularly those involved in border trade, has hampered the development of trade through formal channels. It has to be recognised that even in the best of situations, LC are difficult for the small traders to handle and, therefore, concerted efforts would have to be taken to ensure that this instrument is put to use. It may be suggested that the traders associations involved in border trade together with export promotion councils, like the SHEFEXIL, and the banks undertake a series of programmes to popularise the use of LC.

### **Improving the Supply-side Bottlenecks**

- i) While many of the measures suggested in the foregoing would lead to the removal of supply-side bottlenecks on the Indian side of the border, there is a need to take a medium-term perspective to address the supply-side issues so as to make effective use of the border trade points. For so doing, the Government of India, along with the concerned State Government, would have to devise an elaborate plan that links the development of certain sectors in the NER with the trade channels provided by the border trade points.
- ii) The NER has been the hub of niche products in handicrafts and handloom, much of which is in the state of decline. To stop this decline, effective government intervention is urgently needed. As their budgetary position has worsened, State Governments have lowered the level of support that was once given to the artisans. It is suggested that these activities need to be revived with the Government of India assistance through a well coordinated programme to promote the artisans. This programme could be modelled on the One Village One Product movement that was initiated in Japan in the late 1970s, which promoted one competitive and staple product from a village to improve the living standards of the population. Thailand developed the One Tambon One Product (OTOP) programme to encourage village communities to improve the quality and marketing of the locally made products, including handicrafts, cotton and silk garments, pottery, fashion accessories, household items, and foods. The OTOP programme, which is more relevant for the NER, selected one superior product from each tambon (sub-district), granted it a brand ("starred OTOP product"), and

provided local and international stage for promotion of these products. Besides promoting the products, the OTOP Programme (renamed as the "Local and Community Products", although the "OTOP" brand name has been retained), led to promotion of tourism in the districts from which the products originate.

- iii) In case of Bangladesh, the Government of India and the State Governments may also consider developing a tripartite relationship aimed at promoting trade and investment between Bangladesh and India. The focus of these efforts should be the support that India needs to provide to Bangladesh to set up enterprises in the small and medium enterprise (SME) sector, which are based on resources available in India's NER. The sectors that select themselves naturally are food processing and textiles and clothing. The industries set up in Bangladesh with India's support can leverage the vast market in the NER that is waiting to be exploited.
- iv) Development of local industries is an imperative that must be given high priority, especially in the face of the penetration of imported products into the local economy. Industries like agro-processing, horticulture and textiles in

which the NER has natural comparative advantage must be expanded using an employment-led strategy. Such a strategy will not only result in augmentation of domestic demand, but will also create a viable industrial base that can service external demand. At the same time, possibilities of setting up industries for producing rubber goods, cycles and cycle parts, pharmaceuticals, edible oils, petroleum products, cement must be explored since the NER either has the raw materials for their development and/or the demands from the region and the countries around it are large enough to sustain them.

- v) Capacity building for officials, entrepreneurs, and traders is needed for strengthening human resources. This would help improve the quality and delivery services in the region. State-level trade promotion centres assisted by the apex industry associations might be the right step for building capacities in the region.

### Endnotes

- 1 Members of BIMSTEC are Bangladesh, India, Myanmar, Sri Lanka, Thailand, Bhutan and Nepal.
- 2 Members are Bangladesh, India, Lao People's Democratic Republic, the Republic of Korea and Sri Lanka.
- 3 EAS Summit includes ASEAN plus India, Australia, New Zealand, China, Japan and Korea.

# Chapter 1

## INTRODUCTION

India's North Eastern Region (NER) is amongst the most endowed states in terms of natural resources, including several critical minerals that it possesses, while it also has substantial potential for generating one of the preferred low-carbon forms of energy, viz. hydro-electricity. Besides, the region is unique in terms of the opportunities it offers (Government of India, 2008). The NER sits at the door-step of East Asia, the region with which India is increasing its economic ties. In this context, it is significant that 96 per cent of this region has India's international borders; it shares borders with China in the north, Bangladesh in the Southwest, Bhutan in the northwest, and Myanmar in the east. But despite these advantages, the NER has remained one of India's economically laggard regions, which accounted for a mere 2 per cent of India's Gross Domestic Product (GDP) in 2009-10. Presently, it is an industrial desert where almost all immediate consumables are imported from outside the region. High transaction costs on account of bottlenecks in the transport systems connecting the NER with the rest of India and the neighbouring countries and the lack of other essential infrastructure have rendered the region perpetually underdeveloped (Bhattacharya and De, 2006).

The relationship between trade, infrastructure and economic development within countries (in India, for example) is not beyond controversy. Most international trade economists have a perspective of a world

in which countries freely exchange goods, factors and ideas. Free trade in goods leads to equalisation of factor prices across countries according to the factor-price-equalisation theorem. In the traditional literature on the neo-classical growth model, capital and labour play a central role as the two main factors of production. Although infrastructure plays the role of a very important catalyst, it gets virtually no explicit mention in the relevant literature on trade and inclusive growth.<sup>1,2</sup>

It may be argued that greater openness of an economy is potentially beneficial to all but this requires appropriate policy designs to realise it (Basu, 2006). Trade and infrastructure development in the NER may, therefore, be seen in this perspective. As the national market centres are far away, markets across the border can act as the vents for surplus generated in the NER. Moreover, the NER's locational advantage can contribute to its development as a base for cooperation not only with the Association of Southeast Asian Nations (ASEAN), but also with neighbouring countries such as Bangladesh, Bhutan, China and Nepal.

Over the past several years, a number of regional and sub-regional initiatives have been taken by countries in the South and in South East Asia, which would help reshape the economic geography of the region. These include, for example, the enhanced cooperation among members of the South Asian Association for Regional Cooperation



(SAARC) that have agreed to set up a South Asian Economic Union, the Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation (BIMSTEC)<sup>3</sup>, the Asia-Pacific Trade Agreement (APTA)<sup>4</sup>. Besides, India has adopted the “Look East” policy and is engaged in deepening economic cooperation with ASEAN and countries belonging to the East Asia Summit (EAS) group, which brings together ASEAN and six of its partner countries, including India.<sup>5</sup> Providing fillip to these initiatives is not possible without the NER playing a pivotal role (see Figure 1.1).

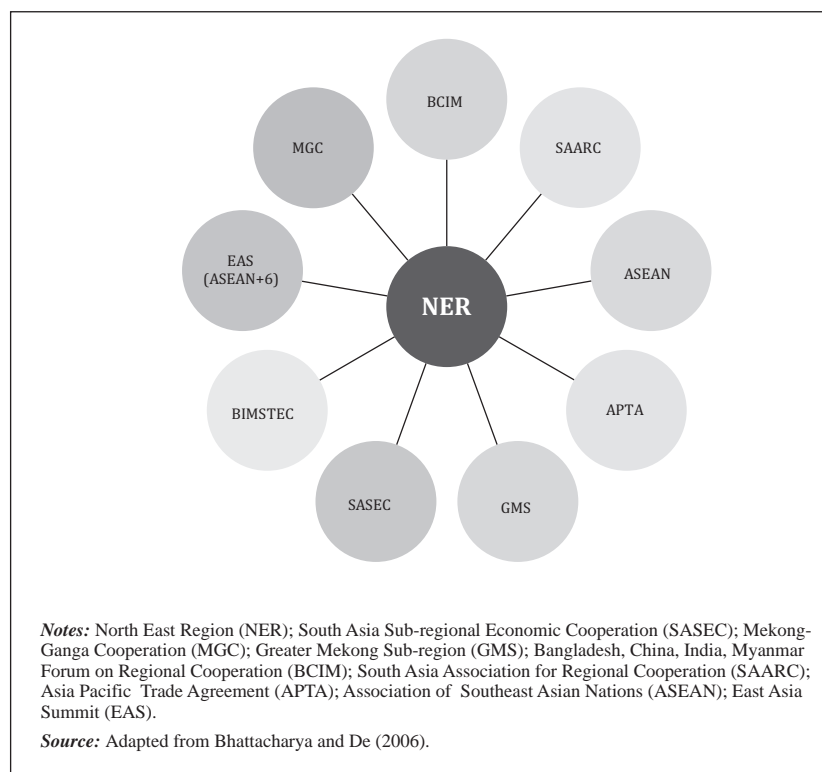
From among the countries that are in the immediate neighbourhood of the NER, Bangladesh and Myanmar are of particular significance. The former was integrally linked to the NER in the pre-partition India and the economic links that existed then have been perpetuated till today through informal channels. Myanmar forms a crucial gateway to the East Asian countries, and hence effective connectivity with this country is of utmost importance. A coherent strategy, therefore,

needs to be developed for strengthening the existing levels of trade (and also investment) links with these countries.

The formal trade links between India and its two neighbours, Bangladesh and Myanmar, have yielded a very low level of trade volume. While the share of Bangladesh in India's total trade was about 0.7 per cent in 2010-11, Myanmar had an even smaller share of about 0.2 per cent. In absolute terms, India's two-way trade with Bangladesh increased from US\$ 1.8 billion in 2005-06 to US\$ 4 billion in 2010-11, which is the highest level attained ever. In the same period, India's two-way trade with Myanmar grew almost three-fold between 2005-06 and 2010-11 to reach US\$ 1.4 billion.

An interesting aspect of India's trade with Bangladesh and Myanmar is that while in case of Bangladesh, India has maintained a large trade surplus, vis-à-vis Myanmar trade balance is negative. In 2010-11, India's trade surplus with Bangladesh had exceeded US\$

**Figure 1.1: NER as India's Gateway to East**



3 billion, which was despite the fact that its imports had increased by more than 62 per cent as compared to that in the previous year. In contrast, India's trade deficit with Myanmar exceeded US\$ 600 million in 2010-11, which was less than half of that seen a year earlier.

These low levels of trade do not include the informal trade that takes place through the local trade points, which have not been systematically recorded so far. People living in the border regions have had economic and cultural links going back to several centuries and drawing of the political boundaries has failed to sever their ties. The interdependence of the people on the two sides of the political boundaries has given rise to informal channels of trade in goods and services. In fact, much of the trade taking place through the borders is through informal arrangements, whose importance seems to have hardly diminished despite the restrictions that have come into being in the past few decades. Informal trade has thus provided sustenance to the economies of the region

The importance of informal trade is immense for it brings tangible benefits to the NER region. However, such trade across the borders of India with Bangladesh and Myanmar face a plethora of problems. Supply-side constraints, among others, inhibit a two-way trade across the borders with its two neighbours. The most effective solution to this lies in strengthening not only transport and communication infrastructure, but also the institutional support that is currently available at the border so as to enhance the existing level of trade and economic linkages with countries bordering the NER, including Bangladesh and Myanmar.

Over the past two decades, the Government of India has taken several steps for promoting trade on the borders with both Myanmar and Bangladesh. A border trade agreement with Myanmar was concluded in 1994, which allowed trade to take place initially through two points, viz. Moreh and Champhai, and subsequently through other

points to be identified jointly by the two governments. Under this agreement, 22 locally produced commodities<sup>6</sup> were allowed to be traded, as per the prevailing customary practices, including barter. A number of conditions were introduced on the barter trade mechanism:<sup>7</sup>

- i. The transactions could take place only by way of head load or non-motorised transport system;
- ii. The value of goods exported under barter trade could not exceed US \$20,000 per transaction; and
- iii. The export of goods from India to Myanmar against import of goods from Myanmar to India should be completed within a period of six months from the date of import.

In 2008, the two countries took several significant decisions regarding the existing border trade arrangements. First, trade through the Moreh-Tamu and Zokhawthar-Rhi border points was upgraded to normal trade. All goods except a handful of restricted items were allowed to be traded at these points at MFN rates. Second, the decision was also taken to open a new border trade point at Avakhung-Leshi. Third, the list of items for barter trade identified under the 1994 Agreement was expanded to 40. And, finally a decision was taken to operationalise new banking arrangement for trade.

Border trade arrangements between India and Bangladesh remained largely undeveloped until the decision was taken by the Prime Ministers of the two countries in January 2010 to establish border *haats*. A formal agreement was signed in October 2010 to establish border *haats*, as a pilot project, at two locations, one of which is operational. The two countries also agreed to open border *haats* in other locations based on factors like historical location, difficulty in access, interdependence of the population on both sides of the border and availability of suitable location.



While efforts have been made to enhance the level of trade with Bangladesh and Myanmar, there is a need to look at the opportunities beyond trade that will ensure that the partner countries reap longer term benefits. One of the ways in which this has been possible in several different regions of the world, apart from India, is through “trade-induced investments”. A rich body of literature argues that “trade-induced investment-led growth” was at the heart of the process of European integration (Baldwin, 1996). More recently, India has also experienced deepening of its economic relations with Sri Lanka through “trade-induced investments”. The India-Lanka Free Trade Agreement (FTA) prompted Indian firms, to establish their presence in Sri Lanka. More recently, Sri Lankan investments have started flowing into India, an example being that of Brandix Sri Lanka, the largest textile exporter from the country.

In view of the above-mentioned instances of “trade-induced investments”, including those that India has been a part of, this study presents a perspective as to how trade and investment synergies can be developed as between the NER and the neighbouring countries of Bangladesh and Myanmar. Such a partnership can usher in virtuous growth in the region.

### Scope of the Study

The proposed study analyses the scope of utilising identified LCSs for improving border trade with Bangladesh and Myanmar. The study exclusively focuses on the following set of issues, viz:

First, the study makes an assessment of the pattern of border trade between India and its two neighbours and the possibilities of expanding it given the existing market conditions.

Second, this study attempts to identify products, based on supply-demand balances in the region, and taking note of those in earlier studies (for example, dairy products,

medicines, machinery and engineering goods, construction materials, two-wheelers, car parts, raw materials for textiles, plastic materials, wood and wood products, etc.).

Third, the study examines the possibility on specific local products to enhance their market value.

Fourth, the study also examines what could be gainfully imported by the NER from the neighbouring countries so that the bilateral trade is not unidirectional but a two-way win-win situation.

Fifth, this study discusses the second set of issues that involve assessment of supply-side constraints which are inhibiting India's two-way trade with these neighbours.

Sixth, it also evaluates the possibilities of investment opportunities by India in both Bangladesh and Myanmar, and vice versa.

### Research Objectives and Data Sources

This study has following specific objectives:

- Review of India's trade with Bangladesh and Myanmar and the changes in recent past (the most recent three-year period may be considered).
  - ▶ The focus of this exercise is on India's trade that is taking place through the NER.
- Identification of commodities that can help in expanding India's trade with the neighbours through the NER, given the existing resource endowments and market demand for products.
  - ▶ This exercise entails identification of commodities that India currently exports or can export to Bangladesh and Myanmar in future, and also the products that the NER can import from India's neighbours.
- Identification of constraints, procedural and otherwise, that are imposing limitations on the expansion of India's

trade with Bangladesh and Myanmar through the North Eastern states.

- ▶ The issue of availability of trade finance is also discussed.
- Identification of supply-side constraints that are limiting India's export of commodities to Bangladesh and Myanmar that are produced in the NER and suggests measures that need to be adopted to deal with this problem.
- Exploration of India's investment opportunities in Bangladesh and Myanmar with buy-back provisions that can eventually promote border trade through the LCSs existing in the NER.

The above mentioned issues have been dealt with using data and information obtained from both primary and secondary sources. Data from primary sources have been collected through extensive field visits in identified Land Customs Stations (LCSs). Field visits and primary survey helped us to make assessments of the ground reality of both hard and soft infrastructure.

### Structure of the Study

The following chapter presents a brief overview of the NER economies and includes a discussion on the recent macroeconomic performance of the region. Chapter 3 provides a detailed account of the NER's trade with Bangladesh. The chapter presents an analysis of the trade flows and their

patterns with the individual states in the NER. Chapter 4 presents the NER's trade with Myanmar. This discussion also includes the NER's trade with Myanmar through land border. Based on the evidences presented in Chapters 3 and 4, policy initiatives that need to be undertaken for the development of trade and investment in the NER along with Bangladesh and Myanmar are enumerated in Chapter 5. Finally, Chapter 6 provides the Policy Recommendations.

### Endnotes

- <sup>1</sup> However, development in endogenous growth theory has introduced the possibility of a productive role of public expenditure on infrastructure with an associated possibility of increasing returns to scale (Barro, 1990 and 1991).
- <sup>2</sup> In economics, there is a need to concentrate on economic infrastructure, which includes services from: (a) public utilities, such as power, telecommunications, piped water supply, sanitation and sewerage, solid waste collection and disposal, and piped gas; (b) public works, such as roads, and major dam and canal works for irrigation and drainage; and (c) other transportation sectors, such as urban and inter-urban railways, urban transport, ports and waterways, and airports (World Bank, 1994). Also refer, Canning (2006), and Straub (2008).
- <sup>3</sup> Members of BIMSTEC are as follows: Bangladesh, India, Myanmar, Sri Lanka, Thailand, Bhutan and Nepal.
- <sup>4</sup> Members are Bangladesh, India, Lao People's Democratic Republic, the Republic of Korea and Sri Lanka.
- <sup>5</sup> EAS Summit includes ASEAN plus India, Australia, New Zealand, China, Japan and Korea.
- <sup>6</sup> See Appendix 1.1 for the list.
- <sup>7</sup> Reserve Bank of India (2000).



## Chapter 2

# STATE OF THE NER ECONOMIES

The North Eastern Region (NER) comprises of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura, and extends to north and east of the narrow Siliguri corridor. These eight states cover an area of 2,62,189 sq. km., constituting 8 per cent of the country's total geographical area, and account for only around 3.8 per cent of the total population and 3.9 per cent of the country's output.<sup>1</sup> The region shares a long international boundary of around 96 per cent with its neighbouring countries: China and Bhutan in the North, Myanmar in the East, Nepal in the West and Bangladesh in the South and West. Most of the hill states in the region like Arunachal Pradesh, Meghalaya, Mizoram and Nagaland are mostly inhabited by tribal people with a fairly high degree of diversity even within the tribal groups.

The NER is dependent on its rural economy; almost 83 per cent of population of

the region lives in the rural areas, having an average population density of 176 people per sq. km. of area (Table 2.1). The distribution of population is also uneven across the states. Assam and Tripura are the top most populated, making up for almost 76 per cent of the total NER population. These are also the two most resource-endowed states in the region.

Driven by expanding international trade and investment, the region was in the forefront of development in the 19th century. A majority of the population in the valleys and plains depended on the vast river systems and small rivulets for their livelihoods. International trade was conducted through the sea-route, backed by a network of inland waterways, and land transportation through road and railway. In fact, the railway network between Dibrugarh and Chittagong was one of oldest rail links in Asia. The rapid spread

**Table 2.1: Population of NER States (2011 Census)**

NER States	Total (million)	Rural (million)	Urban (million)	Rural* (%)	Urban* (%)	Pop Density (per sq. km of area)
Arunachal Pradesh	1.38	1.07	0.31	77.33	22.67	17
Assam	31.17	26.78	4.38	85.92	14.08	397
Manipur	2.72	1.89	0.83	69.79	30.21	122
Meghalaya	2.96	2.37	0.59	79.92	20.08	132
Mizoram	1.09	0.53	0.56	48.49	51.51	52
Nagaland	1.98	1.41	0.57	71.03	28.97	119
Sikkim	0.60	0.45	0.15	75.03	24.97	86
Tripura	3.67	2.71	0.96	73.82	26.18	350
NER Total	45.28	37.21	8.35	82.17	18.44	176

*Source:* Government of India.

*Notes:* \*Share in total population.

of tea gardens followed the establishment of the first tea garden in 1835 and the export of the first consignment of tea to London in 1838. The discovery of oil in Upper Assam and establishment of the first refinery in Digboi in 1901 laid the foundations for the development of an undivided Assam.

But all this changed with the partition of the country. The carving out of territory to constitute the new political entity called East Pakistan changed the entire landscape of the region. It virtually disconnected the region from the rest of the country; just the 27 km Siliguri corridor serving as the only link. The natural sea route through the port city of Chittagong was cut off as new political boundaries were drawn. The geo-political distancing of the region from its main port of Kolkata combined with economic insulation dealt a crippling blow to the NER economy.

## 2.1 Economic Size and Trend

The standard of living of the people in the region, as measured by per capita Net

State Domestic Product (NSDP), has lagged significantly behind the rest of the country. At Rs. 21,000 in 2008-09, it was almost half of the all-India average of Rs. 41,968. Interestingly, available information shows that at the time of India's independence per capita income in the undivided state of Assam was higher than the national average by 4 per cent (Das *et al.*, 2004). However, as NER's growth rate of per capita NSDP lagged behind the rest of the country the gap narrowed, and by the late 1960s per capita income in the region had fallen behind. Over time, the gap in the growth rates in per capita income between the region and the country increased further (Ghosh *et al.*, 1996; Marjit *et al.*, 2008). During the period 1999-00 to 2008-09, on an average, while the Indian economy grew at an annual average rate of 7.2 per cent, the growth in the NER region was 6.7 per cent (Fig. 2.1). Not surprisingly, the difference in per capita incomes between the country and the region has steadily increased.

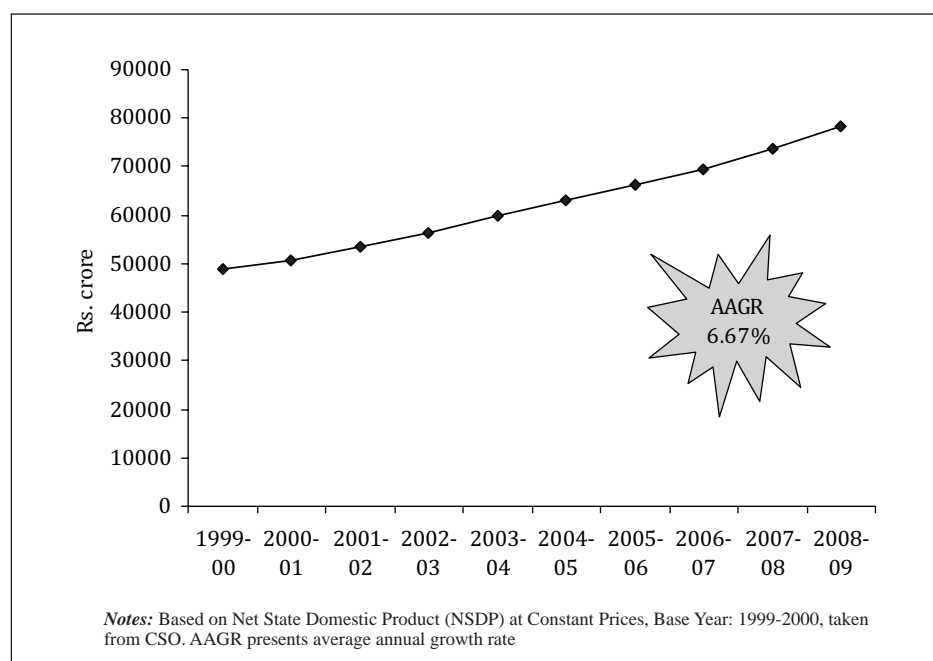
The aggregate picture presented in Tables 2.2 and 2.3, however, does not

**Table 2.2: Net State Domestic Product (NSDP) at Constant Prices  
(Base Year: 1999-2000)**

(Rs. Crore)					
State	1999-2000	2000-01	2001-02	2002-03	2003-04
Arunachal Pradesh	1497	1665	1961	1920	2193
Assam	32011	33760	35094	39394	42927
Manipur	2954	2814	3014	3142	3564
Meghalaya	3211	3593	4057	4310	4723
Mizoram	1410	1567	1752	1933	2083
Nagaland	2556	3286	3874	4382	4699
Sikkim	765	855	956	1078	1209
Tripura	4496	5114	5889	6223	6990
NER Share in India (%)	3	3	3	3	3
State	2004-05	2005-06	2006-07	2007-08	2008-09
Arunachal Pradesh	2549	2598	3020	3266	
Assam	47513	52390	57378	62852	69132
Manipur	4058	4477	4726	5044	-
Meghalaya	5138	5617	6162	6707	-
Mizoram	2181	2398	2629	2887	3184
Nagaland	4980	5255	-	-	-
Sikkim	1356	1539	1746	1990	-
Tripura	7648	8712	9533	-	-
NER Share in India (%)	3	3	3	3	3

Source: RBI.

Figure 2.1: NSDP Growth of NER



adequately reflect the vast differences between the urban and rural areas, the hills and the plains and figures from the other states. In the region, except for Mizoram, Nagaland and Sikkim which recorded marginally higher growth rates than the country average, per capita income levels in all other states were lower by varying magnitudes. The region lags behind the rest of the country not only in terms of per capita income but in several other development indicators as well. The

population does not have access to basic services in adequate measure. The standard development indicators such as road length, access to healthcare, and power consumption in the region are below the national average. The region generates less than 8 per cent of its 63,257 MW of hydroelectric power generation potential and its per capita power consumption at 110 kWh is almost a fourth of the national average (411 kWh). In Assam, Manipur and Nagaland, the per capita power

**Table 2.3: Per Capita Net State Domestic Product (NSDP) at Constant Price (Base Year: 1999-2000)**

States	(Rs.)						
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Arunachal Pradesh	15832	17340	19339	18179	20458	21582	22475
Assam	13072	13675	13946	14419	14894	15526	16272
Manipur	12319	13389	14334	14663	14941	15667	16508
Meghalaya	15882	16658	17595	18870	20185	21597	23069
Mizoram	18429	18555	18904	18616	19220	19750	20483
Nagaland	17409	17319	17269	17008	17129	17453	17538
Sikkim	17065	18159	19332	20777	22277	23684	25257
Tripura	17752	18554	19825	21524	21706	22493	26402
NER average	15970	16706	17568	18007	18851	19719	21001

*Source:* RBI.

consumption is as low as 85 kWh, 70 kWh and 87 kWh, respectively. The literacy rate in the region is high, but the slow pace of industrialisation and limited capacity of the population to engage in productive economic activities means a high rate of unemployment and underemployment. The incidence of poverty in the region is high and the official income-poverty measure does not accurately reflect the deprivation.

## 2.2 Rural Economy

It is impossible to envision the development of NER without the progress of the rural economy. This is mainly for two reasons. First, an overwhelmingly large share of the population of the region lives in rural areas and its livelihood depends on spreading economic activities in rural areas. Second, there is abundance of natural resources and harnessing these for the benefit of the population would require strengthening of forward and backward linkages. Development of rural economy in the region is, therefore, critically dependent on agriculture, forestry, livestock, minerals and rural non-farm activities.

## 2.3 Services-driven Economy

The NER is a services-driven economy: 59 per cent of the State Domestic Product (SDP)

was accounted for by the services sector in 2008-09 (Table 2.4). However, agriculture is the mainstay of the economies of the NER as it accounts to 27 per cent (2008-09), and is a major source of employment and livelihood for around 80 per cent of the local population. However, agricultural growth has been uneven across regions and crops. The NER continues to be a net importer of foodgrains. In spite of covering 8.8 per cent of the country's total geographical area, the NER produces only 1.5 per cent of the country's total foodgrain production.

Agriculture accounts for a major share of the economies of all the North Eastern states, from 26 per cent in Arunachal Pradesh to 20 per cent in Sikkim in 2008-09. However, the share of agriculture has been declining in all the states (except Nagaland), indicating that these states have undergone significant structural changes. With the exception of Meghalaya, the share of manufacturing in general has been falling, accompanied by an increasing share of services. While agriculture in the NER grew at a much higher rate (4.5 per cent) than the average for the country (about 1.2 per cent) in last one and a half decades, growth rates differ among different states of the region.

A rapid structural change is generally associated with the economic growth of any

**Table 2.4: Sectoral Composition**

Table 2.4: Sectoral Composition						
						(%)
Sector	Arunachal Pradesh		Assam		Manipur	
	2000-01	2006-07	2000-01	2006-07	2000-01	2006-07
Agriculture	36.97	26.42	35.58	28.18	30.87	27.45
Industry	5.30	9.42	11.93	17.41	9.50	7.69
Services	57.73	64.16	52.48	54.41	59.63	64.86
<b>Meghalaya</b>						
		Mizoram		Nagaland		
	2000-01	2006-07	2000-01	2006-07	2000-01	2006-07
Agriculture	23.90	21.88	21.40	16.68	33.34	33.58
Industry	11.45	14.81	4.02	2.82	2.36	2.90
Services	64.65	63.31	74.58	80.50	64.31	63.51
<b>Sikkim</b>						
		Tripura		NER		
	2000-01	2006-07	2000-01	2006-07	2000-01	2006-07
Agriculture	22.74	19.67	24.92	23.47	32.77	26.98
Industry	9.21	6.98	6.23	5.00	10.15	13.69
Services	68.05	73.34	68.86	71.53	57.08	59.33

Source: Central Statistical Organisation (CSO).



region. Growth processes have always been characterised by a lessening in the emphasis on agricultural and primary activities and an increasing importance to the manufacturing sector (Kubo *et al.*, 1998). Various countries including India have undergone this structural change (Barua and Bandyopadhyay, 2005).

Structural change implies a rise in the share of industry and services sectors in the gross domestic product. But in the NER, the share of industry in the domestic products of the states taken together has remained very low: in 2006-07, it was 13.69 per cent (Table 2.4). As would be seen from this table, there were significant variations in the shares of industry across the states. This clearly shows that industrialisation has failed to take off in the region.

The industrial sector of the states of Manipur, Tripura and Meghalaya has fared better than the national average. However, the growth performance of the manufacturing sector in the remaining states of the region has been poor. In Arunachal Pradesh, the manufacturing sector has been virtually stagnant. This poor performance seems to be one of the prime causes for the relatively slow growth of GDP of the region.

The industrial sector can be divided into the registered and the unregistered units. The unregistered sector generally comprises small-scale industries including handicrafts. Assam is by far the largest industrialised state in the region: nearly 88 per cent of the total industrial units in the region are located in this state. At the other end of the spectrum Arunachal Pradesh has no registered industrial units.

The industries of NER mainly include mining and quarrying, food processing, spinning and weaving, pulp and paper, wine and malt, *bidi*, cigars and cigarettes, printing, bleaching and dyeing, wool spinning, wooden products, footwear, fertilisers and chemicals, insulated wires and cables, and pharmaceutical. The production units are mostly based on locally-available resources

for which the optimal plant sizes are not very large. Industries requiring large scale production such as petrochemicals, cement, steel and sugar are completely absent despite the fact that the region is a rich source of the raw materials required for the production of such products. For example, there is abundance of limestone (in Meghalaya and Assam) but there is not a single cement factory in the region. Assam has the largest oil reserves (non-offshore) but the state has no large manufacturing unit of petrochemical products. On the other hand, industries producing insulated wires and cables are also being established in the region, although the region has no known reserves of copper.

Another important observation is that the unregistered sector is relatively evenly distributed across all the states in the NER. This means that the states of the NER have certain distinctive strengths and advantages in handicrafts and other small-scale industries. Assam has the largest share in the unorganised sector followed by Manipur. It is evident, therefore, that the small-scale industries could not play any significant role in the development of the NER.

The NER is a market of about 400 million people having international borders with Bangladesh, Bhutan, China, Myanmar, and Nepal. The region has the potential to develop into India's powerhouse, since it is well endowed with oil, natural gas and coal, besides having India's largest perennial water system in the river Brahmaputra and its tributaries. The NER is also rich in horticultural products, plantation crops, vegetables, spices, rare herbs, and medicinal plants. The region offers unlimited tourism opportunities, rare flora and fauna, natural scenic beauty, unique performing arts, and varied cuisine and handicrafts. The region being a great source of bamboo and a number of agro resources, capacity building in the bamboo sector as well as in other agro-processing areas can develop another promising potential.

## 2.4 International Engagement and Opportunities

The NER is unique in terms of opportunities. While it is an industrial desert where almost all immediate consumables are imported from outside the region, it is the focal point of trade within a vast area. The NER's locational advantage and rich natural resources is the *raison d'être* for its development as a hub for developing close links not only with the ASEAN region but also with neighbouring countries such as Bangladesh, Bhutan, and Nepal. In fact, the NER can emerge as a strategic location for foreign and domestic investors to tap into the large markets in South Asia and the ASEAN. However, for this to happen, attention must be focused on the multitude of development deficiencies, caused by weak infrastructure and institutions, which the region suffers from. The key to addressing the deficiencies is to view the region as a whole, rather than deal with each individual state separately, since this will help in reaping the dividends arising from both economies of scale and economies of scope.

Supply-side constraints occupy the top spot among factors that inhibit NER's trade links with the neighbouring countries. Following the formalisation of regional and bilateral Free Trade Agreements (FTAs) with ASEAN and its member states, India's trade with this region is expected to increase manifold. It is in this context, the proximity of the NER to ASEAN must be leveraged to gain greater market access in the partner countries. One of the major impediments preventing NER to take advantage of its location is lack of connectivity. Being "landlocked", the region cannot benefit from trade liberalisation initiatives because the infrastructural links are not well developed. Consequently, the cost of transportation is high, and this effectively erodes all the locational advantage.

There is, therefore, a case for improving the connectivity of NER by providing at least four links. The first is to "landlink" the region by connecting it with the highways network,

which is being developed as a part of the "Golden Quadrilateral" project. The key to this proposal is transit through Bangladesh. The second link is the Kaladan multimodal transit transport project, which, by improving the connectivity of NER with Myanmar, would end its 'landlockedness' on its eastern side. The third link, would be the road link between Manipur and Myanmar, the Imphal-Mandalay connect, which has long been a demand made by the people on both sides of the border. The fourth link is a transit through Bangladesh and a transshipment facility at Chittagong port in Bangladesh.

At the same time, intra-regional infrastructure need to undergo a complete overhaul, through upgrading of road and railway links. The railway network is yet to penetrate most of the states in the NER states. Establishment of railway links would go a long way in helping the region to better integrate with not only the rest of India but also with neighbouring countries such as Bangladesh and Myanmar.

Air links with major destinations in ASEAN, Bangladesh and Nepal would provide a major boost in improving the NER's connectivity with India's partner countries. This mode is likely to encourage trade in the high value segments, and, more importantly, trade in services.

Strengthening of transport infrastructure should be complemented by greater connectivity in the virtual space. Well functioning telecommunication links help in enhancing efficiency of the economic agents, besides improving the governance structures, and both these attributes are vitally necessary for the NER.

It may be emphasised here that improved physical connectivity will not merely promote greater economic activities in the NER, there would be a vital positive externality in the form of people-to-people contact. This latter dimension will help in the long-term sustainability of economic relations for it

builds confidence among the people of the bordering areas in the first instance, which can then permeate to other parts of the India and its neighbours.

In terms of the policy initiatives, facilitation of border trade should be given priority by the government. At present, border trade, particularly between India and Myanmar, is severely restricted. The official trade, mostly under barter arrangements, has been dwindling. By far the largest volume of trade is taking place through illegal/informal channels. While the Indian government should aim to facilitate border trade yet there is need to re-look at the contents of the current border trade arrangements. The 40 items, in which border trade is allowed, does no more than promote informal/illegal trade in a variety of products. Our view is that the list of tradable items for border trade must be revised to include some of the essential items and also high value products, which are currently being traded through illegal channels, may

be considered. The NER has to identify such products, based on supply-demand balances in the region, and taking note of those in earlier studies (for example, dairy products, medicines, machinery and engineering goods, construction materials, two-wheelers, car parts, raw materials for textiles, plastic materials, wood and wood products, etc.). The NER needs to participate in the growing trade with ASEAN countries particularly in items like agro-based and forestry products, including minor forest produce and minerals and ores.

International orientation for the NER by improving interaction with neighbouring countries, and, therefore, enhancement of cross-border trade and investment, is examined in the following chapters.

### **Endnote**

- <sup>1</sup> While population refers the year 2011, area refers the latest year and output refers NSDP of the year 2008-09, taken at constant prices with base 1990-2000=100, sourced from RBI.



## NER-BANGLADESH BORDER TRADE: EMERGING PATTERN

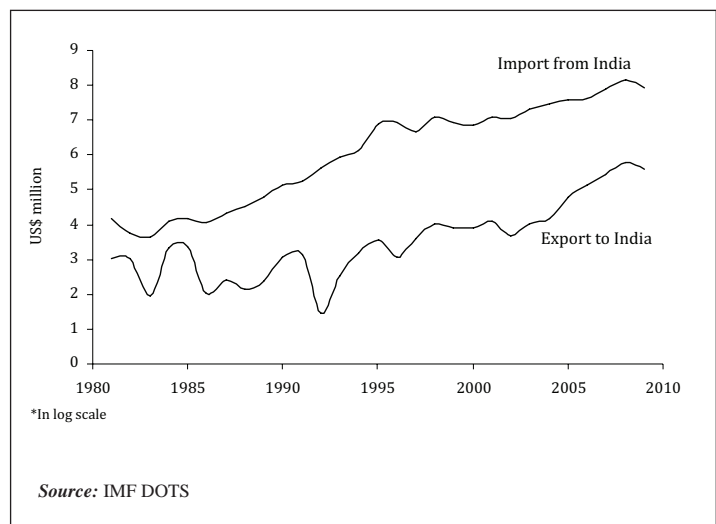
The primary objective of this chapter is to analyse the pattern of border trade taking place between the NER and Bangladesh. This analysis would provide an understanding of the nature of trade taking place through the land customs stations located in the NER.

### 3.1 Trade between India and Bangladesh

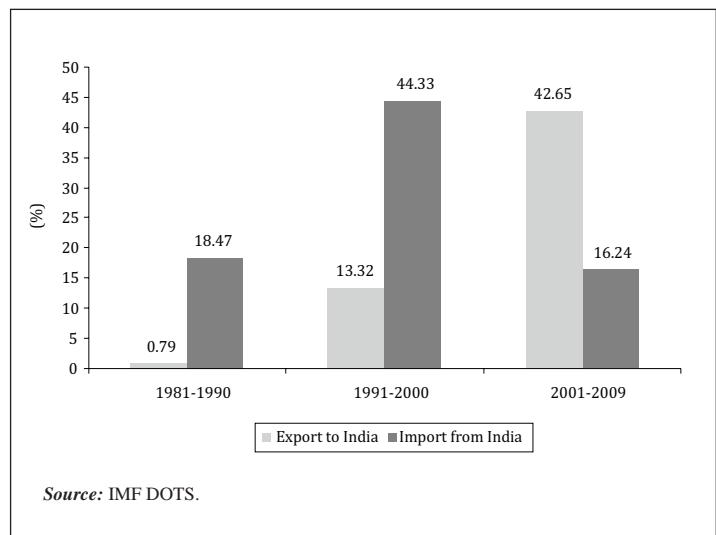
Trade offers immense opportunities for enhancing economic welfare of Bangladesh and India. Within South Asia, bilateral trade between India and Bangladesh accounts for more than a fourth of the total regional trade. India is the second largest trading partner of Bangladesh since the mid-1990s, although the rate of growth of two-way trade between the two countries has remained moderate because of this. Trade has, however, remained largely one-sided, as India's exports to Bangladesh have outstripped its imports from its neighbour by a considerably large margin (Table 3.1 and Figure 3.1).

Despite India's unilateral concessions to Bangladesh and the existence of a large land border between the two countries, India's trade with Bangladesh has grown at a modest pace. The total bilateral trade between India and Bangladesh witnessed a CAGR of 7 per cent in the second half of the previous decade, which was caused largely because India's exports to Bangladesh increased by CAGR of only 8 per cent. On the other hand, India's imports from Bangladesh grew at a much higher rate of 15 per cent

**Figure 3.1: Bangladesh's Trade with India: 1981-2009**



**Figure 3.2: Trade Growth**



per annum. Despite this increase, imports from Bangladesh constitute only one per cent of India's imports, and include a small range of products (fertiliser and jute goods made up two-thirds of exports). Although ready-made-garments (RMG) is the major export item of Bangladesh (making up for more than 80 per cent of its exports), its exports to India are indeed quite insignificant.

Table 3.2 shows India's major exports to Bangladesh in the second half of the 2000s. In 2009-10, the top 10 commodities accounted for nearly three-fourths of India's total exports. In the past few years, cotton, automobiles, vegetable products and cereals have dominated India's export basket, with the first three products

making up for nearly 40 per cent of the total exports to Bangladesh. Cereals were among the top exports until 2007-08, but their importance has shrunk substantially. Other important products in the Indian export basket are residues and waste from the food industry, iron and steel, mineral fuels, mineral oils and derived products.

India's imports from Bangladesh were narrowly focused on two products in 2009-10, viz. jute and jute bags, and fish. For a few years, Bangladesh supplied anhydrous ammonia to India in 2007-08 and 2008-09, this product was the largest single product in India's import basket from Bangladesh. Import of this product declined drastically thereafter. Table 3.3 gives the list of India's major imports from Bangladesh. These

**Table 3.1: India's Merchandise Trade with Bangladesh**

(US\$ million)				
Year	India's Export to Bangladesh	India's Import from Bangladesh	Total Bilateral Trade	Balance of Trade (BOT)
2005-06	1664.36	127.03	1791.39	1537.33
2006-07	1629.57	228	1857.57	1401.57
2007-08	2923.72	257.02	3180.74	2666.7
2008-09	2497.87	313.11	2810.98	2184.76
2009-10	2433.77	254.66	2688.43	2179.11

*Source:* DGCIS, Government of India.

**Table 3.2: India's Top Ten Exports to Bangladesh in 2005/06-2009/10**

HS Chapter	Description	Share of Total Exports (%)				
		2009-10	2008-09	2007-08	2006-07	2005-06
52	Cotton	18.7	16.1	22.2	16.7	17.4
7	Edible vegetables, certain roots and tubers	10.3	6.5	4.1	6.8	8.2
87	Automobiles	10.0	6.6	4.7	5.6	4.8
23	Residues and waste from the food industry; prepared animal fodder.	8.1	4.6	3.7	5.1	1.8
72	Iron and steel	5.5	3.8	2.8	4.7	5.4
27	Mineral fuels and mineral oils; bituminous substances; mineral waxes	5.4	5.6	7.3	8.0	8.7
10	Cereals	5.0	10.1	24.1	9.7	16.2
29	Organic chemicals	3.5	3.0	2.1	2.7	3.0
54	Man-made filaments.	3.1	1.8	0.7	3.0	2.4
84	Nuclear reactors, boilers machinery and parts	2.7	6.0	2.8	3.0	3.4

*Source:* DGCIS, Government of India.

**Table 3.3: India's Top Ten Imports from Bangladesh in 2005/06-2009/10**

HS Chapter	Description	Share of Total Exports				
		2009-2010	2008-2009	2007-2008	2006-2007	2005-2006
53	Other vegetable textile fibres; paper yarn	21.7	10.2	18.9	16.8	23.5
63	Other made up textile articles; worn clothing and worn textile articles	20.1	17.7	6.3	9.2	11.7
3	Fish and crustaceans	10.0	11.7	8.5	6.5	8.0
25	Salt; sulphur; earths and stone; plastering materials, lime and cement.	7.8	5.2	3.9	1.9	1.2
74	Copper and articles thereof.	4.5	1.1	2.7	3.5	2.4
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, or radi. Elem. or of isotopes.	3.8	13.2	8.6	18.2	30.9
41	Raw hides and skins (other than furskins) and leather	3.1	2.7	1.7	1.6	1.7
31	Fertilisers.	2.9	14.6	19.9	13.1	0.4
72	Iron and steel	2.7	1.7	2.2	2.3	0.7

Source: DGCIIS, Government of India.

product groups accounts for about 77 per cent of total imports from Bangladesh. Included in this list are products that are either semi-processed and unprocessed. The absence of apparels in the list of major products is noteworthy. This product group has an overwhelmingly dominant share in Bangladesh's exports to the rest of the world, but this product has not been able to penetrate into the Indian market.

The trade intensity indices of both imports and exports demonstrate the bilateral trade orientation of a country with its trading partner.<sup>1</sup> Export and import intensity indices have been calculated for India's trade with Bangladesh for the period 2005 to 2009. The results are included in Table 3.4. As is to be expected, India's export intensities with Bangladesh were much higher than its import indices. This implies that India exported more to Bangladesh than it imported from Bangladesh leading to the balance of trade being in India's favour. This is a disappointing picture from Bangladesh's point of view. Low indices for exports and imports, which were far below the desired level of 100, imply that India-Bangladesh bilateral trade is not at a level as it should be. There is, therefore, scope for mutual trade expansion between the two countries.

### 3.3 Trade between the NER and Bangladesh

India and Bangladesh share almost 4100 km long international border, of which almost 1880 km is with the NER (1434 km is land border and 446 km is riverine tract). Four states of the NER, namely, Assam, Meghalaya, Tripura, and Mizoram share international borders with Bangladesh (Table 3.5). With the exception of Meghalaya, the remaining

**Table 3.4: India's Trade Intensity Indices with Bangladesh**

Year	India's Export Intensity Indices with Bangladesh ( $x_{ij}$ )	India's Import Intensity Indices with Bangladesh ( $m_{ij}$ )
2005	13.87	0.81
2006	10.41	1.28
2007	10.93	1.11
2008	14.78	0.98
2009	8.12	0.64

Source: Calculated based on Export-Import Databank, Government of India.

**Table 3.5: NER-Bangladesh Border Length**

State	(km)		
	Land border	Riverine	Total
Assam	160	103	263
Meghalaya	443	-	443
Tripura	773	83	856
Mizoram	58	260	318
Total	1434	446	1880

Source: NEC.



NER states share both land and riverine border with Bangladesh, among which Tripura and Mizoram have the longest land and riverine borders with Bangladesh, respectively. However, a large part of this international border with Bangladesh is porous. Map 3.1 presents international border that the NER shares with Bangladesh.

### 3.3.1 Trade Flows between the NER and Bangladesh

In order to facilitate NER-Bangladesh border trade in goods and services, the Government of India through the Office of the Commissioner of Customs in Shillong has set up 26 Land

Customs Stations (LCSs) along the NER-Bangladesh borders. Out of 26 LCSs, 20 are functional while the remaining six are non-functional (Table 3.6a). Table 3.6b shows the

**Table 3.6 (a): State-wise Distribution of LCSs in NER Dealing NER-Bangladesh Trade**

State	Functional	Non-functional	Total
Assam	5	3	8
Meghalaya	8	2	10
Mizoram	0	1	1
Tripura	7	0	7
Total	20	6	26

*Source:* Office of the Commissioner of Customs, Shillong.

**Table 3.6(b): State-wise List of LCSs Dealing NER-Bangladesh Trade**

State	Sr. No.	LCS in NER	Sr. No.	LCS in Bangladesh	
		<b>Functional</b>			
Assam	1	Karimganj Steamer Ghat and Ferry Station (Karimganj district)	1	Jakiganj (Sylhet division)	
	2	Sutarkandi (Karimganj district)	2	Sheola (Sylhet division)	
	3	Guwahati Steamer Ghat (Kamrup district)	3	--	
	4	Dhubri Steamer Ghat (Dhubri district)	4	Rowmati (Mymensing division)	
	5	Mankachar (Dhubri district)	5	Natun Bandar (Rongpur division)	
	<b>Non-functional</b>				
	6	Mahisashan Rly. Station (Karimganj district)	6	Shahbazpur (Sylhet division).	
	7	Golakganj (Dhubri district)	7	Sonahaat(Rongpur Division)	
	8	Silchar RMS	8	Independent of any border	
		<b>Functional</b>			
Meghalaya	1	Borsora (West Khasi Hills district)	1	Borsora (Sunamganj division)	
	2	Bholaganj (East Khasi Hills district)	2	Chatak (Sunamganj division)	
	3	Dawki (Jaintia Hills district)	3	Tamabil (Sylhet division)	
	4	Shellabazar (West Khasi Hills district)	4	Sunamganj(Sylhet division)	
	5	Baghmara (West Khasi Hills district)	5	Bijoypur (Mymensing division)	
	6	Dalu (West Garo Hills district)	6	Naku Gaon (Mymensing division)	
	7	Ghasuapara (South Garo Hills district)	7	Karaitol (Mymensing division)	
	8	Mahendraganj (West Garo Hills district)	8	Dhannua Kamalpur (Mymensing division)	
	<b>Non-functional</b>				
		9	Ryngku (East Khasi Hills district)	9	Kalibari (Sonamganj division)
	10	Balat (East Khasi Hills district)	10	Dolura (Sylhet division)	
		<b>Non-functional</b>			
Mizoram	1	Demagiri (Lunglei district)	1	Rangamati (Sylhet division)	
		<b>Functional</b>			
Tripura	1	Agartala (Tripura West district)	1	Akhaura ( Comilla division)	
	2	Srimantapur (Tripura district)	2	Bibir Bazar (Comilla division)	
	3	Dhalaighat (Dhalai district)	3	Kumarghat (Sunamganj division)	
	4	Khowaighat (Tripura West district)	4	Balla (Habiganj division )	
	5	Manu( Dhalai district)	5	Chatlapur (Sylhet division )	
	6	Muhurighat (Tripura South district)	6	Belonia (Feni division )	
	7	Old Ragnabazar(Tripura North district)	7	Betul (Fultali) (Sylhet division)	

*Source:* Office of the Commissioner of Customs, Shillong.

state-wise distribution of LCSs in the NER and their counterparts in Bangladesh.

The NER-Bangladesh trade mainly flows through Assam, Meghalaya and Tripura out of the four NER states that have international borders with Bangladesh. A two-year average (2006-08) of the NER-Bangladesh trade shows that the share of Meghalaya in the NER-Bangladesh trade is the highest (Table 3.7). The contribution of Meghalaya to the total volume of the NER-Bangladesh trade stands at 63.83 per cent, while for Tripura and Assam the share in trade are 18.26 and 17.91 per cent, respectively. For both Assam-Bangladesh and Meghalaya-Bangladesh trade is characterised by higher export and negligible import, the Tripura-Bangladesh trade exhibits just the opposite trends, i.e., higher import and lower export.

Figure 3.3 presents trends in export and import through LCSs in Assam. Assam-Bangladesh trade mainly flows through Sutarkandi LCS in South Assam. Sutarkandi is located in the district of Karimganj in Barak Valley. About 85 per cent of the Assam-Bangladesh trade flows through this LCS (Table 3.8). Sutarkandi presently handles Rs. 6 crore of annual average trade, of which Rs. 4 crore is export and Rs. 2 crore is import (Table 3.8). All the LCSs deal both in export and import trade with Bangladesh.

In Meghalaya, out of the eight functional LCSs, Borsora and Ghasuapara in Garo Hills and Dawki in Jaintia Hills play a dominant role in Meghalaya-Bangladesh trade. About Rs. 24 crore in the India-Bangladesh trade presently is contributed by Meghalaya. Figure 3.4 presents LCS-wise trend in export and import. Borsora contributes about 42 per cent of the total Meghalaya-Bangladesh trade and the share for Dawki and Ghasuapara is 22 and 17 per cent, respectively (Table 3.9). A significant amount of trade also flows through LCSs located at Shellabazar, Mahendraganj, Dalu and Bholaganj (Table 3.9). Borsora LCS presently handles a total export of about Rs. 10 crore to Bangladesh – the highest in the NER. Import from Bangladesh through

**Map 3.1: NER-Bangladesh International Border and Selected LCSs**



**Table 3.7: NER-Bangladesh Trade**

State	Volume (2-years Average, 2006-08) (Rs. lakh)	Share in Total Trade (%)
Assam	7049.00	17.91
Meghalaya	25120.84	63.83
Tripura	7185.14	18.26
NER total	39,354.98	100.00

*Source:* Office of the Commissioner of Customs, Shillong.

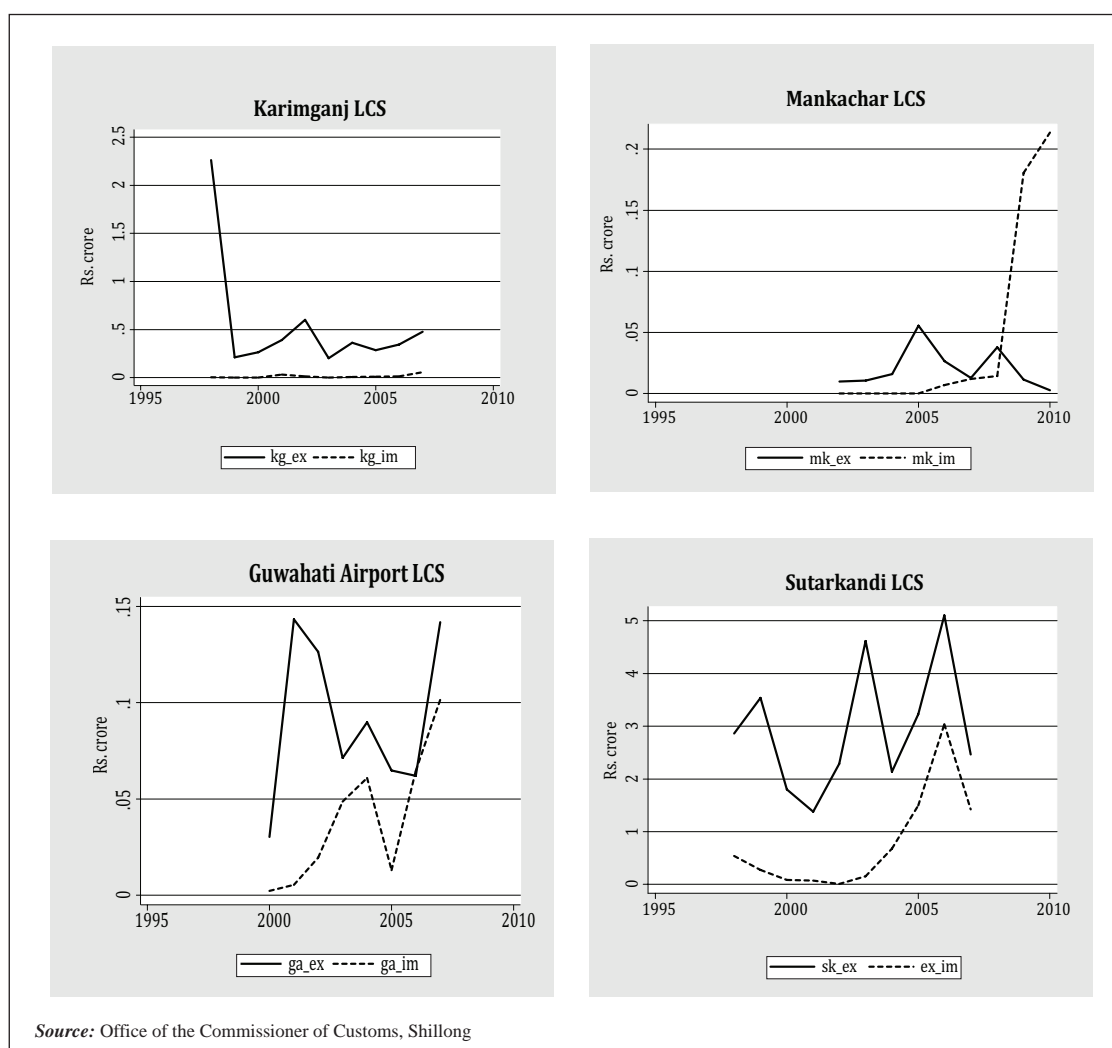
Mahendraganj LCS is the highest in the state, sharing about 94 per cent of total import of Meghalaya from Bangladesh (Table 3.9). Barring Mahendraganj, Dalu and Dawki, other LCSs in Meghalaya do not deal in import from Bangladesh. Borsora in export and Mahendraganj in import are the busiest LCSs in Meghalaya.

Tripura handles about Rs. 7 crore of annual trade with Bangladesh, which is mostly of imports. Most of the trade in the state (93.27 per cent) flows through Agartala LCS. Figure 3.5 shows trends in export and import at selected

**Table 3.8: Trends in Assam-Bangladesh Trade, 2-years Average, 2006-08**

LCS	Export		Import		Total	
	Volume (Rs. lakh)	Share (%)	Volume (Rs. lakh)	Share (%)	Volume (Rs. lakh)	Share (%)
Karimganj Steamer & Ferry Station	396.50	8.35	36.00	1.57	432.50	6.14
Sutarkandi	3785.00	79.67	2232.00	97.09	6017.00	85.35
Guwahati Steamer Ghat	549.50	11.57	21.50	0.93	571.00	8.10
Mankachar	19.50	0.41	9.50	0.41	29.00	0.41
Assam total	4750.50	100.00	2299.00	100.00	7049.50	100.00

*Source:* Office of the Commissioners of Customs, Shillong.

**Figure 3.3: Trends in Export and Import with Bangladesh: Assam**

LCSs in Tripura. Some trade also passes through Srimantapur LCS (6.39 per cent). Flow of trade through LCSs like Dhalaighat, Khowaighat, Manu, Muhurighat and Old Ragnabazar is insignificant (Table 3.10).

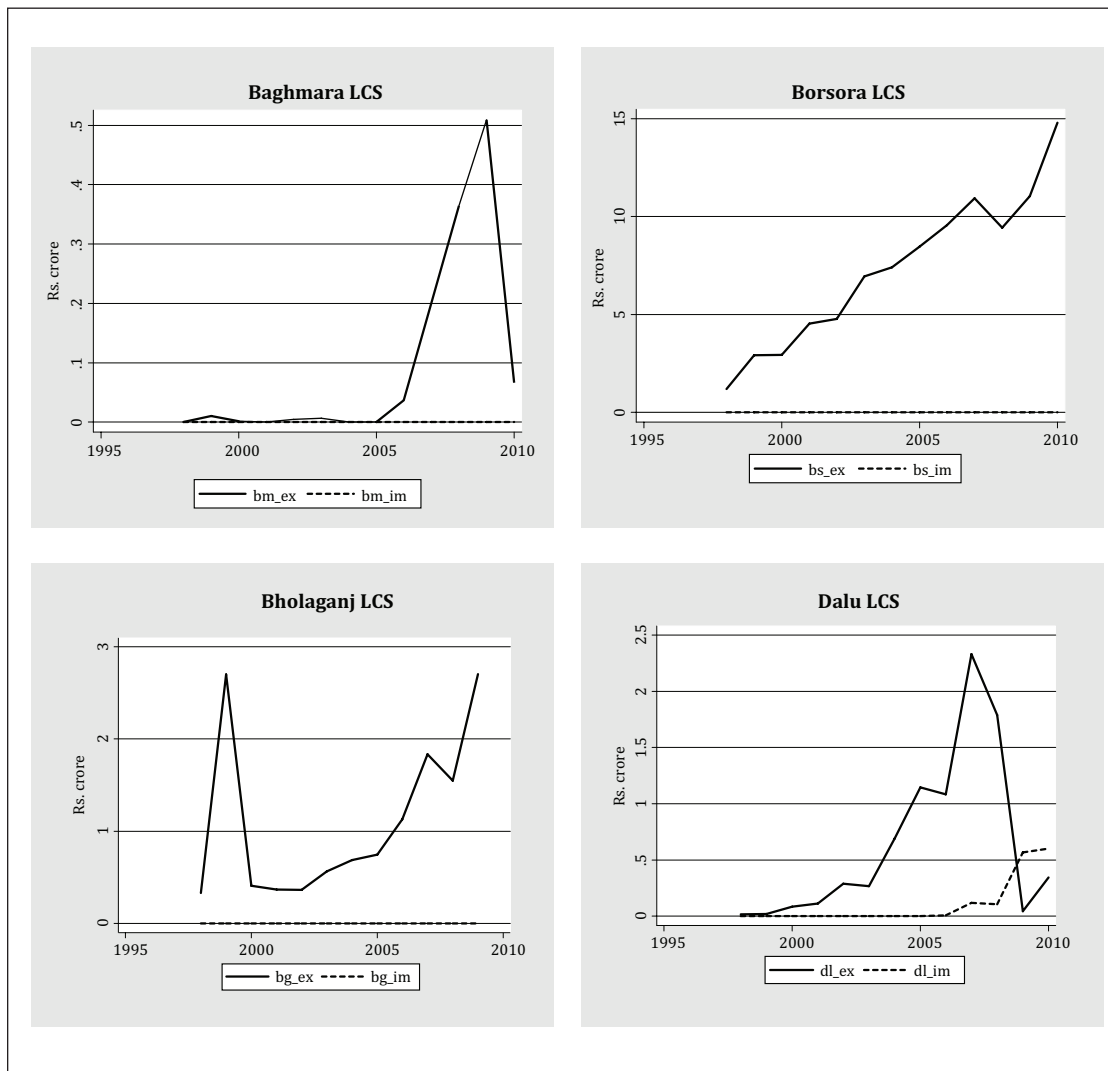
### 3.3.2 Commodity-wise Trade between the NER and Bangladesh

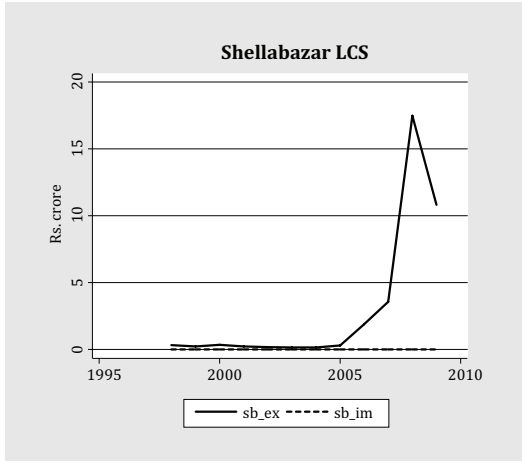
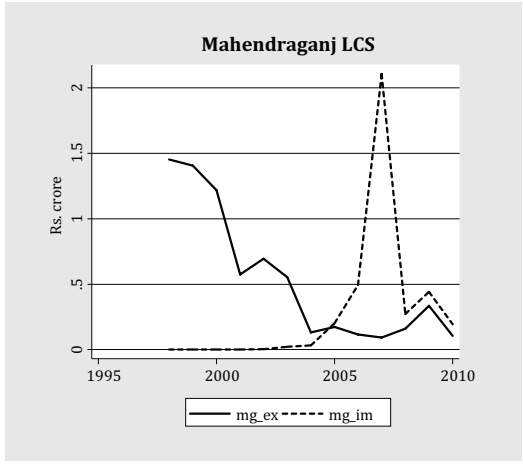
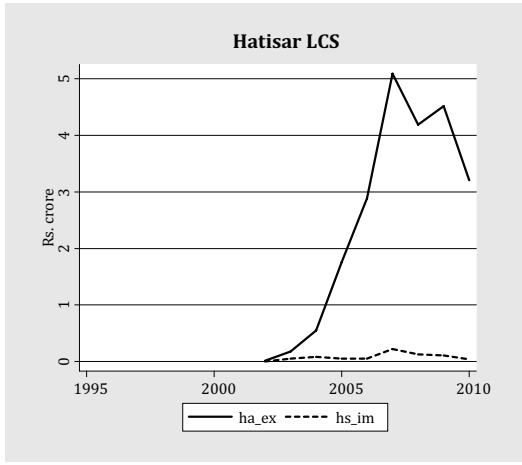
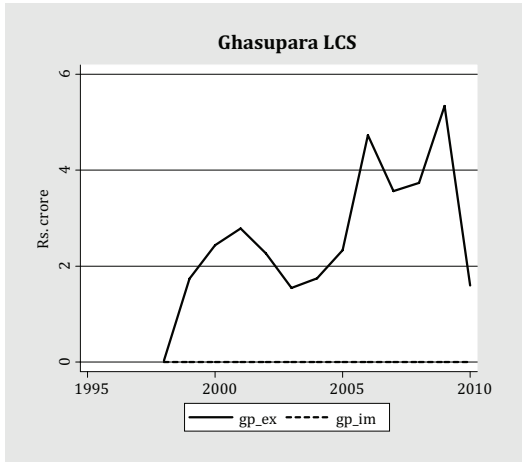
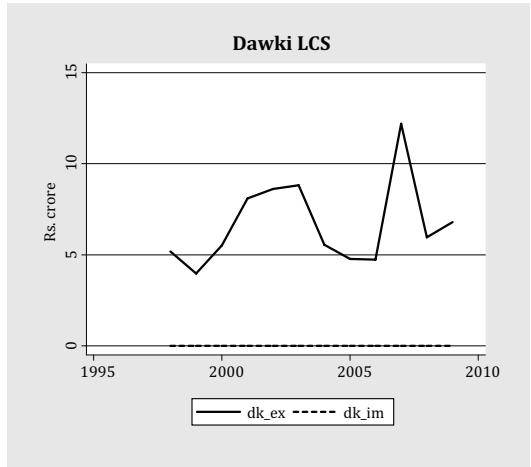
Trade between the NER and Bangladesh is uneven and not diversified. Official trade between the NER and Bangladesh is

**Table 3.9: Meghalaya-Bangladesh Trade, 2-years Average, 2006-08**

LCS	Export		Import		Total	
	Volume (Rs. lakh)	Share (%)	Volume (Rs. lakh)	Share (%)	Volume (Rs. lakh)	Share (%)
Borsora	10253.00	42.93	0.00	0.00	10253.00	41.96
Bholaganj	1049.50	4.39	0.00	0.00	1049.50	4.30
Dawki	5425.50	22.71	0.75	0.14	5426.25	22.21
Shellabazar	1845.00	7.72	0.00	0.00	1845.00	7.55
Baghmara	68.00	0.28	0.00	0.00	68.00	0.28
Dalu	1123.50	4.70	30.09	5.54	1153.59	4.72
Ghasuapara	4048.00	16.95	0.00	0.00	4048.00	16.57
Mahendraganj	76.50	0.32	512.50	94.32	589.00	2.41
Meghalaya total	23889.00	100.00	543.34	100.00	24432.34	100.00

Source: Office of the Commissioner of Customs, Shillong.

**Figure 3.4: Trends in Export and Import with Bangladesh: Meghalaya**



Source: Office of the Commissioner of Customs, Shillong.

**Table 3.10: Tripura-Bangladesh Trade, 2-years Average, 2006-08**

LCS	Export		Import		Total	
	Volume (Rs. lakh)	Share (%)	Volume (Rs. lakh)	Share (%)	Volume (Rs. lakh)	Share (%)
Agartala	57.00	42.04	6644.50	94.25	6701.50	93.27
Srimantapur	75.00	55.31	384.00	5.45	459.00	6.39
Dhalaighat	0.00	0.00	0.00	0.00	0.00	0.00
Khowaighat	0.03	0.02	1.50	0.02	1.53	0.02
Manu	0.07	0.05	3.05	0.05	3.12	0.04
Muhurighat	0.00	0.00	0.00	0.00	0.00	0.00
Old Ragnabazar	3.50	2.58	16.50	0.23	20.00	0.28
Tripura total	135.60	100.00	7049.54	100.00	7185.15	100.00

Source: Office of the Commissioner of Customs, Shillong.

concentrated in agricultural commodities, processed foods, minerals and garments. The top three export and import items traded between the NER states and Bangladesh are given in Tables 3.11 (Tripura), 3.12 (Meghalaya) and 3.13 (Assam). Appendix 3.1 presents a detailed list of items exchanged between the NER and Bangladesh through official channels. A minute scrutiny of these tables tells us that while the NER export is dominated by raw materials like coal, limestone, boulders and agro-horticultural products like ginger and citrus fruits, imports from Bangladesh mostly include finished goods like cement, synthetic fabric, readymade garments, and processed food.

The NER's export products to Bangladesh are distinctly different from the major export lines from the rest of India to Bangladesh. A quick look at the product-wise trade between the NER and Bangladesh indicates a complementarity between the resource structure of the NER and the demand structure of Bangladesh.<sup>2</sup> Bangladesh lacks mineral resources like coal and limestone which the country imports from the NER. Due to the weak resource-industry linkages, the manufacturing base of the NER remained underdeveloped and hence in return the NER imports manufacturing goods from Bangladesh. This provides a firm basis for trade expansion between the two regions.<sup>3</sup>

### 3.4 Case Studies on India-Bangladesh Border Trade

#### 3.4.1 Assam-Bangladesh Sector

India-Bangladesh trade through the Assam-Bangladesh border is dominated by exports from India to Bangladesh. Table 3.14 exhibits that except for 2004-05 and 2007-08, the annual growth rate has been positive. Assam's export to Bangladesh has also not shown any wide fluctuations. As has already been mentioned, minerals like coal and limestone of Meghalaya origin are mainly exported through LCSs in Assam. This indicates that there is a steady demand for these minerals in Bangladesh. As far as imports are concerned, although the volume of imports has started increasing since 2003-04, the wide yearly fluctuations in percentage change in import perhaps exhibit an unsteady demand for the products of Bangladesh in Assam.

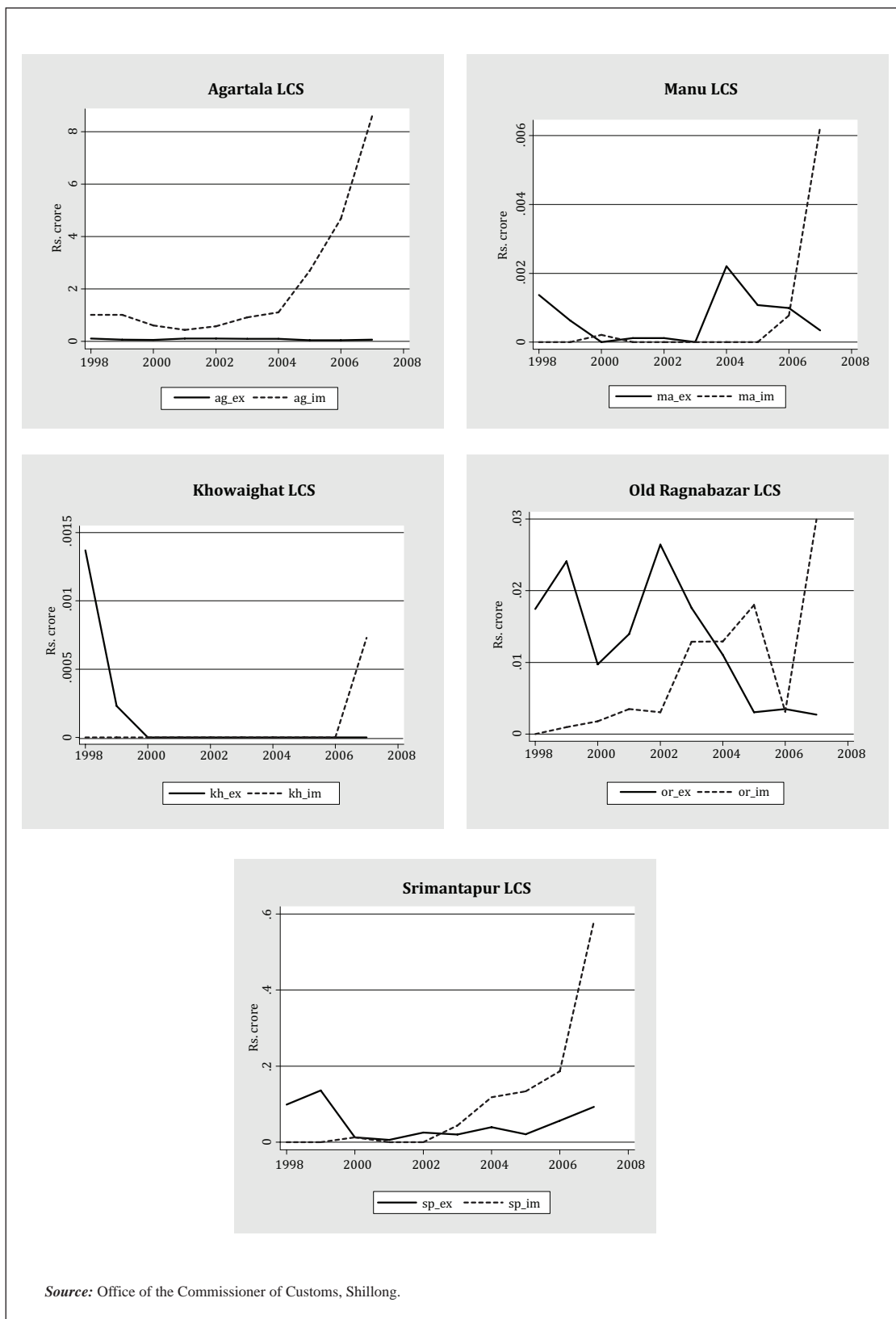
Out of five functional LCSs in Assam, we selected three for case studies. Two of these were in South Assam, viz. Sutarkandi and Karimganj Steamer and Ferry Station (KSFS) through which bulk of the interregional trade flows and one from lower Assam, viz. Mankachar, having border with Bangladesh.

#### (a) Sutarkandi LCS

Sutarkandi LCS was notified in 1948, immediately after independence, so as to keep up the natural flow of trade between the adjoining Sylhet district in Bangladesh and Cachar district in India, which was disrupted



**Figure 3.5: Trends in Export and Import with Bangladesh: Tripura**



Source: Office of the Commissioner of Customs, Shillong.

**Table 3.11: Tripura-Bangladesh Trade: Top Three Trade Items**

<b>(a) Export*</b>				
<b>LCS</b>	<b>Year</b>	<b>Export Item 1</b>	<b>Export Item 2</b>	<b>Export Item 3</b>
Agartala	1998	Fruits	Rohu fish	Onion
Agartala	2001	Coal	Ginger	Dry fish
Agartala	2007	Dry fish (varieties )	Dry chilli	Bamboo muli
Khowai	1998	Ginger	Fruits	Fruits
Manu	1998	Ginger		
Manu	2001	Ginger		
Manu	2007	Fruits		
Old Ragna Bazar	1998	Ginger	Fruits	Basmati rice
Old Ragna Bazar	2001	Ginger	Onion	Tomato
Old Ragna Bazar	2007	Fruits (citrus )	Fruits	Ginger
Srimantipur	1998	Project goods	Ginger	Rui fish
Srimantipur	2001	Potato	Ginger	Fruits
Srimantipur	2007	Raw hides and skins	Bamboo muli	Ginger
*Arranged according to the volume of export to Bangladesh.				
<b>(b) Import*</b>				
<b>LCS</b>	<b>Year</b>	<b>Import Item 1</b>	<b>Import Item 2</b>	<b>Import Item 3</b>
Agartala	1998	Hilsa fish	Dry fish	Potato waffers
Agartala	2001	Hilsa fish	Dry fish	Mineral water / Juice
Agartala	2007	Small fish varieties	Broken/crushed stone	Cement
Khowai	2001	Hilsa fish		
Khowai	2007	Broken/crushed stone		
Manu	1998	Urad pulse	Dry ginger	Moong pulse
Manu	2007	Crushed stone	Small fish varieties	
Old Ragna Bazar	2007	Laundry soap	Zinc flakes	Other knitted/crocheted fabrics
Srimantipur	1998	Cotton yarn waste		
Srimantipur	2007	Cement	Lay flat tube	Broken or crushed stone
*Arranged according to the volume of import from Bangladesh.				
<i>Source:</i> Office of the Commissioner of Customs, Shillong.				

due to partition. In fact, the border town of Karimganj was part of the undivided Sylhet district before the partition of India, which was added to Cachar district in the post-partition India. Karimganj is well connected with Sylhet district of Bangladesh through roadways, railways and waterways. Sutarkandi LCS is the land border port on the Indian side and Seola is the border port in Bangladesh. Mainly, coal and quicklime are exported to Bangladesh through Sutarkandi LCS, while vanaspati, synthetic fruit drinks, cotton waste, cement, melamine tableware, synthetic fibres, and aerated water are usually imported. However, as revealed by the trade figures as well as from the interview of the traders, both export and import trade are declining in Sutarkandi over time. Traders cited a number of reasons for this decline. Bad road conditions and excessive

collection at the various gates along the Ladrymbai-Karimganj road, have escalated the cost of trade manifold which has, in turn, reduced the profitability and hence many of the traders have already quit business.

#### **(b) Karimganj Steamer and Ferry Station (KSFS)**

Karimganj Steamer and Ferry Station (KSFS) was notified in 1948. River Barak passes through Karimganj in India and Zakiganj (Sylhet) in Bangladesh. In fact, river Barak acts as border demarcation. Indo-Bangladesh trade here flows across the river. The volume of trade that flows through KSFS is not as bulky as that which flows through Sutarkandi. Indian exporters mainly export agro-horticultural products like fresh fruits, ginger, orange and bamboo which are mainly grown in the hills like Mizoram, North Cachar

**Table 3.12: Meghalaya-Bangladesh Trade: Top Three Traded Items**

<b>(a) Export*</b>				
<b>LCS</b>	<b>Year</b>	<b>Export Item 1</b>	<b>Export Item 2</b>	<b>Export Item 3</b>
Bagmara	1998	Limestone	Cement	Boulder stone
Baghmara	2007	Coal		
Bholaganj	1998	Limestone	Cement	Boulder stone
Bholaganj	2001	Limestone	Boulder stone	
Bholaganj	2007	Limestone		
Borsora	1998	Coal	Limestone	
Borsora	2001	Coal	Limestone	
Borsora	2007	Coal	Limestone	
Dalu	1998	Coal		
Dalu	2001	Coal	Stone chips	Sand stone
Dalu	2007	Coal		
Dawki	1998	Coal	Rice (non basmati)	Orange
Dawki	2001	Coal	Orange	Boulder stone
Dawki	2007	Coal	Raw hides and skins	Orange
Ghasupara	1998	Coal	Crushed stone	Boulder stone
Ghasupara	2001	Coal	Ginger	Stone chips
Ghasupara	2007	Coal		
Mahendraganj	1998	Coal	Crushed stone	Boulder stone
Mahendraganj	2001	Coal	Stone chips	Ballast stone
Mahendraganj	2007	Coal	Ginger	Tamarind
Shellabazar	1998	Limestone		
Shellabazar	2001	Limestone		
Shellabazar	2007	Limestone	Shale	
*Arranged according to the volume of export to Bangladesh.				
<b>(b) Import*</b>				
<b>LCS</b>	<b>Year</b>	<b>Import Item 1</b>	<b>Import Item 2</b>	<b>Import Item 3</b>
Dawki	2001	Betel nut		
Dawki	2007	Food/ edible items		
Mahendraganj	2007	Synthetic net fabrics	Float glass	Cotton waste
Shellabazar	2001	Hilsa fish	Processed food products	
*Arranged according to the volume of import from Bangladesh. <i>Source:</i> Office of the Commissioner of Customs, Shillong.				

Hills and Meghalaya. The importers mainly import cement for which there is a good market in the Barak Valley. Besides cement, knitted synthetic fabric, woven fabrics and soap are also imported through this LCS. It may be noted, as the river plays the role of “no man’s land” at KSFS, people can easily move across this border with luggage as they travel by boat. This facility is not available in case of Sutarkandi as no vehicles are allowed to travel through “no man’s land” across Sutarkandi and Seola. As a result, it is convenient for the passengers to cross through KSFS than through Sutarkandi. The volume of trade that flows through KSFS is not very significant.

However, whatever trade flows across the Barak river is characterised by the dominance of export from the Indian side of low value products like citrus fruits, agro-horticultural products and forest products.

### **(c) Mankachar**

Mankachar is located in the eastern part of Dhubri which has a border with the Rajsahi district in Bangladesh. Mankachar LCS was notified in 1950. It is connected with Natun Bandar (Rajsahi) in Bangladesh. There are two authorised routes through which cross-border trade flows, namely: (i) Tura-Rahumari road, and (ii) Kalo river from the approach of Tura road to the Jinjiram river. The number

<b>Table 3.13: Assam-Bangladesh Trade: Top Three Traded Items</b>				
<b>(a) Export*</b>				
<b>LCS</b>	<b>Year</b>	<b>Export Item 1</b>	<b>Export Item 2</b>	<b>Export Item 3</b>
Amingaon	1998	Tea		
Amingaon	2001	Tea	Incense stick powder	Steel distillation plate
Amingaon	2007	Tea	Stainless steel	
Hatisar	2007		HSDO	Motor spirit
Karimganj	1998	Non basmati rice	Ginger	Chillies
Karimganj	2001	Coal	Ginger	Orange
Karimganj	2007	Ginger	Fresh orange	Fresh fruits (citrus )
L.G.B.I Airport	2001	Dahena loudh	Perfumery compound	Aquilaria agallocha
L.G.B.I Airport	2007	Perfumery compound	Perfume bukhur	
Mankachar	2007	Coal	Dry fish	
Sutarkandi	1998	Coal	Non Basmati rice	Ginger
Sutarkandi	2001	Coal	Marble slabs / tiles	Orange
Sutarkandi	2007	Coal	Quicklime	
*Arranged according to the volume of export to Bangladesh.				
<b>(b) Import*</b>				
<b>LCS</b>	<b>Year</b>	<b>Import Item 1</b>	<b>Import Item 2</b>	<b>Import Item 3</b>
Amingaon	1998	News Print/ Multi Paper		
Amingaon	2001	Paper / Tea Sacks	Laminated polythene bags	Lamp black beads
Amingaon	2007	Bamboo Processing and Weaving Machinery	Mineral fibre board	Project goods
Hatisar	2007	Bhutan Liquor	Plywood	Boulder stone
Karimganj	1998	Hilsa Fish		
Karimganj	2001	Ginger	Bamboo Muli	Motor parts
Karimganj	2007	Other Knitted or Crocheted Fabrics of Synthetic Fibre	Cement	Soap
L.G.B.I Airport	2001	Perfumery compound	Aquilaria agallocha	
L.G.B.I Airport	2007	Miscellaneous Goods	Electronic goods	Baggage
Mankachar	2007	Readymade Garments	Printed book calendar and cops	
Sutarkandi	1998	Hilsa Fish		
Sutarkandi	2007	Soyabean Oil	Cement	
*Arranged according to the volume of import from Bangladesh. Source: Office of the Commissioner of Customs, Shillong.				

of items traded through Mankachar are not many. Traders largely export coal from the Garo hills through Mankachar to Bangladesh. Besides coal, dry fish is also occasionally exported. Traders also import some amount of readymade garments from Bangladesh. The volume of trade that flows through Mankachar is not very significant. However, whatever trade flows across the border is found to be unidirectional, i.e., exports from Indian side to Bangladesh. As has already been mentioned, coal from Garo hills is mainly exported through this LCS.

### 3.4.2 Meghalaya-Bangladesh Sector

Meghalaya contributes the majority share of the NER-Bangladesh trade (more than 63 per cent of the interregional trade). However, the trade through Meghalaya-Bangladesh sector is characterised by unidirectional flow of export from Indian side to Bangladesh (Table 3.15). Except for 2004-05, annual growth of export for all the years during 2000 and 2007 has been positive which indicates stability in export. However, the trade decelerated in 2007-08, presumably due to the global economic crisis.

**Table 3.14: Pattern of India-Bangladesh Border Trade through Assam-Bangladesh Sector**

Year	Export		Import		Total Trade	
	(Rs. lakh)	% change	(Rs. lakh)	% change	(Rs. lakh)	% Change
2000-01	1064.50		88.90		1153.40	
2001-02	1767.10	66.00	106.86	20.20	1873.96	62.47
2002-03	2869.00	62.36	21.67	-79.72	2891.00	54.27
2003-04	4829.00	68.32	155.75	618.74	4984.75	72.42
2004-05	2461.25	-49.03	662.00	325.04	3123.25	-37.34
2005-06	3567.60	44.95	920.31	39.02	4487.91	43.69
2006-07	5238.55	46.84	3063.65	232.89	8302.20	84.99
2007-08	4215.43	-19.53	2154.67	-29.67	6370.10	-23.27
2008-09	4834.56	14.69	2543.12	18.03	7377.68	15.82

Source: Office of the Commissioner of Customs, Shillong.

**Table 3.15: Pattern of India-Bangladesh Border Trade through Meghalaya-Bangladesh Sector**

Year	Export		Import		Total Trade	
	(Rs. lakh)	% change	(Rs. lakh)	% change	(Rs. lakh)	% Change
2000-01	12050.75	-	0.40		12051.14	
2001-02	16344.35	35.63	2.55	537.50	16346.90	35.65
2002-03	17199.00	5.23	6.40	150.98	17205.00	5.25
2003-04	18851.31	9.61	25.70	301.56	18877.01	9.72
2004-05	16378.54	-13.12	32.82	27.70	16411.36	-13.06
2005-06	17950.70	9.60	207.53	532.33	18158.23	10.64
2006-07	23538.18	31.13	499.61	140.74	24037.79	32.38
2007-08	23654.12	0.49	554.92	11.07	24209.04	0.71
2008-09	24043.56	1.65	578.23	4.20	24621.79	1.70

Source: Office of the Commissioner of Customs, Shillong.

Out of the eight functional LCSs in Meghalaya, four were surveyed in this study - one each from Jaintia Hills (Dawki), West Khasi Hills (Borsora), West Garo Hills (Dalu) and South Garo Hills (Baghmara).

#### (a) Dawki

Dawki in the Jaintia Hills District borders with Tamabil (Sylhet) in Bangladesh. As the district has rich deposits of coal for which there is a huge demand in Bangladesh, Dawki has become an important border point for coal trade. As the traditional Shillong-Sylhet road passes through Dawki, the place is known as a centre of the traditional hills-plain trade. The LCS at Dawki was notified in 1948. Although there are three authorised routes for trade, viz., (i) Piyan river, (ii) Shillong-Sylhet road, and (iii) Rangpani river which flows down to Bangladesh plain, trade basically flows through the Shillong-Sylhet road. Some trade,

particularly, during the rainy season also takes place through river routes. Traders from Meghalaya export coal, limestone, raw hides, citrus fruits and horticultural products. They import synthetic drinks, potato crackers, fruit juice and miscellaneous food products from Bangladesh. Trade through Dawki is centered around the export of coal from Jaintia Hills, limestone and horticultural products of East Khasi Hills origin. As a result, trade is almost unidirectional as import is insignificant compared to export. In spite of fluctuations in export during 2004-07, Dawki is considered to be one of the widely used border trading ports as the road connectivity across the border is better.

#### (b) Borsora

Borsora in the West Khasi Hills (Meghalaya) borders with Borsora in Sylhet (Bangladesh). The LCS at the Indian side was notified in

1951. There are five authorised routes for trade under this LCS. These are: (i) Cherragaon (India) to Cherragaon (Bangladesh), (ii) Borsora (India)—Tahirpur via Borsora (Bangladesh), (iii) Trolley track from Chalitacherra quarry to Samsar in Bangladesh, (iv) Trolley track from Gauripur (India) to Samsar in Bangladesh, and (v) Jadukata river. All the land routes and trolley tracks are used for trade whenever these are fit for vehicular movement. The river route is also used for trade during the rainy season. Traders from Borsora export coal and limestone of West Khasi Hills origin to Bangladesh. Traders are reported to have not imported anything from Bangladesh through this LCS.

#### (c) Dalu

Dalu in the West Garo Hills of Meghalaya (India) borders with Nakugaon in Bangladesh. The LCS at Dalu was notified in 1950. As the Garo hills districts are rich in mineral resources like coal, limestone, clay, phosphorus, etc., the locally mined minerals are exported to Bangladesh across the border. The LCS has two authorised routes, namely: (i) Bhugai river, and (ii) Dalu-Naltabari road. Currently, regular trade flows through the land route while the river route is used for trade only during the rainy season. Traders from Dalu export only coal to Bangladesh and they import readymade garments, bleaching powder and synthetic net fabrics from Bangladesh. Trade at Dalu is also mainly centered on the export of coal

from Garo Hills to Bangladesh. Till 2005-06, no import was reported through this LCS.

#### (d) Baghmara

Baghmara forms the headquarters of the South Garo Hills District. It is situated on the banks of Simsang River on the Bangladesh border. The LCS at Baghmara was notified in 1950. It is connected to Bijoypur in Bangladesh across the border. There are two authorised routes for trade under this LCS, namely: (i) Baghmara-Durgapur road, and (ii) Someshwari river. Traders from Baghmara export coal of Garo Hills origin to Bangladesh. No import is recorded at this LCS for the last couple of years. Baghmara is not a widely used LCS through which traders export to Bangladesh. It is mainly used when the export routes through other LCSs in the Garo Hills are choked particularly due to rain or any natural hazards. Although traders occasionally use Baghmara for export, they have not reported any import through Baghmara.

#### 3.4.3 Tripura-Bangladesh Sector

Unlike Assam and Meghalaya, the cross-border trade in Tripura is characterised by the dominance of imports from Bangladesh. As Tripura is located at the furthest corner of the country, import from Bangladesh proves to be more cost-effective than import from mainland India due to the geographical distance. As has already been mentioned, while Kolkata is 1680 km from Agartala via

**Table 3.16: Pattern of India-Bangladesh Border Trade through Tripura-Bangladesh Sector**

Year	Export		Import		Total Trade	
	(Rs. lakh)	% change	(Rs. lakh)	% change	(Rs. lakh)	% Change
2000-01	75.33		630.68		706.01	
2001-02	130.00	72.57	442.62	-29.82	572.00	-18.98
2002-03	152.80	17.54	582.48	31.60	735.28	28.55
2003-04	138.49	-9.37	970.63	66.64	1109.12	50.84
2004-05	202.43	46.17	978.30	0.79	1180.73	6.46
2005-06	73.63	-63.63	3559.34	263.83	3632.97	207.69
2006-07	86.56	17.56	4339.22	21.91	4425.78	21.82
2007-08	112.54	30.01	6342.87	46.18	6455.41	45.86
2008-09	142.43	26.56	7983.45	25.86	8125.88	25.88

Source: Office of the Commissioner of Customs, Shillong.



the Siliguri Corridor, the distance reduces to only 400 km when travelled via Dhaka.

Importantly, a fourfold reduction in distance reduces transport cost by four times. This transport cost differential between Agartala-Dhaka and Agartala-Kolkata makes Dhaka the more favoured source for import than Kolkata. Table 3.16 shows that import was more stable than export. Except 2001-02, all the year-on-year growth rates were positive. It is noticeable that there was a sudden decline in exports and rise in imports since 2005-06. Traders feel that this was because of the border fencing which helped in channelising the informal imports into the formal route and simultaneously negatively impacted the official export due to increased surveillance. Out of the seven functional LCSs in Tripura, we chose only Agartala for our study.

#### **(a) Agartala LCS**

Agartala LCS was notified in 1949 and is located about 2 km away from the Agartala town which lies opposite to Akhaura in Bangladesh. Trade flows here through the authorised Agartala-Akhaura road. As Agartala is an inland city, due to the landlocked location of the state, imports from Bangladesh in some cases have been found to be more beneficial than importing similar products from elsewhere India. However, due to supply constraints the export trade is not very vibrant. Traders of Agartala import food items, synthetic drinks, cement, crushed stones, bricks, float glass, plastic items and readymade garments from Bangladesh. They also occasionally export citrus fruits, bamboo, dry fish and dry chilly to Bangladesh.

### **3.5 Summing Up**

The free trade pattern of India-Bangladesh border trade that flows through the NER-Bangladesh sector is further characterised by resource-industry linkages. Some critical minerals which are available in NER, and whose demand in Bangladesh is plentiful,

provide the basis of the NER-Bangladesh trade. What follows is that the NER's export products to Bangladesh are distinctly different from major export lines from the remaining part of India to Bangladesh. The product-wise trade between the NER and Bangladesh indicates complementarity between the resource base of the NER and the pattern of demand in Bangladesh. Bangladesh lacks mineral resources such as coal and limestone, which the country imports from the NER.

On the other hand, the manufacturing base of the NER remained underdeveloped due to weak resource industry-linkages so that imports of manufacturing goods from Bangladesh have become necessary. This provides a firm basis for trade expansion between the two regions. We found the following features in the pattern of India-Bangladesh trade during our survey.

- (a) Export from the NER to Bangladesh dominated the NER-Bangladesh trade.
- (b) The NER exports raw materials like coal, limestone, stone chips, bamboo, etc., to Bangladesh and imports manufactured goods like cement, plastic goods, readymade garments, processed food and drinks.
- (c) Minerals from Meghalaya were exported to Bangladesh through the LCSs in both Assam and Meghalaya.
- (d) Trade flow through the Tripura-Bangladesh sector was dominated by imports from Bangladesh.
- (e) As the resource structure of the NER and demand structure of Bangladesh complement one another, there is a huge potential for trade between these two regions. As the NER exported industrial raw materials to Bangladesh, the trend of NER's export was found to be stable.
- (f) Export trade in exhaustible resources like coal and limestone suffered from severe limitations in that such trade dries up with the depletion of stock of resources.

Our view is that for sustainable growth in trade it is critically important to diversify the export basket and also to add value to export by switching over from export of raw materials to export of processed/ semi-processed goods.

## Endnotes

- <sup>1</sup> Export Intensity Index ( $x_{ij}$ ) =  $(X_{ij}/X_i) / (M_j/M_w - M_i)$ , where,  $x_{ij}$  = Export intensity index of trade of country i with country j,  $X_{ij}$  = Exports of country i to trading partner j,  $X_i$  = Total exports of country i,  $M_j$  = Total imports of country j,  $M_w$  = Total world imports,  $M_i$  = Total imports of country i. Import Intensity Index ( $m_{ij}$ ) =  $(M_{ij}/M_i) / (X_j/ X_w - X_i)$ , where  $m_{ij}$  = import intensity index of trade of country i with country j,  $M_{ij}$  = Imports of a country i from trading partner j,  $M_i$  = Total imports
- <sup>2</sup> This was also widely discussed in Das and Thomas (2008).
- <sup>3</sup> According to Brunner (2010), export potential lies in food or fruit processing, bamboo and cane products, jute, floriculture, aromatic plants, aromatic and medicinal herbs, spices, rubber, forest products, natural resource products, tea and other plantation crops, inland freshwater fishing, among others.

of country i,  $X_j$  = Total exports of country j,  $X_w$  = Total world exports,  $X_i$  = Total exports of country i. The value of index ranges from 0 to 100. If the value is zero, it implies no trade relationship between partner countries. On the other hand, if the value of import intensity index is more (or less) than 100, it indicates that country i is importing more (or less) from country j than might be expected from that country's share in total world trade. In the case of exports, the same argument also holds true.



## NER-MYANMAR BORDER TRADE: EMERGING PATTERN

Trade ties both formal and informal between India and Myanmar are important especially in the current climate of economic integration. The pattern in this interchange as well as the bottlenecks that come in the way are examined here.

### 4.1 Trade between India and Myanmar

Since early 1990s, with the adoption of the Look East Policy (LEP), engagement between India and Myanmar has been growing consistently. Several empirical studies show the extent of economic integration between South and South East Asia, where Myanmar has been playing the lead catalytic role.<sup>1</sup> Myanmar is the land-bridge that connects the world's two largest markets – South and South East Asia. It is, therefore, an important country for both India and ASEAN as it helps integrate economies across the border.

India's change in policy towards Myanmar has paid rich dividends. For example, the bilateral trade between India and Myanmar which has grown from US\$ 12 million in 1980 to about US\$ 1.5 billion in 2009, and had thus increased by phenomenal 46 per cent per annum in the last two decades (Table 4.1). Bilateral trade between the two countries has increased exponentially (Figures 4.1 a, b) over time, with the past decade witnessing the fastest growth in bilateral trade (Table 4.2). This phenomenal rise in bilateral trade was driven by Myanmar's increasing exports to

India. In 2009, Myanmar exported about US\$ 1.09 billion goods to India, which constituted almost 85 per cent of total bilateral trade and one-fifth of Myanmar's exports to the world (Figure 4.2). India was, therefore, a prominent destination for Myanmar's exports, it was the second largest export destination, next only to Thailand.<sup>2</sup>

**Table 4.1: India-Myanmar Bilateral Trade**

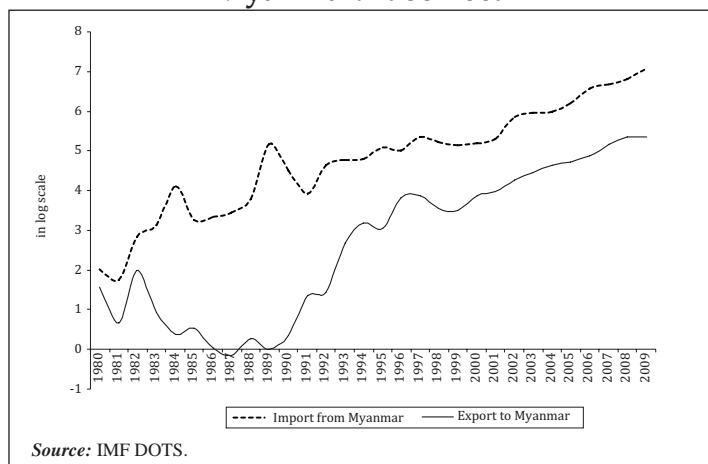
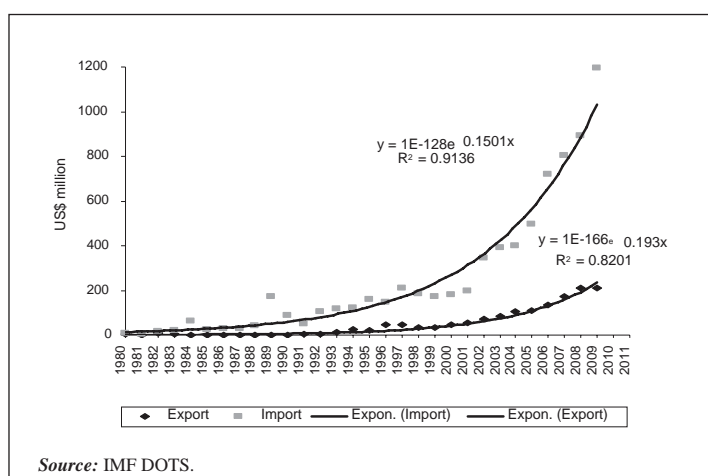
(US\$ million)				
Year	Export	Import	Total Trade	Balance of Trade (BOT)
1980	4.770	7.620	12.390	-2.850
1990	1.435	90.144	91.579	-88.709
2000	48.050	179.175	227.225	-131.125
2001	53.047	197.809	250.856	-144.762
2002	71.528	345.639	417.167	-274.111
2003	86.001	390.768	476.769	-304.767
2004	104.705	400.052	504.757	-295.347
2005	111.322	495.952	607.274	-384.630
2006	132.717	718.395	851.112	-585.678
2007	174.020	802.793	976.813	-628.773
2008	212.230	893.916	1106.146	-681.686
2009	209.778	1195.260	1405.038	-985.482

*Source:* IMF DOTS

**Table 4.2: Growth in India's Trade with Myanmar\***

(% )			
Period	Export	Import	Total
1980-1989	-215.89	76.58	76.14
1990-1999	46.80	63.17	69.20
2000-2009	75.96	115.83	119.40
1990-2009	32.45	44.60	45.92

*Note:* \*Compound Annual Growth Rate (CAGR)  
*Source:* IMF DOTS

**Figure 4.1 (a) : India's Merchandise Trade with Myanmar: 1980-2009****Figure 4.1 (b) : India's Trade with Myanmar: Exponential Trend**

India's increasing trade deficit with Myanmar has been a matter of concern, as this increased from a miniscule US\$ 2.5 million in 1980 and about US\$ 131 million in turning of the last decade to about US\$ 1 billion in 2009. India has, on the other hand, been providing a consistently higher market access to Myanmar, which perhaps is the highest in volume that India has provided to the least developed countries in recent years. If trade liberalisation is one of the determinants that has helped Myanmar to increase her exports to India, trade facilitation, by opening up of border trade between the two countries in 1995, is equally responsible for the higher bilateral trade between the two countries in later years, particularly since 1997. Despite this, India exports a miniscule (less than 1 per cent) share of its global exports to Myanmar.

India's export to Myanmar increased considerably in the last few years. Table 4.3 presents the top 10 commodities exported by India to Myanmar in 2009-10, whereas Table 4.4 shows the top 10 exported products at a disaggregated level (6-digit HS) for the years 2009-10 and 2000-01. Indian exports to Myanmar were relatively diversified: the top 10 commodity groups accounted for nearly 80 per cent of India's total exports to Myanmar in 2009-10. India's export basket to Myanmar was dominated by finished goods

**Table 4.3: Indian Exports to Myanmar: Top 10 Commodity Groups in 2009-10**

HS Code	Commodity	Export (US\$ Million)	Share* (%)
30	Pharmaceutical products	55.98	27.00
72	Iron and steel	37.99	18.32
85	Electrical machinery and equipment	16.69	8.05
27	Mineral fuels, mineral oils and products	12.87	6.21
40	Rubber and articles thereof	8.79	4.24
39	Plastic and articles	8.37	4.04
84	Machinery and mechanical appliances	8.14	3.93
52	Cotton	5.96	2.87
73	Articles of iron or steel	5.67	2.74
23	Residues and waste from food	4.52	2.18
	Total	164.98	79.57

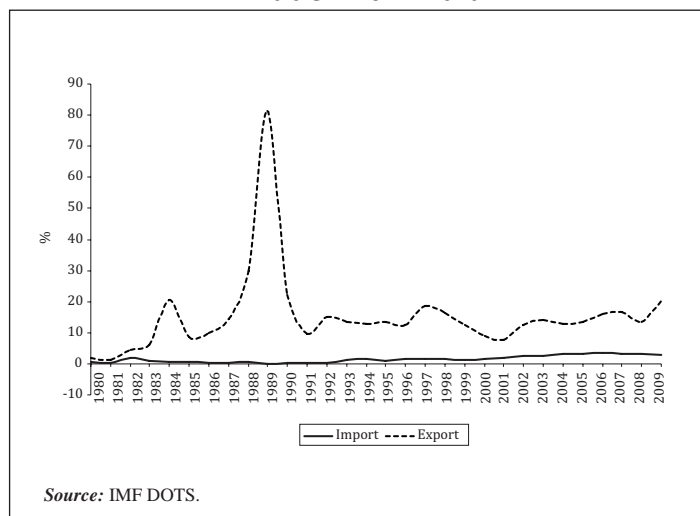
Note: \*Share in India's total export to Myanmar.

Source: Government of India.

such as pharmaceutical products, iron and steel, electrical machinery and equipment, which contribute about two-thirds of total Indian exports. Other important products in the Indian export basket were residues and waste from the food industries, mineral fuels, mineral oils and products of their distillation, rubber and products, plastic and products, machinery and mechanical appliances, cotton, etc. During 2000-01 and 2009-10, Indian exports to Myanmar increased substantially and also witnessed a compositional change. In contrast, while India's imports from Myanmar were three times higher than its exports to Myanmar, imports were mainly primary products and relatively less diversified.

Table 4.5 presents the major commodity groups imported by India from Myanmar, while Table 4.6 shows the same at the disaggregated 6-digit level. Major products imported from Myanmar were edible vegetables, and wood

**Figure 4.2: Trends in Trade Share: Myanmar's Trade with India**



and wood products, which together accounted for about 97 per cent of the total imports from Myanmar. However, the composition of Indian imports from Myanmar did not change much over time. Finally, India's trade

**Table 4.4: Trends in Top 10 Indian Exports to Myanmar at 6-digit HS**

HS Code	Commodity	2009-10 (US\$ Million)	HS Code	Commodity	2000-01 (US\$ Million)
271019	Other petroleum oils and oils obtained from bituminous minerals, etc.	12.79	300490	Other medicine put up for retail sale	3.61
230400	Oil-cake & other solid residues whether or not ground/in pellets form obtained from soyabean oil extraction	4.5	831110	Coated electrodes of base metal for electric arc-welding	3.07
251110	Natural barium sulphate (barytes)	1.32	360300	Safety fuses, detonating fuses, percussion or detonating caps; igniters; electric detonators	1.91
020230	Boneless meat of bovine animals, frozen	1.29	732690	Other articles of heading 7326	1.86
210111	Extracts, essences & concentrates of coffee	0.88	300390	Other medicants (excluding articles of heading 3002, 3005, 3006) for therapeutic or prophylactic uses	1.62
190110	Food prepared for infant use put up for retail sale	0.71	300410	Medicaments containing penicillin/derivatives thereof with a penicillin acid structure/streptomycins or their derivatives put up for retail sale	1.38
090930	Seeds of cumin	0.61	980100	Project goods	1.2
283711	Cyanides & cyanide, oxide of sodium	0.6	300450	Other medicaments containing vitamins/other products of heading 2936 put up for retail sale	1.05
040210	Milk & cream in powder, granules or other solid forms containing fat not exceeding 1.5% by weight	0.51	820310	Files, rasps & similar tools	0.98
021019	Other meat of swine, salted, in brine, dried/smoked	0.49	300420	Medicaments containing other antibiotics and put up for retail sale	0.96
	Total	207.97		Total	52.71

Source: Government of India.



with Myanmar witnessed higher growth in the last decade, which indirectly suggests the existence of a large trade potential between the two countries.

#### 4.2 Trade between NER and Myanmar

India and Myanmar share a common border of 1,643 km. Four states of the NER, namely,

Arunachal Pradesh, Manipur, Mizoram, and Nagaland, share international borders with Myanmar. However, a large part of this international border with Myanmar is porous, mountainous and inhabited. At present, four LCSs are in operation, serving the trade between the two countries (Table 4.7), of which Moreh in Manipur is the busiest LCS, handling almost 99 per cent of the NER's

**Table 4.5 : Indian Imports from Myanmar: Top 10 Commodity Groups in 2009-10**

HS Code	Commodity	Import (US\$ Million)	Share* (%)
7	Edible vegetables and certain roots	851.53	65.89
44	Wood and articles of wood	404.95	31.33
17	Sugars and sugar confectionery	16.84	1.30
5	Products of animal origin	6.22	0.48
9	Coffee, tea, mate and spices	3.07	0.24
41	Raw hides and skins and leather	2.05	0.16
8	Edible fruit and nuts; peels of citrus fruits or melons	1.77	0.14
99	Miscellaneous goods	1.24	0.10
96	Miscellaneous manufactured articles	0.54	0.04
12	Oil seeds and olea. Fruits; misc. Grains	0.51	0.04
	Total	1288.72	99.72

*Note:* \*Share in India's total export to Myanmar.

*Source:* Government of India.

**Table 4.6: Trends in Top 10 Indian Imports from Myanmar at 6-digit HS**

HS Code	Commodity	2009-10 (US\$ Million)	HS Code	Commodity	2000-01 (US\$ Million)
071331	Beans of the species Vigna Mungo, Hepper or Vigna Radiata, Wilczek dried & shelled	500.4	440399	Other wood in rough	73.35
440349	Other tropical wood	228.47	440349	Other tropical wood	58.87
071390	Other dried & shelled leguminous vegetables	215.63	071390	Other dried & shelled leguminous vegetables	22.72
440399	Other wood in rough	162.03	071331	Beans of the species Vigna Mungo, Hepper or Vigna Radiata, Wilczek dried & shelled	9.19
071339	Oter beans dried & shelled	121.53	071310	Peas (pisum sativum) dried & shelled	3.37
170199	Sugar refined not containing flavouring/colouring matter	14.43	080290	Other nuts fresh or dried	2.59
071320	Chickpeas (Garbanzos) dried & shelled	7.37	071320	Chickpeas (Garbanzos) dried & shelled	1.96
050100	Human hair, unworked; waste of human hair	6.22	071333	Kidney beans including white pea beans dried & shelled	1.89
071333	Kidney beans including white pea beans dried & shelled	5.92	120799	Other oil seeds & oleaginous fruits whether or not broken	1.01
441299	Other plywood, vinered panels & laminated wood panel and laminated wood	3.26			
	Total	1289.8		Total	181.69

*Source:* Government of India.

trade with Myanmar. Zokhawthar in Mizoram is the only other operational LCS, through which Indo-Myanmar trade takes place.

In general, the NER-Myanmar trade mainly flows through Moreh in Manipur. In the last decade, the NER's average annual export to Myanmar was about US\$ 2.36 million, whereas the average annual import from Myanmar was US\$ 1.88 million. It

contributed a miniscule 2.08 per cent and 0.4 per cent, respectively in the country's total export to and import from Myanmar, in the last decade (Table 4.8). In last decade, India's export and import trade with Myanmar witnessed a massive 76 per cent and 116 per cent increase, respectively. In contrast, NER's trade with Myanmar registered a consistently negative growth during the same period.<sup>3</sup>

**Table 4.7: LCSs in NER Dealing Trade with Myanmar**

NER State	LCS in India	LCS in Neighbouring Country	Neighbouring Country
Arunachal Pradesh	Nampong		Myanmar
Manipur	Moreh	Tamu	Myanmar
Mizoram	Zokhawthar (Champai)	Rangamati	Myanmar
Nagaland	Avankhung		Myanmar

*Source:* North Eastern Council (NEC).

**Table 4.8: NER's Trade with Myanmar<sup>+</sup>**

Year#	Indian Export to Myanmar	Indian Import from Myanmar	NER Export to Myanmar	NER Import from Myanmar	NER Share* (%)	
					Export	Import
	(US\$ million)					
2000	48.05	179.18	1.23	2.75	2.56	1.53
2001	53.05	197.81	0.26	1.61	0.49	0.81
2002	71.53	345.64	1.03	2.43	1.44	0.70
2003	86.00	390.77	2.02	1.90	2.35	0.49
2004	104.71	400.05	1.43	1.19	1.37	0.30
2005	111.32	495.95	0.88	1.18	0.79	0.24
2006	132.72	718.40	13.52	0.59	10.18	0.08
2007	174.02	802.79	0.75	3.26	0.43	0.41
2008	212.23	893.92	1.06	1.79	0.50	0.20
2009	209.78	1195.26	1.47	2.12	0.70	0.18
Average**	120.34	561.98	2.36	1.88	2.08	0.49
CAGR (%)	75.96	115.83	-14.51	-194.96		

*Notes:*\*Share in India. \*\*Average for the period 2000-2009. +NER export and import consider trade through Moreh only. #Trade data for India counts calendar year while the same for NER considers financial year.

*Sources:* IMF for India's trade with Myanmar, and Indian Customs for NER's trade with Myanmar.

**Table 4.9: Top Three Traded Items at Moreh LCS<sup>\*</sup>**

Year	Export Item 1	Export Item 2	Export Item 3
2001	Soyabari	Sumon rose powder	Cumin seeds
2007	Soyabari	Soya grid	Cumin seed
2009	Soyabari		
Year	Import Item 1	Import Item 2	Import Item 3
2001	Betel nut	Garlic	Pulses
2007	Betel nut	Ginger	Pulses
2009	Ginger	Betel nut	Pulses

*Notes:*\* Arranged according to the volume of export/import to/from Myanmar.

*Source:* Indian Customs.

Unlike the NER-Bangladesh trade, NER's trade with Myanmar has always remained less than one per cent of India's total trade with Myanmar since the opening of the LCS at Moreh in 1995. Therefore, the border trade potential between India and Myanmar is yet to be realised.

#### **4.2.1 India-Myanmar Border Trade at Moreh LCS**

The LCS at Moreh is situated near the India-Myanmar border on a 9.28 acre plot. It is near the Lokchao bridge which connects Indian territory with Myanmar. Moreh in Manipur is the largest LCS which, in 2009-10, handled about US\$ 3.59 million of the India-Myanmar merchandise trade, of which exports and imports contributed 41 per cent and 59 per cent, respectively. Map 4.1 plots the location of Moreh LCS. Top three traded items at Moreh LCS are given in Table 4.9. As noted in Figures 4.3(a) and 4.3(b), export through the Moreh LCS increased from US\$ 0.14 million (Rs. 0.46 crore) in 1995-96 to a peak of US\$ 13.52 million (Rs. 61.27 crore) in 2006-07 and then reduced to US\$ 1.47 million

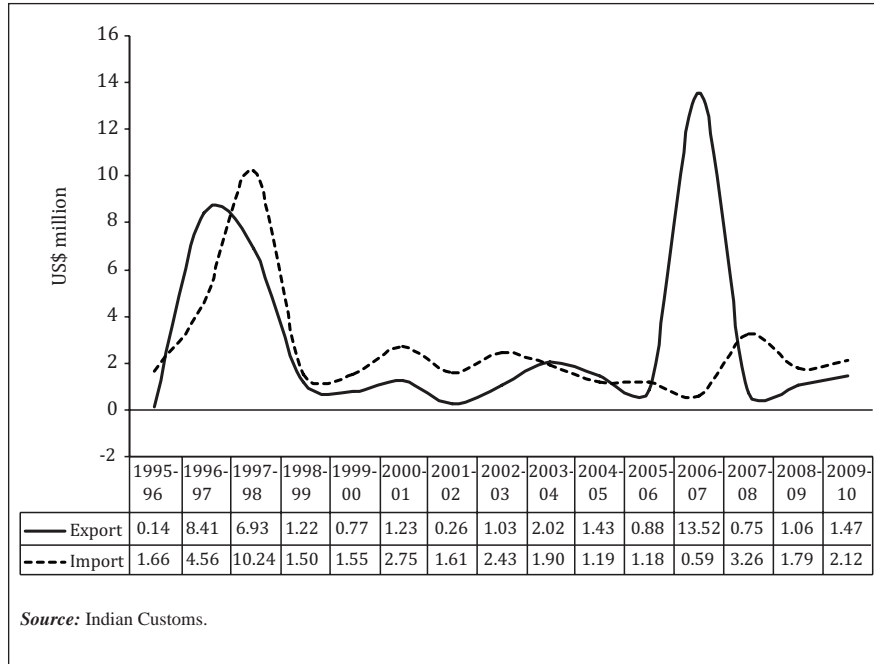
(Rs. 6.55 crore) in 2009-10. Import, on the other, witnessed relatively lesser fluctuations, it increased from US\$ 1.66 million (Rs. 5.39 crore) in 1995-96 to US\$ 2.12 million (Rs. 9.42 crore) in 2009-10. The interesting development is that the second half of last decade witnessed a rise in Indian exports through Moreh, compared to previous two periods (Figure 4.4), whereas imports declined consistently from US\$ 72 billion in 1995-96/1999-2000 to US\$ 38 billion in 2005-06/2009-10.

Data obtained from the customs reveal considerable differences in the commodity composition of trade at the Moreh LCS. Important commodities being imported from Myanmar consisted of betel nuts, dry ginger, pulses, whereas soyabari, cumin seed, soya grid and skimmed milk powder were some major exported items.<sup>4</sup> The formal trade volume at Moreh was much less than the informal trade volume, a point we shall elaborate later.<sup>5</sup> With the change in demand pattern on both sides of the border, trade at Moreh LCS was carried out more in terms of the items in the negative list rather than

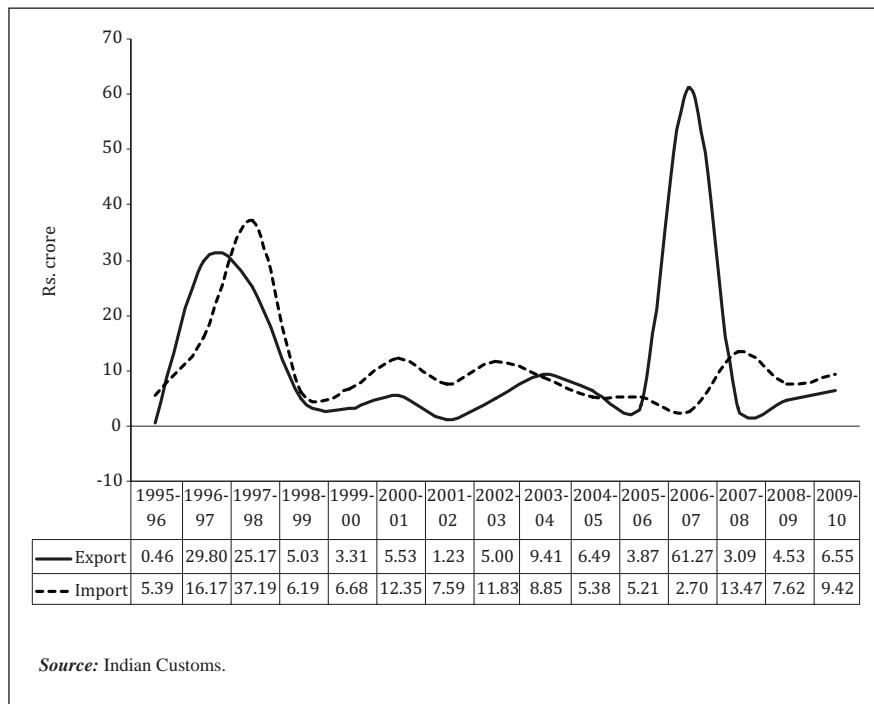
**Map 4.1: Location of LCS in India - Myanmar Border**



**Figure 4.3 (a): Border Trade at Moreh LCS in US\$**



**Figure 4.3 (b): Border Trade at Moreh LCS in INR**



those in the positive list. While formal trade at Moreh was conducted more in traditional primary goods, informal trade, if factored in, indicates a compositional change that border trade between the two countries has undergone. Barter trade of 22 agreed items has lost its relevance while the normal or regular trade has gained significance over time. One of the primary reasons for a low level of border trade at Moreh LCS was the unfavourable trading environment. Trade at Moreh LCS suffered not only from the lack of modern trade infrastructure, both in terms of hardware and software, but also absence of adequate security, thus making the entire trading environment very uncertain. Further, the anomalous exchange rate between India and Myanmar prohibited the growth of this formal trade as a result of which government lost revenue. We would discuss the barriers to trade at Moreh LCS in detailed in the following chapter.

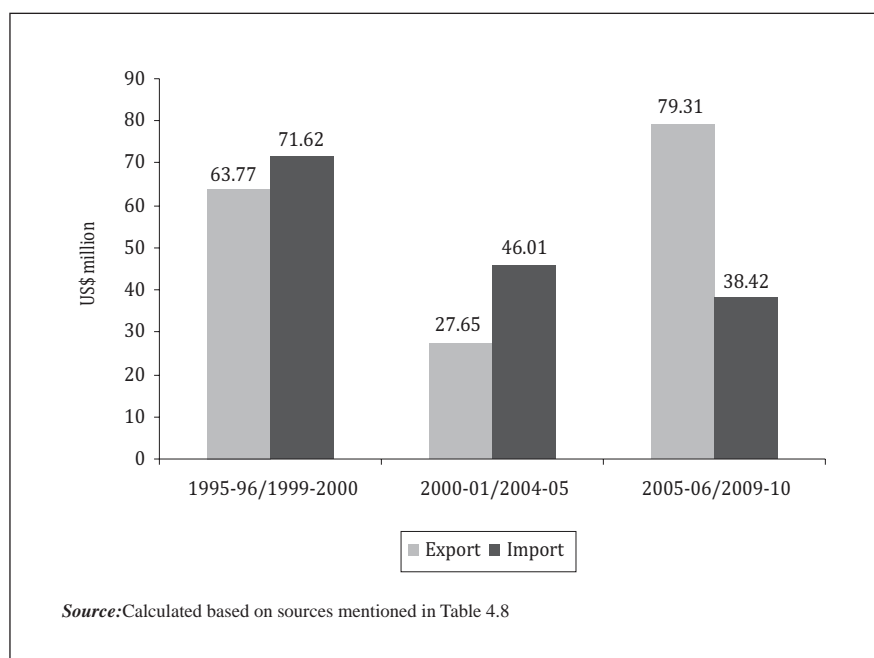
#### 4.2.1.2. Infrastructure at the Moreh LCS

Our survey showed that Moreh LCS was manned by one superintendent, two

inspectors, one *sepoy* and two contract workers. Gate No.1 where the LCS is located, is made of wooden material. It is often damaged by smugglers in the night. Unlike the India-Bangladesh border, which is fenced over long stretches, India-Myanmar border is largely open. Besides, Gate No.1 was used only for bringing in goods like betel nuts, and bricks from Myanmar in bulk as part of the official trade. The LCS is located at a desolate spot without proper fencing. Traders sometimes keep their goods in their own warehouse till it is cleared by the food testing laboratory at Guwahati. This generally takes one month. Table 4.10 presents the status of the facilities available at Moreh LCS.

The Electronic Data Interchange (EDI) was introduced in 2009 but has yet to become functional. Trade occurs only in the day time and there is no agreement between India and Myanmar for 24-hour trade probably due to the uncertain law and order conditions. Even the streets in the township become deserted by 6 pm every day. The working time at the LCS is from 10 am to 4 pm. The LCS is yet to be e-enabled. Loading and unloading of goods are done by casual labourers. The

**Figure 4.4: Trade at Moreh: 5-years Aggregate**



main problem is to get the fitness for human consumption certificate from Guwahati for items like betel nuts and dry ginger. It may even take a month. There is no food testing laboratory at the border and also no animal quarantines are also there. The place used as the warehouse for such goods in waiting is actually a rest room for drivers. The facilities are not properly maintained due to the fact that an Integrated Check Post (ICP) is being established near the LCS. The land for the ICP has been cleared and the landowners have been given compensation. It is being guarded by Assam Rifles. However, construction is yet to begin.

The trade centre set up in Moreh is also not properly used.<sup>6</sup> Another trade centre has been taken over by Kuki refugees. The Kukis are the dominant tribal group in Moreh.

There was practically no problem of congestion as the volume of consignments was found to be decreasing. Transactions cost in this LCS also included the unofficial payments traders had to make all along the

route to various authorities, including Indian security personnel. 'Tax' on goods was, therefore, highly variable and it depended on the negotiating skills of the individual traders. However, vehicles plying on this route had to pay a fixed amount every year. For instance, a van owner was found to have spent around Rs 40,000 annually on such expenses.

Border trade through Moreh has suffered also because of the large presence of insurgent groups who have been demanding exorbitant payments from the vehicle operators. Besides this any agitation in the districts through which the National Highway 39, the only link to Moreh, passes invariably block this highway, much to the detriment of trade.

In contrast to the flagging trade through the LCS, informal trade at Moreh was flourishing. This trade, conducted through Gate No. 2 and which is supported by the market at Namphalong on the Myanmar-side of the border, comprises a large variety of products, including shoes, blankets, jeans, jackets, electronic items, steel products,

**Table 4.10: Facilities at the Moreh LCS**

Facility	Available (Y)	Not Available (N)
Food testing laboratory		N
Availability of electricity	Y	
Telephone	Y	
Internet		N
EDI (Icegate)		N
Weighbridge	Y*	N
Warehouse		N
Cold storage		N
Parking place	Y	
Transshipment platform/Transit sheds		N
Secretarial assistance (fax, photocopy, etc.)		N
Drinking water	Y	
Drivers' rest room		N
Health centre		N
Hotels and restaurants		N
Separate entry and exit gates		N
Banks	Y	
Courier/Post Office		N
Servicing centre/Vehicle repair shops		N

*Note:* \*Not in working condition at the time of survey.  
*Source:* Field Survey.



fish, decorative pieces, crockery, cosmetics, and mosquito nets. All the products, which make Moreh such a popular destination for shoppers in the NER, originate in this market. Another distinctive characteristic of this market is its ability to redefine market demand and respond to changes.

#### 4.2.2 India-Myanmar Border trade at Zokhawthar LCS

The people of Mizoram and the inhabitants of Chin state of Myanmar bordering Mizoram have been engaging in mutually beneficial trade transactions for generations across the 404 km long border. Hnahlan, Vaphai, Champhai, Thingsai, Vawmbuk, Lungpuk, Sangau and Tuipang are flourishing trade points. Of these, Champhai, located at a distance of 222 km from Aizawl, was notified as a LCS and is partially functional from 2004. The LCS is being developed as a border trade township accommodating the officials and staff posted at Zokhawthar. An iron bailey bridge across the Tiau river separates India's Zokhawthar from Myanmar's Zokhuamawi. The meandering rivulet serves as the natural boundary between India and Myanmar.

The LCS is manned by one superintendent, three inspectors, one *havildar* and two sepoy. The LCS is yet to handle large amount of formal trade. In February 2010, a 2 metric tonne consignment of soyabean worth Rs. 60,000 was sent to Myanmar. In October 2009, a consignment of reed broom worth Rs. 61,882 was imported from Myanmar.

Another consignment of betel nuts worth Rs. 55,694 was imported in August 2010. Import of edible items is very time consuming because no food testing facility is available at the LCS: the "the fit for consumption" certificate has to be obtained from Guwahati.

Most of the trade at this gate is informal trade. This LCS also allows border trade of 40 items. That many items not in the approved list pass through the LCS are obvious from the seizures lists of the Customs department.

As noted in Tables 4.11(a, b), the items seized during one week, i.e., 16 August to 23 August 2010 consisted of blankets, folding almirahs, plywood, plates, tobacco, jelly, milk wafer, polythene, cigarettes, apples, Puanthan, sandals, lipu, hmarcha destined for Aizawl and Champhai.

How widespread and well organised this trade is can be understood by the fact that in Aizawl city, a number of retail shops with names like Hongkong Market, Rs. 99 Shop, Thai Bazar, Shanghai Bazaar, etc., have come up recently specialising in goods from China, Thailand, Myanmar, Bangladesh, etc. The local TV network and newspapers have popularised these foreign products so much that a new foreign goods market dealing in goods as diverse as textiles and electronic goods has come up around Barabazar, Aizawl. It is an evening market starting after 6 p.m. where most of the sellers are Myanmarese.

Transporting the imported goods to Champhai and Aizawl is a big business.

**Table 4.11(a): Seizures by LCS, Zokhawthar**

Year	Value	Major items seized	
		Attempt to export to Myanmar	Attempt to import into India
2005-06	Rs 75,61,467	Fertiliser, chewing tobacco	Readymade garments, foreign liquor, footwear, electronic items, toys.
2006-07	Rs 1,01,00,791		
2007-08	Rs 69,72,347		
2008-09	Rs 57,41,581		
2009-10	Rs 25,38,200		
2010 (April- August)	Rs 12,38,484		

*Source:* LCS, Zokhawthar.

**Table 4.11(b): Seizures by Customs department, GOI in Mizoram**

Year	Seizure value (in Rs. Lakh)	Main items seized
1993-94	33	VCD, inverter, battery, precious stones, narcotics, drugs (Amphetamine tablets, ephedrine, heroin powder, etc.) blanket, carpet, detergents, readymade garments, shoes, sandals, edibles, cigarettes, etc.
1994-95	105	
1995-96	232	
1996-97	138	
1997-98	151	
1998-99	103	
1999-2000	97	
2000-01	99	
2001-02	132	
2002-03	176	
2003-04	371	
2004-05	575	
2005-06	557	
2006-07	701	

*Source* : Customs Preventive Division Office, GOI, Aizawl.

The residents of Zokhawthar under the banner of Zokhawthar Welfare Association protested the monopoly of Import and Export Syndicate and the Champhai Transport Union in trade and transport. This led to a close down of trade in November 2007.

Economic activities involving the non-Mizos are constrained since inner line permit system is operational in Mizoram whereby Indians from other states have to obtain a permit for entering Mizoram. Absence of traders from outside Mizoram is, therefore, conspicuous. All non-Mizos are considered *vais* (outsiders).

Conducting trade through this LCS may remain problematic since the connectivity on the Myanmar side of the border, i.e., Rhi-Kalemyo road via Tiddim Falam, remains underdeveloped.

### 4.3 Concluding Remarks

India's economic engagement with Myanmar has been steadily growing over the past two decades. This is particularly significant for India as Myanmar is the land-bridge that connects India to the dynamic economies of East and South East Asia, with whom the country is in the process of redefining its trade and investment relations. The formalisation of the free trade agreement in goods with

the ASEAN, reinforced by the bilateral partnership agreements with some of the larger economies in this region, trade links with Myanmar have assumed an even greater importance.

The change in India's policy towards Myanmar has paid rich dividends. Official trade between the two countries increased steadily over the past decade, despite the fact that the Border Trade Agreement of 1994 had put a cap on the number of items that could be traded through the local trade points. Myanmar has benefited from the two-way trade, as is evidenced by the large trade surplus that it has enjoyed. The NER has not benefited much from the India-Myanmar trade - unlike the NER-Bangladesh trade, NER's trade with Myanmar has remained less than a per cent of India's total trade with Myanmar.

Border trade between the two countries has not progressed further since the opening of the Moreh LCS in 1995. More recently, a LCS has been opened at Zokhawthar in Mizoram, but trade through this trade point has not picked up.

India and Myanmar agreed to allow border trade in 22 commodities in the 1994 Agreement, which was expanded to 40 items in 2008, but this seems to have lost

its relevance particularly since informal/illegal trade has proliferated. The low level of border trade at Moreh and Zokhawthar LCSs can perhaps be attributed to the unfavourable trading environment and the lack of essential infrastructure and other facilities. These barriers to border trade at Moreh LCS will be discussed in detail in the next chapter and strategies to overcome the low-level trap that India-Myanmar trade has fallen into would also be suggested.

### Endnotes

- <sup>1</sup> Refer, for example, Francois *et al.* (2009), Das *et al.* (2005), etc.
- <sup>2</sup> Refer Appendix 4.1, which provides the top 10 trading partners of Myanmar.

- <sup>3</sup> However, in Indian rupee terms, NER's export to Myanmar witnessed a positive growth, but the NER's import from Myanmar couldn't escape a negative growth rate in the last decade.
- <sup>4</sup> In terms of value also the trade at the LCS is a miniscule of the estimated value of informal trade occurring at Gate No. 2 connecting Moreh to Namphalong in Myanmar, which we found during the field survey at Moreh.
- <sup>5</sup> The total volume of trade at Moreh is certainly more than official trade of Rs. 15 crore. A quick estimate shows total trade including informal volume is about Rs. 280 crore (Singh, 2011). This does not include the clandestine trade in drugs and small arms whose value also would be substantive.
- <sup>6</sup> The shop owners who were there during our visit told us that they had come specially for visiting Planning Commission members and during the last 10 odd years not much business transactions had happened there.

## Chapter 5

# FIELD SURVEY RESULTS

This chapter presents the results of the primary surveys conducted at the Land Customs Stations (LCSs) situated on India's border with Bangladesh and Myanmar. The surveys were conducted among the traders engaged in border trade on the Indian side of the border. The main objective behind the conducting the survey was to identify the major constraints that adversely affect NER's trade with Bangladesh and Myanmar and to suggest remedial measures that would help in the growth of trade in the region, which can, in turn, provide the trigger expansion of economies of India's North East.

### 5.1 The Survey

The field surveys were conducted using a structured questionnaire developed by RIS in consultation with local partners. The surveys were undertaken by the research teams from the National Institute of Technology (NIT), Silchar<sup>1</sup> and Manipur University, Imphal.<sup>2</sup>

Nine Land Customs Stations (LCSs) were included in the surveys; three in Assam, four in Meghalaya, and one each in Manipur, Mizoram and Tripura. The survey team visited two other border trade points, the LCS at Zokhawthar in Mizoram and Nampong in Arunachal Pradesh, but responses from the traders could not be obtained. Table 5.1 provides the list of LCSs surveyed. Appendix 5.1 includes the questionnaire that was used in the field surveys. Selection of LCSs was based on the trends in trade volume and trade composition during the past five

years. These nine LCSs accounted for more than 90 per cent of the NER's annual trade with Bangladesh and Myanmar.<sup>3</sup> The surveys covered 64 respondents.

While efforts were made to obtain information on both trade and investment through the surveys, we would report only the responses on trade here, since responses on investment were not sufficient. As would be seen from the Annexure 5.1, the emphasis of the surveys was on identifying the critical bottlenecks that have prevented free flow of trade and investment between the NER and Bangladesh and the NER and Myanmar.

In the discussion below, we would provide the key findings from the surveys. aggregate information. However, surveyed information on specific LCS will be provided to the interested reader(s) with much greater details on request.<sup>4</sup>

**Table 5.1: Land Customs Stations Covered by the Survey**

State	LCS
Assam	Sutarkandi Karimganj Steamer Ghat / Ferry Station (KSFS) Mankachar
Meghalaya	Borsora Dawki Dalu Baghmara
Manipur	Moreh
Mizoram	Zokhawthar
Tripura	Agartala

## 5.2 Profile of the LCSs

Table 5.2 presents the basic profile of nine LCSs which were surveyed in this study.

- Among the 9 LCSs surveyed, Agartala LCS is closest to the state capital being only 3 km, whereas Bagmara and Dalu in Meghalaya are located over 400 km away from the state capital.
- There are also wide variations in topography. Agartala has the most advantages in terms of communication and accessibility. Agartala's internal and external communication links are relatively superior, compared to other LCSs in the NER.
- Due to locational advantages, administering Agartala LCS is relatively easier as compared to other LCSs in the NER. Working hours in most of the LCSs are 10.00 – 16.00 hrs every day.
- Trade routes between the NER and bordering countries are overland except the Karimganj Steamer and Ferry Station in Assam which shares river border with Zakiganj located in neighbouring Bangladesh.

## 5.3 Traded Goods at LCSs

Table 5.3 presents goods traded at LCSs in the NER. The list presents goods traded both

formally and informally.<sup>5</sup> India's border trade with Bangladesh and Myanmar have unique characteristics which are enumerated below.

### *India-Bangladesh Border Trade*

- The LCSs in Meghalaya handle export of minerals to Bangladesh, of which coal and limestone are the major export items. Dalu and Dawki LCSs also handle import cargoes such as food items, cement, etc., coming from Bangladesh.
- Unlike Meghalaya, LCSs in Assam handle both export and import to and from Bangladesh, showing wide trade varieties. Among the three LCSs we surveyed in Assam, Sutarkandi is the largest LCS. It handles minerals, processed foods and agriculture goods, showing relatively higher trade complementarities.
- Trade at Agartala is one-sided; imports were quantitatively more than exports. Import from Bangladesh through Agartala varies from agriculture and food items to cement and plastic to textile and clothing. The trade at Agartala LCS is growing heavily mainly due to the growing local demand on both side of the border.

### *India-Myanmar Border Trade at Moreh*

- Unlike Assam, Tripura and Meghalaya, the border trade at Moreh is of transit

**Table 5.2: Basic Profile of LCSs**

LCS	State	Bordering Country	LCS in Bordering Country	Trade Route	Working Hours	Distance from State Capital (km)*
Dawki	Meghalaya	Bangladesh	Tamabil	Dawki- Tamabil	10 am to 5 pm	82
Bagmara	Meghalaya	Bangladesh	Bijoypur	Bagmara- Bijoypur	10 am to 4 pm	480
Borsara	Meghalaya	Bangladesh	Borsara	Borsara- Borsara	10 am to 4 pm	182
Dalu	Meghalaya	Bangladesh	Nakugaon	Mankachar- Nakugaon	10 am to 4 pm	430
Mankachar	Assam	Bangladesh	Rowmari	Mankachar- Rowmari	10 am to 4 pm	274
Sutarkandi	Assam	Bangladesh	Sheola	Sutarkandi- Sheola	6 am to 6 pm	338
KSFS	Assam	Bangladesh	Zakiganj	River Kushiara	6 am to 6 pm	324
Agartala	Tripura	Bangladesh	Akhaura	Agartala - Akhaura	9 am to 6 pm	3
Moreh	Manipur	Myanmar	Tamu	Moreh – Tamu	9 am to 5 pm	110

*Note:* \*By road

*Source:* RIS based on Field Survey.

- trade nature. The Moreh LCS handles both export and import cargoes. However, the volume of trade handled by the LCS is miniscule as compared to the informal/illegal trade that takes place through the local trade point, better known as 'Gate No. 2'. The latter has no customs officials; only a few security personnel were found to be manning the gates. The survey team found that the "no man's land" was only a narrow strip between the two gates, which was also being used by the traders (chairs were laid out and were obviously being used).
- Trade taking place through 'Gate No. 2' included the items indicated in the Table 5.3. Imports consisted of precious stones, agricultural commodities including beans, vegetables and fruits, besides electronic equipment. Quite clearly, the goods that were traded through the informal/illegal channels were well beyond the 40 items that were included in the Border Trade Agreement between India and Myanmar. Most of the products coming through Moreh were not of Myanmar origin – they were produced in China and elsewhere.
  - Trade through 'Gate No. 2' was heavily skewed against India. Traders on the Indian side of the border reported that the infrastructure facilities were well developed on the other side of the border at Namphalong (Tamu). About 700-800 well stocked shops form the basis for imports from Myanmar. The situation across the Indian side of the border in Moreh was in sharp contrast – there were less than 100 shops. There was clearly no momentum in India's exports to Myanmar. Traders informed the survey team that there was a market for Indian products in Myanmar, some of which were supplied at sub-optimal levels. The survey team saw evidence of the demand for Indian products during a brief trip to Namphalong, the shopping district closest to the border near Tamu. Traded products included tea, confectionery products, cosmetics, tyres, utensils, fruit juices and processed food products. The team also found that the Indian products were in serious competition with the Chinese products on the display shelf. However, trade expansion from India had suffered

**Table 5.3: LCS-wise Traded Goods in 2010**

LCS	State	Border with	Goods Exported	Goods Imported
Dawki	Meghalaya	Bangladesh	Coal Limestone/ Quicklime Quartz stone Boulders Oranges Raw hide	Food items Fireclay bricks
Bagmara	Meghalaya	Bangladesh	Coal	
Borsara	Meghalaya	Bangladesh	Coal	
Dalu	Meghalaya	Bangladesh	Coal	Cement Pan product
Mankachar	Assam	Bangladesh	Coal Limestone	Books Religious books Melamine

Table 5.3 continued...



Table 5.3 continued...

LCS	State	Border with	Goods Exported	Goods Imported
Sutarkandi	Assam	Bangladesh	Coal Lime Frutis, including orange Cotton Vegetable Furniture RHGS Ginger Onion Citrus fruits Vegetables Lime Fresh fruits Machineries Dry chilli Turmeric Hilsa fish Green chilli	Food products Soft drinks Orange Mosquito net Citrus fruits Furniture Glass Plastic furniture Sarees Synthetic fruit drinks
KSFS	Assam	Bangladesh	Bamboo Soya food RHGS Cotton Radish Umbrella Coal Fruits/Citrus fruits Dry chilli Orange Rice Poultry feed	Aromatic water Bakery products Beverages Cement Cotton Cracker Dry fish Furniture Food items Fried vegetables Fruit (mango & orange) Drinks Furniture Glass sheets Hilsa fish Juice products Maggi cup Manufactured goods Mosquito net Nuts Orange juice Potato "Pran" products RHGS Shampoo Soap Synthetic food items Synthetic fruit drinks Tissue paper Vanaspati Vegetable Wafer Washing powder

Table 5.3 continued...

Table 5.3 continued...

LCS	State	Border with	Goods Exported	Goods Imported
Agartala	Tripura	Bangladesh	Raw hides Beverages Broken Stone Dry fish Ginger Plastic articles Playing cards Potato Skin Textile Wall clock	Animal feed Beverages Broken or crushed stone Cement Ceramic tiles Cosmetics & toilet products Cotton waste Dry fish Edible oil Fish Food items Furniture Jute rope Molasses Plastic articles Resins Textile goods
Moreh	Manipur	Myanmar	Fertiliser Sugar Life saving drugs Agarbati (incense sticks) Bicycle spares Leather products X-ray and photo paper Paints & varnish Cotton fabrics Handloom textiles Stainless steel Blades Salt Cosmetics Spices Menthol Bicycle Motor cycle Redwood Mosquito coil Soyabari Electric coil Bitumen Wheat flour Machinery Steel Bleaching powder	Precious stones Dry ginger Reed broom Pulses Resin Betel nut Bean Rice Turmeric Timber Sunflower Red Kidney Bean Teakwood Rapeseed Fresh vegetables Fruits Tobacco Sesame Soyabean Katha Pearls Kuth root Onion Spice Garlic Chilly Coconut Mosquito coils Gram Electric equipment Garments Furniture Candle Electronic goods Blanket Imitation jewellery Petrol Fish

Source: RIS based on Field Survey.

because of supply-side bottlenecks, as for instance the frequent blockades and *bandhs* in Manipur. What seems to be a particular problem was that often the target of these blockages/*bandhs* was NH 39, the lifeline for Moreh's connectivity with India.

- Trade through the latter channel has been taking place through head-loads. Consequently, there no official accounts were kept on the volume/value of trade coming through 'Gate No. 2'. Trade was flourishing since there were no explicit checks at the border by the governments on either side. The magnitude of trade taking place was phenomenal. Traders informed the survey team that the daily imports were between Rs. 3-4 crore. As is usually the case, any estimate of this kind are likely to be underestimates of the actual level of trade taking place. This is borne out by the evidence presented in earlier studies which have estimated that the value of informal border trade transacted through Moreh is estimated at about Rs. 2000 crore a year (Government of Manipur, 2009). Thus, even if the number provided by the traders is considered, annual trade taking place through 'Gate No. 2' is between Rs. 1100 and Rs 1450 crore. And, this trade balance is hugely against India given the large quantities of Chinese (and some Thai) products being imported. These estimates should be compared with the official figures to understand the significance of informal/illegal trade taking place through Moreh. Officially, the two-way trade between India and Myanmar was about Rs. 7000 crore in 2009-10, of which India's imports from Myanmar were about Rs. 6100 crore. More importantly, imports to India through the LCS in Moreh were a mere Rs. 16 crore during the same period. The numbers for informal/illegal trade clearly suggest that these trade and related activities are sustaining the economy of the region.
- Barter trade is a common practice among traders engaged in informal/illegal trade. Where currency is used, the mode of payment is Indian rupees. This is to be expected since there is no official exchange rate between the rupee and the kyat, and India has the stronger currency. It would appear that the exchange rate parity is another factor that is proving to be an impediment to legal trade through the LCS. Based on the prevailing dollar exchange rate, the cross-rate between the rupee and the kyat gives the following figure: 1 Re = 0.14 kyat. In the informal currency market, traders mutually decide on the exchange rate on a daily basis. The survey team found that the informal Re/kyat exchange rate can vary: 1 Re = 25-30 kyat. In other words, the cross-rate can be as high as 210 times the informal exchange rate.
- United Bank of India (UBI) and the Myanmar Economic Bank have entered into MoUs for opening LCs. At present, the settlement can be made in two currencies, viz. Singapore dollars and Euros. UBI has set up a branch not far from the LCS at Moreh. The survey team found that not even one LC has been opened so far. The traders seemed to be unaware of how the LCs could be used. However, given the vexatious problem relating to the official exchange rate between the rupee and the kyat, the lack of interest in the LCs is not entirely unexpected. There is, therefore, less and less incentives for formal trade at Moreh.
- One of the anomalies that was noticed is that the UBI branch at Moreh is acting as a deposit branch. There have been reports of huge deposits being made each day (sometimes up to Rs. 1 crore) and these deposits are transmitted electronically to Delhi and Mumbai. This phenomenon strikes us as abnormal given the fact that it is the Myanmarese traders who should be holding on to the Indian rupees given

the substantial trade surplus that they enjoy. The cash deposits taking place in the UBI are, therefore, a puzzle that needs to be understood. Further, investigation needs to be conducted as to whether it is the Indian traders that have established extensive links with their Chinese and Thai counterparts and it is these traders who are mainly responsible for the imports that are taking place through 'Gate No. 2'.

- The traders pointed out that the security personnel and the insurgent groups played an overriding role in undermining their activities. The two forces were often working in a synchronised way and the extortion money that they had to pay was very large as a result. Traders pointed out that the Assam Riles and the 57 Mountain Division had set up seven check points between Moreh and Imphal on NH 39 and their consignments were checked at each of these checkpoints and extortion money is recovered. Besides cash losses, the traders complained of inordinate delays

in getting past these checkpoints – in some instances the delays caused even exceeded a day.

#### 5.4 Infrastructure at LCSs

The infrastructure status at LCSs is presented in Table 5.4. We considered only those infrastructure facilities which are available “on border”. The following observations are worth noting:

- Except for Borsara in Meghalaya, electricity was available in the remaining LCSs. However, the quality of electricity varied across LCSs. Most of the LCSs faced frequent power-cuts all through the day.
- The telephone facility (landline) was also not available in many of the LCSs. Except for Dawki, none of the LCSs in Meghalaya had telephone facility. Internet was also not available, except in Agartala.
- Absence of good quality electricity has de-motivated Customs from using the EDI facility. Therefore, trade was being handled manually.

**Table 5.4: Availability of Infrastructure at LCSs**

Facilities/ LCS	Dawki	Bagmara	Borsara	Dalu	Mankachar	Sutarkhandi	KSFS	Agartala	Moreh
Electricity	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
Telephone	Yes	No	No	No	No	Yes	Yes	Yes	Yes
Internet	No	No	No	No	No	No	No	Yes	No
EDI	No	No	No	No	No	No	No	No	No
Weighbridge	No	No	No	No	No	Yes	No	Yes	No
Warehouse	No	Yes	No	No	No	Yes	No	No	No
Cold Storage	No	No	No	No	No	Yes	No	No	No
Parking Place	No	No	No	No	No	Yes	Yes	No	Yes
Transshipment Platform/Transit Sheds	No	No	No	No	No	Yes	Yes	No	No
Dumping Sheds	No	No	No	Yes	No	No	Yes	No	No
Secretarial assistance	No	No	No	No	No	Yes	Yes	No	No
Drinking Water	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Drivers' rest room	No	No	No	No	No	No	Yes	No	No
Passengers' rest room	Yes	No	No	No	No	No	No	Yes	No
Health centre	No	No	No	No	No	No	No	Yes	No
Hotels and restaurants	No	No	No	No	No	No	No	No	No
Separate entry and exit gates	No	No	No	No	No	No	Yes	No	No
Banks	Yes	No	No	No	No	Yes	Yes	No	Yes
Courier/ Post office	No	No	No	No	No	Yes	Yes	Yes	No
Servicing centre/ Vehicle repair shops	No	No	No	No	No	Yes	Yes	No	No
Food testing laboratory	No	No	No	No	No	No	No	No	No

Source: RIS based on Field Survey.

- Facilities like weighbridge, warehouse, cold storage, etc. which are essential for trade were not available except at Sutarkandi in Assam and Agartala in Tripura (only weighbridge).
- There were wide gaps in the availability of supporting facilities like health centre, rest room, hotels and restaurants, etc., across the LCSs. In Karimganj Steamer and Ferry Station, the LCS has a drivers' rest room, a facility that is not available in the others. The Agartala LCS had a health centre, unlike other LCSs. Hotels and restaurants were not available.
- Except for Karimganj Steamer and Ferry Station, none of the LCSs had separate entry and exit gates for export and import of goods.
- Availability of banks and testing laboratories are necessary for trade at the border. While banks were available at some LCSs such as Moreh, Karimganj Steamer and Ferry Station, Sutarkandi, and Dawki, none of the LCSs had food testing laboratory, although they were handling trade in food items. The respondents' suggestions regarding improvement of facilities at LCSs were mostly related to improvement of infrastructure (Table 5.5). Requirement of Agartala LCS is basically related to security at border, whereas some LCSs needed improvement in "behind the border" infrastructure such as improvement of connecting road (Dawki, Bagmara, Borsara, Dalu).
- Respondents suggested improvements in security and banking relations at LCSs (Table 5.6). The food testing laboratories and quarantine stations are very important as they would provide a strong fillip to trade in agricultural products. Unfortunately, none of the LCSs have such facilities at the border resulting in delay and corrupt practices.

**Table 5.5: Major Deficits at LCSs: Views of Respondents**

LCS	Improvement/ provision of facilities
Dawki	Better road connectivity Provision of vehicle scanner
Bagmara	Financial facilities Road improvement Provision of basic infrastructure
Borsara	Road condition should be improved
Dalu	Road connectivity with Nangol and other coal mine places should be improved Warehouse facilities should be provided
Mankachar	Bridge between Mankachar and Rowmari Improvement of road
Karimganj Steamer and Ferry Station	Establishing building departmental office complex Need warehouse Weighbridge is required Dumping ground facility is needed Acquiring waste land on the banks of river Kushiara for establishing warehouse dumping sheds which has been under unauthorised possession.
Agartala	Vehicle scanner is required Health office/ quarantine is needed Electric generator is required Door frame detector is needed
Moreh	Improvement in infrastructure is required Animal/plant quarantine facilities are needed Weighbridge needs repairing

*Source: RIS based on Field Survey.*

**Table 5.6: Problems with Security, Banking and Standard / Testing Organisations: Respondents Opinion**

LCS	Problem with border security agencies	Problems with Standard or testing	Problems with bank
Dawki	None reported	None reported	None reported
Bagmara	BSF asks for money	None reported	None reported
Borsara	Sometimes, not specified	None reported	Problems present but not specified
Dalu	None reported	None reported	Problems present but not specified
Mankachar	BSF asks for money and also lack of knowledge on the part of BSF.	None reported	Takes a lot of time
Sutarkandi	BSF asks for money	Testing lab is situated far away from the LCS. So it takes a lot of time.	Not reported
KSFS	BSF asks for money	Lab is far away from the LCS.	Not reported
Agartala	Security agencies on both sides of the border demand bribe for smooth movement of goods.	Testing is a big problem as the results take lot of time.	Inefficient leading to delays in payment.
Moreh	Assam Rifles and 57 Mountain Division seek extortion money	No testing laboratory.	Bank exists but the trade-related operations are non-functional.

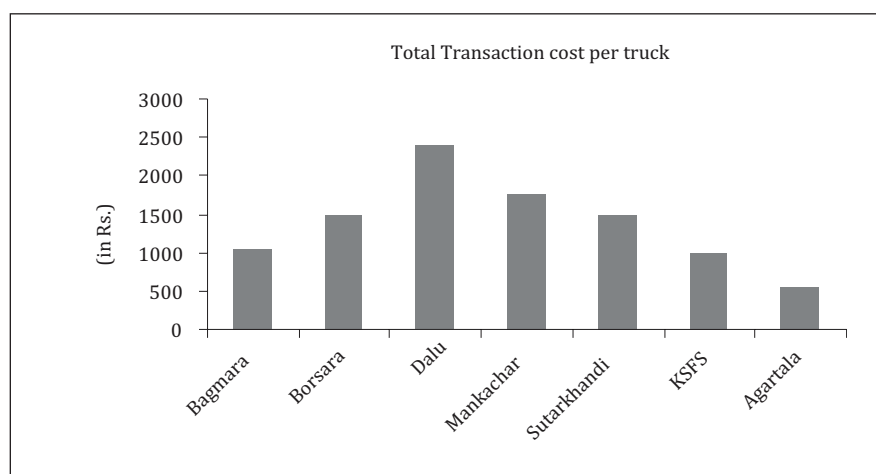
*Source: RIS based on Field Survey.*

## 5.5 Transaction Costs

Due to absence of good quality infrastructure, transaction costs<sup>6</sup> at LCSs were found to be very high. Besides, they also showed significant variations.

Figure 5.1 presents the estimated transaction costs for selected LCSs. Transaction costs at Agartala LCS was about Rs. 500 per

truck whereas it was about Rs. 2500 in Dalu LCS. Unlike Petrapole LCS in West Bengal, the transaction time at LCSs in the NER was not very high mainly due to low traffic. Congestion at border was not a problem in the NER. The field survey data indicates that it takes about 8-10 hours to clear goods at the border, which also varies across the LCSs.

**Figure 5.1: Transaction Costs at LCSs: 2010**

*Source: RIS based on Field Survey.*



## 5.6 Concluding Remarks

The field survey conducted across the nine LCSs in the NER clearly showed that the LCSs suffer from a tremendous 'infrastructure deficit'. Unavailability of electricity, bad roads, manual handling of goods, unfriendly exchange rate and many such barriers rendered formal trade at the border very expensive. Undoubtedly, these are the barriers prohibiting the official trade to grow in the NER. As a result, unofficial (informal) trade has become more important. Although our surveys showed that congestion at the border was not a problem in the NER, unfriendly trading environment was making conduct of trade difficult. The field survey showed transaction costs at LCSs were very high, which varied between Rs. 2500 to Rs. 500. The high transaction cost at the border can be mitigated through implementation of trade facilitation measures and policies, perhaps with a special focus on the NER.

Our assessment is that trade creation can take place only if measures are taken, in particular to improve the quality of infrastructure at the border, connectivity to the rest of the state and the region and improvements in the supply capacities from the Indian side. Informal/illegal trade has been a feature of the border trade taking place with both neighbours. This trade has been taking place through well-established trade points that have historically been habited by the people of the region. The informal/illegal trade taking place through Moreh-Tamu is driven mainly by supplies being provided by both China and Thailand. As a result, trade comprises products that are out of the list of 40 items that have been identified by India and Myanmar as a part of their Border Trade Agreement of 1994, as amended in 2008. The magnitude of informal/illegal trade taking place on the Moreh-Tamu border may prompt the authorities to put regulations to check the growth of this trade. In this context, our assessment is that since the trade point existing at Moreh symbolises the historical links that existed between the people living

in the border areas, it would make little economic sense to impose policy-induced barriers. Rather, the efforts must be made to ensure that not only is this trade recognised so as to get it included in the formal statistics, the available infrastructure and connectivity must also be improved to enable greater trade flows to take place.

Our view is that trade flows can be improved by adopting two sets of strategies separately for Bangladesh and Myanmar. The India-Bangladesh trade can be increased manifold through production networks, provided appropriate investments are made on two sides of the border on activities that give rise to trade complementarities. For instance, the NER, which is a hub of fresh fruits and vegetables, can act as a source of raw materials for the upcoming food processing sector in Bangladesh. Further, Indian entrepreneurs and technologists can help strengthen the Indian food processing sector by enabling further development of this sector. And, finally, this investment should be taken up primarily in the SME sector.

Yet another sector that can be considered for such development is the textiles and clothing. The NER has traditionally been a treasure trove of handloom and niche fabrics like the 'Assam muga'. Although the uniqueness of 'Assam muga' has been recognised through the grant of 'geographical indication', the artisans have remained in a poverty trap because of inadequate demand for their product. Linking the 'Assam muga' producers to the clothing industry would provide a definite boost to these producers.

While the above examples were intended to highlight the potential for vertical integration that exists between the NER and Bangladesh, the strategic imperative of promoting these activities cannot be overlooked. As mentioned above, promotion of such activities would lead to strong trade complementarities, thus promoting trade between the two countries. Thus, India's exports of raw materials can be matched

by its imports of processed products from Bangladesh. This pattern of trade will enable Bangladesh to export higher value added products and can thus help reduce its large trade imbalance with India.

In case of border trade with Myanmar, efforts would have to be made by both Government of Manipur and the Government of India to address the supply-side bottlenecks that have caused a huge trade imbalance against India in the trade taking place through 'Gate No. 2'. As indicated in the discussion above, there is evidence of demand for Indian products in Myanmar and, therefore, it is important to widen the market for these products. While the market for traditional products is well recognised, it is important that non-traditional products are identified for possible export to Myanmar.

The Government of Manipur has been arguing that industrialisation must precede the opening up of trade (Government of Manipur, 2009). The government has argued that local industry such as agro-processing, horticulture, textiles, etc., must be encouraged through the employment-led expansion of the regional market, which can result in substitution of imported products by local produce while at the same time servicing external demand. It has further been pointed out that there is ample scope for the development of manufacturing/processing units for medicines, rubber goods, cycles and cycle parts, pharmaceuticals, edible oils, petroleum products, cement, cotton yarns, etc.

We would argue that a well-honed strategy, which has a medium-term perspective, needs to be put in place. This strategy should be developed in the context of the closer economic integration that India is seeking with its immediate neighbourhood, the ASEAN region. While the infrastructure needs have been given serious attention, including the discussions on the Asia Highway and Trilateral Highway projects that would go through Moreh, the stakeholders seem to be some distance away from putting in place plans that would help in exploiting the markets in South East Asia. From India's point of view, the lack of initiative on this score seems particularly stark given that the country had signed the India-ASEAN Free Trade Agreement almost a year and a half ago, and that the first phase of implementation of this FTA has already been gone through since the FTA became operational in January 2010.

## Endnotes

- <sup>1</sup> The leader of the team was Prof. Gurudas Das.
- <sup>2</sup> The leader of the team was Prof. E. Bijoy Kumar Singh.
- <sup>3</sup> See the discussion in previous chapters.
- <sup>4</sup> For this matter, please contact the coordinator of this study at the Northeastern Economic Council (NEC), Shillong.
- <sup>5</sup> The usual disclaimer in this may not necessarily match with the officially published record.
- <sup>6</sup> Includes loading / unloading fees at border, parking fees at border, speed money, and clearing agent's fees.



## Chapter 6

# POLICY RECOMMENDATIONS AND THE WAY FORWARD

The NER is critically located for it holds the key to India's economic integration efforts with its neighbours in South and South East Asia. The importance of the region is further enhanced since it provides a critical link for the Asian Highway project that will connect Asia with Europe.

History suggests that the connectivity between countries was based on strong and sustainable economic links. Thus, road and rail networks that have developed in most regions of the world are in a manner of speaking economic corridors that have joined the major centres of trade and commerce. India's connectivity with its eastern neighbours has been no exception. While with Bangladesh, the connectivity with the other parts of India had developed when the region was a part of undivided India, Myanmar had long been an extended part of the Indian Union prior to the 1940s. With the re-defining of regional politics more than 60 years ago, the political lines were drawn more sharply, but the imperatives of the local economy together with strong ethnic links between the people on both sides of the political boundaries have helped maintain the trade links through the local trade points. It must be argued, however, that these boundaries have thwarted the natural growth of trade and commerce. But, with the new found emphasis on regional integration, alongside improvement of bilateral relations in recent years, the possibilities of developing economic ties are now being explored. A logical starting point for such an exercise

involving the neighbouring countries, with whom India shares common land frontiers, is to study the dynamics of trade taking place through the local trade points. Over the years, both the Government of India and the governments of the state where these trade points exist, have realised the importance of these trade points and have set up LCS with the objective of bringing the informal/illegal trade taking place into the formal channels. An elaborate plan has now been drawn up to convert a number of these LCSs into ICPs, which would provide better facilities to the traders.

The present study seeks to provide a better understanding of the dynamics of India's border trade with its neighbours and to suggest ways in which this trade can be strengthened. This was done by looking at the functioning of several LCSs situated at the India-Bangladesh and India-Myanmar borders.

The recommendations of this study are presented in four parts. The first relates to the policy measures that are needed to provide impetus to border trade. The second covers the infrastructure and trade facilitation measures that must be taken to provide added incentives to the traders. The third relates to the payments arrangements, without which trade will always face impediments. And, finally, suggestions are made as to how the supply-side issues can be addressed, keeping in view a medium term perspective.

### Policy Measures

- Development of 'border *haats*', alongside upgrading the LCSs into ICPs, would provide tremendous boost to border trade. While steps have already been taken to open the India-Bangladesh border to such trade, similar initiatives can also be taken on the India-Myanmar border.
- The Border Trade Agreement between India and Myanmar needs to be revisited with a view to substantially increase the list of products in which barter trade is allowed at present. The list of 40 items has lost its relevance while normal or regular trade has gained in popularity over time. With almost all possible tradable items being traded through Moreh, the most important trade point on the India-Myanmar border, artificial barriers like the ones imposed through the Border Trade Agreement would only result in the development of a parallel economy. Government may, therefore, allow normal trade to take place in accordance with the Foreign Trade Policy.

### Infrastructural Bottlenecks

- Essential infrastructure necessary to promote border trade is lacking in all the LCSs that were covered in this study. Road and rail connectivity need to be improved. The National Highways and the State Highways linking the LCSs with the rest of the country should be upgraded. Upgradation of the road infrastructure will help in improving the supplies of goods from the rest of the region and would help in reducing the large trade imbalances that India faces. Bottlenecks exist at some of the trade points, in particular at Moreh. This study has pointed out that there is a demand for Indian products in Myanmar, and possibly beyond, which can be satisfied if critical connectivity with the rest of the country is put in place. Local enterprise will also receive an additional incentive to go beyond the borders if

the problems of land connectivity are addressed.

- Although the LCSs have been set up at most of the border trade points that were included in the study, facilities available at these LCSs are not conducive for conducting high volumes of trade. Communication systems are in a state of disrepair in most of the border trade points. In some cases, like Moreh, where the communication systems are in place, the service is highly erratic. Most of the other infrastructural facilities are either non-functional or are unavailable. These include weighbridges, warehouses and dumping sheds.
- Since food items account for a significant proportion of the trade taking place through the border trade points, specific infrastructural needs of these products would have to be addressed. Animal and plant testing and quarantine facilities, conforming to international standards, need to be put in place near the LCSs to prevent the spread of undesirable pests and pathogens. Since a significant proportion of the traded products are in the nature of perishables, establishment of cold storages would not only enable realisation of a better value for the products that are currently being traded, there would be an additional incentive for pushing-up trade in these products.
- Upgrading of the infrastructure should be done with a view of improving the efficiency of the customs authorities so that the lead time for clearances is reduced to the bare minimum. Appropriate trade facilitation measures would have to be taken to reduce the transactions cost. It may be mentioned in this context that the use of Information Technology (IT) and Information Technology Enabled Services (ITES) has provided a fillip to trade facilitation in many countries and these experiences need to be replicated in India to facilitate border trade.

## Payment Arrangements

- Payment arrangements remain the most serious hindrance in promoting border trade through the formal channels. This is particularly true of the India-Myanmar trade where the absence of a realistic exchange rate that can be used for official purposes has prevented the formal trade at the border from taking root. It was indicated that the cross rate between the rupee and kyat is 210 times higher than the rate that is being used in the grey market through which the informal/illegal trade is taking place. The rupee has come to be accepted as the currency for conducting India-Myanmar trade at the border. It is, therefore, strongly recommended that the two Governments should agree to conduct border trade in Indian rupees. This could be the first step towards introducing rupee trade to conduct the entire India-Myanmar trade.
- Once the payments arrangements are sorted out, the banking systems in the two countries, led by the UBI and the Myanmar Economic Development Bank, should be so developed as to respond to the requirements of the traders. The lack of interest on the part of the traders in using Letters of Credit (LCs) is likely to hamper the development of trade through formal channels. It has to be recognised that even in the best of situations, LCs are difficult for the small traders to handle and, therefore, concerted efforts would have to be taken to ensure that this instrument is put to use. It may be suggested that the traders associations involved in border trade together with export promotion councils, like the SHEFEXIL, and the banks undertake a series of programmes to popularise the use of LCs.

## Addressing the Supply-side Bottlenecks

- While many of the measures suggested so far would lead to the removal of supply-

side bottlenecks on the Indian side of the border, there is a need to take a medium-term perspective to address the supply-side issues so as to make effective use of the border trade points. For doing so, the Government of India, along with the concerned State Government, would have to devise an elaborate plan that links the development of certain sectors in the NER with the trade channels provided by the border trade points.

- The NER has long been the hub of niche products in handicrafts and handloom, much of which is in a state of decline. To stop this decline, effective government intervention is urgently required. As their budgetary position has deteriorated, the State Governments have lowered the level of support that was once given to the artisans. It is suggested that these activities need to be revived with the Government of India assistance through a well coordinated programme to promote the artisans. This programme could be modelled on the One Village One Product movement that was initiated in Japan in the late 1970s, which promoted one competitive and staple product from a village to improve the living standards of the population. Thailand developed the One Tambon One Product (OTOP) programme to encourage village communities to improve the quality and marketing of the locally made products, including handicrafts, cotton and silk garments, pottery, fashion accessories, household items, and foods. The OTOP programme, which is more relevant for the NER, selected one superior product from each tambon (sub-district), granted it a brand ("starred OTOP product"), and provided a local and international stage for the promotion of these products. Besides promoting the products, the OTOP Programme (renamed as the "Local and Community Products", even though the "OTOP" brand name has been



retained), led to promotion of tourism in the districts from which the products had originated.

- In case of Bangladesh, the Government of India and the State Governments may also consider developing a tripartite relationship aimed at promoting trade and investment between Bangladesh and India. The focus of these efforts could be the support that India needs to provide to Bangladesh to set up enterprises in the small and medium sectors, which are based on resources that are provided from India's NER. The sectors that select themselves naturally are food processing and textiles and clothing. The industries set up in Bangladesh with India's support can leverage the vast market in the NER that is waiting to be exploited.
- Development of local industries is an imperative that must be given high priority, especially in the face of the strong in-roads that imported products are making into the local economy. Industries like agro-processing, horticulture, textiles, etc., must be encouraged through the employment-led expansion of the regional market, which can result in substitution of imported product with local produce while at the same time servicing external demand. At the same time, possibilities of developing manufacturing/processing units for medicines, rubber goods, cycles and cycle parts, pharmaceuticals, edible oils, petroleum products, cement, and cotton yarns in the NER must be explored.
- There is an urgent need to focus on trade-related capacity building amongst officials, entrepreneurs, for this is the *sine qua non* for strengthening the human resource base. Strengthening of human resources would not only help improve the quality of services but will also encourage the stakeholders to take new initiatives. Structured programmes covering cross-cutting issues would go a long way in improving the delivery of trade-related services that would in turn help in the development of border trade. Needless to say, proactive involvement of the State Governments and their agencies is essential for getting the desired results.

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## Appendix 1.1

### Commodities identified for exchange by residents living along the border between India and Myanmar under the Indo-Myanmar Border Trade Agreement

1. Mustard/Rape Seeds
2. Pulses and Beans
3. Fresh Vegetables
4. Fruits
5. Garlic
6. Onions
7. Chillies
8. Spices (excluding nutmeg, mace, cloves, Cassia)
9. Bamboo
10. Minor forest products excluding Teak
11. Betel Nuts and leaves
12. Food items for local consumption
13. Tobacco
14. Tomato
15. Reed Broom
16. Sesame
17. Resin
18. Corriander Seeds
19. Soyabean
20. Roasted Sunflower Seeds
21. Katha
22. Ginger
23. Any other commodities as may be mutually agreed upon between the two sides.

## Appendix 3.1: LCS-wise Major Export and Import items since 2006-2008

State	LCS	Export	Import
Assam	Karimganj Steamerghat and Ferry Station	Ginger, citrus fruits, orange, dry fish, chaw-chai squash, bamboo	Cement, other knitted items of synthetic fibre and woven fabrics, molasses and soap.
	Sutarkandi	Coal and quicklime	Cement, hilsha fish, synthetic drinks, roasted or fried vegetable products, chips, sugar confectionary, wooden and metal furniture, cap, empty carton, melamine table and kitchen ware, soap, semai, sanitary napkin, "Pran" candy, gum candy, potato crackers, roasted peanuts, edible oil, fruit juice, picky chips, molasses, chutney, cotton waste, other knitted crocheted of synthetic fibre, biscuits, dry cell battery, aerated water, rose water and float glass.
	Guwahati Steamer Ghat	High Speed Diesel	Cement
	Dhubri Steamer Ghat	-	-
	Mankachar	Coal, crushed stone & dry fish.	Readymade garments, printed book and calendar.
Meghalaya	Borsora	Coal & limestone.	nil
	Bholaganj	Limestone & boulder stone.	nil
	Dawki	Coal, limestone, boulder stone, quartz stone, tomato, raw hides & skin, orange, citrus fruits.	Food items.
	Shellabazar	Limestone & shale.	nil
	Baghmara	Coal.	-
	Dalu	Coal, limestone & boulder stone.	Readymade garments, synthetic net fabric and bleaching powder.
	Ghasuapara	Coal & ginger	-
Mahendraganj	Coal, boulder stone, crushed stone, ginger, tamarind & bamboo.	Synthetic net fabrics, cotton waste, readymade garments, float glasses.	
Tripura	Agartala	Raw hides & skin, tomato, potato, ginger, dry chilli, dry fish, bamboo & refined soyabean oil.	Cement, crushed stone, quicklime, hilsha and other small fish, dry fish, salted fish, jute rope, raw jute, animal feed, soyabean oil, other knitted or crocheted synthetic fibre, molasses, food items, palm oil, lay flat tube, cotton waste, ceramic tiles, aerated water, synthetic drinks, float glasses, hand pump, matters of cellular rubber, other trashing machine, zinc flakes, brick crusher machine, resins, other household articles, agricultural machineries, dry cell battery, biscuits, potato chips and crackers, vanaspati, cashew nut (in shell), plastic frame of door/window, cosmetics and toilet items, waste of synthetic fibre, mango juice, wooden, plastic and metal furniture, weeder machine, knitted cotton fabrics, foot wear, machine for framing foundry mould of sand, melamine table and kitchen ware, PVC pipes and tubes, other household articles, soap, other threshing machine, jamdani saree, slurry pump, ceramic tiles, coriander, iron drum, sweater, vacuum pump.
	Srimantapur	Ginger, potato, parts & accessories of agricultural products, sanitary ware, tamarind, motor cycles parts, raw hides & skin, bay leaves (Tez pata), palm oil, coloured woven fabrics, agarbatti, braziers, printed pictures, marble stone & bamboo.	Broken or crushed stone, cement, synthetic drinks, lay flat tube, PVC pipes & filters, foods items, molasses, soyabean oil, head gear of textile fabrics, woven and polyester fibre, other non-knitted crocheted fibre, aerated water, palm oil, float glass, cotton saree, soap, ceramic tiles, mosquito net.
	Dhalaighat	nil	nil
	Khowaighat	-	Crushed stone.
	Manu	Jack fruits, orange & tomato.	Hilsha and other small fish and crushed stone.
	Muhurighat	-	-
	Old Ragnabazar	Ginger, citrus fruits & orange	Printed mosquito net, woven synthetic staple fibre, other crocheted fabrics of cotton, vest, zinc flakes, ceramic tiles, plastic frames of doors and windows, foot wear, laundry soap.

Source: Office of the Commissioner of Customs, Shillong.

## Appendix 3.2

### **Important Agreements / MoUs for Facilitating Economic Cooperation between India and Bangladesh as on December 2010.**

- The first Trade Agreement between India and Bangladesh was signed in 1972. The India-Bangladesh Trade Agreement has been renewed for a period of three years up to March 31, 2012. It governs the present trading arrangements between the two countries. Other Agreements/MoUs for facilitating trade and economic linkages include:
- Protocol on Inland Water Transit and Trade (IWTT);
- Bilateral Air Services Agreement between India and Bangladesh;
- Bilateral Agreement on the Establishment of Joint Economic Commission (JEC);
- India-Bangladesh Convention for the Avoidance of Double Taxation;
- India-Bangladesh Agreement for the Regulation of motor vehicle passenger traffic;
- Agreement on Revised Travel Arrangements between India and Bangladesh;
- Rules for Interchange of Traffic between India and Bangladesh;
- MoU between BIS and BSTI for cooperation in the area of standards;
- MoU for cooperation in the field of agriculture;
- MoU for cooperation in the field of science and technology;
- Protocols for operation of passenger bus service between Dhaka & Kolkata, and Dhaka & Agartala;
- Bilateral Investment Protection and Promotion Agreement (BIPPA); Discussions are also underway for concluding agreement on regulation of passenger and cargo vehicular traffic;
- Agreement on Bulk Power Transmission between Power Grid Corporation of India Limited and Bangladesh Power Development Board.

**Appendix 4.1: Myanmar's Top 10 Trade Partners in 2010**

<b>Export To</b>	<b>Volume (US\$ billion)</b>	<b>Share* (%)</b>
Thailand	2.549	43.084
India	1.087	18.366
China,P.R.: Mainland	0.587	9.919
Japan	0.309	5.231
Malaysia	0.131	2.219
Singapore	0.107	1.802
Germany	0.073	1.234
South Korea	0.071	1.204
Bangladesh	0.062	1.052
Vietnam	0.059	0.998
<b>Import From</b>	<b>Volume (US\$ billion)</b>	<b>Share** (%)</b>
China, P.R.: Mainland	2.507	35.396
Thailand	1.694	23.911
Singapore	0.979	13.819
South Korea	0.447	6.308
Malaysia	0.233	3.283
India	0.231	3.258
Japan	0.222	3.135
Indonesia	0.192	2.714
Germany	0.058	0.823
North Korea	0.052	0.740
Australia	0.051	0.726

**Notes:** \* Share in total exports. \*\*Share in total imports.

**Source:** IMF.



## Appendix 5.1

### Questionnaire

<b>1. Identification of the LCS</b>	
<b>Border: India-Bangladesh / India-Myanmar</b>	
1.1. Name of the LCS: _____	(India)
1.2. Name of the other side of the LCS: _____	(Bangladesh)
	_____ (Myanmar)
1.3. Name of the organisation: _____	
1.4. Address of the organisation: _____	
_____	
Telephone: _____	Fax: _____
Mobile: _____	Email: _____
Website (if any): _____	
1.5. Name of the respondent: Mr/Ms/Mrs _____	
1.6. Designation of the respondent: _____	
1.7. Name of the enumerator: Mr/Ms/Mrs _____	
1.8. Date of survey: _____	

*For office use only:*

- Cooperation of respondent: Good/Moderate/Poor
- Reliability of information: High/Moderate/Poor/Very Poor
- Report collected: Yes/No. If yes, describe it \_\_\_\_\_

Reviewed by: \_\_\_\_\_ Date: \_\_\_\_\_

If sent back for verification/correction:

Verification done: Yes/No. If yes, date of verification: \_\_\_\_\_

Verified by: \_\_\_\_\_ Date: \_\_\_\_\_

**2: General Information**

Type of business	Exporter Importer Both Exporter and Importer Others (please specify _____)	
Managing international trade	Goods Passengers Both goods and passengers	
State:	LCS:	Trade Route:
No. of years in the business	Export:	Import:
Registration Number	Export:	Import:
No. of consignments (2007-2010)	Export 2007: 2008: 2009: 2010*:	Import 2007: 2008: 2009: 2010*:
Top five traded products (2007 – 2010)	Export 1 2 3 4 5	Import 1 2 3 4 5
Total trade handled at this LCS (2007 – 2010) (specify the unit: _____)	Export 2007: 2008: 2009: 2010*:	Import 2007: 2008: 2009: 2010*:

\*January – July 2010

Name and address of the Chamber of Commerce/ Industry Association in which you/your organisation are a member	
Name of Bank and branch through which transactions are processed	
Working hours of the LCS	India side: Other side (Bangladesh / Myanmar):
No. of government officials managing the LCS (as on July 2010)	
Road distance of the LCS from state capital (in km)	
No. of all-weather road access (routes) between state capital and LCS	

### 3: Pattern of Trade

3.1 Export through the LCS [add additional sheet if needed]

Year 2010 (January - July)	Name of goods	Quantity (unit: _____)	Value (unit:_____)
Year: 2009	Name of goods	Quantity (unit: _____)	Value (unit:_____)
Year: 2008	Name of goods	Quantity (unit: _____)	Value (unit:_____)
Year: 2007	Name of goods	Quantity (unit: _____)	Value (unit:_____)

3.2 Import through the LCS [add additional sheet if needed]

Year 2010 (January - July)	Name of goods	Quantity (unit: _____)	Value (unit:_____)
Year: 2009	Name of goods	Quantity (unit: _____)	Value (unit:_____)
Year: 2008	Name of goods	Quantity (unit: _____)	Value (unit:_____)
Year: 2007	Name of goods	Quantity (unit: _____)	Value (unit:_____)

3.3 What are the other goods you think exporters from your state can export to Bangladesh/Myanmar? Please specify.

3.4 What are the other goods that importers of your state can import from Bangladesh/Myanmar? Please specify:

3.5 Please specify the origin of the goods that you are exporting to the partner country (Bangladesh/Myanmar/Other).

3.6 Please specify the origin of the goods that you are importing from the partner country (Bangladesh/Myanmar/Other).

3.7 Please specify the informal trade (including smuggling of goods) at this LCS.

<b>Export</b>			
<b>Year</b>	<b>Product</b>	<b>Trade value (specify unit:_____)</b>	<b>Destination country(s)</b>
2007			
2008			
2009			
2010*			

\*January – July 2010

<b>Import</b>			
<b>Year</b>	<b>Product</b>	<b>Trade value (specify unit:_____)</b>	<b>Origin country(s)</b>
2007			
2008			
2009			
2010*			

\*January – July 2010

3.8 Please specify the trade at this LCS if conducted through barter system

<b>Export</b>			
<b>Year</b>	<b>Product</b>	<b>Trade value (specify unit:_____)</b>	<b>Destination country(s)</b>
2007			
2008			
2009			
2010*			

\*January – July 2010

<b>Import</b>			
<b>Year</b>	<b>Product</b>	<b>Trade value (specify unit:_____)</b>	<b>Origin country(s)</b>
2007			
2008			
2009			
2010*			

\*January – July 2010

### 4. Barriers to Trade

4.1 What kind of constraints do you face in connection with your export/import through LCS? (please add separate page if needed)

Infrastructure		Non-infrastructure		Others (please specify)	
Export	Import	Export	Import	Export	Import

- 4.2 Is there any problem with Customs classification? If yes, please specify.
- 4.3 Is there any problem in obtaining Rules of Origin (RoO) Certificate? If yes, please specify.
- 4.4 Do you face any problem in clearing consignments at Customs? If yes, please specify.
- 4.5 Do you face any problem with border security agencies? If yes, please specify.
- 4.6 Do you face any problem with standards and testing? If yes, please specify.
- 4.7 Do you face any problem with business mobility? If yes, please specify.
- 4.8 Do you face any problem with banks in transacting business? If yes, please specify.
- 4.9 Does currency exchange rate pose any problem in conducting cross-border trade with Bangladesh/Myanmar? If yes, please specify.
- 4.10 What is the mode you follow for dispute settlement, if any, with the exporters/importers from Bangladesh/Myanmar?
- 4.11 Do you face any problem of unauthorised payment to any organisation? If yes, please specify.
- 4.12 What are the documents required for export/import through this border? Use additional sheets, if required.

Export documents	Import documents

4.13 Is export/import duty structure trade promoting? If not, please specify

4.14 Is Electronic Data Interchange (EDI) (for example ICEGATE) working at this border? If yes, please answer the following:

(a) Year of introduction of EDI: \_\_\_\_\_

(b) Category of users: \_\_\_\_\_

(c) No. of trade declarations used through EDI per shipment: \_\_\_\_\_

4.15 Is trade handled during night-time? Yes/No

(a) If yes, what is the operation time? \_\_\_\_\_

(b) If no, what are the reasons for not having a night-time operation?

4.16 Does this border have a cargo warehouse? Yes/No. If yes, complete the following:

Size (specify unit)	Capacity	Working time	Facilities	Is it e-enabled? Yes/No

4.17 What are the deficits of this border? Please arrange them serially. (Add additional sheets if required).

Facilities	Yes/No	Facilities	Yes/No	Facilities	Yes/No

4.18 What is the time (monthly average) taken for cargo clearance at this LCS?

Year	Parking time (days) for export per truck/container	Customs time (days) for export per truck/container	Loading/unloading time (days) for export/import per truck/container
2005			
2006			
2007			
2008			
2009			
2010*			

\*Take monthly average of January – August 2010

4.19 What are the transaction costs (monthly average) at this LCS? (specify unit \_\_\_\_\_) (US\$/tonne)

Year	Loading/unloading	Parking fees	Speed money	Clearing agent's fees
2005				
2006				
2007				
2008				
2009				
2010*				

\*Take monthly average of January – August 2010

4.20 What are the modes of transport currently used for cross-border trade? What are the limitations of the existing transport system?



- 4.21 Are there any alternative routes for conducting the business? If yes, specify.
- 4.22 Do you face any problem with parking at the LCS? If yes, specify.
- 4.23 Do you face any problem with loading and unloading at the LCS? If yes, please specify.
- 4.24 Do you face any problem with dumping grounds at the LCS? If yes, please specify.
- 4.25 Do you face any problem with warehousing and storage at the LCS? If yes, please specify.
- 4.26 Do you face any problem of congestion at the LCS? If yes, please specify.
- 4.27 Whether the LCS has the following facilities?

<b>Facility</b>	<b>Available (Y)</b>	<b>Not available (N)</b>
Electricity		
Availability of electricity per day (good/bad)		
Telephone		
Internet		
EDI (Icegate)		
Weighbridge		
Warehouse		
Cold storage		
Parking place		
Transshipment platform / Transit sheds		
Dumping sheds		
Secretarial assistance (fax, photocopy etc.)		
Drinking water		
Drivers' rest room		
Passengers' rest room		
Health centre		
Hotels and restaurants		
Separate entry and exit gates		
Banks		
Courier / Post Office		
Servicing centre / Vehicle repair shops		

- 4.28 What improvement in infrastructure would promote border trade? Please specify:

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.

### 5. Cross-border Investment Opportunities

5.1 Do you think there is scope for investment in Bangladesh/Myanmar from North Eastern India? If yes, please specify it.

Sectors	Industries	Type

5.2 Are you aware of the investment regulatory framework in Bangladesh/Myanmar? If yes, please specify if there is any inadequacy in the framework.

5.3 What are type of risks that Indian investment may face in Bangladesh/Myanmar? If yes, please specify the risk factors.

Business	Political

5.4 Do the financial organisations in India lend fund for investment in Bangladesh/Myanmar?

5.5 Do you find any problem in getting institutional credit for your business? If yes, please specify.

5.6 If Indian firms invest in Bangladesh/Myanmar in a 'buy back' format, will the import be made duty free?

5.7 Have you made any investment in Bangladesh/Myanmar? If yes, please specify the area.

5.8 Are there any other investors from your state who have invested in Bangladesh/ Myanmar? If yes, how many? Specify their areas.

5.9 Is there any investment in your state from Bangladesh/Myanmar? If yes, specify the details.

5.10 Are you aware of the investment regulatory framework of your state? Does it allow investors from Bangladesh/ Myanmar?

5.11 Does exchange rate pose any problem in conducting cross-border trade with Bangladesh / Myanmar? If yes, please specify.

5.12 What is the currency used for transaction? Is there any difference between official and unofficial exchange rates? If yes, how do businesses sort out this difference?

5.13 What are the barriers you think prohibiting investment flows between Indian Northeastern States and Bangladesh / Myanmar? Please mark them serially.

- 1.
- 2.
- 3.
- 4.
- 5.

5.14 What would promote cross-border investment flows between Indian Northeastern States and Bangladesh / Myanmar? Please specify.

- 1.
- 2.
- 3.
- 4.
- 5.



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The Research and Information System for Developing Countries (RIS), a New Delhi based autonomous think-tank under the Ministry of External Affairs, Government of India, is an organization that specializes in policy research on international economic issues and development cooperation. RIS is envisioned as a forum for fostering effective policy dialogue and capacity-building among developing countries on international economic issues.

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