

Transforming Connectivity Corridors between India and Myanmar into Development Corridors



RIS

Research and Information System
for Developing Countries

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by

Ambassador V. S. Seshadri



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RIS
Research and Information System
for Developing Countries

Core IV-B, Fourth Floor, India Habitat Centre
Lodhi Road, New Delhi-110 003, India
Ph.: +91-11-24682177-80, Fax: +91-11-24682173-74
E-mail: publication@ris.org.in
Website: www.ris.org.in

CONTENTS

Foreword by <i>Ambassador Shyam Saran</i>	v
Executive Summary	1
Chapter 1: Introduction	9
1.1 Transition in Myanmar and Economic Development	9
1.2 Foreign Investment in Myanmar.....	11
1.3 India-Myanmar Trade	13
1.4 Focus of RIS Study: Border Trade, Connectivity and Economic Corridors	15
1.5 Methodology for RIS Study.....	17
Chapter 2: Connectivity Corridors Under Development	19
2.1 Introduction	19
2.2 Road Connectivity	19
2.3 Railway Connectivity.....	26
2.4 Inland Waterway and Multi-Modal Connectivity.....	29
2.5 Possible Time Lines for Road, Rail and Multi-Modal Connectivity	33
2.6 India-Myanmar Air Connectivity	35
Chapter 3: Promoting Border Trade through Connectivity Corridors	37
3.1 Introduction	37
3.2 Current Status of Border Trade.....	38
3.3 ICP Under Development	46
3.4 The 105-Mile Trade Zone at Muse on Myanmar-China Border -A Case Study.....	46
3.5 Problems and Issues about India-Myanmar Border Trade	51
3.6 Particular Aspects Relating to Moreh.....	55
3.7 Particular Aspects Relating to Zokhawthar	55
3.8 Particular Aspects Relating to Zorinpui (in the Kaladan Corridor)	56
Chapter 4: Connectivity Corridors Transforming into Development Corridors	57
4.1 Introduction	57
4.2 The IMT-Trilateral Leading to Development Corridor.....	57
4.3 The Kaladan Project Corridor.....	62
4.4 Conclusion.....	65
List of Tables	
Table 1.1: Myanmar's External Trade	14
Table 1.2: India-Myanmar Bilateral Trade.....	14
Table 3.1 India-Myanmar Border Trade.....	39
Table 3.2: India-Myanmar Border Trade.....	40
Table A.1: China-Myanmar Trade through Muse (105 Mile) Trade Zone	68
Table A.2: Officers and Staff assigned at Muse (105) Mile Trade Zone.....	70

List of Boxes

Box 1.1: Extract from the ‘North Eastern Region Vision: The Vision 2020 Statement’	10
Box 1.2: Extract relating to foreign investments from the speech given by President U Thein Sein of Myanmar.....	11
Box 1.3: Special Economic Zones in Myanmar.....	12
Box 1.4: Foreign Investment Flows into Myanmar: Foreign Investment Existing Enterprises by Country	13
Box 1.5: Recent Government of India assisted Developmental Projects in Myanmar	16
Box 2.1: SASEC Road Connectivity Investment Programme Project.....	24
Box 3.1: Growth of Illegal or Informal Trade	42
Box 3.2: Major Items Traded between India and Myanmar through Tamu-Moreh.....	42
Box 3.3: Free Movement across Borders and Implications for Trade.....	43
Box 3.4: Informal Trade at Zokhawthar	45
Box 4.1: North East Industrial and Investment Promotion Policy.....	58
Box 4.2: Moreh Township Project.....	60
Box 4.3: Myanmar Rice Value Chain: Strength is Determined by the Weakest Links	62

Annexures

1: A Note on How Trade is Organised through Myanmar-China Border at Muse/Jiagao Border Trading Point.....	67
2: Seminar on “From Connectivity Corridors to Development Corridors between India and Myanmar”, Nay Pyi Taw, Welcome Address by Ambassador Shyam Saran, Chairman, RIS.....	82
3: Sagaing Region Government: From Connectivity Corridors to Development Corridors between India and Myanmar Seminar by H.E. U Thar Ye	85
4: Development Planning and Aid Coordination in Myanmar by Dr. Wah Wah Maung.....	90
5: Cooperation between India and Myanmar on Connectivity Projects by Mr. Puneet Agarwal.....	97
6: Myanmar’s Opportunities and Challenges: Connectivity to India-ASEAN Economic Community by Ms. Cindy Joelene.....	100
7: A New Economic Climate: Foreign Investment Law and Other Incentives by Daw Tin Aye Han	104
8: Trade and Investment Opportunities in Agriculture Sector of Myanmar-India Border Area: Sagaing Region by Ms. L Seng Kham.....	110
9: Proposed Integrated Checkpost at Moreh by Mr. Y. K. Sharma	116
10: Barter Trade with Myanmar under the Indo-Myanmar Border Trade Agreement	121
11: Public Notice issued by the Ministry of Commerce & Industry, Department of Commerce, Directorate General of Foreign Trade.....	126

FOREWORD

Ambassador Shyam Saran

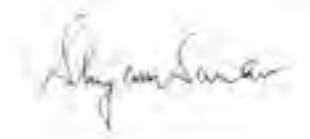
Chairman, RIS

Overland Connectivity between India and Myanmar and between India and the rest of ASEAN countries through Myanmar has been discussed for over two decades now. Action on the ground has, however, been delayed due to various factors including difficult terrain, lack of adequate commercial interest, need for large financial resources and an adverse security situation, with attendant risks.

Recent years have seen fresh initiatives being taken by India in close cooperation with Myanmar. The Kaladan Multimodal Transit Transport project, whose implementation began in 2010, is making progress. The Tamu-Kalay-Kalewa road in Myanmar built by India in 2001 is now in the process of becoming a part of the Trilateral Highway between India, Myanmar and Thailand after the remaining sections under construction or upgradation get completed. Connectivity between Mizoram State and Myanmar will get a boost after the construction of the Rhi-Tiddim Road in Myanmar which India has agreed to undertake. Prospects also appear better for railway connectivity between the two countries once the railway on the Indian side gets extended to the India-Myanmar border on which work is underway.

Several inter-related aspects assume importance now. First is the timely completion of all these projects. Second is the need for transforming these connectivity corridors into development corridors with thriving trade, investment and other commercial activities for mutual benefit. Supportive infrastructure for supply of power, communication and IT links and creation of capacities for skill development and training are essential. Putting in place efficient border trade and transaction arrangements would also be very important. Additionally, further strengthening of inland connectivity within India and within Myanmar would help widen the benefits and participation.

This study, which has been undertaken at the request of Ministry of External Affairs, has sought to focus on all the above aspects and has made several recommendations. We would invite all the stakeholders, most importantly the Union Government, the concerned state governments from the North East and Trade and Industry interests to carefully consider them and devise a suitable strategy that best optimises returns from the huge investments being made in developing these connectivity corridors. There can be little doubt that prompt action in this regard, particularly at a time when Myanmar is also opening up and moving towards a democratic framework, will help greatly towards promoting the North East Vision for 2020 as well as in advancing India's Look East Policy. Our aim must be to promote a truly substantive and dynamic economic partnership between India and Myanmar, which could then serve as a platform for promoting the India-ASEAN Strategic Partnership.



Shyam Saran

Executive Summary

India and Myanmar have a 1643 km long land border between them and also share a long maritime boundary. The transition underway in Myanmar towards a democratic framework and a market economy opens up enormous trade and investment opportunities that enhanced connectivity can help to exploit for the benefit of both India and Myanmar. This can also contribute to the implementation of strategies for peace, progress and prosperity as highlighted in the Vision 2020 document for the North East region of India. Enhanced connectivity with Myanmar will also help to realise land connectivity with other ASEAN countries which form an important element of India's Look East Policy.

Myanmar, currently assessed as a least developed country, is resource rich and is well poised to become a middle income country by 2030. In the last three years, the government under President U Thein Sein has undertaken many reform measures on the

political, economic, social and administrative fronts. Myanmar is giving priority to develop its agriculture sector which has a high growth potential. It is also keen to expand its labour intensive and other manufacturing industries. The government has initiated some action in expanding the basic infrastructure including in the power, telecom, airports and hotel sectors. A more liberal Foreign Investment Law has been enacted. Foreign Investment in Myanmar has picked up with an expanded inflow of US\$ 3.5 billion in 2013.

Bilateral trade between India and Myanmar has seen significant growth in both directions over the last decade. Myanmar's exports, consisting mainly of timber and pulses, have, however, stagnated in the last three years and were US\$ 1.395 billion in 2013-14. India's exports to Myanmar, which being significantly lower, have however, been buoyant and touched US\$ 785 million in the same year. India ranks third among Myanmar's export destinations

but in respect of imports into Myanmar, India finds itself only eighth in rank. Investments by Indian companies in Myanmar are also still low with India figuring in the tenth place among investor countries. Potential for increased exports as also beneficial investments remain high, however. It is welcome that a few Indian petroleum companies have, in recent months, won bids for exploratory blocks.

Efforts will need to be made by India to make the cost of doing business with Myanmar more competitive for which direct air and shipping connectivity are essential. Dollar denominated banking transactions need to be direct than routed through third countries. Availability of attractive financing options would also help. EXIM Bank with its experience in dealing with Myanmar is well placed to assist with its new office in Yangon. More Indian banks will also need to establish their presence apart from United Bank of India which opened its office in 2012.

This report focuses on enhancing land connectivity and rejuvenating border trade mechanisms and how these two enabling elements can stimulate development of a vibrant economic corridor stretching further inland into both countries.

Boosting Connectivity

India and Myanmar are presently collaborating towards enhanced land connectivity on three fronts. First, is through the border trading point at Moreh in Manipur and Tamu in Sagaing Region of Myanmar. India had provided assistance to Myanmar in building the 160 km Tamu-Kalay-Kalewa (TKK) road in Myanmar that was opened in 2001. India has now committed itself to further strengthen this road by assisting to repair or rebuild the 71

bridges on it (many of them are bailey bridges of WW II vintage). India has also agreed to upgrade the 120 km Kalewa-Yagyi Segment as part of an agreement under which Myanmar would upgrade the 65 km Yagyi-Monywa segment so that by 2016, when all this road building and upgradation are completed, there would be seamless connectivity from Imphal to Mandalay, the second largest town in Myanmar after Yangon. This will also help to realise the India-Myanmar-Thailand trilateral connectivity with the remaining gaps nearer Thailand also getting fully upgraded or rebuilt by 2016. Furthermore, with Imphal getting connected by rail, once the Jiribam-Imphal railway track is laid, establishing railway connectivity between Imphal and Kalay could supplement road connectivity link, an issue being addressed by a Joint Railway Working Group between India and Myanmar.

The second front towards enhancing land connectivity is through the trading point at Zokhawthar in Mizoram and Rhi in Chin State of Myanmar. India has agreed to build the 80 km Rhi-Tiddim road in Myanmar. It would be important to get Myanmar to upgrade the Tiddim-Kalay road so that this could then provide a seamless link to Mandalay from Mizoram State.

The third front is through the India assisted Kaladan Multi-modal Transit Transport Project (KMITTP) which will enable connectivity between Indian ports and the Sittwe port of Myanmar, that is being upgraded to receive vessels up to 6000 dwt. Goods can then be carried from Sittwe by barges on the inland waterway over the Kaladan river till Paletwa from where they can be transported by a new road to be constructed to go up to Mizoram State. This project, whose waterway part will be ready by end of 2014, is expected to be fully completed by 2016.

Completing these connectivity projects on all the three fronts can bring about a sea change towards enabling greater trade and economic activity. However, all of these projects are known to be running behind schedule in their implementation. They will need to be expedited. Even more important will be to ensure that these connectivity links are supported by feeder highways and roads from further inland within the North East Region. A range of highway improvement projects under the Special Accelerated Road Development of North East programme as well as certain projects that are being taken up for funding by ADB and World Bank become relevant here. These again need timely implementation with clear target dates that are strictly adhered to. It would also be necessary to put in place a suitable mechanism for maintenance of the road infrastructure, that could be funded, at least partly, by a collected toll fee.

Specifically, with reference to the Tamu/Moreh border trade point, the upgradation of the 110 km Imphal-Moreh highway (NH-39) to full two lane highway standard with paved shoulders should be a top priority. Implementing the proposal for an alternate alignment along this route which would cut short the distance with also lesser gradients, known to be under consideration by ADB, warrants urgent action. Further inland, the Imphal-Kohima-Dimapur stretches of NH-39, that constantly suffer from landslides, and the Imphal-Silchar stretch of NH-53 should also be quickly upgraded so that travel from Moreh to Guwahati as well as to other north eastern towns gets facilitated. All this upgradation would also need to devise by-passes that can avoid traversing Imphal town. With the Integrated Check Post (ICP) at Moreh coming up, early completion of upgradation of these various roads/highways needs no emphasis.

As for Zokhawthar/Rhi Trade point in Mizoram, upgrading the 28 km Champai-Zokhawthar road to highway standards, that has been taken up for implementation with World Bank assistance, has to be actively followed up. Further inland, early completion of the upgradation of the Silchar-Aizawl link and taking up upgradation of the 150 km Seeling-Champai segment would be very important to complete linking Zokhawthar with the East-West highway that will be coming up till Silchar. In all these cases, the roads should be two laned with paved shoulders keeping in view long-term needs to allow a high level of standardisation of vehicles to be used for transportation.

Completion of the Jiribam-Imphal broad gauge rail link and the conversion of Luming-Jiribam track to broad gauge which are expected to be completed by 2018 and 2016, respectively, would further help in cargo movement and in keeping freight tariff more competitive. This could be further consolidated with a railway line from Imphal to Moreh and Moreh/Tamu-Kalay, that will also need to tackle the difference in gauges in the two countries. Together estimated at around US\$ 1.5 billion, they could be candidates for external funding support.

Once the waterway part of the Kaladan project is complete, what will remain is the construction of a 109 km highway from the inland waterway port Paletwa in Myanmar to the India-Myanmar border at Zorinpui. On the Indian side, the missing link is the 100 km road from Zorinpui to Lawngtlei in Mizoram. Both these are under implementation but need speeding up as that they have to be ready by 2016. What would further be important here is to upgrade the infrastructure all along the Kaladan route, so that container transportation becomes feasible. Making the infrastructure

only for handling break bulk cargo will be a serious limitation.

Considering that connectivity is being emphasised in every India-ASEAN meeting, it will be lauded if India can ensure completion of the Kaladan project and the India-Myanmar-Thailand Trilateral highway project, with all their inland connectivity, by 2017 when 25 years of India-ASEAN partnership will be celebrated. India and Myanmar could also attempt to bring about rail connectivity and the full road connectivity through Zokhawthar by 2022, when three decades of this partnership will get reviewed.

Reconfiguring Trade through the Land Border

Officially recorded trade between India and Myanmar through the border trade points of Moreh and Zokhawthar was only US\$ 6.5 million in 2012-13 as per the Central Board of Excise and Customs (CBEC) figures. On the other hand, estimates of informal trade that takes place across the border are several times higher. Such a situation with a miniscule officially recorded border trade, accompanied by large unregulated informal trade, is fraught with security, health, safety and other risks and is certainly not sustainable if we are looking for accelerated trade expansion across the border as a means of bringing growth and economic development to this region. This needs correction at the earliest.

It is important to ensure that the move towards effective and efficient regulation is accompanied by a move towards trade facilitation that provides an incentive for traders to accept and adapt to formal trade practices. Making available banking facilities, easy payment modalities, quick food safety checks, efficient customs brokering system,

single window clearances for transactions and bringing transactional costs to the minimum will have key roles here. Some deterrent measures may also need to be put in place and implemented for those who willfully disobey rules or seek to disrupt the process. The Integrated Check Post (ICP) at Moreh has to be established at the earliest. The manner in which the trade through the border is regulated on the Myanmar-China border at Muse/Jiagao provides a good case study.

Items allowed to be traded as border trade (head load trade) will need to be pruned and strictly implemented with minimal or no duties. Such trade should only be for use in the immediate vicinity of the border. The rest of the trade coming through the border should be dealt with as normal trade which should be as per duties applicable for goods from Myanmar (which, as an LDC, is eligible for duty free concessions for a large majority of items but there are also exceptions) which should also come with certificates of origin. Non-Myanmar goods will have to receive MFN treatment.

RBI's circular No. 17 dated 16 October 2000 on barter trade (see Annexure 10) should be revisited and barter trade requirement dispensed with, which in any case is not happening on the ground. RBI devising a trade friendly payment system will be crucial. It could consider agreeing to payments being settled in Indian Rupees. It is understood that RBI has already submitted a recommendation to the government in this regard. Grant of export incentives should, however, be made available to Indian exporters even for rupee denominated exports through the border.

It will be critical for success of border trade that there is a single head for each border trade Land Customs Station (LCS) or Integrated

Check Post (ICP) at appropriate level from either the Ministry of Commerce or any other Government department. Such an official heading the team should be stationed at or near the border.

It will be important to have regular monthly or at least bi-monthly meeting of border trade officials at the field level in Moreh/Tamu and Rhi/Zokhawthar. This is aside from the annual meeting of the Joint Committees on Border Trade. Additionally, the border Chambers of Commerce on either side of the border should also hold regular joint meetings to exchange views about issues facing them apart from hosting a once-a-year trade fair or exposition.

A key aspect to be focused on is how to reduce transaction costs. It is no secret that every consignment that passes from Moreh through Manipur and Nagaland have to undergo numerous check-posts and unofficial payments. One way to deal with this menace, that is crippling competitiveness of border trade, may be to have a sealed containerised system.

It is recommended that Myanmar be allowed to export agricultural items through the land border, particularly to meet the demand in north east India. This concession should be extended provided India is permitted to export surplus agricultural produce from Manipur, Mizoram and other north eastern States to Myanmar.

Lack of knowledge and awareness about standards, trade procedures and regulations among local traders and others in the chain both in Manipur and Mizoram needs to be urgently addressed. Moving towards normal trade at Moreh and Zokhawthar would require building capacities in these areas.

Transportation of goods at present takes place in a variety of vehicles, trucks being

sparingly used, containers not at all, with most goods carried by SUVs or mini vans. Transportation charges are high and arbitrary and the manner of carriage unsafe and unhealthy, particularly for food and agricultural products. With formalised trade, these will need to be streamlined with formation of transporters associations and some regulations introduced on safety, standards and pricing.

Transit trade to third countries may take time to evolve and will happen only when transportation issues are fully resolved and transaction costs brought down drastically. Even so, negotiations for an ASEAN-India Land Transit Trade Agreement should be taken up beginning with Myanmar and Thailand.

Security issues apart, governance of border trade towns needs special attention for promoting a trade facilitatory approach. Not only the ICP, but the administration of the border townships needs to be accommodative to the needs of traders, transporters, customs brokers, various other intermediaries, banking and money changing agencies, etc. Moreh town also has a multi-ethnic character and the administration will need to handle the sensitivities with care and promote harmonious development.

The ICP being set up at Moreh should be adequately staffed whose strength should not be based on current formal trade but on potential trade. Certain analysts have estimated current overall annual trade through Moreh as exceeding US\$ 500 million. Moreh town and the proposed township could be treated as a buffer area where Myanmar nationals, with a pass issued by our authorities based on their ID cards, could visit for a specified limited duration. The township should be developed to include multi-speciality hospitals, diagnostic centres, educational institutions, etc., apart

from also having well stocked wholesale and retail outlets.

The demarcation of the border at and near Moreh along with effective fencing to seal off nearby porous routes will have to be completed as early as possible. There is much at stake for both countries to let this issue fester and affect greater trade and economic cooperation.

With no insurgency conditions near the border as at Moreh, and with much less transactional costs incurred in the transport of goods through Mizoram, Zokhawthar is a good candidate for being quickly developed as a model LCS. Fencing and monitoring could also be considered around Zokhawthar so that the shallow river bed during dry season is not used for unauthorised trade.

The LCS to be set up at Zorinpui on the Kaladan project route should be planned to handle clearance of not only reimported goods coming from Indian ports through Sittwe but also to facilitate trade between the North Eastern States like Mizoram, Tripura, and Lower Assam with the Chin and Rakhine States of Myanmar.

Connectivity Corridors Becoming Economic Corridors

The India-Myanmar-Thailand trilateral highway corridor, when it is ready by 2016 or so, can dramatically reduce travel time between many points in North East India and Upper Myanmar. Highways providing for such mobility will open up many cross border possibilities for trade and investment, through enhanced competitiveness. An expanded regional market emerging across both sides of the border could throw up more viability options and also encourage supply chains with value additions taking place at different locations. Industrial clusters located appropriately could be particularly beneficial. Many possibilities arise for service trade with a larger customer base.

Addressing the severe shortage of power and enhancing internet and mobile connectivity, so that they become reliable and fast, are urgent requirements on both sides of the border. These by themselves are also investment opportunities.

In Manipur, the Food Park set up on the outskirts of Imphal marks a good beginning that can be further expanded and specialised. It could also become a processing centre for fruits, pulses and other agricultural products that can be imported from Myanmar. Similar Parks could be set up elsewhere in the region including for spices and medicinal herbs.

The region's speciality in creating bamboo and wood based handicraft items and uniquely designed hand woven textile items are popular among Myanmar customers. Small scale industries such as those making farm implements and tools, stationery, plastic extrusion items, carpentry units, could also develop markets beyond the border.

The North East Industrial and Investment Promotion Policy (NEIIPP) of 2007 offers many incentives for investments that are made within a ten year period. There are many potential areas that can draw on local raw materials including cement manufacturing in Meghalaya, furniture making units in Mizoram or Manipur that can also use processed wood from Myanmar, pulp and paper making units using bamboo, etc. Considering the demand next door, the North East Region could also have assembly units for two wheelers, units manufacturing pharmaceuticals, and seed making enterprises. The emerging gas cracking unit at Dibrugarh could provide fuel stock for certain downstream units including for plastic items that can be located in Nagaland or Manipur.

Manipur is proposing to set up a multi-product Special Economic Zone (SEZ) at Thoubal on the way from Imphal to Moreh,

which could be used for housing some of the manufacturing and ancillary industries.

The proposed Moreh township project could be a location for certain processing industries as also for housing multi-speciality hospitals, and good higher education institutions catering to the needs of Upper Myanmar.

Furthermore, Moreh could emerge as a support centre for trade promotion activities by having commodity exchanges, logistics servicing and warehousing facilities and providing a transportation support hub. Emergence of such a modern township could also greatly contribute to removing the disincentive that officials (from customs, immigration, police or security) perceive to take up assignments at Moreh.

For the development corridor on Myanmar side, the Sagaing Region, through which the IMT trilateral highway will first traverse, is predominantly an agricultural based economy and its main crops are rice, beans and pulses, oilseeds (ground nuts, sesame and sunflower), sugarcane, cotton and vegetables. Many suggestions and proposals for greater investments emanated from the discussions with Myanmar authorities even as an essential requirement is the assured supply of electric power.

Indian industry could consider following investments along the corridor on the Myanmar side:

- Setting up copper based industries (for which copper will be available from the Letpadaung Copper Mine);
- Collaborating in the modernisation of the Rail Locomotive factory in Sagaing Region and the Coaches factory in Mandalay Region;
- Explore possibilities for setting up a Ferro Chrome steel plant and a rolling steel mill;

- Taking over and revamping existing textile mills;
- Establishing garment making units (exports can be freighted through inland water way from Kalewa/Monywa to Yangon and beyond till the road corridor gets ready);
- Setting up timber-based industries in the Sagaing Region or Chin State. Land has been offered for setting up teak plantations;
- Agro-industries for processing local produce, manufacturing of improved seeds and agro chemicals, technical collaboration for greater productivity and post harvest technology, and dairying; and
- Indian rice mill/oil mill machinery companies could explore prospects for investment or sale of equipment towards modernising the several hundred oil and rice mills that are operating with outdated machinery. Indian tractor companies and agro-machinery companies could build further on their market presence in Sagaing and neighbouring regions.

The Kaladan transport corridor again throws up many opportunities. The north eastern states, particularly those which are closest to the Kaladan corridor, viz. Mizoram, Tripura and Lower Assam would find added markets in the Rakhine and Chin States of Myanmar. Also, Indian businesses can set up ventures in these Myanmar States that can avail of easier market access conditions in the western markets or in ASEAN countries. Sittwe can then be used as the port to evacuate the exports.

Mizoram itself has a rich variety of horticultural and floricultural produce apart from having speciality for spices. The state

boasts of over 12 per cent of India's bamboo production, that can be used for further development of bamboo based products and for setting up paper industry. The State has two industrial estates, one at Zuagtui and the other at Kolasib with food processing, handloom, wood based and metal product units. The state's high literacy rate could be a strength in attracting IT industry. Its first medical college and university in Aizawl could also potentially offer some seats for students of Chin and Rakhine States of Myanmar.

The Rakhine state of Myanmar with a population of around four million is relatively underdeveloped. The state has several agricultural resources that could allow contract farming as a possibility. Bamboo and fisheries offer significant scope for development. The state is also establishing a new industrial zone at Ponnar Kyun that is located 18 km from Sittwe and is accessible both by road and Kaladan inland waterways.

An SEZ at Kyaukphyu, that is a deep sea port, is also coming up that is not far from Sittwe. Kyaukphyu is already the source end of cross country pipelines traversing the whole of Myanmar to Yunnan province of China for supplying gas and crude petroleum products. A consortium of companies, led by Singapore's CPG Corporation, has recently been chosen to undertake the consultancy work for developing Kyaukphyu SEZ that will include the deep sea port, an industrial zone and residential development. For Indian companies, both Kyaukphyu and Ponnar Kyun could be potential areas for investment. If surplus gas is discovered in the area, Kyaukphyu could also be developed as a petrochemical complex. Location of garment units at Kyaukphyu or Ponnar Kyun could also become possible if import and export facilitation can be ensured. Availability of competitive labour

is a favourable factor. Possibilities could also be explored for a large pulp and paper mill that can source bamboo from both Rakhine and Mizoram States. Captive plantations will however need to be developed. Fishery units set up near Sittwe and Kyaukphyu could also become major sources of export to Kolkata through vessels that return after their logistic supply missions ferrying goods destined for north east region.

Devising a Strategy

Many initiatives are under consideration such as the setting up of a township at Moreh, developing a multi-product SEZ near Thoubal in Manipur, building an Agriculture SEZ in Mizoram, establishing an industrial zone in Ponnar Kyun, setting up an SEZ in Kyaukphyu or getting the private sector to invest in a pulp and paper plant or a cement plant. It will be important to encapsulate all of them in a larger strategy that is also able to address some of the institutional and infrastructural gaps that exist.

To conceive and implement such a strategy, it is recommended that a high level inter ministerial body (Committee of Secretaries) with the participation also of Manipur and Mizoram State Governments be established that may also consult trade and industry. Such a Committee may also need to closely monitor progress in the connectivity projects. As a complement to it, a ministerial level bilateral mechanism may also be considered between India and Myanmar that can ensure coordination, timely assistance in project implementation apart from putting in place bilateral arrangements necessary for smooth and efficient transportation and transit. If successfully completed, the development corridors will not only bring accelerated development to Western Myanmar and North East India but also help to forge closer bonds between the two countries.

Introduction

India and Myanmar have a 1643 km long land border between them and also share a long maritime boundary. Historically, trade, economic and cultural exchanges between the two territories have largely taken place through the sea route even as ethnic people living along either side of the mountainous border mingled freely. Only rarely did daring invaders of ruling kingdoms cross these difficult terrains. Even during the colonial period it was the sea route that was mainly relied upon and regular coastal shipping catered to the needs of trade, movement of labour and demands of administration of the colonial power.

In recent times, both India and Myanmar have been striving to improve their land connectivity. With Myanmar serving as India's gateway to South East Asia, enhanced road and rail connectivity between them has also become a key issue in India's dialogue with ASEAN, with every meeting underlining the need for rapid progress and early realisation. The transition underway in Myanmar towards a

democratic framework and a market economy opens up enormous trade and investment opportunities that enhanced connectivity can help to exploit for the benefit of both countries. All the states in North East India, in particular the four states of Arunachal Pradesh, Manipur, Mizoram and Nagaland, all of which have borders with Myanmar, have also been emphasising how connectivity can help to enhance options for addressing the development concerns of their respective states. This has also been highlighted in the Vision 2020 document spelling out strategies for peace, progress and prosperity in the North Eastern Region (see Box 1.1). All these aspects are also key elements of India's Look East Policy.

1.1 Transition in Myanmar and Economic Development

Myanmar, still assessed as a least developed country, is resource rich and is well poised to become a middle income country by 2030.

Box 1.1: Extract from the ‘North Eastern Region Vision: The Vision 2020 Statement’

‘...the immediate priority is to build the required infrastructure right up to the border areas, establishing connectivity and communication links to the cross-border points through which trade and economic exchanges with the countries neighbouring the North Eastern Region are proposed to be promoted under the Look East Policy. This priority is to be accorded by all Central agencies concerned and State Governments because while the Look East Policy has yielded few returns to the Region thus far, it is in North East India that South-East Asia begins and, as such, it is for the North East to be enabled to play the arrow-head role in the further evolution of this Policy. This requires a redefining of the Look East Policy to resolve outstanding issues of trade, transit and investment with the countries neighbouring the region. It also involves promoting Indian investment in infrastructure in partner countries, especially Myanmar, particularly in respect of ports such as Sittwe and international highways to connect the North Eastern Region to ASEAN. Such investment might also be encouraged where required for transit between the Region and the rest of India, as also for trade with the neighbourhood and beyond. However, in such a process, we recognise that it is critical to address the challenges of border management, especially with regard to cross border migration, terrorism, drugs and arms supply and other forms of non-conventional security threats for ensuring the rights and traditions of local ethnic groups comprehensively in the context of global forces of change.’

The economy grew by 7.3 per cent in 2012-13 and the growth estimates for 2013-14 and 2014-15 are 7.5 per cent and 7.8 per cent, respectively. A March 2014 review by a staff monitored programme of IMF has termed the medium prospects as bright if the pace of reforms is well calibrated and attuned to implementation capacity. Further, foreign and domestic investment, as per the review, should sustain output growth close to 8 per cent as agriculture picks up and special economic zones help boost manufacturing.

In the last three years, the new government under President U Thein Sein has undertaken many reform measures on the political, economic, social and administrative fronts. These developments have also helped Myanmar to come out of its relative isolation and western countries have eased most of their earlier economic sanctions. Many foreign countries are now extending their hand of friendship, financial support and technical assistance to further consolidate Myanmar’s reform and development. There is a tangible

beginning towards a market oriented economy (see Box 1.2 carrying a few paragraphs from President Thein Sein’s review of three years of his government). International financial institutions like World Bank and ADB have also resumed their lending and IMF has already played a role in the unification and stabilisation of the exchange rate of local currency, Kyat, that is now under a managed float.

Myanmar is giving priority to develop its agriculture sector which has a high growth potential. Greater farm mechanisation, improved seeds, wider use of agro-chemical inputs and developing its agro-processing sector are some of the areas of focus. It is also keen to expand its labour intensive manufacturing base in areas like food and beverages, mineral based products, textiles, footwear, jewellery, toys and various rubber and plastic products. Three Special Economic Zones (SEZs) at Thilawa, Dawei and Kyaukphyu are being developed (see Box 1.3) to facilitate such investment including foreign investments. Investors are likely to be also looking at areas like automotive

parts and assembly, steel making, pulp and paper, cement, chemicals, refinery, wood working, furniture making and packaging. The government has initiated some action in expanding the basic infrastructure including the power, telecom, airports and hotel sectors. Several onshore and offshore exploratory blocks have also been awarded on the basis of a bidding process and Indian companies ONGC, Oil India and Reliance have won two blocks each while Jubilant Energy has been allotted one onshore block. The services sector also holds considerable potential in respect of banking, insurance, healthcare, education and training, tourism and real estate.

1.2 Foreign Investment in Myanmar

The Myanmar Parliament enacted a more liberal Foreign Investment Law in November 2012 under which Foreign Investment Rules have also been framed in January 2013. These

allow upto 100 per cent foreign investment but there are also areas where forming a joint venture with a local firm will be necessary. Land lease provisions have been eased with a 50 year initial period that is further extendable. Incentives include a five year tax holiday with also certain exemptions from customs duties for plant, machinery and raw materials for three years. Guarantees against nationalisation and expropriation have also been included along with rights for repatriation. It is also worth mentioning here that India has in place a bilateral investment promotion and protection agreement and a double taxation avoidance agreement with Myanmar.

Foreign investment in Myanmar has picked up with an expanded inflow of US\$ 3.5 billion in 2013 and expectations are that these will grow further in the coming years. Investments by Indian companies, however, are still low and

Box 1.2: Extract relating to foreign investments from the speech given by President U Thein Sein of Myanmar to the Pyidaungsu Hluttaw (Combined House of Myanmar Parliament) on 26 March 2014 on the third anniversary of taking office

‘We have enacted laws that are lucrative and attractive for foreign investments to flow into the country and at the same time we have also enacted laws that would give protection to international investors in accord with the international norms. When you study the situation, investors first came in as observers and then they will do research on feasible sectors as a second step. Investment will be made only at the last stage. When reforms were beginning in 2011, consistent efforts were made to change the domestic economic infrastructure. When sanctions were beginning to ease in 2012, there were many business study trips to our country. By 2013, investments began to take its roots. In the past, investment was focus mainly on extracting natural resources but now the ratio of investment has changed. In 2012, foreign investment flow was US\$ 1.4 billion and by 2013, it was increased to US\$ 3.5 billion. In 2013, major investments were in commodity production and hotels. As for this year, investment in telecom, airport projects, special economic zones and garment industries are expected to increase further.

One may clearly see that the nature of foreign investment in our country has also changed. Once, investments were focus on extracting natural resources and now investments are focused more on services, construction and industries. Our Government is also endeavouring to become a member to the EITI (*Extractive Industries Transparency Initiative*) which shows its commitment to encourage responsible investments, to ensure that investment related to extracting natural resources will not affect the environment and socio-economic situation.

Tangible changes in banking, tax system, setting of minimum wage and infrastructures had been made to create a promising investment environment. Likewise, soft infrastructures, which may not be noticeable by the public, were also implemented.’

Box 1.3: Special Economic Zones in Myanmar

Myanmar is establishing Special Economic Zones (SEZs) in three port locations that can significantly expand its manufacturing capacities. These are:

(i) Thilawa, near Yangon; (ii) Dawei in Southern Myanmar in Andaman Sea Coast; and (iii) Kyaukpyu in Western Myanmar on the Bay of Bengal Coast.

A new SEZ law has been promulgated on 23 January 2014 superseding the 2011 law. This will allow enhanced incentives including seven years income tax exemption for investors and eight years for construction companies. The new law is also intended to decentralise decision making to the SEZ Committees. The rules and procedures relating to the new Myanmar SEZ law have still to be announced.

Thilawa SEZ: This SEZ will be built on 2400 hectares of land and is located around Thilawa port, 20km away from Yangon. Two consortia have been formed to implement the project. One of them led by the Myanmar government, will also have nine Myanmar investors apart from shares issued to the public. The Government's investment will be in the form of land and this consortium will have 51 per cent share in the SEZ promoting vehicle. The other consortium will comprise Japanese stakeholders with 49 per cent share. The Japanese stakeholders will be the Japanese Government and the three Japanese, namely, companies, Mitsubishi, Marubeni and Sumitomo. JICA (Japan International Cooperation Agency) will provide technical assistance using ODA resources. The SEZ will invite investments from interested entrepreneurs. Half a million jobs are expected to be created by this project.

Dawei SEZ : While Dawei SEZ has been in the news for several years now, the Italian-Thai company, the lead developer for the deep sea port based SEZ withdrew from the project in 2012. This has been followed by three MoUs signed between the Governments of Thailand and Myanmar in November 2013 which transferred the concession from Italian-Thai to Dawei SEZ Development Co. (DSEZ), which is a 50:50 venture between the two countries. The new project is far less ambitious with a much smaller initial investment that is looking at a first phase spread over 2500 acres featuring small- and mid-sized enterprises in garments, leather products, food, rubber industry based agricultural products and furniture. Both Myanmar and Thailand have also invited Japan to join in as a strategic partner in the project.

Kyaukphyu SEZ: This SEZ is still at an early stage of conception. Following an open tender, a consortium of five companies led by CPG Corporation, Singapore has been chosen as the consultant for the project in March 2014. Press reports have stated that the Singapore company has been hired for US\$ 2.4 million, which is 5 per cent of the cost of development of the SEZ estimated at US\$ 277 million. It has further been reported that a public company comprising 11 Myanmar businessmen has been established for the Kyaukphyu SEZ. It is quite possible that Myanmar may seek to develop the SEZ based on the Thilawa model.

Kyaukphyu is a deep sea port and a project led by China National Petroleum Corporation (CNPC) has already set up parallel cross-country pipelines for conveying natural gas and petroleum products from Kyaukphyu to Ruili on the Myanmar-China border. The pipelines will carry from Kyaukphyu natural gas from the Shwe gas field in Arakan Coast and petroleum products shipped from the Gulf to the Yunnan province of China. While plans for building roads and railway lines parallel to the pipelines had earlier been mentioned and some MoUs also signed, more definitive actions are awaited.

India figures only in the tenth place among all Myanmar foreign investing countries (Box 1.4). The only major Indian investment is by ONGC Videsh and GAIL as minority partners in the Shwe gas project and the related pipeline that has been built to carry the natural gas from the A-1 and A-3 blocks from Kyaukphyu in Myanmar to Ruili in China.

Foreign trade also presents a buoyant scenario compared to the past. Exports from Myanmar have grown from US\$ 8.89 billion in 2010-11 to a projected US\$ 11.9 billion in 2013-14 principally as a result of increase in the country's gas exports which are expected to rise further in the future. But Myanmar's imports have surged even faster bringing what was a surplus foreign trade position to a deficit,

financed largely by the foreign investment inflows. Imports of capital intensive goods and machinery and a somewhat more liberal foreign exchange regime have pushed up imports from US\$ 8.184 billion in 2010-11 to a projected US\$ 13.992 billion in 2013-14 (Table 1.1).

1.3 India-Myanmar Trade

Bilateral trade between India and Myanmar has also seen significant growth in both

directions over the last decade. Myanmar's exports, however, have stagnated in the last three years and were US\$ 1.395 billion in 2013-14. On the other hand India's exports to Myanmar touched US\$ 785 million in the same year marking a 44.21 per cent growth compared to 2012-13 (Table 1.2). Even so, while India ranks third among Myanmar's export destinations but in respect of imports into Myanmar, India finds itself only eighth in rank. Pulses and beans and timber are the main

Box 1.4: Foreign Investment Flows into Myanmar
Foreign Investment Existing Enterprises by Country as of October 2013

Sr. No.	Particulars	No.	Existing Enterprises	
			Approved Amount (US\$)	%
1	China	31	14115.024	41.71
2	Hong Kong	44	6365.920	18.81
3	Republic of Korea*	71	2973.259	8.79
4	Thailand	33	2876.252	8.50
5	U.K. *	30	2503.306	7.40
6	Singapore	60	2247.007	6.64
7	Malaysia	19	1028.192	3.04
8	Vietnam***	6	511.186	1.51
9	France	2	470.360	1.39
10	India	8	278.600	0.82
11	Japan	29	189.730	0.56
12	Russia Federation	2	94.000	0.28
13	Panama	2	55.101	0.16
14	Mauritius	2	30.575	0.09
15	Australia	1	22.985	0.07
16	Indonesia	3	22.200	0.07
17	The Netherlands	4	14.636	0.04
18	Republic of Liberia**	2	14.600	0.04
19	Philippine	1	6.667	0.02
20	Luxembourg	1	5.200	0.02
21	United Arab Emirates	1	4.500	0.01
22	Germany	1	2.500	0.01
23	Canada	3	2.402	0.01
24	Brunei Darussalam	2	2.233	0.01
25	Austria	1	1.000	0.00
	Total	359	33837.435	100.000

Notes: *British Overseas Territories

**The name and promoter and principle organisation be changed from Singapore to Republic of Liberia

***Anh Sao Viet (ASV) Pharma Co. Ltd.

Source: Directorate of Investment and Company Administration, Myanmar.

items of exports from Myanmar. From India, these are principally pharmaceutical products, iron and steel and their products, electrical and electronic equipment, automobiles and parts, soyabean meal and cotton yarn. While the two countries have set a bilateral trade target of US\$ 3 billion by 2015 it remains to be seen if it can be achieved even as the potential remains far higher.

A recent EXIM Bank study that has examined Myanmar's import profile has identified several potential product groups for export from India such as automobiles and parts, machinery, refined petroleum products, electrical equipment, vegetable oils, plastic products, manmade filament and staple fibres, boats and floating vessels, cement, optical equipment, paper and paperboard, organic chemicals, furniture and lighting and footwear. These broad areas need further examination

by our companies to identify specific products keeping also in view that Myanmar is now entering a higher growth trajectory. This exercise should be relatively easier after the visits of several business delegations and the holding of product shows by our trade and industry associations in the last couple of years.

Efforts will, however, need to be made to make the cost of doing business with Myanmar more competitive. Encouraging our air carriers to provide direct air connectivity between Indian metros and Yangon would be important. Direct shipping services that will enable our goods to reach Myanmar in a matter of a few days than several weeks at present will also be a critical factor. With the suspension of most of the US sanctions against Myanmar our banks should work with Myanmar banks towards being able to open US\$ denominated Letters of Credit for bilateral trade than

Table 1.1: Myanmar's External Trade

(in US\$ million)

	2010-11	2011-12	2012-13 (Estimates)	2013-14 (Projections)	2014-15 (Projections)
Exports <i>FOB</i>	8,829	10,228	10,345	11,947	14,678
of which gas	2,523	3,503	3,666	4,311	5,805
Imports <i>CFI</i>	8,184	10,437	12,464	13,992	16,332
Trade balance	+645	-1,175	-2,429	-2,718	-3,051

Source: International Monetary Fund (IMF).

Table 1.2: India-Myanmar Bilateral Trade

(in US\$ million)

	2009-10	2010-11	2011-12	2012-13	2013-14
Exports from India	207.97	320.62	545.38	544.66	785.46
Imports from Myanmar	1289.80	1017.67	1381.15	1412.69	1394.82
Trade deficit for India	1081.83	697.05	835.77	878.03	609.36

Source: Ministry of Commerce, Government of India.

making it necessary for our trade to go through the Singapore route. Availability of attractive financing options would also help. EXIM Bank is well placed to offer such financing facility with its new office in Yangon. It already has a rich experience in dealing with the country having financed certain project exports apart from having extended seven concessional lines of credit totalling US\$ 247.4 million for a range of projects including railway infrastructure, assembly line for truck manufacturing, upgradation of petrochemical complex, revamp of refinery and electrical transmission project. It will also now be processing the US\$ 500 million concessional credit line that was announced during the visit of former Prime Minister Dr. Manmohan Singh to Myanmar in May 2012 which is to be used for some irrigation, railway rolling stock procurement and transmission line projects

1.4 Focus of RIS Study: Border Trade, Connectivity and Economic Corridors

Enhancing border trade between the two countries through Moreh and Zokhawthar border trade posts in Manipur and Mizoram, respectively is another important avenue to boost bilateral trade. This has again not been utilised to potential with officially recorded border trade registering only US\$ 6.5 million in 2012-13. Myanmar's border trade with China and Thailand are far higher. Lack of adequate infrastructure and easy payment arrangements, absence of effective supervision, high transaction costs, difficult security situation created by insurgent groups and poor inland connectivity have all contributed to a weak performance. All these elements will need to be addressed for which recommendations have been made in Chapter 3 of this report that has analysed border trade in some detail.

What has been a very positive aspect of India's multifaceted relationship with Myanmar is not only a good level of political contact and exchanges of visits between the two countries at different levels but also several development cooperation initiatives with India extending assistance in a range of infrastructure development, connectivity, capacity building and technical cooperation projects. These have received a boost with the new government led by President Thein Sein coming into office. Following his own state visit to India in October 2011 and former Prime Minister Manmohan Singh's state visit to Myanmar there are many more projects under implementation as enumerated in Box 1.5. Most relevant for the current study of RIS are the connectivity projects that will bring North East India and western Myanmar closer. Progress regarding these projects as also their corresponding connectivity inland within India will be studied in some detail in Chapter 2 of this report.

Finally, in Chapter 4, we shall look at how the various connectivity corridors that India is assisting Myanmar to build, along with their inland connectivity in both countries and the border trade points, could evolve and develop into active trade and investment corridors. The initiatives being taken by the states and Union governments on either side towards attracting investments are examined and certain recommendations made. Both North East India and the western part of Myanmar have lagged behind in development compared respectively to the rest of India and to the rest of Myanmar. By bringing them closer through better connectivity, which will in turn also generate larger economies of scale, new trade and investment options can emerge. India is uniquely placed to help make this happen that can bring about an enduring bond between

Box 1.5: Recent Government of India assisted Developmental Projects in Myanmar

S. No.	Project	Approx. Value in Rs. Crore (rounded off)	Approx. value in US\$ million (1US\$ = INR 60), rounded off	Under Implementation (UI) or Completed (C)
1.	Kaladan Multi-modal Transit Transport Project (KMITP)	1842	307	UI
2.	Tamu-Kalewa-Kalay Road (TKK) upgradation + 71 bridges	65 crore for TKK road, Feasibility report under preparation by consultants for 71 bridges	11 million, feasibility report under preparation by consultants for 71 bridges	UI
3.	Trilateral Highway Project (Kalewa-Yagyi road segment)	Feasibility report under preparation by consultants	Feasibility report under preparation by consultants	UI
4.	Rhi-Tiddim road Project	298	50	UI
5.	Myanmar Institute of Information Technology (MIIT), Mandalay	186	31	UI
6.	Advanced Centre for Agricultural Research and Education (ACARE), Yezin	48	8	UI
7.	Rice Bio Park, Yezin	9	2	UI
8.	Upgradation of Yangon Children Hospital and Sittwe General Hospital	41	7	UI
9.	Upgradation of Monywa General Hospital, Sagaing	12	2	UI
10.	Industrial Training Centre, Pakokku and Industrial Training Centre, Myingyan	34	6	C
11.	Border Areas Development Project (Chin State and Naga Self Administered Zone in Myanmar)	150 (Rs. 30 crore every year for five years at 1US\$ = 60 INR)	25 (US\$5 million every year for five years)	UI
12.	Language Laboratories and E-Resource Centre, Ministry of Foreign Affairs	2	0.3	UI
13.	India-Myanmar Center for Enhancement of Information Technology Skills (IMCEITS)	2	0.3	C
14.	Cardamom Plantation Project	.06	0.1	UI
15.	Reconstruction and Reconciliation assistance in Rakhine State	6	1	C
16.	Restoration of Ananda temple, Bagan	20	3	UI
17.	Supply of tractors and agricultural machinery to Myanmar	50	10	C
18.	Supply of 20 Bio mass gasifiers	.5		C
19.	Construction of ten food storage silos	10.0	2.0	C

Note: 1. Outlay/costs for Kalewa-Yagyi project, upgradation of bridges TKK project would depend on Feasibility reports/DPR/EPC.
2. Myanmar India Entrepreneurship Development Centre (US\$ 0.3 million) and Myanmar India Center for English Language Training (US\$ 0.1 million in 2009) were undertaken under initiative for ASEAN integration.
3. Costs are based on MoU/DPRs/commitments declared/agreements signed.

Source: BM Division of the Ministry of External Affairs.

India and Myanmar. India has already made a beginning with some of the border region development programmes providing assistance for building schools, primary health centres and rural roads in the Chin state and the Naga self-administered zone in Myanmar as well as through providing road building equipment sets to Myanmar.

1.5 Methodology for RIS Study

The material for the current study was gathered during three visits to the North East region by RIS teams when they met with concerned authorities in the state governments of Assam, Manipur and Mizoram, the North East Council, the regional customs office in Shillong and the North East Frontier Railway in Guwahati. Visits were also undertaken to the Land customs stations at Moreh in Manipur and Zokhawthar in Mizoram on the India-Myanmar border. Discussions were also held with EEPC, Indian Chamber of Commerce, the Moreh Chamber of Commerce, individual business persons, concerned banks and several academics. At Delhi itself, discussions were held with the Ministries of External Affairs, Commerce, Road Transport and Highways and the Planning Commission. Payment arrangements were also taken up with officials from Reserve Bank of India during a visit to Mumbai. A Round Table was also convened early during the study to which many leading Indian companies active in Myanmar had been invited apart from some of the leading think tanks who have worked on Myanmar.

RIS team also undertook two visits to Myanmar and held discussions with the Union Government ministers in Nay Pyi Taw and the Chief ministers of Sagaing Region and

Rakhine State. A day-long seminar was also held in Nay Pyi Taw on 28 November 2013 on the theme of transforming connectivity corridors into development corridors which was addressed both by the Sagaing Region chief minister U Thar Ye and Ambassador Shyam Saran, Chairman of RIS. The seminar saw participation by several Indian and Myanmar government senior officials and academics from think tanks on both sides. A visit was also undertaken to the Myanmar-China border at Muse/Jiagao to study how border trade was regulated there.

A visit to the Sittwe port provided an update about the progress being made on the Kaladan multi-modal transit transport project. The Rakhine State also arranged a visit to Ponnarkiyun where the selected site for an industrial zone is located. Discussions were also held with the Chambers of Commerce in several Myanmar towns as also with individual businesses. The RIS teams greatly benefitted from consultation with the Indian Ambassador to Myanmar and from the assistance provided by the Mission in arranging the visits.

While the conclusions and recommendations of the study are given in each of the succeeding chapters, the presentations made by various speakers during the seminar in Nay Pyi Taw are annexed. Also appended is the case study of the Muse/Jiagao border trade point that could be of interest.

Finally, while the RIS team benefitted immensely from the information and perspectives that they received from various sources, the viewpoints conveyed in this report are those of the RIS team and should not be attributed to anyone else except where specifically stated in the report.

Connectivity Corridors Under Development

2.1 Introduction

Greater land connectivity between contiguous neighbours, be it through road, railways or inland waterways can facilitate enhanced trade, cross border investment, more people to people exchanges and tourism. Neighbours can also serve as transit countries for exchanges with third countries if some of this connectivity can also be extended. Two aspects are relevant here. One is the establishment of adequate physical infrastructure to enable connectivity and the other is putting in place necessary legal and other instruments that may have to be concluded for a smooth transit for goods and passengers across the border as well as for delivery of services. In respect of enhancing maritime or air connectivity the issue is of attracting commercial airlines or shipping companies to ply directly between major ports/airports of the two countries.

This Chapter will focus mainly on land connectivity and how efforts by India and

Myanmar towards enhanced cooperation can lead to greater connectivity by road, railways and also multi-modally. We will also briefly refer to the positions obtaining on the maritime and air transport services fronts.

2.2 Road Connectivity

In this section we shall study the emerging road connectivity between India and Myanmar through two main existing border crossing points: (a) Moreh (in Manipur State of India)/Tamu (in Sagaing Region of Myanmar), and (b) Zokhawthar (in Mizoram State of India)/Rhi (in Chin State of Myanmar). In both cases we shall also look at how connectivity through the border extends further inland, both on the Myanmar and on the Indian sides.

2.2.1 Connectivity through Moreh/Tamu

The India-Myanmar Friendship Road that runs from the border at Tamu/Moreh to Kalemyo

and Kalewa (also called the TKK road), was formally inaugurated in 2001. This is a 160 km road with a fork at Kyigone with one arm leading to Kalemryo (see Map 2.1) that is a large town with an airport and a rail head and the other arm leading to Kalewa that falls aside Chindwin river and is an inland waterway hub. The Friendship Road that was built by the Border Roads Organisation with the Indian Government assistance was maintained initially by India for six years. It was again resurfaced and formally handed over to the Myanmar Government in 2009. Only about a stretch of 28 km resurfacing work is still in progress that is expected to be completed soon.

During the visit of the former Prime Minister Dr. Manmohan Singh to Myanmar in May 2012 India also undertook to extend assistance for the repair and reconstruction of the 70 odd bailey bridges on the TKK road. Many of these bridges have become impassable,

particularly during the monsoon season. The contract for conducting a feasibility study on the project has been awarded in February 2014 and the report is expected in six months time.

2.2.2 India-Myanmar-Thailand Trilateral Highway – Connectivity Further into Myanmar

During the visit of the former Prime Minister Dr. Manmohan Singh to Myanmar, it was also agreed that India will extend further assistance to Myanmar to upgrade the 120 kilometre Kalewa-Yagyi section¹ (see Map 2.2), that also has a long hilly stretch of 80 km, to highway standard. Myanmar Government on its part will take responsibility for the construction on the 65 km Yagyi-Monywa segment to highway standard a part of which is already known to be under construction. Monywa stands already connected by a 136 km two lane highway to Mandalay.

Map 2.1: Tamu-Kalay-Kalewa Road





Tamu-Kalewa Road after resurfacing

Map 2.2: Imphal-Mandalay Route with Kalewa-Yagyi Section Highlighted



The Kalewa-Yagyi and Yagyi-Monywa sections are slated for completion by 2016 although it appears now the target may have to be extended to 2017 or so. A contract for conducting a feasibility report for the Kalewa-Yagyi section has been awarded in December 2013 and the report is to be submitted in six month's time.

If the Kalewa-Yagyi-Monywa road is fully constructed and the repair of the bridges is also completed, there should then be all weather road connectivity between Imphal and Mandalay. Buses and trucks should be able to cover the distance in 12 to 14 hours.

As for further road connectivity from Mandalay up to Myawaddy/Mae Sot on the Myanmar/Thai border, the route followed will be Mandalay-Meiktila Bypass-Nay Pyi Taw-Phayagyi-Thaton-Hpa-An-Karaweik

Myawaddy/Mae Sot (see Map 2.3). A gap of 45 km over a mountainous stretch from Myawaddy to Kawkareik is presently under construction with ADB assistance and is expected to be completed by end of 2014. As per reports, the section from Kawkareik to Hpa-An also needs upgradation which will be taken up thereafter. The India-Myanmar-Thailand Joint Task Force on Trilateral Connectivity, which met in New Delhi in 2012, agreed to work towards completion of the entire trilateral highway by 2016.

2.2.3 Inland Connectivity in India for the I.M.T Trilateral Highway

The route from the border town Moreh to the Capital of Manipur State, Imphal, is a distance of 110 km, connected by National Highway 39. This is two laned for the first 40 km up to Thoubal (40 km) that runs on

Map 2.3: Road Connectivity from Mandalay up to Myawaddy/Mae Sot



Source: Extract from Thailand's presentation at the Symposium on 'Towards Realisation of the ASEAN Connectivity Plus: Moving Forward with ASEAN-India Connectivity' in Bangkok on 27 November 2013.

plains and is in better condition. The rest of the road, however, runs on hilly terrain. It is learnt that after long delays, this stretch of the road is also being taken up by the State Government for repair and resurfacing which when completed should provide an all season road that should be traversable in about 2 hours or so.

It will be very important to consider strengthening the Imphal-Moreh road by four laning the portion from km 10.00 to km 46.00 (Pallel) and two laning with paved shoulder the remaining stretch from km 46 to km 110. There is also the proposal for a somewhat different alignment on this road from Wangjing onwards that will mean lesser gradient and a shorter

distance by 17 km (see item (iii) in the Box 2.1). It is understood that surveys are currently underway for the new alignment. If found feasible, it should be planned with a long-term perspective and implemented expeditiously. It could even become the new route for NH 39.

Further inland, the main highway that connects from Imphal to Guwahati is via Kohima, Dimapur and Nagaon (National Highways 39, 36, and 37) in all adding up to 476 km and a travel time of 12 hours. There are many portions of this route between Kohima to Dimapur as also from Imphal to Kohima (Map 2.4) which are in poor condition and need upgradation and better maintenance particularly to deal with landslides.

Map 2.4: Existing Highway Network in Manipur (in red)



Note: Many segments of this network need strengthening and upgradation.

Box 2.1: SASEC Road Connectivity Investment Programme Project (SRCIP)

Under its South Asia Sub-regional Economic Cooperation (SASEC) programme, ADB has agreed to finance Manipur State Road projects amounting to US\$ 200 million (Rs. 1200 crore). Funding patterns will be 90 per cent from ADB and 10 per cent from the State Government. It is learnt that the State Government has proposed following three projects under the programme.

- i) **Imphal Ring Road:** Construction of a Ring Road around Imphal will enable highways bound traffic to avoid having to pass through Imphal City that is becoming increasingly congested. Measuring 36 km in all, it will be put together by improving/constructing existing alignments. Limited stretches of green field construction will also be undertaken from geometric and road safety requirements.
- ii) **Imphal-Kangchup-Tamenglong-Tousem-Haflong Road:** The road shall comprise the existing highway of 16 km length, Imphal-Kangchup, in the valley. The portion from Kangchup to Tamenglong shall follow partly existing alignments (IVRs/Block Roads) and partly new green field construction which is estimated to be 81.5 km. The portion from Tamenglong to Haflong having a length of 91 km is being constructed under funding from the North Eastern Council under the Ministry of Development of North Eastern Region (MDONER), Government of India. The road after construction shall provide the shortest connectivity from Imphal to East West Corridor of the Ministry of Road Transport and Highways (MORTH) and thus to mainland through Guwahati.
- iii) **Imphal-Wangjing-Heirok-Machi-Khudeng Thali road:** The road, will provide alternate connectivity to Myanmar in case of landslides or blockages in certain vulnerable sections of NH-39. It, shall start from Wangjing of NH-39 and after traversing through alternative routes rejoin the highway at Khudeng Thali. The probable length of the road is 67.50 km.

The Manipur State Government is also exploring yet another alternative route from Imphal to Guwahati via Haflong (see, item (ii) of Box 2.1) which will be shorter in length but will pass through more difficult terrain. This has been proposed under the South Asia Sub-regional Economic Cooperation (SASEC) Road Connectivity and Investment Programme of ADB (SRCIP).

Among further proposals being taken up by the State Government under SCRIP is the proposal for a ring road around Imphal measuring 36 km. Since Imphal roads are getting congested with internal city traffic, freight and passenger traffic which seek to bypass Imphal city should be able to do so with this facility.

It will also be important for early upgrading of the Imphal to Silchar road (NH-53) to two

lane highway standards and providing easier connectivity from Imphal to other areas in the North East. This will also make available another route, even if somewhat longer, from Imphal to Guwahati making use of the East-West highway from Silchar, that is due for completion by the end of 2014.

2.2.4 Rhi-Tiddim Road

Zokhawthar is the border point on the Indian side in the State of Mizoram bordering Myanmar where there is also a Land Customs Station. The adjoining town on the Myanmar side is Rhi and presently the road connectivity from Rhi further inland into Myanmar is not paved and is in poor condition. India and Myanmar have signed an MoU in December 2012 for India to construct the 80 km Rhi-Tiddim road (Map 2.5) with grant assistance. If Myanmar takes necessary steps to upgrade

Map 2.5: Rhi-Tiddim Connectivity



the Tiddim-Kalemyo road (a distance of 73 km), this could then provide seamless connectivity from Zokhawthar to Mandalay, with the rest of the route from Kalemyo following the IMT Trilateral Highway.

2.2.5 Inland Connectivity for the Rhi-Tiddim Road

The border village Zokhawthar is about 27.2 km away from the nearest town, Champhai. The road from Champhai to Zokhawthar is paved and single laned for the first few kilometers but the rest of this road is in extremely poor condition. For the last 8 to 10 km there is only a mud track. World bank funding has been sought by the State

Government for upgrading this road into a two lane facility. The grant of loan is understood to be at an advanced stage of finalisation.

The road from the State Capital Aizawl to the main border town Champhai, that is 190 km in length, is completely on hilly terrain (Map 2.6). The first 40 km, up to Seeling is of highway standard that is double laned. But the remainder of 150 km is a road maintained by Border Roads Organisation that is only single laned at present. A further 30 km from Seeling up to Kaifeng is learnt to be under consideration for upgradation, particularly to ease blinding curves and for making it wider to allow ONGC to transport heavier equipment for its exploration activity near Kaifeng.

Map 2.6: Mizoram Highway Network

But, even otherwise, it would be important that at an early stage, the entire Seeling-Champhai section is widened to two lane if movement of trucks is to be facilitated for promoting border trade. Indications are that this project may figure under Phase 2 of the Special Accelerated Road Development Programme for the North Eastern Region (SARDPNE).

Aizawl, the State Capital of Mizoram, is connected to Guwahati by National Highway 54 which runs up to Silchar which is then

further connected to Guwahati via the East-West highway. In all, the distance is about 523 km. The stretch of NH-54 to Silchar, which is 180 km in length, is, however, in poor shape and largely single laned and is being taken up for two laning and upgradation under SARDPNE which when completed should significantly reduce the time taken.

2.3 Railway Connectivity

2.3.1 Inland Railway Connectivity up to India-Myanmar Border

i) Guwahati to Imphal and to Moreh

The railway route from Guwahati to Imphal is via Lumding, Silchar, Badarpur and Jiribam. While there is broad gauge connectivity from Guwahati to Lumding (190 km), the connectivity from Lumding to Badarpur (185 km) and from Badarpur to Jiribam (70 km) is meter gauge but is undergoing conversion to broad gauge. As per present estimation, the Lumding-Badarpur gauge conversion should be completed by March 2015 and the Badarpur to Jiribam section by June 2016.

Separately, the Jiribam-Imphal (110 km) broad gauge new railway line has also been under construction since 2004. This railway track will be completely on hilly terrain with very tall bridges (one of them will have a height of 140 meters). About 54 km of the track will also be under tunnels. So far, 55 per cent of the work has been completed in respect of Phase I of the project from Jiribam to Tupul (84 km) and the North East Frontier Railway (NEFR) is hoping to complete the work by 2016 or so (2017 may be more realistic) if funds are provided on time and there is also no serious disruption from the insurgency front.

As for Phase II of the project covering Tupul to Imphal (26 km), the Detailed

Project Report stands approved and the land acquisition process has begun and preparations started. Even if funds are made available in time, the target date (2016) for this section will certainly not be realised and, here again, a more realistic expectation could be completion by 2018 or so. While this section will have fewer bridges, there is, however, one tunnel that is expected to be 9 km long.

The NEFR officials feel that if assurance of funds is given it will enable them to plan their work and 2018 should be an achievable target for full broad gauge availability up to Imphal.

The NEFR have also done some initial survey work for laying a broad gauge railway line from Imphal to Moreh. Because of a sharp difference in their elevation (Imphal is at a height of 780 meters and Moreh at a height of 200 meters above sea level) the route is expected to be around 120 km in length. There may also be one tunnel that may be 11 km in length. Work on the project has not been approved yet and as per the NEFR estimates, implementing the project may take seven to eight years time after approval is given, if there are no interim financial constraints.

ii) Guwahati to Aizawl

The railway route from Guwahati to Sairang (which will be the railhead for Aizawl) is via. Lumding, Badarpur and Bhairabi. While Guwahati to Badarpur section has already been covered above, the Badarpur-Bhairabi section (90 km) also is presently under conversion from meter gauge to broad gauge, work on which should be completed by June 2016.

The Bhairabi-Sairang section (50 km) has been taken up for construction more recently and is expected to take five to six years more for implementation. Mizoram Government officials indicated that the land acquisition process has begun. The route is also fairly hilly with 20 tunnels planned measuring in all 15 km.

On this project again, if assurance of funds is available, the NEFR assessment is that the broad gauge link for the entire Guwahati-Sairang section should be completed by 2020.

2.3.2 Establishing Railway Connectivity with Myanmar

Railway connectivity between the two countries has to be made an important goal considering that it could be a more efficient form of connectivity for movement of goods over longer distances. A Joint Railway Working Group between India and Myanmar has been constituted which had its first meeting in January 2013 when it was agreed to undertake the feasibility report preparation for laying a broad gauge track between Moreh and Kalay. There are several issues to resolve here since Myanmar has only meter gauge tracks. It may perhaps be more appropriate that the Tamu-Kalay track is also in meter gauge and the transshipment takes place at the border along with customs clearance and other formalities. Laying a railway track from Tamu to Kalay may be relatively easier since it will be running along the Kabaw valley, parallel to the TKK Road. Laying of such a track should, however, be suitably timed to coincide with the completion of the Imphal-Moreh railway line. Transshipment facilities will also have to be built at Moreh for transferring containers or other goods from Indian trains on broad gauge to Myanmar trains on meter gauge. Map 2.8 shows railway network in the Sagaing region of Myanmar. Myanmar may also have to take action for strengthening its very aging railway tracks and modernising their equipment so that transportation further inland from Kalay to Mandalay and Yangon can be smooth. It is relevant to note here that Myanmar is seeking foreign assistance (particularly from Japan) for upgrading the Yangon-Mandalay railway line.

Map 2.7: Railway Projects in Manipur State



Source: Planning Commission, Government of India.

Map 2.8: Sagaing Region Railway Network



2.4 Inland Waterway and Multi-Modal Connectivity

2.4.1 Kaladan Multi-modal Transit Transport Project (KMTTP)

India is also implementing the Kaladan Multi-modal Transit Transport Project that when completed will allow for goods to be transported from eastern Indian ports to Sittwe port in Myanmar and then to be carried multi-modally to Mizoram (Map 2.9).

Implementation of the project commenced formally in December 2010 and the main items of work involved are as follows.

Port and Inland Water Transport (IWT) Components

- Development of Sittwe port and inland water terminal;
- Dredging of Port basin area and Inland water route;
- Development of IWT terminal at Paletwa; and
- Construction of six barges, each capable of transporting 300 tonnes.

Road from Paletwa (Myanmar) to Zorinpui (Mizoram) – 109 km

- Construction of two lane highway from the inland water transport port in Paletwa upto Zorinpui on India-Myanmar border.

Progress on the Kaladan Project

The status as of 1 April 2014 is as follows:

Sittwe

- Construction of jetties for both the Port & IWT has been completed.
- Reclamation of land for backup facilities is almost completed.
- Construction of Rubble mounted Dyke is 85 per cent complete.
- Dredging at Sittwe port area is 90 per cent completed.
- Construction of back-up facilities structures (Port Office, IWT Office, Covered Storage, Electrical & Generator room, Canteen/rest room, etc.) is in progress.
- Construction of 6 Nos. of Barges of 300 tonnes capacities each has started in March 2013 and is in progress at Yangon through Department of Inland Water Transport (IWT), Government of Myanmar, which is the sub-contractor for this component.

Paletwa

- Construction work of IWT terminal has started in April 2013.
- Major part of earthwork and excavation work is completed.
- Jetty pile work has been completed.
- Back-up facility work is in progress.
- River dredging work (Total 6 Nos. of shoals is in progress.)

Stretch	Mode	Distance
Kolkata to Sittwe port in Myanmar	Shipping	539 km
Sittwe to Paletwa (River Kaladan)	Inland Water Transport (IWT)	158 km
Paletwa to Indo-Myanmar Border (in Myanmar)	Road	109 km
Border to NH.54 (Lawngtlai) (in India)	Road	100 km



The Sittwe port with the Port and IWT Jetty already constructed



Construction work on IWT terminal in progress at Paletwa

Map 2.9: Kaladan Multi-modal Transit Transport Project



All items of work relating to Inland Waterway is expected to be completed by December 2014.

As for the road component, the Detailed Project Report prepared for the project has been shared with Myanmar. The construction is expected to be undertaken in two packages to enable quicker implementation. The two sides have decided that the Land Customs Station for this route will be located at Zorinpui in Mizoram.

2.4.2 Further Inland Connectivity for the Kaladan Route

The route from Aizawl to the border point Zorinpui will be through Lunglei and Lawngtlai. While there is already a two lane highway link from Aizawl to Lawngtlai (296 km) (Map 2.10) the remaining 100 km from

Lawngtlai to Zorinpui need to be upgraded and paved with provision for two lanes with 8.5 meters width.

Mizoram State officials conveyed that work is being undertaken speedily now with 70 km of the stretch at the stage of ‘formation cutting’. When asked about reports of delay in respect of environment clearance and land acquisition it was conveyed that these were now being dealt with and they were hopeful that the road will be completed by 2016/2017.

2.4.3 The ‘Soft’ Infrastructure to operationalise the Kaladan Corridor

India and Myanmar have already signed a framework agreement in 2008 for the implementation of the KMTTP. Two protocols were also signed at that time on (a) facilitation of KMTTP; and (b) maintenance

and administration of the KMITTP. It may be necessary to slightly revise these agreements through exchange of letters, to conform to subsequent changes since the road portion now will be much longer and the inland waterway portion will terminate at Paletwa, and not Kaletwa as mentioned in the agreement. There are also changes in the location of the border crossing handling points.

As the time comes near for opening of the Kaladan corridor, implementation issues in pursuance of the protocols will need to be taken up including issue of necessary licenses, authorisation for transporters, insurance issues, exit and entry formalities, fixing of transit fees, etc.

The facilitation agreement does not also dwell on the possibility for goods from Mizoram and other North Eastern states to be traded with the Chin and Rakhine States through the use of this corridor. This would need to be formalised by including Zorinpui as an additional customs post by both sides for conducting border trade.

2.4.4 Vessels That Will Go to Sittwe also Can Be Used for Bilateral Trade

The expansion of Sittwe port as part of the Kaladan project, will enable vessels up to 6000 dwt to berth at Sittwe port. Since supply requirements to Mizoram and other states on the North East may perhaps be only limited particularly with various other

Map 2.10: Portion of road remaining to be constructed in India for Kaladan Project (in red)



connectivity projects now underway in the North East, utilising some of the capacities of our supply vessels also for bilateral trade purposes deserve examination. The framework agreement and the Protocols do not rule out Indian vessels which come to Sittwe to also transport bilaterally traded goods. Article 14 of the Protocol on facilitation only states that the transport vehicles and vessels shall not undertake the transport of the domestic cargoes between two places within the territory of the other contracting Party (cabotage). An arrangement, therefore, needs to be worked out that will allow Indian vessels coming to Sittwe bringing logistical supplies to North East to also then sail to Yangon and carry India's export goods to Myanmar and return with imports. An originating port in eastern or southern India should be selected for this purpose which can meet both the needs. Such a facility could significantly improve sea connectivity between the two countries compared to the present when bulk of the traded goods goes through Singapore or Port Klang.

2.4.5 Need for Additional Infrastructure for Enabling Container Transport over the Kaladan Corridor

The Kaladan project, as presently being implemented, only envisages bulk movement of goods. However, at a time when globally movement of non-bulk goods is largely by containers, it will be essential that suitable additional infrastructure is created and necessary equipment also installed at Sittwe port, the Paletwa inland water transport terminal and at Zorinpui customs station for container transportation and handling. It may be best if construction of this additional facility is also taken up quickly and expeditiously so that it is in place by the time the road component of the Kaladan project is

completed. Putting in place container handling facility will also enable fully containerised vessels to ply the route that can also meet bilateral trade needs.

2.5 Possible Time Lines for Road, Rail and Multi-Modal Connectivity

As the various connectivity projects make progress, it is important that there is prioritisation and phasing if funding is expected to be a constraint. The prioritisation needs to keep in view our commitment to promote India-ASEAN connectivity on the one hand while ensuring that the timing of completion of a connectivity corridor matches or, preferably, is even preceded by the completion of supportive inland connectivity.

Once prioritised with clear target dates, it will be essential that every effort is made to adhere to them. This will allow proper planning and establishment of the required soft infrastructures and necessary bilateral arrangements for regulation and facilitation of trade and other economic activities. The latter also include establishment of industrial zones, setting up supportive soft infrastructure, etc. Such rigorous time bound implementation will also enable private businesses to plan investments for which such connectivity is a key enabler.

Keeping the above in view and also taking into account the current state of progress on the various projects, the following time lines appear feasible and advisable.

i) By end 2014

In Myanmar

Completion of the waterway component of the Kaladan multi-modal transit transport project. Launching the project for enabling container transportation and handling in the Kaladan corridor.

In India

Completion of the four laning of the East-West Corridor: Silchar-Lumding-Nagaon-Guwahati.

ii) By end 2015

In India

Completion of Broad gauge conversion of the Lumding-Badarpur section of NEFR.

iii) By end 2016

In Myanmar

Completion of upgradation of 120 km Kalewa-Yagyi Road by Government of India; and (b) Completion of the construction of the Yagyi-Monywa section by the Government of Myanmar.

In India

- Completion of broad gauge conversion of the Badarpur-Jiribam and Badarpur-Bhairabi sections of the NEFR.
- Completion of Imphal Ring Road.
- Completion of upgradation of Kohima-Imphal section of NH-39.
- Completion of two laning of Champhai-Zokhawthar road.
- Completion of construction of Lawngtlei-Zorinpui section extending NH-54 up to the border.

iv) By end 2017

In Myanmar

- Formal inauguration of the Kaladan project with the completion of the road component from Paletwa upto Zorinpui and container transport infrastructure.
- Completion of upgradation of bridges on the Tamu-Kalay-Kalewa segment.

In India

- Completion of two laning of Silchar-Aizawl Road (NH-54).

- Completion of upgradation to two laning of Imphal-Moreh section of NH-39. (Alternatively if the shorter Alignment is decided upon for Imphal-Moreh this should be sought to be completed by 2018.)

v) By end 2018

In India

- Completion of the Jiribam-Imphal broad gauge railway line.
- Completion of two laning of Silchar-Imphal (NH-53) Road.

vi) By end of 2019

In India

- Completion of two laning of Aizawl-Champhai Road.

In Myanmar

- Completion of Rhi-Tiddim Road.
- Completion of paving of Tiddim-Kalemyo section by the Myanmar Government.

vii) By end 2022

In Myanmar

- Completion of the Moreh-Kalemyo meter gauge railway line.

In India

- Completion of the Imphal-Moreh broad gauge railway line along with suitable facilities for transshipment of goods, containers, etc.

Considering that connectivity is being emphasised in every India-ASEAN meeting, it will be lauded if India can ensure completion of the Kaladan project and the India-Myanmar-Thailand Trilateral highway project, with all their inland connectivity, by 2017 when 25 years of India-ASEAN partnership will be celebrated. India and Myanmar could also

attempt to bring about rail connectivity and the full road connectivity through Zokhawthar by 2022, when three decades of this partnership will get reviewed.

2.6 India-Myanmar Air Connectivity

Direct air services between India and Myanmar are woefully inadequate even as the two countries signed a fairly liberal bilateral air services agreement in April 2012. At present, Air India plies a bi-weekly service from Kolkata to Yangon, with the frequency rising to three flights a week during the Buddhist Pilgrimage season from October to March, when these flights also get extended to Bodh Gaya. Otherwise, despite the presence of a large Indian diaspora in Myanmar, there are no direct flights between the other major Indian cities and Yangon, Mandalay or the Capital Nay Pyi Taw. This is quite in contrast to the rapid increase in the last two years of direct flights to Myanmar not only from South East Asian hubs like Singapore, Bangkok and Kuala Lumpur (16 flights from Bangkok, five flights from Singapore, six flights from Kuala Lumpur every day), but also from Tokyo, Seoul, Taiwan, Hong Kong, Doha, Siem Reap, Ho Chi Min City, Kunming and a few more Chinese cities.

Ease of travel is essential for promoting trade and investment. Even as land, railway and multi-modal connectivities are sought to be progressed for movement of goods, it is essential that there are more direct air services between some of the main Indian and Myanmar cities. Also, with Imphal now becoming an international airport, it will be important to include it as an option in the Bilateral Air Services Agreement to enable airline companies to consider operating flights between Imphal and Mandalay. Likewise, by the time the Zokhawthar border trade point begins to show greater level of activity and the Rhi-Tiddim road gets going, flights from Aizawl to Kalemmyo and Mandalay would help in further promoting trade. During RIS team's discussions in Myanmar it was indicated that the Myanmar government would be further strengthening the Kalemmyo airport.

Endnote

- ¹ The Kalewa-Yagyi section had initially been built by the Myanmar Government apparently using the road building equipment handed over by India after the completion of the TKK road. But the road has since given way, particularly in the hill stretches due to landslides.

Promoting Border Trade through Connectivity Corridors

3.1 Introduction

India-Myanmar border trade is a well analysed subject by Indian researchers and think-tanks and has also formed the focus of discussion of many seminars and conferences. Two particular publications stand out for their comprehensive coverage of underlying issues and for coming up with several suggestions and recommendations. One is the book edited by Das *et al.* (2005), which presents the outcome of a national two day seminar on 'Promotion of Border Trade between India's North-East and Myanmar: Problems and Prospects', held in Imphal in November 2004 that was organised by the Indian Council for Social Science Research and North Eastern Regional Centre. Another is a more recent report of 2011 on Border Trade in Manipur prepared by a team of researchers led by Professor Priyoranjan Singh of the Department of Economics of Manipur University. This report is mainly based on ground level surveys across

the State of Manipur and at the trading town of Moreh. RIS also undertook a detailed study commissioned by the North Eastern Council in 2011 on 'Expansion of North East India Trade and Investment with Bangladesh and Myanmar', that was based on primary surveys conducted at the Land Customs Stations situated on India's border with Bangladesh and Myanmar that included the border trade posts at Moreh in Manipur and Zokhawthar in Mizoram.

The RIS team under the current project travelled to Manipur and Mizoram States and visited the border trade posts at Moreh and Zokhawthar, respectively. It also crossed over into Tamu, the border town in Myanmar on the other side of Moreh and held discussions with Myanmar officials responsible for border trade at the local level. Separately, visits were also undertaken to Myanmar that included a visit to the bustling border trade point at Muse on the Myanmar-China border. What is presented

below in this Chapter is an assessment of the current status of our border trade, the ground realities, progress being made towards the establishment of an Integrated Check Post at Moreh and the salient aspects of the border trade between Myanmar and China as devised at the Muse/Jiagao border point that forms a useful and pertinent case study. Finally, certain policy recommendations, suggestions for more conducive soft and hard infrastructures and facilitation measures are proposed.

3.2 Current Status of Border Trade

The India-Myanmar Agreement on Border Trade signed on 31 January 1994 designated the following two Customs Posts for conduct of border trade:

- a) Moreh in India and Tamu in Myanmar; and
- b) Champhai in India and Rhi in Myanmar.

Border trade through Moreh in Manipur State was formally opened on 12 April 1995 with a Land Customs Station set up on the Indian side. Border trade through Zokhawthar, near Champhai, began functioning from 30 January 2004 and a new Land Customs Station

built by Border Roads Organisation started functioning from 14 September 2007 although it has not been formally inaugurated. Initially, cross border trade was agreed to be conducted on twenty two products. This was raised to 40 items in October 2008 that was further raised to 62 items in November 2012. These are indicated in Annexure 11.

Both countries have also agreed to set up ‘border haats’ for trade in locally produced products in an MoU signed during the visit of the former Prime Minister Dr. Manmohan Singh in May 2012. India had identified eight Border Haat points, namely, Pangsau Pass in Arunachal Pradesh, Avakhung, Pangsha and Chemoho/Longwa in Nagaland, New Santal and Behiang in Manipur and Hnahlen and Vaphai in Mizoram. However, the two countries have agreed that initially one Border Haat would be opened at Pangsau Pass (Nampong) in Chaglang district of Arunachal Pradesh corresponding to Pangsau in Sagaing Region of Myanmar, as a pilot project. Other locations would be agreed upon by both countries based, *inter alia*, on historical aspects, interaction, convenience

Map 3.1: Myanmar-India Border Trade Points



of access, interdependence of population on both sides of the border and availability of suitable locations.

3.2.1 Modalities for Conducting Border Trade

The main instrument officially regulating the border trade arrangement *vis-à-vis* Myanmar, in terms of payment for goods traded, is the Reserve Bank of India Circular No. 17 dated 16 October 2000 that may be seen at Annexure 10. Trade has to be in the form of barter and is to take place only by way of head-load or non-motorised transport. Imports from Myanmar into India are also to precede export from India to Myanmar with no monetary transaction. The consignments are to be invoiced in US dollars with each transaction not exceeding a value of US\$ 20,000. In terms of documentation, these are simplified if the value of the transaction is less than US\$ 1000 and consists of locally produced items traditionally exchanged within 40 km of border. In this case no customs duty is also charged. Despite several reports on India-Myanmar border trade pointing out how unrealistic these border trade payment modalities are, these have not been revised and continue to be reiterated in the Master Circular on Exports of Goods and Services issued annually by RBI whose latest updation was done on 30 November 2013.

3.2.2 Modalities for Conducting Normal Trade through the Border

At the third meeting of the India-Myanmar Joint Committee on Border Trade in 2008 it was decided that both sides would also permit regular/normal trade through the border. For this purpose, the United Bank of India, Moreh branch was nominated by India to act as the designated bank on the Indian side and Myanmar nominated Myanmar Economic Bank in Tamu for their side. While some arrangements have also been entered into by the banks for opening Letters of Credit in dollars and Euros, these have not been utilised.

3.2.3 Officially Recorded Trade

A visit to the India-Myanmar border point at Moreh reveals that official trade figures on the Indian side are based solely on trade passing through Gate No. 1 where the Land Customs Station is located. At Zokhawthar these are based on trade recorded by the customs officers at the LCS building. These figures are given in Table 3.1.

The main items exported are cumin seeds, turmeric and soya bean meal. The main items of import are betel nuts, dried ginger and pulses. Official trade has shown little growth and consignments at times lie in LCS for weeks and months awaiting approval from Agricultural Testing Laboratory at Guwahati.¹ There is, however, a wide variation between

Table 3.1: India-Myanmar Border Trade (Official figures)

Name of LCS	Import (in lakh of Rs.)				Export (in lakh of Rs.)				Main items of export	Main items of import
	2009-10	2010-11	2011-12	2012-13	2009-10	2010-11	2011-12	2012-13		
Moreh	831	380	137	2055	215	26	150	1735	Cumin seed & Soyabari	Betel nut & Ginger
Zokhawthar	0.60	4.34	22.27	Nil	0.60	Nil	2.10	1.8	Cumin	Betel nut
Namp-ong					No trade					

Source: Central Board of Excise and Customs (CBEC).

Table 3.2: India-Myanmar Border Trade
(Official trade figures maintained by Myanmar) (in million US\$)

Year	Myanmar Exports	Myanmar Imports	Total Trade	Balance of Trade
2009-2010	7.79	5.95	13.73	1.84
2010-2011	8.30	4.50	12.80	3.80
2011-2012	8.87	6.54	15.41	2.33
2012-2013	25.09	10.57	35.66	14.52

Notes: Major exports into Myanmar: Cotton yarn, auto parts, soya bean meal and pharmaceuticals.

Major imports from Myanmar: Betel nut, dried ginger, green mung beans, black matpe, turmeric roots, resin and medicinal herbs.

Source: Department of Border Trade, Ministry of Commerce, Myanmar.

the border trade figures maintained by India and those published by Myanmar, as will be seen from the two sets of figures in Tables 3.1 and 3.2. Total trade through the border totalled Rs. 37.9 crore as per CBEC figures and Rs. 2331 crore (US\$ 35.66 million) as per Myanmar figures during 2012-13. Items like cotton yarn, auto parts and pharmaceuticals, also figure as major items of exports by India into Myanmar as per figures maintained by Myanmar. These do not, however, figure in the Indian list. Interestingly, however, both sets of figures have indicated a sharp increase in trade in both directions in 2012-13. A visit to Zokhawthar Customs Station in March 2014 has indicated that imports (mainly betel nut) from Myanmar reached Rs. 1.24 crore for the period April 2013 to February 2014 while exports from India of Soyabari reached Rs. 18.12 lakh during the same period.

3.2.4. The Border Trade Reality

Informal Trade through Moreh

Trading activity at Moreh largely takes place through Gate No. 2 that is mostly unrecorded at least on the Indian side (see Box 3.2 and Box 3.4). There are over 1000 well stocked shops at the Namphalong market in Tamu on the Myanmar side just abutting Gate No. 2 that display a variety of goods including garments and fabrics, travel bags and hand bags,

footwear, blankets, toys and sports goods, plastic items, household appliances, batteries, generators, inverters, solar panels and torch lights, toiletry and cosmetics, packaged snacks, confectionary items and agriculture products including rice, pulses and beans, spices and vegetables. There is even a shop selling golf accessories.

The Namphalong market is open from 8.00 a.m. to 5.00 p.m. Myanmar time (7.00 a.m. to 4.00 p.m. IST) and there is active trading with buyers from Indian side crossing over, taking a permit from the gate for entry, paying for the goods purchased in Indian rupees and returning with head loads or even with cart loads. While there is no apparent restriction or imposition of customs duties, reports indicate transactional costs and payments are necessary, but none of them officially registered. Apart from absence of customs or other checks, there are also no health or safety checks. A majority of goods that are brought into India through this route also are third country goods originating in China, Thailand or even other East Asian countries.

There is no similar market on the Indian side. Several warehouses and godowns of Indian traders are, however, known to be located in Moreh. Much of the Indian goods that get exported to Myanmar go in a smuggled manner during the night through the



The narrow bridge over the Lokchao river forms the entrance to the India-Myanmar Friendship Road on the one hand and leads to Gate No. 1 on the other.



Gate No. 2 on the Moreh/Tamu Border



Shops in the Namphalong Market in Tamu in Myanmar

Box 3.1: Growth of Illegal or Informal Trade

Formal border trade through the Moreh-Tamu corridor has been on the decline in recent times though informal and illegal trade has been booming. Failure to put in place the right institutional mechanisms, the narrow ambit of tradable goods under the Border Trade Agreement, mismatch between market demands and tradable goods, high transaction costs, virtual absence of the rule of the law, high levels of rent seeking by state as well as non-state agencies are some of the factors leading to the growth of illegal trade and decline in formal trade. Highly protective regimes on the Myanmar side and highly liberal ones on the Indian side of the border are leading to huge import-export imbalances. Structures of trade as well as status, is therefore, almost entirely determined by the dynamics of illegal trade. Given the right institutional infrastructures and legal frameworks, the recent thrust towards a normal trading regime at Moreh has a high chance of success in the future.

Source: Extract from Ground Level Survey and Status Report of Border Trade in Manipur by Manipur University, 2011.

porous border since goods entering Myanmar formally, (even if they are goods eligible as border trade), get taxed not only with customs duties but also with commercial tax and a form of income tax. These are sought to be avoided by the trade. Even as many Indian products including cosmetics and toiletry, medicines, confectionery and snacks, tools and hardware, electrical switches, cycles, two wheelers and parts, tyres and tubes, etc. are seen on display in shops in several of Myanmar border towns, these will not be seen crossing the border openly either through Gate No. 1 or Gate No. 2. Cement and fertiliser also are known to be exported from time to time.

Almost all earlier reports examining border trade have dwelt on this informal trade that has been variously estimated as ranging between Rs. 100 crore to Rs. 3600 crore annually through the Moreh/Tamu border point.

Border Trade at Zokhawthar

Not yet inaugurated formally, but functioning nevertheless with customs officials recording only trade undertaken under the barter trade mechanism, the recording seems confined to import of some betel nuts from the Myanmar side and export of Soya bari from the Indian side. Imports of betel nuts have sharply gone up this year although the figures for formal

Box 3.2: Major Items Traded between India and Myanmar through Tamu-Moreh

Major items of Myanmar's Export to India	Major Items of Myanmar's Import from India
betel nut	wheat and wheat flour
soybean	primary and semi-finished steel
cigarette	steel bars and rods
dried ginger	pharmaceuticals
green mung beans	cotton yarn
chickpea	auto parts & transport equipment
pegion pea	motorcycles
dried fish	electrical machinery
dried chilli	engineering goods
turmeric roots,	soybean meal
resin and medicinal herbs	cement
meat and meat products	chemicals and allied products
Seasonal fruits	fertilisers
others	others



Some of the food items from Myanmar displayed in local Mizoram shops



Box 3.3: Free Movement across Borders and Implications for Trade

The Indo-Myanmar Trade Agreement envisages that as per customary practice, free movement including exchange of locally produced commodities shall continue. This implies that such movement may take place all along the border. Movement of people (not related to trade) takes place through all the gates along the Moreh Township and other parts of the border, which is totally porous. Movements across borders are not strictly restricted by immigration law and are allowed through simple passes issued by immigration authorities.

Unlike other international borders, exit/entry points are at Gate No. 1 and 2 and other unofficial points. The movements in connection with trade and traded goods requiring Customs clearance are exclusively channelised through Gate No. 1 at Moreh Land Customs Station. Traditional free movement between India and Myanmar takes place through Gate No. 2 where the Namphalong market on the Myanmar side is located. No formal trade takes place through this gate. Movement of people with head loads is very heavy across this gate as it straddles the foot-track connecting the two main markets of Namphalong and Moreh. If this gate is closed, all traditional free movement can take place through Gate No. 1.

The free movement of people and goods has created control problems for the customs authorities. Closure of unofficial crossing points would be impracticable and may not be the solution. The solution would lie in building world class quality and 4-laned roads that cuts costs of carriage and enable legally imported goods to compete and become preferable to crossings via free movement.

- J S R Khathing, Chief Commissioner of Central Excise and Customs, North Eastern Region, Shillong, 2005



LCS Location at India-Myanmar Border at Zokhawthar

trade are still small. The LCS building does not give the appearance of a busy office as most rooms are locked or unused. The State Bank of India counter is closed and the earlier satellite counter has been withdrawn with customs duty now having to be paid in Champhai, a larger town 27.2 km inland. Food items testing is done at the new agriculture testing laboratory at Imphal after the consignment is quarantined and sample taken for testing. The weigh bridge at the station is not functioning.

Informal and unrecorded trade seems to be flourishing at Zokhawthar as well, although not on the scale as at Moreh (see Box 3.4). There are about 15 to 20 shops on Myanmar side and just a couple or so on the Indian side close to the zero point. The items which are brought in from Myanmar, many of which are also widely available in Mizoram, include fruits (in particular apples and melons), maize, blankets, textile and garments, footwear, toys, cosmetics, washing soap, energy drink (lion

brand made in Mandalay that seems widely available in Mizoram and is quite popular) certain prepared food items and snacks (fish paste, a salad mix 'Laphet', dried fruits in packets, beef powder and sweet meats of different types) and piglets.

There were also a couple of liquor shops on the Myanmar side that appeared to be doing good business since Mizoram is a dry state. From the Indian side too, many items including cosmetics and toiletries, and food items are found in the Myanmar shops in Rhi where Indian rupee is accepted. Ginger grown in Mizoram is also exported.

The preventive and anti-smuggling wings of the customs also reported having seized following items in recent months – Garments (from China), Heroin, Opium, Red sandalwood, IED with wires, Ephedrine tablets, etc. The customs officials also indicated the huge challenge posed by the porous border not only at Zokhawthar (where a shallow

Box 3.4: Informal Trade at Zokhawthar

Most of the trade at Zokhawthar is informal in nature. 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.

The items seized during one week, i.e. from 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 and Bangladesh. 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.

Source: Excerpt from the section on “India-Myanmar Border Trade at Zokhawthar LCS” from the 2011 RIS report on ‘Expansion of North East India’s Trade and Investment with Bangladesh and Myanmar.’

river Tuai acts as the border) but also at Zote, Vaphai, Farkawn and footpaths that exist at villages like Nagur, Tlangsam, and Molkawui.

It is also interesting that the State Government is setting up border trade centres, that will have warehouses and go-downs, at three locations, viz. Vaphai, Farkawn and Sangau at a cost of

Rs. 8 crore each under the ASIDE scheme of the Government of India. The state government is also keen that these locations become border haats as and when that gets to be taken up with the Myanmar Government.

While it is difficult to estimate the quantum of informal trade passing through Zokhawthar



India-Myanmar Border Gate and the Bridge on the Border separating Zokhawthar and Rhi

and nearby points, a visit to the State Bank of India branch at Champhai brought out that their daily deposits were on an average around Rs. 2.5 crore of which at least Rs. 1.5 crore was estimated by the bank officials as related to border trade activities. While it is not clear how payments are made for imports and money transferred, this itself would indicate that the current informal trade level across Zokhawthar and nearby points would not be less than Rs. 500 crore annually.

3.3 ICP Under Development

Recognising that many of the underlying problems can be dealt only with better border trade infrastructure, the Government of India has been engaged in establishing an Integrated Customs Check Post (ICP) at Moreh that will under one roof provide customs, immigration, security, health and safety checks for goods and passengers transiting through the land border. Land (18 hectares) was acquired and construction began at the site in April 2013 towards establishing Phase I of the project that will be located in 2.36 hectares having a terminal building, warehouses, weigh bridges, security and surveillance system, drivers rest area, electrical substation, etc. Vehicles from Myanmar carrying goods will be allowed to come into ICP and after due checks and process, the goods will be cleared and allowed to be transported further in Indian vehicles and vice versa. The present connectivity is through a steel bridge (single lane) over Lokchao river, seen in the picture on page 41, that is grossly inadequate. RITES, the management consultant for the project, has emphasised that a four-lane bridge is required to be immediately constructed.

With some differences arising bilaterally in respect of exact marking of the boundary between the border pillars near Moreh the construction work in respect of ICP has

been temporarily suspended. While the two governments are presently engaged in discussions to resolve the matter, it is hoped that the matter will be quickly settled. Construction needs to resume quickly and proceed at full speed considering its importance. It is also essential that the two governments enter into discussions about the arrangements that will govern the ICP and the transport agreement that will set out the terms under which Myanmar vehicles will be able to come and discharge their goods and passengers at ICP for onward transportation into India and vice versa, as also an agreement for transit through Myanmar of traded goods to third country destinations.

3.4 The 105-Mile Trade Zone at Muse on Myanmar-China Border - A Case Study

In the context of setting up ICP at Moreh, details about how border trade is regulated at Muse/Jiagao on the Myanmar-China border can be a useful case study for all our concerned agencies. While full details about the case study can be seen in Annexure1 following are some highlights:

- i) Distances are not very different from our border point at Moreh. Muse is located at 180 km from Lashio, the main town in northern Shan State. Lashio in turn is 265 km north of Mandalay, the main city in upper Myanmar, making the total distance from Mandalay to Muse to be 445 km. Much of the road from Mandalay also goes over hilly-terrain and the average time taken to cover the whole distance by truck is 12 to 14 hours. The distance from Moreh/Tamu to Mandalay is also about 479 km with a hill section between Yargyi and Kalewa that is less than 80 km. Once the Kalewa-Yargyi segment of road reconstruction is

- completed with Indian assistance along with the repair/rebuilding of bridges on the Tamu-Kalewa segment, trucks from Mandalay should reach Tamu in about 12 hours time and Imphal in 14 to 15 hours time.
- ii) Trade through the Muse-Jiagao border is thriving. Myanmar exported goods worth US\$ 1.58 billion in 2012-13, whereas China exported goods worth around US\$ 1.15 billion across this border. Two way trade transacted at Muse of US\$ 2.73 billion, in turn accounts for over 50 per cent of overall bilateral trade. Also, bulk of the trade through this border is largely between Myanmar and Yunnan province of China.
 - iii) The Mandalay-Lashio-Muse road is double laned and in good condition, although landslides form a regular feature on the Lashio-Muse segment. Over 200 heavy duty trucks (most are 22 wheeled 54 tonners) pass over them from each side every day. Maintenance of the road is reasonably good and done by a private company that also collects a toll.
 - iv) The main items of export from Myanmar are primary agricultural products including rice, maize, pulses, vegetables, fruits and fishery items apart from jade and other gemstones. Imports from China into Myanmar are fertilizers, machinery, motorbikes, steel products, fruits such as apples, pears and oranges, hybrid seeds, cotton yarn, garments and textiles, milk powder, electric and electronic appliances.
 - v) Chinese trucks and other vehicles can come into Muse but only up to the 105 mile Muse Trade Zone, that is located seven miles into Myanmar territory.
- Myanmar trucks are allowed to go into China, to unload their goods or for loading of Chinese exports to Myanmar at the clearance zone in Jiagao. While two wheelers freely move from one side to the other with in a restricted space Myanmar registered cars and other vehicles are not permitted to move much inside China. Many Muse families, however, also own Chinese registered vehicles for travel within China.
- vi) The Muse Border Trade Inspection Zone is a vast 48 acre site. Customs, immigration, police and revenue authorities all have their offices under one roof in the middle of the zone with the team led by a Director from the Department of Border Trade in the Union Ministry of Commerce. There are also smaller offices on either side, one for export clearance and another for import inspection. The facilities are well laid out that enable simultaneous inspection of 24 export laden trucks and 13 import carrying ones.
 - vii) While there are some formal arrangements between Myanmar and Chinese banks for issuing bank drafts/LCs, trade now takes place more through informal payments arrangements. Most Myanmar traders have opened Yuan accounts in Chinese banks across the border. There are also a number of money changers on Myanmar side who are able to transfer, in lieu of Myanmar Kyats given to them, equivalent amount of Yuans to the traders account in China (from the money changer's account held in China).
 - viii) Traders engaged in both imports and exports manage their payments or receipts through their bank account in China.



The main office of 105 mile Trade Zone



Close up shot of (first gate) border trade crossing/gate where people, goods, small cars, vans of both Myanmar as well as Chinese vehicles can cross. This has Chinese customs/immigration facilities.



Middle gate -for the head loads and people



RIS team with Head of MRF and Chairman of Muse-Namkham Chamber

- ix) The 105 mile Trade Zone also has various other facilities for promoting trade in a large 340 acre area surrounding the 48 acre Trade Inspection Zone. Some of the facilities including warehouses and cold storages are owned by private companies of Myanmar, a few by the Government and some by Trade Associations. The most recently set up is the Border Rice market, managed by Myanmar Rice Federation where samples are displayed with price tag of various rice consignments that are already loaded in trucks parked between the border and the 105 mile trade zone. The Chinese buyer comes to the Rice Market, looks at the various samples and the prices shown against them and makes his deals. Similar exchanges also exist for fishery items like crabs and eels, frozen fish (cold storage), vegetables and fruits and pulses and oil seeds.
- x) The Muse-Namkham Chamber is able to take up issues raised by its various members with the government authorities with whom they hold periodic meetings. Furthermore, they hold monthly meetings with their Chinese counterparts which again led to a good level of understanding between the two sides and helped in quickly resolving issues. An yearly China-Myanmar Border Trade Fair is also held, alternately on either side of the border. This started in 2001.
- xi) Muse itself has become a large town. More importantly, however, Jiagao and Ruili on the Chinese side are large cities and also have several industries located there. While Muse, may be seen as remotely located from the main population centers of Myanmar, the needs of the town are well served by not only a growing Muse township but also by the large Chinese cities across. In brief, such a proximate urban location enables officials serving in Moreh to have access to modern facilities and infrastructure. This is a strong argument in favour of developing a modern township at Moreh.
- xii) Trade through Muse border point appeared quite smooth and well regulated and following aspects are noteworthy:
- Adequate staffing of ICP with a coordinator heading it from the Department of Commerce. From the customs department itself, 90 personnel are stationed at the zone.
 - Well planned Layout of ICP that also has facilities for X-ray screening.
 - Effective checking at one point (at 105 Border Trade Point) and no further hassles along the way to Lashio, reducing transaction costs.
 - A Buffer Zone between 105 mile trade zone and actual border that allows more flexibility for seller-buyer inter face, transfer of goods from seller's truck to buyer's truck, etc., and other options. The commodity exchanges have further facilitated trade.
 - A more informal payments system not involving any other international currency.
 - Regular review mechanism between the authorities on the two sides with the local chambers playing an important role.
 - Reasonably well maintained roads leading up to the border. This is even as the nearest large town to Muse on Myanmar side is Lashio, over 170



*Full view of third gate.
Large trucks up to 22 wheels, cars,
vans, people can cross.
Exit/Entry. A large truck waiting at
the left gate on China side.*



*A view of the 105 mile
Trade Zone*



Trucks parked at the import inspection platform



Export Inspection Platform. Twelve trucks can be parked on either side

km away, and the further larger town Mandalay, being over 400 km away. The entire road length is also mostly on hilly terrain.

- Good set of heavy trucks, numbering over 300, that appear relatively new and in good condition. There appeared to be a good regulation of vehicular traffic and nature of trucks used.

3.5 Problems and Issues about India-Myanmar Border Trade

1. The present situation characterised by a miniscule officially recorded border trade accompanied by relatively large unregulated informal trade through the border is fraught with security, health, safety and other risks and is certainly not sustainable if we are looking for accelerated trade expansion across the border as a means of bringing growth and economic development to this region. This needs correction at the earliest even as the challenges it will pose, in view of entrenched vested interests, should not be underestimated.
2. What is, however, also important is to ensure that the move towards effective and efficient regulation is accompanied by a move towards trade facilitation that provides an incentive for traders to accept and adapt to formal trade practices. Making available banking facilities, easy payment modalities, quick food safety checks, efficient customs brokering system, single window clearances for transactions and bringing transactional costs to the minimum will all have key roles here. Some deterrent measures may also need to be put in place and implemented for those who willfully disobey rules or seek to disrupt the process.
3. A smart system needs to emerge that distinguishes between an occasional shopping visit by an Indian citizen near to the market across the border and a trader or a 'regular' carrier shopping for an agent who visits more regularly. It would be useful to consider a passbook system for the more regular carrier and the trader so that there is a record of the visits. In any case, there should be a record of every visitor from Indian side visiting the other side with their identity document noted. This will need strengthening of immigration presence, at the border. If required, a small service fee could also be considered.
4. At the same time it will be important to ensure that no one emerges a loser in the process. The present system of informal trade has many participants – women traders, professional carriers, wholesalers, distributors, transporters, retailers and consumers. Many commercial outlets not only in Imphal and Aizawl but also in other towns of Manipur and Mizoram (and even in other North-Eastern towns) deal in some item or the other coming from the other side of the border. The move towards a more regulated system should be able to provide alternative employment and other economic opportunities to people in the region so that levels of employment are not affected.
5. Treatment of goods: Items allowed to be traded as border trade (head load trade) will need to be pruned and strictly implemented with minimal or no duties. Such trade should only be for use in the immediate vicinity of the border. The rest of the trade coming through the border should be dealt with as normal trade which should be as per duties applicable

for goods from Myanmar (which, as an LDC, is eligible for duty free concessions for a large majority of items but there are also exceptions. and Myanmar, being an ASEAN member, is also covered by India-ASEAN FTA.) which should also come with certificates of origin. Non-Myanmar goods will have to receive MFN treatment.

6. Payment Modalities: RBI's circular No. 17 dated 16 October 2000 should be revisited. 'Barter trade' requirement should be dispensed with, which in any case is not happening on the ground. RBI devising a trade friendly payment system will be crucial. It could consider agreeing to payments being settled in Indian Rupees. There could also be authorised money changers (including SBI and United Bank of India that have branches in Moreh) for US Dollar conversion into Rupee and vice versa. Discussions with RBI have revealed that it has already recommended two possible options to the government, one of which is to allow rupee denominated trade. This needs to

be urgently implemented. This may also involve allowing some flexibility to permit Myanmar traders to open bank accounts in Indian bank branches at Moreh or Zokhawthar. Such measures will have to be permitted after incorporating due safeguards.

7. Grant of export incentives should, however, be made available to Indian exporters even for rupee denominated exports through the border.
8. Need for a single accountable head: Our border trade check points, which are manned by representatives of various agencies including customs, immigration, police, health and quarantine experts, etc., lack leadership with a single accountable head. This becomes a handicap, particularly in dealing with Myanmar side at a more day to day level. Issues do arise when it is seen that their side takes a discouraging attitude to exports from our side and when a certain measure of reciprocity will help resolve obstacles or remove bottlenecks.



Rice Samples on display at Rice Market

- Delhi's intervention cannot be sought every time these irritants crop up that need quick resolution through dialogue. It will be *critical* for success of border trade that there is a single head for each border trade LCS or ICP at appropriate level from either the Ministry of Commerce or any other Government department. Such an official heading the team should be stationed at or near the border. The official should be in regular contact with his Myanmar counterpart. (Myanmar has a designated official from their Border trade department of the Ministry of Commerce to oversee the working of each border trade point.) Border trade is a specialised discipline. With so many border trade points now coming up with many of our neighbouring countries, it may be a good idea to have a specialised cadre or sub-cadre of officers for such a purpose.
9. Bilateral monitoring and trade promotion: It will be important to also have a monthly or at least bi-monthly meeting of border trade officials at the field level alternately in Moreh and Tamu and Rhi and Zokhawthar. This is aside from the annual meeting of the Joint Committee on Border Trade. Additionally, the border Chambers of Commerce on either side of the border should also hold regular joint meetings to exchange views about issues facing them. A once-a-year trade fair or exposition alternatively held in Tamu and Moreh (it could also be held in Rhi and Zokhawthar when trade there picks up) could be a good way of getting businesses in the North Eastern States and Sagaing and Chin regions to visit the border trade markets and help in spreading greater awareness.
 10. Reduction of Transaction Costs: A key aspect to be focused on is how to reduce transaction costs. It is no secret that every consignment that passes from Moreh through Manipur and Nagaland have to undergo numerous check-posts. As per one estimate, the number of times unofficial payments have to be made at various check-posts across these two states is over 30 each. One way to deal with this menace, that is crippling competitiveness of border trade, may be to have a containerised system where all agencies who need to check can do so at Moreh and a designated place in Nagaland with a clear government order that unless a container seal was broken or tampered with, it should not be rechecked mid-way.
 11. Agricultural trade: It is recommended that Myanmar be allowed to export agricultural items through the land border, particularly to meet the demand in north east India. Items could include rice (quantity could be prescribed depending on assessed needs and sensitivities); pulses, oil seeds, and fruits (some of the fruits could be used in Manipur units for processing). Import of processed wood (cut and sawn) will also have to be promoted to provide raw material for carpentry and furniture making units in Manipur, Mizoram and beyond. All these will allow Myanmar to build up a good level of exports of domestically produced items through the border and help build up a stake for them in regularising trade through border and not rely on third country goods, whose entry we will need to treat differently and on MFN basis.
 12. The offer to allow Myanmar to export agricultural products should, however, be

- carried forward only if this is reciprocated for surplus agricultural produce to be exported from Manipur, Mizoram and other north eastern States to Myanmar.
13. Establishing a full-fledged agriculture/ food testing laboratory near the border would be important in this context. India could also assist Myanmar in establishing such a testing laboratory in Tamu and in Rhi, the latter when trade picks up more momentum there.
 14. Banking Facilities: The UBI branch at Moreh is located in a shabby building with shaky staircase, dingy interiors and with very poor infrastructure. Even the daily deposits from traders which was about Rs. 1 crore three years ago, has come down to Rs. 20 to 30 lakh a day. Substantial improvements have to be made to make the bank look modern, physically sound and service friendly. There is also a new branch of SBI that has been opened in Moreh which should be enabled to undertake government transactions and foreign exchange dealings. The SBI should also be encouraged to open a full fledged branch at Zokhawthar LCS (and not rely on their branch at Champhai that is 28 km away from border) that is enabled to handle government transactions and deal in foreign exchange. Banks will have to play a major role and make themselves business friendly for traders to feel encouraged to make transactions through banks.
 15. Supporting Capacity Building: Lack of knowledge and awareness about standards, trade procedures and regulations among local traders and others in the chain both in Manipur and Mizoram need to be urgently addressed. Moving towards normal MFN trade at Moreh and Zokhawthar would require building capacities in these areas. This would also minimise employment displacement while moving towards a normal trade regime at border. India and Myanmar could also sign an agreement for capacity building on regulatory and other matters among traders living on both sides of the border. India could, if necessary, also tap international/regional technical support for this purpose.
 16. Transportation Issues: Transportation of goods at present takes place in a variety of vehicles, trucks being sparingly used, containers not at all, with most goods carried by SUVs or mini vans. Transportation charges are high and arbitrary and the manner of carriage unsafe and unhealthy, particularly for food and agricultural products. With formalised trade, these will need to be streamlined with formation of transporters associations and some regulations introduced on safety, standards and pricing. Nature of trucks used should be in conformity with rules for them for good road usage, including those regarding maximum axle load and tonnage.
 17. Transit arrangements: Transit trade to third countries may take time to evolve and will happen only when transportation issues are fully resolved and transaction costs brought down drastically so that goods are still competitive when they reach those countries. Even so India would need to develop and agree on transit trade agreements for goods destined to other ASEAN countries and eventually also China. An ASEAN-India Land Transit Trade Agreement under consideration will have to be pursued beginning with negotiations with Myanmar and Thailand.

18. Local governance of border towns: Security issues apart, governance of border trade towns needs special attention, for promoting a trade facilitating approach. Not only the ICP, but the administration of the whole township needs to be accommodative to the needs of traders, transporters, customs brokers, various other intermediaries, banking and money changing agencies, etc. Moreh town also has a multi-ethnic character and the administration will need to handle the sensitivities with care and promote harmonious development.
3. Resolution of Border pillars and construction of ICP: The demarcation of the border at and near Moreh along with effective fencing to seal off nearby porous routes will have to be completed as early as possible. There is much at stake for both countries to let this issue fester and affect greater trade and economic cooperation.

3.6 Particular Aspects Relating to Moreh

1. Trade through Moreh may not reach the levels of trade taking place through Muse/Jiagao (approximately US\$ 3 billion) even by 2020. It will, however, be important to set up the ICP for a trade level of at least US\$ 1 billion with scope for further expansion. Level of staffing should be based on that projection and not based on current figures for officially transacted border trade.
2. Moreh town and the proposed township (see Section 4.2.1 and Box 4.2 for more details) could be treated as a buffer area where Myanmar nationals, with a pass issued by Indian authorities based on ID cards, could visit for a specified limited duration. The township should be developed to include multi-speciality hospitals, diagnostic centres, educational institutions, etc., apart from also having well stocked wholesale and retail outlets. It is essential that goods that arrive at the township do not suffer unnecessary transactional costs and become uncompetitive. Effective mechanisms need to be put in place that does away with repetitive checking.
2. If conditions are sought to be streamlined at Zokhawthar, attempts will be made to route trade through other nearby vulnerable points for which the preventive customs force has to be strengthened with better intelligence and equipment. If border trade centres get commissioned at Vaphai, Farkawn and Sangau then introducing clearance counters at these points will also need to be considered. Fencing and monitoring could also be

3.7 Particular Aspects Relating to Zokhawthar

1. With no insurgency conditions near the border as at Moreh, and with much less transactional costs incurred in the transport of goods through Mizoram, Zokhawthar is a good candidate for being quickly developed as a model LCS. Informal trade is by no means insignificant and the LCS should be formally inaugurated at an early date putting in place necessary staff and facilities for bringing all goods trade under formal trade. Providing Customs brokering facilities, undertaking capacity building programmes for traders, making available easy banking facilities right at the border and setting up a food testing facility at or close to Zokhawthar will all encourage a smooth transition. Trade of any kind should for now be confined to just one gate and effectively monitored.

considered around Zokhawthar itself so that the shallow river bed during dry season is not used for unauthorized trade. Fencing could also be considered for other vulnerable points (Zote, Vaphai, Farkawn, Ngun, Tlangran, Molkau, etc.) where this may be feasible and prove effective.

3. Improvement of roads leading up to Zokhawthar will progressively make our goods more competitive and result in increased trade. Early construction of the Rhi-Tiddim road will also become a critical factor.

3.8 Particular Aspects Relating to Zorinpui (in the Kaladan Corridor)

The LCS to be set up Zorinpui on the Kaladan project route would be a very different kind of border trading point. Much of the goods passing through will be ‘reimport’ of essential supplies from eastern Indian ports to the North East that transits through Myanmar territory. As at present the Protocol on facilitation that forms part of the Framework agreement for Kaladan project signed by the two countries in 2008 also confines itself to the ‘reimport’ aspect. However, the new LCS should be built to handle clearance of goods

and facilitate trade between the North Eastern States like Mizoram, Tripura, and Lower Assam with the Chin and Rakhine States of Myanmar.

The transit agreement to be reached with Myanmar government for the Kaladan project should also spell out how supplies will be transported from Paletwa to Zorinpui. It will be preferable for Indian trucks to be allowed to go to Paletwa to pick up these supplies so that another transshipment is avoided at Zorinpui. If so, the agreement will have to specify the terms and facilities for Indian vehicles and drivers to traverse this road.

Endnote

- ¹ This situation has somewhat improved with the opening of a Food Testing Laboratory at Imphal.

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Connectivity Corridors Transforming into Development Corridors

4.1 Introduction

While the previous chapter has examined how the border trading modalities can be improved *vis-à-vis* Myanmar, this chapter will seek to study how the connectivity corridors that are emerging between the two countries, which have been elaborated in Chapter 2, can be used as enabling corridors that can promote greater trade, investment, tourism, education and other services trading opportunities. Myanmar's transition towards a democratic framework and the programme of economic reform launched by the new government, along with its openness to foreign investment, provides a conducive setting for this purpose. In the North East region many states are taking steps towards realisation of Vision 2020 that they have all agreed to implement. Connectivity corridors can help to develop linkages between their efforts and those across in Myanmar and make the whole process enriching for both the countries. In Section 4.2 we shall see how

such efforts are possible in the context of the IMT Trilateral Highway. In Section 4.3 we shall study possible opportunities in relation to the Kaladan corridor.

4.2 The IMT-Trilateral Leading to Development Corridor

The India-Myanmar-Thailand trilateral highway corridor, when it is ready by 2016 or so, can dramatically reduce travel time between many points in North East India and Upper Myanmar. Furthermore, the 80 km Rhi-Tiddim road that is also to be built by India could act as a feeder route from Zokhawthar. This is if the Myanmar government takes steps to bring the 73 km road from Tiddim to Kalemmyo to an all season motorable paved road. Highways providing for such mobility will open up many cross border possibilities for trade and investment through enhanced competitiveness. An expanded regional market emerging across both sides of the border could throw up more

viability options and also encourage supply chains with value additions taking place at different locations. This will also provide a larger customer base for services trade.

As mentioned earlier, the RIS team visited the Sagaing Region of Myanmar and held discussions with the Chief Minister and other senior officials when the team was briefed about the various projects and proposals they were envisaging for accelerated development. A full-day seminar was also held in Nay Pyi Taw on 28 November 2013 that also involved participation of officials from both Union Governments, think-tanks, and the Sagaing Region government. The Chief Minister of Sagaing Region and the Chairman of RIS participated actively throughout the seminar.

In North East India itself, the RIS team visited the States of Manipur and Mizoram to learn about their development programmes and proposals for attracting greater trade and investment. Discussions were also held with the North Eastern Council and the Indian Chamber of Commerce and also with various trade and industry representatives.

What is presented in the rest of this section is a collation of information obtained from all sources in two separate sub-sections, one dealing with such possibilities within India and another dealing similarly with Myanmar.

4.2.1 Trade and Investment Opportunities Arising within Indian Side of the Border

Five broad areas emerge as areas meriting focus:

- a) Infrastructure Development;
 - b) Agriculture and Food Processing;
 - c) Handicrafts, Handlooms and other small scale industries;
 - d) Manufacturing industries; and
 - e) Services sector.
- a) **Infrastructure development:** Addressing the severe shortage of power and frequent power cuts experienced in particular in Manipur and Mizoram appear to be the most urgent requirement. It is also essential that internet and mobile connectivity becomes reliable and fast. These requirements by themselves are also investment opportunities. If they can be met they would significantly enhance the investment attractiveness that better road and rail connectivity can bring about.
- b) **Agriculture and food processing:** Efforts to improve horticulture, floriculture, growing spices and medicinal herbs and sericulture have met with success already in the region. Far more efforts and resources, however, will be required to be

Box 4.1: North East Industrial and Investment Promotion Policy (NEIIPP) 2007

The Policy, effective 1 April 2007, provides a wide range of incentives for all new industrial units as well as existing units that go in for substantial (more than 25 per cent) expansion within a ten year period, i.e. before 31 March 2017. Such units will be eligible for incentives for a period of ten years from the date of commencement of commercial production. The incentives include 100 per cent excise duty exemption, 100 per cent income tax exemption, 30 per cent capital investment subsidy subject to a ceiling, interest subsidy on working loan capital, and comprehensive insurance. Also eligible for the incentives under NEIIPP 2007 will be certain service sector units in the hotel, health care and human resource development sectors. Units in biotechnology sector and certain power generating plants are also included under the scheme. Full details of NEIIPP, 2007 can be downloaded from www.dipp.nic.in/English/Policies/NEIIPP_2007.pdf

able to cater to neighbouring markets on a more commercial scale for which potential has been identified to exist. Processing industries that can bring value addition to these primary products that can also extend shelf life can be highly profitable. The Food Park set up on the outskirts of Imphal marks a good beginning that can be further expanded and specialised. Similar Parks could be set up elsewhere in the region including for spices and medicinal herbs. It can make a huge impact if some of the large Indian agro processing companies can get interested to invest in them. Such industries could also be processing centres for fruits, pulses and other agricultural products that can be imported from Myanmar.

- c) ***Handicrafts, handlooms and other small scale industries:*** The region's specialty in creating bamboo and wood based handicraft items and uniquely designed hand woven textile items have already proved popular among Myanmar customers in specialised trade fairs held in Mandalay and elsewhere. With further support and encouragement and also by providing marketing outlets they can become a huge draw. Small scale industries such as those making farm implements and tools, stationery, plastic extrusion items, carpentry units, etc., could also develop markets beyond the border or use raw materials imported from Myanmar for further value addition for sale in other Indian States.
- d) ***Manufacturing industries:*** With the North East Industrial and Investment Promotion Policy (NEIIPP) of 2007 (see Box 4.1) offering many incentives for investments that are made within a ten year period, there is no reason why

the region should not now attract larger manufacturing industries that can expect a wider market.

There are many potential areas that can draw on local raw materials including cement manufacturing in Meghalaya, furniture making units in Mizoram or Manipur that can also use wood (even if these will now have to be in some value added form since Myanmar has banned unprocessed timber exports from 1 April 2014) imported from Myanmar, pulp and paper making units from bamboo, etc. Considering the demand next door, the North East Region could also have assembly units for two wheelers, units manufacturing pharmaceuticals, and seed making enterprises. The emerging gas cracking unit at Dibrugarh could provide fuel stock for certain downstream units including for plastic items that can be located in Nagaland or Manipur. If the oil/gas exploration efforts of ONGC in a block on the road that is mid-way from Aizawl to Zokhawthar is successful then this could again be a strong incentive for locating some gas based industries there. Manipur State is proposing to set up a multi-product SEZ at Thoubal on the way from Manipur to Moreh, which could be used for housing some of the manufacturing and ancillary industries. Furthermore, the proposed Moreh township project (see Box 4.2) could be a location for certain processing industries.

- e) ***Unlocking the Services potential:*** Limited health care services including treatment and diagnostic services are even currently being extended to Myanmar patients by private hospitals and clinical laboratories located in Imphal. These are being done informally including through

sample collection centres (for blood or other samples) at Moreh. Providing such services can become more formal and regularised if due facilitation can be extended to patients and their escorts by providing visa on arrival facilities at Moreh. Developing a township at Moreh that can house multi-specialty hospitals will be particularly beneficial. Such a township could also offer good educational facilities which can become a major attraction for students from upper Myanmar wishing to pursue higher education under Indian curricula. There could also be training centres offering short term courses in English language, IT and industrial training with residential facilities. Furthermore, Moreh could emerge as a support centre for trade promotion activities by having

commodity exchanges, logistics servicing and warehousing facilities and providing a transportation support hub. Emergence of such a modern township with health care and educational facilities could also greatly contribute to removing the disincentive that officials (from customs, immigration, police or security) perceive to take up assignments at Moreh.

4.2.2 Trade and Investment Opportunities Arising on the Myanmar Side of the Border

For the development corridor on the Myanmar side, the Sagaing Region, through which the IMT highway will first traverse, becomes the main area of focus. It has a population of over six million and is predominantly an agriculture based economy. The main crops of

Box 4.2: Moreh Township Project

A new Township is proposed to be built in Moreh adjacent to the existing Moreh Town which is presently under the jurisdiction of the Haolen Phai Village. About 805 hectares (2000 acres) of land has been identified for the project and land acquisition has to be initiated after the survey work is completed. The Township is envisioned to be a promoter of tourism, specifically in the field of education and health. The total cost of funds for the project including electrification, sewerage, drainage, water supply is expected to be Rs. 1647.88 crore. This cost does not include the cost of land, costs of housing and social infrastructure, institutional areas, recreational areas, etc., to be borne by the stakeholders. The estimated population of the Township is 150,000.

Current Status: The source of funding has not been finalised. Contacts have been made with the Union Ministry of Urban Development for development of the concept. The proposal is submitted to the 14th Finance Commission for initial financial funding of Rs. 200 crore.

Multi-product SEZ in Thoubal District

The proposed multi-product SEZ mooted by the state government is to be located in Kurao Poki in Thoubal district close to National Highway 39. About 400 acres of land has been identified of which 75.98 acres have already been allotted and another 91.39 acres of land is under allotment. The rest is to be acquired from private sector.

The project involves building sheds/units for handicraft, textile, IT, gems/jewellery, wood/timber industries. There will also be buildings for administration blocks, bank, customs office, post office, quarters etc. The total cost of the project is estimated to be Rs. 200 crore. This does not include land but includes costs for land development, fencing with gates, approach/internal roads, power supply with 35 kv, water supply scheme, yards lighting, weigh bridge, shops, drainage, etc.

Current Status: In the process of being submitted by the State Government to the Union Development Commissioner for SEZs.

Sagaing region are Rice, Beans and Pulses, Oil Seeds (Ground Nuts, Sesame and Sunflower), Sugarcane, Cotton and Vegetables. It also has an annual production of 28,000 tonnes of teak wood and 4,47,000 tonnes of hardwood. The region also has several minerals including coal, copper, gold, silver and jade.

The Chief Minister (CM) of Sagaing Region U Thar Ye showed great interest in interacting with the RIS team which visited Monywa. He was also present throughout the RIS Seminar held in Nay Pyi Taw on 28 November 2014. Many suggestions and proposals which emanated from these discussions are outlined below. An essential requirement, however, is assured supply of electric power. Would any Indian private sector company venture to set up power utilities that could use the water resources available in the region? The CM has also suggested installation of a solar plant of 2 MW capacity for supplying power to Tamu. Alternatively, could needs of Tamu be taken care of, as part of the power supply to be arranged for the proposed Moreh township project?

Subject to availability of power, the following proposals could provide the basis for the emergence of a development corridor:

- i) An Indian company's proposal that is at an advanced stage of consideration to set up a cement plant near Kalay with a captive power plant.
- ii) Indian industry could consider following investments along the corridor:
 - a) Setting up copper based industries (for which copper will be available from the Letpadaung Copper Mine);
 - b) Collaborating in the modernisation of the Rail Locomotive factory in Sagaing Region and the Coaches factory in Mandalay Region;
 - c) Explore possibilities for setting up a Ferro Chrome steel plant and a rolling steel mill;
 - d) Taking over and revamping existing textile mills; and
 - e) Establishing garment making units (exports can be evacuated through the inland waterway from Kalewa/Monywa to Yangon and beyond till the road corridor gets ready).
- iii) Indian rice mill/oil mill machinery companies could explore prospects for investment or sale of equipment towards modernising the several hundred oil and rice mills that are operating with outdated machinery. (A sector specific exhibition in Sagaing Region or in Mandalay by mill machinery producers could provide a start. Can Exim Bank also provide some financing for any export deals or investment agreements that may be struck?) The slide (Box 4.3) from a presentation at the RIS Seminar by Research Associate L. Seng Kham about the weaknesses of the Myanmar Rice Value Chain may be illustrative.
- iv) Indian wood working industry could further pursue efforts towards setting up timber-based industries in the Sagaing Region or Chin State. Myanmar Minister for Conservation of Environment and Forests has offered land for setting up teak plantations. It may be mentioned here that with the ban on export of logs, effective from 1 April 2014, six Indian companies, as per a news report, have already invested US\$ 26.04 million in Myanmar's timber processing industry in 2013.
- v) Indian agro-industry companies could explore setting up agro and food processing industries in Manipur State and Sagaing Region using local produce. Indian retail

chains could also make investments with production sharing or other arrangements. Provision of improved seeds and agro, chemicals, technical collaboration for greater productivity and post harvest technology, could all be part of the collaboration arrangements. Dairying could be another area.

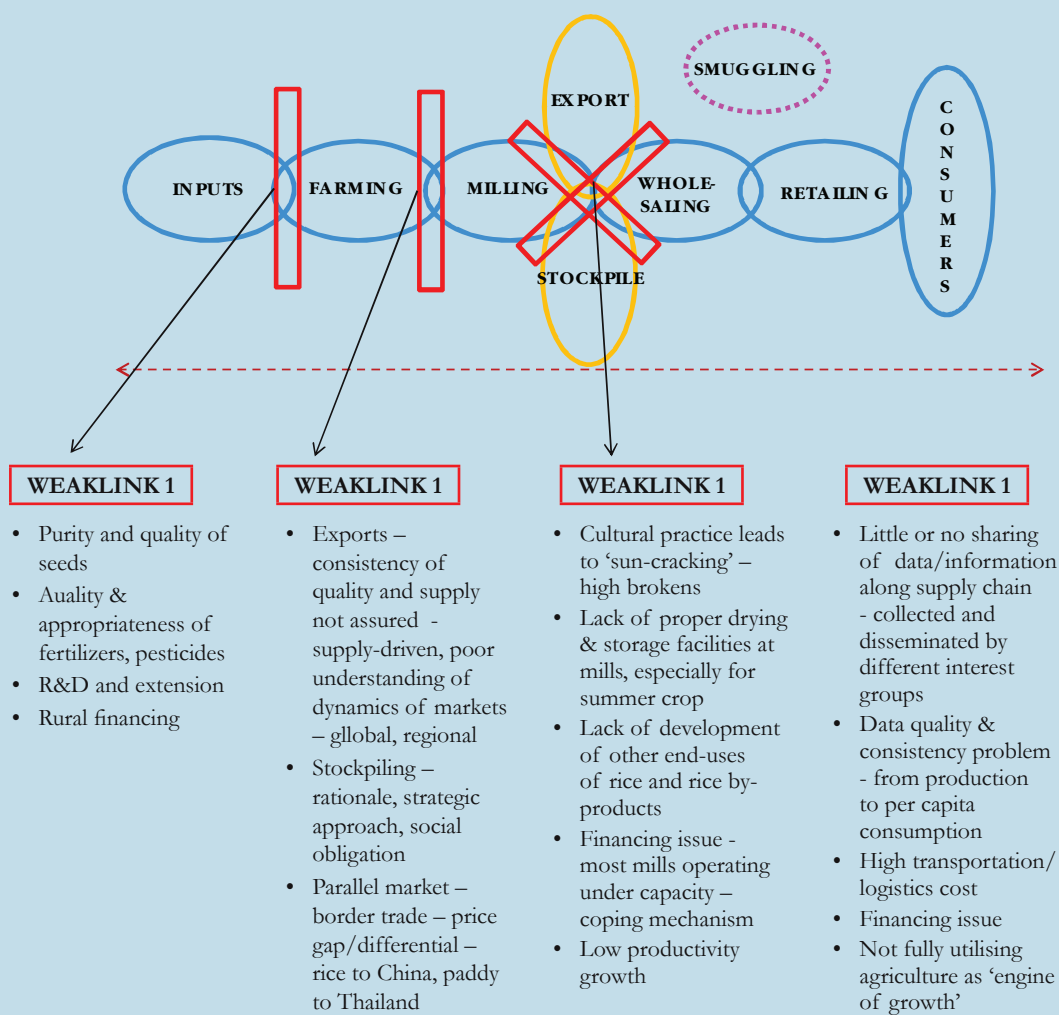
- vi) Indian tractor companies and agro-machinery companies could build further on their market presence in Sagaing and neighbouring regions.

4.3 The Kaladan Project Corridor

The Kaladan project, when completed in all respects by 2016 or 2017, would make available the following infrastructure and transport corridor:

- i) An expanded Sittwe port that can allow berthing of vessels up to 6000 dwt;
- ii) A dredged all season inland waterway over the Kaladan river from Sittwe upto Paletwa inland water port in the Chin State along with six 300 tonnes barges that can ferry goods along the river; and

Box 4.3: Myanmar Rice Value Chain : Strength is Determined by the Weakest Links



Source: From the presentation by L. Seng Kham, Research Associate, Myanmar Development Resource Institute.

- iii) An all season highway from Paletwa to Mizoram through the Zorinpui LCS at the India-Myanmar border that connects with National Highway 54 to Lunglei and Aizawl.

This new infrastructure throws up many opportunities. A vessel coming from eastern Indian ports ferrying supplies to Mizoram and other states in the North East, could also provisionally carry goods from India to Yangon port of Myanmar and vice versa with transshipment at Sittwe. Myanmar's coastal shuttle services between Sittwe and Yangon can carry the transshipped goods onwards. Sittwe becoming a transport hub would also mean opportunities for greater trade between India and Rakhine and Chin States of Myanmar.

While these are all possibilities, it will be very important that the facilitation protocol for ferrying goods to the North East from Indian ports is updated and necessary details for implementation finalised. A coastal shipping arrangement that allows Sittwe to emerge as a hub would also be important.

If these transport corridors become alive, then production activities in the north eastern states, particularly those which are closest to the Kaladan corridor, viz. Mizoram, Tripura and Lower Assam, would find added markets in the Rakhine and Chin States of Myanmar. Also Indian businesses can set up ventures in these Myanmar provinces that can benefit from a 'Made in Myanmar' label which can avail of easier market access conditions in the western markets or in ASEAN countries. Sittwe can then be used as the port to evacuate the exports.

An RIS team visited Sittwe and met the Rakhine State Chief Minister and leading businessmen in the state. It also visited a site

identified for locating an industrial zone near Sittwe. Separately another RIS team also visited Mizoram and met the State's Minister for trade and industry and also the State's Chief Secretary. What is given below is a collation of information obtained from all sources in two sub-sections, one dealing with possibilities within the State of Mizoram and another within the Rakhine State of Myanmar.

4.3.1 Trade and Investment Opportunities Arising in Mizoram

The State of Mizoram that has a population of almost one million is predominantly agrarian and has the second highest literacy rate in India. It has a rich variety of horticultural produce including banana, oranges, passion fruit, avocado and pineapples. Spices like ginger, birds eye chilies and turmeric, and medicinal plants, for all of which Mizoram has acquired specialty, offer immense potential for further development. The state boasts of over 12 per cent India's bamboo production which can be expanded further. Sericulture also offers prospects for development. Oil palm has begun to be developed that has potential for more extensive cultivation. Anthurium cut flowers, roses and orchids are being exported even currently.

The state has two industrial estates, one at Zuagtui and the other at Kolasib. Food processing, handloom, wood-based and metal products contribute more than 60 per cent of the small scale units in them. The state is also giving development of bamboo products high priority. Products could include bamboo floor boards, bamboo parquets, bamboo teak wood doors, mat-ply, blinds, chop sticks, incense sticks, etc. It could also be a source for developing paper industry.

The states' high literacy rate could be a strength in attracting IT industry for which,

however enhancing the IT infrastructure will be essential. The State is in the process of acquiring its first medical college and university that is coming up well in the outskirts of Aizawl that could also potentially offer some seats for students of Chin and Rakhine States of Myanmar.

ONGC has begun exploration of oil/gas at a block that is between Aizawl and Zokhawthar. If successful, it could make a tremendous impact in the State's growth potential. In any case, making available adequate power will be critical for ensuring rapid industrial development of the state.

The state is proposing to set up an SEZ at Khawnaum village in Champhai district. Already, under the ASIDE scheme of the Union Ministry of Commerce it is also in the process of setting up Border Trade Centres at Farkawn and Sangau at a cost of Rs. 8 crore each. The project was approved in 2012-13 and initial funding has begun in 2013-14.

4.3.2 Trade and Investment Opportunities in the Rakhine State

The Rakhine state of Myanmar with a population of around four million is relatively backward in terms of economic progress and the Myanmar government is keen to promote accelerated development. They look upon the Kaladan project as a window for solving some of the economic (and political) problems facing the region. While the state has several agricultural resources that could allow contract farming as a possibility, availability of bamboo and fish were repeatedly mentioned as needing effective marketing and export.

- Establishing a new industrial zone at Ponnar Kyun is also being viewed as a priority about which following details were made available:

- Ponnar Kyun is located 18 km from Sittwe that is accessible both by road and Kaladan inland waterways. Around 1800 acres of land has been identified for development as industrial zone. Land presently belongs to local farmers, but they are willing to give the land if adequate compensation is made, at around US\$ 1000 per acre.
- The project expects power supply to be available by the first quarter of 2015.
- Paddy is the main crop cultivated now in the area. There is no organised bamboo plantation but bamboo is available as raw material for home construction from nearby villages approximately 10 km from the site.
- Supply of human capital is not expected to be a problem. Graduates from nearby technical universities are looking for jobs.
- Contract farming is popular among the entrepreneurs. Same model can be considered for fishing industry as well.

The viability or otherwise of Ponnar Kyun is also to be evaluated in the context of the Kyaukphyu SEZ that is coming up not far from Sittwe. Kyaukphyu is a deep sea port that has already been developed by China as a transit point with a large storage facility for importing crude oil from the Gulf region which will then be sent through a cross country pipeline traversing whole of Myanmar to Yunnan province of China. Gas from the A1 and A3 block, (partly owned by ONGC and GAIL), that are not far from Sittwe/Kyaukphyu, will also be transported through a parallel pipeline from Kyaukphyu to Ruli in China. A consortium of companies led by Singapore's CPG Corporation has recently been chosen to

undertake the consultancy work for developing Kyaukphyu SEZ that will include the deep sea port, and industrial zone and residential developments. For Indian companies, both Kyaukphyu and Ponnar Kyun could be potential areas for investment. If surplus gas is discovered in the area, Kyaukphyu could also be developed as a petrochemical complex. Location of garment units at Kyaukphyu or Ponnar Kyun also become possible if import and export facilitation can be ensured. Availability of competitive labour is a favourable factor. Possibilities could also be explored for a large pulp and paper mill that can source bamboo from both Rakhine and Mizoram states. Captive plantations will, however, need to be developed. Fishery units set up near Sittwe and Kyaukphyu could also become major sources of export to Calcutta through vessels that return after their logistic supply missions ferrying goods destined for north east region.

4.4 Conclusion

The foregoing sections have brought out the various trade, investment, education and other exchanges which may become easier and feasible if the connectivity corridors through Moreh, Zokhawthar and Zorinpui take shape by road, railways and inland waterways. Even as many individual initiatives are already under consideration such as the setting up of a township at Moreh, developing a multi-product SEZ near Thoubal in Manipur, building an agriculture SEZ in Mizoram, establishing an industrial zone in Ponnar Kyun or getting the private sector to invest in a pulp and paper plant or a cement plant, it is important to encapsulate all of them in a larger strategy that is also able to address

some of the institutional and infrastructural gaps that exist. It is critical, for example, to have trained manpower available that will in turn require some training institutions to be set up. An industrial training centre could, for example, come up in Mizoram or in Rakhine State of Myanmar. Likewise, training of traders and others involved in border trade will be essential. Meeting the needs of electric power will be another aspect that will need a great deal of planning depending on the nature of industries that are likely to come up. Such a strategy could also seek to spur a degree of competition between the Moreh-Tamu connectivity corridor, which can be expected to be used by Manipur, Nagaland, Arunachal Pradesh and upper Assam and the Rhi-Zokhawthar and the Kaldan corridors which can be expected to be used by Mizoram, Tripura, Lower Assam and Meghalaya.

To conceive and implement such a strategy, it is recommended that a high level inter ministerial body (Committee of Secretaries) with the participation also of Manipur and Mizoram State Governments be established that may also consult trade and industry. Such a Committee may also need to closely monitor progress in the connectivity projects. As a complement to it, a ministerial level bilateral mechanism may also be considered between India and Myanmar that can ensure coordination, timely assistance in project implementation apart from putting in place bilateral arrangements necessary for smooth and efficient transportation and transit. If successfully completed, the development corridors will not only bring accelerated development to Western Myanmar and North East India, but also help to forge closer bonds between the two countries.

A Note on How Trade is Organised through Myanmar-China Border at Muse/ Jiagao Border Trading Point

This note is recorded on the basis of information provided during my (Dr. V.S. Seshadri, Adviser, RIS) visit to Muse on Myanmar's border with China when I spent a full day (29 August 2013) in visiting the various facilities and in meetings with border trade authorities, the Deputy Commissioner of Muse District and members of Muse-Namkham Chamber of Commerce. Discussions were also held with the officials of the Government owned Myanmar Economic Bank and the privately owned Amara Bank. No visit could, however, be made to the Chinese side of the border. Dr. Janakiraman, First Secretary (Commerce) from the Embassy accompanied me throughout the visit to Muse.

1. Overall Trade and Its Nature

While overland trade between China and Myanmar takes place through three identified crossing points, Muse remains border trade point through which a majority of trade is transacted. Indeed that remains the trade

point for over 50 per cent of all bilateral trade and this percentage is even higher in terms of Myanmar's exports to China. Also, bulk of the trade through the Muse border is largely between Myanmar and the Yunnan province of China, even as, it was also learnt, Yunnan passes off agricultural products imported from Myanmar as its own 'regional product' to other provinces of China. It did not appear that the border point was currently handling any transit trade between China and Thailand.

Muse is located at about 112 miles from Lashio, the main town in northern Shan State. Lashio in turn is 165 miles north of Mandalay. Much of the entire road from Mandalay goes over hilly terrain with winding lanes and the average time taken to cover the whole distance is over 12 hours by truck. The road is double laned and in good condition, although landslides appear to be a regular feature on the Lashio-Muse segment. At many points, workmen were trying to clear the debris and pave the affected portions. But considering

that over 200 heavy duty trucks (most are 22 wheeled 54 tonners) pass over them from each side every day, apart from various other trucks and vehicles, the maintenance of the road by a private company (Asia World) is not bad at all. The company does, however, collect a toll from passing vehicles.

Jiagao is the Chinese town located on the other side of Muse, although Ruili (in Myanmar it is called Shweli) is a larger town a few km further away. Tall buildings and the industrial units with chimney outlets in both these towns are easily visible from Muse, giving an indication of bustling cities, a striking contrast to Muse that has very few good hotels or well stocked shops and no big industry.

Trade figures of both imports and exports of Myanmar with China through the Muse border are given in Table A.1. For 2012-13, Myanmar's exports to China amounted to US\$ 1584 million and China's exports to Myanmar amounted to US\$ 1153 million, through Muse. One can expect, with several possible outlets along a somewhat porous border, trade may be taking place also through them informally but the assessment of one trader was that recorded trade should account for at least 75 to 80 per cent of actual trade flows.

The main items of export from Myanmar are primary agricultural products including rice, maize, pulses, vegetables and fruits and fishery items apart from jade and other

gemstones. On the other hand, imports from China into Myanmar are fertilisers, machinery, motorcycles, steel products, fruits such as apples, pears and oranges and Hybrid seeds, cotton yarn, garments, milk powder, electrical and electronic appliances.

2. Border Gates

There are three main border crossing gates at Muse. The biggest of them (Gate No. 2), ceremonially done up, allows passage of people along with any baggage (or head loads) they may have but not with vehicles. Gate No. 3 is for heavy trucks carrying goods and Gate No. 1 is for passenger vehicles, small goods vehicles and people crossing from each side to the other.

Chinese trucks and other vehicles can come into Muse but only up to the 105 mile Muse Trade Zone, that is located seven miles into Myanmar territory. Myanmar trucks are allowed to go into China to unload their goods or for loading of Chinese exports to Myanmar at the clearance zone in Jiagao. While two wheelers freely move from one side to the other within a restricted space, Myanmar registered cars and other vehicles are not permitted to move much inside China. Many Muse families, however, also own Chinese registered vehicles for travel within China.

Every Myanmar citizen is freely, and without any fee, permitted to go into China

Table A.1: China-Myanmar Trade through Muse (105 Mile) Trade Zone (million \$)

Sl. No.	FY	Export	Import	VOT
1.	2001-2002	133.875	111.875	245.750
2.	2002-2003	182.290	135.986	318.276
3.	2003-2004	221.175	156.835	378.010
4.	2004-2005	280.417	218.165	498.582
5.	2005-2006	280.495	189.757	470.252

with a temporary passport that is issued by Myanmar authorities. They are allowed to be in China for six to seven days at a time and have to stay within a 90 km radius from the border. From the Chinese side, traders are permitted to come into Myanmar and travel freely up to the 105 mile zone, which is seven miles from the Muse border town.

3. Mode of Carriage of Goods

Heavy goods are carried by trucks. Indeed, most of the heavier vehicles are 54 tonne trailer trucks having 22 wheels. These are all Myanmar registered trucks and have been bought from China or Japan. While most are owned by Myanmar traders or logistic companies, it was also learnt that in some cases Chinese traders have lent them to Myanmar counterparts on temporary basis. There are over 200 to 300 such trucks plying the route every day with the numbers peaking during the melon and mango seasons. Containers appear to be rarely used, however, and loaded trucks are simply covered by tarpaulin firmly secured. There are also smaller trucks, pick-up vans, etc., to ferry goods in smaller quantities.

The system followed appears to be that Myanmar trucks have to pass by Gate No. 3 in the border and discharge the goods at the Chinese clearance site where they are then transferred to Chinese trucks. Empty Myanmar trucks also ply into China through Gate No. 3 for picking up goods exported by China to Myanmar. There are certain instances where Chinese trucks also come into Myanmar through Gate No. 3, particularly for fishery items and for taking certain agricultural products. In brief, the area between Muse border point and the 105 mile zone located seven miles away, acts as a buffer with flexibility for movement of Chinese trucks and people. It does not, however, appear that similar

flexibility exists for the movement of Myanmar trucks into the Chinese side beyond Jiagao trade zone that is apparently quite close to the border. On the other hand, China appears to offer greater flexibility for Myanmar nationals to go beyond border town up to 90 km into China for making their purchases, etc.

4. Inspection of Goods at 105 Mile Trade Inspection Zone

The Muse Border Trade Inspection Zone is a vast 48 acre site, set up in 2006, where inspection of export and import of consignments takes place normally from 8.00 a.m. to 6.00 p.m. These timings are extended in case of trucks with perishable goods that have to be quickly cleared. Both imports and exports arrive by Myanmar trucks when they enter the zone. Customs, immigration, police and revenue authorities all have their offices under one roof in the middle of the zone with the team led by a Director from the Department of Border Trade of the Union Ministry of Commerce. There are also smaller offices on either side, one for export clearance and another for import inspection. The facilities are well laid out that enable simultaneous inspection of 24 export laden trucks and 13 import carrying ones. For each inspection, one customs officer and one customs investigator are assigned and they are able to handle the heavy load of work, since the total strength of customs officials at the zone is 90. The strength of officers representing the various departments at the zone may be seen in the Table A.2.

The main purpose of export examination is to impose an advance income tax (a unique 2 per cent tax in Myanmar which is refunded once the exporter submits his tax return). On the other hand, in respect of imports, the taxes levied are customs duty, commercial tax and advance income tax. There are no food testing

Table A.2: Officers and Staff assigned at Muse (105) Mile Trade Zone

Sl. No.	Department	Officer	Staff	Total
1.	Trade Department	7	39	46
2.	Custom	3	86	89
3.	Myanmar Police	1	80	81
4.	Inland Revenue	1	11	12
5.	Myanmar Economic Bank	1	9	10
6.	Immigration	1	41	42
7.	Agriculture Department		6	6
8.	Food & Drug Department	1	2	3
9.	Livestock Department	1	1	2
	Total	16	275	291

laboratories at the border zone. For such tests samples are sent to Nay Pyi Taw and it takes about a week to get the results. It, however, appears this is not resorted to often. (Poultry imports from China are currently banned.) There is also an X-ray facility for examining the cargo. Mounted on a Swedish made truck, this X-ray equipment is a gift from China. Again, this facility is used only sparingly.

5. Import Licensing System

Three types of licenses are given. One is a temporary license for a limited amount (Myanmar Kyats 10 lakh equivalent to approximately US\$ 1000), basically for small traders which allows a registered trader to import these items within a period of one week. These are given quickly on application. The second type of license is granted for larger imports of products which are regularly imported and these are again generally given quickly unless the import quantities are very large in which case the need for it will be examined. The third type of license is for items which are not normally imported. Depending upon the items concerned, the time taken for approval may be much longer. We did not, however, hear any complaint about import license being a difficult issue which

is a big change from the time of the earlier government when exports had to be made to be able to import.

6. Payment System

At the meeting held at the Muse-Namkham Border Trade chamber of Commerce, the RIS team was informed that trading between the two countries was possible through a bank draft payable in Yuan given by the Muse branch of Myanmar Economic Bank that had entered into MoUs for this purpose with three Chinese Banks, viz. Agricultural Bank of China, China Construction Bank and Industrial Commercial Bank of China. During the team's meeting with the officials of the Myanmar Economic Bank, however, the Manager conveyed that in recent months the bank has not issued any bank draft since there had been no request for the same. On further enquiry with some traders, it was learnt that trade now takes place more through informal payment arrangements. Most Myanmar traders have opened Yuan accounts in Chinese banks across the border. There are also a number of money changers on Myanmar side who are able to transfer, in lieu of Myanmar Kyats given to them, equivalent amount of Yuans to the traders

account in China (from the money changer's account held in China). Of course, traders engaged in both imports and exports manage their payments or receipts through their bank account in China. It is learnt that many traders have turned to this mechanism to keep their transactions away from the knowledge of the Government and to avoid paying income tax, etc. What was most interesting to note is that for opening an account in a Chinese bank the Myanmar citizenship card is adequate for a Myanmar trader and he is able to operate his account himself or through a trusted courier who presents account details and password.

7. Facilities on Myanmar Side

The 105 mile Trade Zone also has various other facilities for promoting trade in a large 340 acre area surrounding the 48 acre Trade Inspection Zone. Some of the facilities including warehouses and cold storages are owned by private companies, a few by the Government and some by Trade Associations. In fact, the most recently set up was the Border Rice market, managed by Myanmar Rice Federation (MRF) (Photographs at the end of this note) where samples are displayed of various rice consignments that are already loaded and awaiting exports between the border and the 105 mile trade zone. The Chinese buyer comes to the Rice Market, looks at the various samples and the prices shown against them and makes his deals. Apparently, all these activities used to take place on the Chinese side earlier in a disorganized manner. After the establishment of MRF rice market, both the Myanmar traders and the Chinese importer feel satisfied that the price received/paid by them was in line with market trends. Similar exchanges have also been set up for fishery items like crabs and eels, frozen fish (cold storage), vegetables and fruits and pulses and oilseeds.

8. Trade Organisation and Monthly Review

The Muse-Namkham Chamber of Commerce has a large membership of over 6000 members out of which 800 are active. The Chairman, Mr. U Htay Oo in fact accompanied me to all the meetings and visits throughout the day and was most helpful. He also took us to his rice godown and showed us how each individual consignment was actually traded and transported. In one specific case, the Chinese truck had come into Muse and the transshipment from the Myanmar truck to Chinese truck was taking place close by his godown.

The Chairman said that the Chamber was able to take up issues raised by various members with the government authorities with whom they held periodic meetings. Furthermore, they had monthly meetings with their Chinese counterparts which again led to a good level of understanding between the two sides and helped in quickly resolving problems. An yearly China-Myanmar Border Trade Fair is also held, alternately on either side of the border. This started in 2001.

9. Industrial Zone

Enquiries about the industrial zone that has been set up in 105 mile area did not elicit much response. Apparently this is still in its early stages, although a few factories have been set up for processing bulk imports of many items from China, which are then packaged in consumer packs and labelled for sale in the Myanmar market. Both in Jiagao and Ruili, there are known to be bigger industrial zones.

10. Role of Nepali-Myanmar Community

A note on the Muse border trade point will be incomplete without a mention of the Nepali

Myanmar Community, whose members are estimated to be around 250,000 in the whole of Myanmar. Some among them are involved in the import of Chinese goods at Muse. They also keep supplying members of the same community at Tamu where many of the 900 or so shops in the Namphalong market belong to them. A key representative of this community (Mr. Krishna) accompanied me for all the meetings and assisted in translation. Mr. Krishna informed me that he had been requested to do so by Mr. Htay Oo, Chairman of the Muse-Namkham Chamber of commerce, for whom he used to work earlier. Mr. Krishna himself has now business interests in Mandalay and Tamu and is largely involved in garment imports from China. The community consists of at least 150 families in Muse (a large temple has been built by them between the 105 mile zone and the Muse border) and they are generally small traders who get the temporary license (under Kyats 10 lakhs) and keep importing from China from time to time, transport them to Tamu and to Rhi-Zhowkathar, the border trade point between Mizoram and Chin states. Apart from garments they also import, they told me, several items including electrical and electronic goods, torches, leather goods, small generators, kitchen appliances and utensils, toys, etc., basically the same set of items that is seen in the Namphalong market. It appears that the community gets along fairly well with the authorities. (At a dinner hosted for the RIS team by Mr. Htay Oo, the guests included the Deputy Commissioner and few other members of the Chamber. Also present on the occasion were five members from the Nepali Community including their President.)

11. Conclusion

While each border trade point can be expected to have its uniqueness depending on situation

on either side, trade through Muse border point appeared quite smooth and well regulated and following aspects, it is felt, are worthy of note:

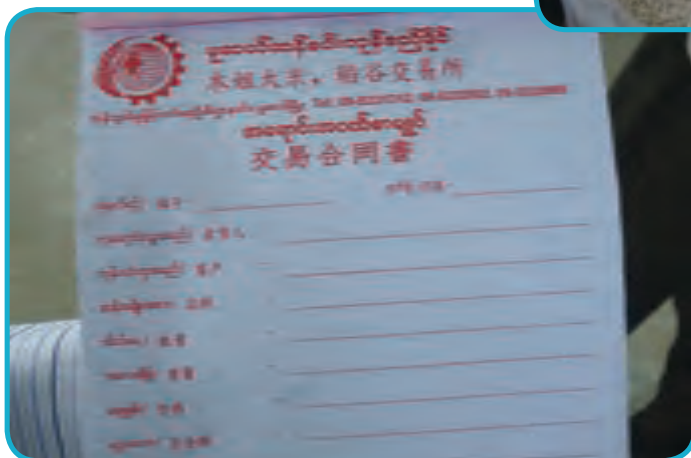
- Adequate staffing of Integrated Check Post (ICP) with a coordinator heading it from Department of Commerce.
- Well planned Layout of ICP.
- Effective checking at one point (at 105 Border Trade Point) and no further hassles along the way to Lashio, reducing transaction costs.
- A Buffer Zone between 105 mile trade zone and actual border that allows more flexibility for seller-buyer inter face, transfer of goods from seller's truck to buyer's truck, etc., and other options. The commodity exchanges have further facilitated trade.
- A more informal payments system not involving any other international currency.
- Regular review mechanism between the authorities on the two sides with the local chambers playing an important role.
- Reasonably well maintained roads leading up to the border. This is even as the nearest large town to Muse on Myanmar side is Lashio, over 170 km away, and the further larger town Mandalay, being over 400 km away. The entire road length is also mostly on hilly terrain.
- Good set of heavy trucks, numbering over 300, that appear relatively new and in good condition. There appeared to be a good regulation of vehicular traffic and nature of trucks used.



Trucks on the Main Muse Road



Rice Samples on display with quoted price and truck numbers



Paper to be filled in once contract is finalised between buyer and seller



MRF Rice market entrance



Rice stocked in the godown of the Chairman of Muse-Namkham Chamber



A 22 wheeler Trailer Truck



Meeting at the Muse-Namkham Chamber of Commerce (seated on the left is the Deputy Commissioner of Muse District. On his right is U. Htay Oo, Chairman of the Chamber).



*Officials at the 105 mile Trade Zone.
To the left is the Head of the Zone, Director of Border Trade.
To his right is the Head of the Customs Wing*



The building housing the X-ray facility at the 105 mile Trade Zone

Steps For Import License

1. An importer must apply import license to Border Trade Office. The application form must be attached the following sheets.
 - a. An application form with a stamp for six Ayats.
 - b. A copy of Registration card for the exporter and the importer.
 - c. A copy of the identity card of association of Border Merchants Member.
 - d. Limited (Ltd) Registration Card and Special Power Or General Power.
 - e. Sales Contract.
 - f. Proforma Invoice.
 - g. Packing List.
 - h. A copy of export license.
 - i. Origin of Cusdec-2.
 - j. Recommendation of Myanmar Economic Bank for Bank Balance.
 - k. Respective Foreign Trade Bank Saving Books (Export in FE only).
2. An applicant will receive the import license if he or she apply completely.
3. After paying license fee to Myanmar Economic Bank the applicant must take Import License at the Directorate of Border Trade.
4. After taking Import License the applicant must take Cusdec-1 at Customs House and must go to Revenue Department. Revenue Department will calculate for Cusdec-1 Tax and 1.5% Trade Tax. The Applicant has to pay calculated tax to Myanmar Economic Bank.
5. Finally, the importer must show the import License and other needed bank receipts to Man Wah Import/Export gate and he or she can carry importation goods with trucks. The trucks must stop at 105-mile import gate and respective persons will be checked the trucks.
6. To check the trucks the importer must fill up the form showing kinds of goods, type of amount and total amount.
7. If the form presented by the importer is right, responsible persons will sign and issue a check list form.
8. After receiving a check list form, the importer must take out Cusdec-1 at transportation department of Directorate of Border Trade.
9. After being checked by respective departments the importer can manage to carry goods to the terminal and with needed documents.

Steps for Import license

Steps For Export Licence

- An exporter must apply an export license by enclosing the following papers
- (a) An original applying form with the letter head of Company.
 - (b) An export form with a stamp for six ayats.
 - (c) Flib. Contract.
 - (d) Invoice.
 - (e) Packing List.
 - (f) Registration Card For the exporter and the importer.
 - (g) Identity Cards (Member of Association of Border merchants and member of (MBOC).
 - (h) Number of Company Registration.
 - (i) Job description of company agents in Special Power.
 - (j) Certificates of respective departments.
 - (k) Letter of keeping promise.
 - (l) Bank Receipt of 10% payment to the Revenue Department.
 - (m) Letter of keeping promise for sales contract.
 - (n) Informed letter for goods processing.
 - (o) An exporter must apply for (DFT) if he or she gets special chance from (City Customs House).

Steps for Export license



Inspection of a truck underway at the platform behind



Inside the X-ray facility. Truck housing the facility can be seen



Export Inspection Office



Export Inspection Platform. Twelve trucks can be parked on either side



The main office of 105 miles Trade Zone



The eel and crab commodity trading center



*Fruit and Vegetable Commodity exchange.
Platform to enable buyers to view fruits already
loaded in a truck.*



Fisheries cold storage facility of a company



*Display of samples of different types of pulses, beans and corn
(different grades) for the advantage of buyers to choose at the
Pulses, Beans, Maize, Sesames & Agriculture Produce Commodity
Exchange, Muse (105 mile Trade Zone)*



Conference Hall / facility at the Pulses, Beans, Maize, Sesames & Agriculture Produce Commodity Exchange, Muse (105 mile Trade Zone)



Close up shot of (first gate) border trade crossing/ gate where people, goods, small cars, vans of both Myanmar as well as Chinese vehicles can cross. This has Chinese customs/immigration facilities.



Close up shot of short wall between Myanmar & China at the border.



Middle gate – for the head loads and people – also the most impressive gate



Middle gate – for the head loads and people



Close up shot of middle gate. Left side.



Road/trucks near the third gate meant for heavy trucks



Full view of third gate. A large truck waiting at the left gate on China side.



Full view of third gate. Large trucks up to 22 wheels, cars, vans, people can cross. Exit/Entry.



Border fence near the above gate



Myanmar office near the above gate.



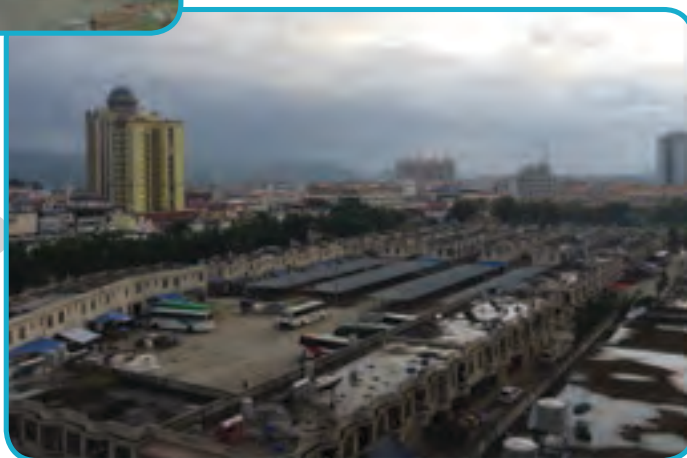
Transfer of goods between trucks (Myanmar side)



Transfer of goods between trucks (Myanmar side)



Chinese truck close up shot displaying Chinese number plate in Myanmar side.



Panoramic view of Muse taken from the Muse side. Green vegetation in the middle demarking Myanmar and China. Jiagao Town (China) visible beyond the Vegetation

**Seminar on
“From Connectivity Corridors to Development Corridors
between India and Myanmar”**

Nay Pyi Taw, 28 November 2013

Welcome Address by Ambassador Shyam Saran
Chairman, RIS

Mingalabar! Good Morning

His Excellency, Mr. U Thar Ye, Chief Minister of Sagaing Region; Her Excellency Daw Lei Lei, Deputy Union Minister for National Planning and Economic Development; His Excellency Ambassador Mukhopadhyay, Distinguished delegates, Ladies and Gentlemen.

Let me extend a warm welcome to all of you to this important Seminar that RIS is organising in close collaboration with the Union Ministry of National Planning and Economic Development of Myanmar, the Myanmar Development Resources Institute (MDRI) and the Embassy of India in Yangon. We are very encouraged by the importance that the Myanmar Government is attaching to the subject of our discussion today. I would like to extend a special word of welcome to H.E. U Thar Ye, Honourable Chief Minister of the Sagaing Region that has common borders with three of our north eastern states. The Sagaing Region has a very critical role in any land connectivity corridor that we are seeking to develop along our long border. I must also express a special welcome to H.E. Daw Lei Lei, Deputy Union Minister for National Planning and Economic Development for having consented to attend the inaugural session and give a keynote address as also convey thanks to her Ministry for extending all assistance in holding this seminar.

The objective behind holding this Seminar is to see if we can identify ways to develop the connectivity corridors that the two countries are trying to put in place so that these corridors become beehives for promoting industrial and other economic activities. Along the long border there can be many corridors taking shape, with some already beginning to sprout, but the most important, and trade wise significant, is the Tamu-Moreh crossing that has already been a formal border trade point for close to two decades. It has potential to develop in terms of relatively easier access that it can provide further into both countries inland. If we can devise a good model of conducting trade through this border that is mutually beneficial, encourages all trade to take place formally, facilitates movement of goods smoothly and with minimal cost and delays this will enable trade to expand and enable contiguous regions to benefit.

There are many reasons why such a proposal is more likely to succeed now than may have been possible earlier. Firstly, under the new Government in Myanmar the economy is being opened up, foreign trade and investment regime is being liberalised and there is an effort to promote accelerated growth and development. Secondly, following the Indian Prime Minister's visit to Myanmar in May 2012, India is committed to assist in the construction of the 120 km Kalewa-Yargyi segment of what could become the trilateral highway and to repair the bridges on the Tamu-Kalay/Kalewa friendship road that already exists. If these are accomplished, and if Myanmar Government also completes the Yargyi-Monywa highway construction, we would have in place seamless all season road connectivity from Tamu to Mandalay that can be covered in 7 to 8 hours time. Travel even by trucks between Imphal and Mandalay should become possible in 12 to 14 hours time. In India itself road and rail connectivity to Moreh and Imphal is being further improved. There are expectations that by 2020 we will have full rail connectivity up to Imphal. This will then make it much easier for goods from Myanmar going through Moreh to reach rest of India and also for the transport of goods in the reverse direction. I am sure we will have more details about the current state of progress and possible dates of completion about these connectivity projects during the next technical session.

As for strengthening the border clearance infrastructure on the Indian side, construction has begun on the setting up of an Integrated Customs Post at Moreh and more details about this will be presented at the next session by a senior representative from RITES that is the management consultant for this project. I must mention the very useful inputs that we have been able to gather, from the RIS Survey Mission led by Ambassador V.S. Seshadri, when the Mission visited in September this year, the 105 mile trade Zone at Muse and the various border gates and other infrastructural facilities that have been set up on Myanmar side. We are looking forward to hearing from Myanmar participants in this Seminar about the plans that Myanmar may be having in expanding the border trade centre that you have already established at Tamu. It will be very good if we could have some discussions on how the two sides can coordinate the various facilitational measures and other clearance arrangements even as they are in the process of being set up.

Excellencies, Ladies and Gentlemen,

Even as these border trade and connectivity infrastructures are being strengthened and improved, we need to plan generation of economic activities along these corridors and create production and processing centers whose output can then be marketed widely using these corridors. The North Eastern States of India and the Sagaing and other neighbouring regions of Myanmar are rich in agriculture produce. Processing them with modernised rice, oil, cotton or sugar mills will bring added value. Processing of horticulture products, which are already taking place can be further expanded and modernised. Generating value added timber and timber-products is another area. There are also various minerals that provide prospects for mining and establishing cement plants or steel plants or downstream copper industries from where copper is being produced. Of course, if we wish to see an industrial belt, then the electric power shortage will first need to be addressed. How can the North Eastern States and the Sagaing and the other regions work in a synergistic manner in addressing these needs? The Manipur Government is taking some

steps in the form of a new industrial policy announced earlier this year, a food park coming up near Imphal and some specialised hospitals and diagnostic centers offering their services. The Manipur Government is also planning to establish a township at Moreh and we will have the opportunity to hear a presentation about the outlines of this proposal.

It will be extremely useful to also know the plans of Sagaing Region in this regard. A discussion on these could help the two sides to conceptualise a more coordinated and synergistic development that can derive far more benefit from the connectivity corridors.

Excellencies, Ladies and Gentlemen,

There are, therefore, many important issues for the Seminar to address. I do not expect that in this Seminar we may be able to grapple with all the issues and come out with a blue print. There are several other actors including trade and industry associations, local leaders, and non-governmental organisations, whose inputs may be necessary. But if we can get a better idea of the vision, plans and priorities from the two sides then this would be extremely useful guidance in trying to fuse them into a larger overall approach which can then be sought to be implemented.

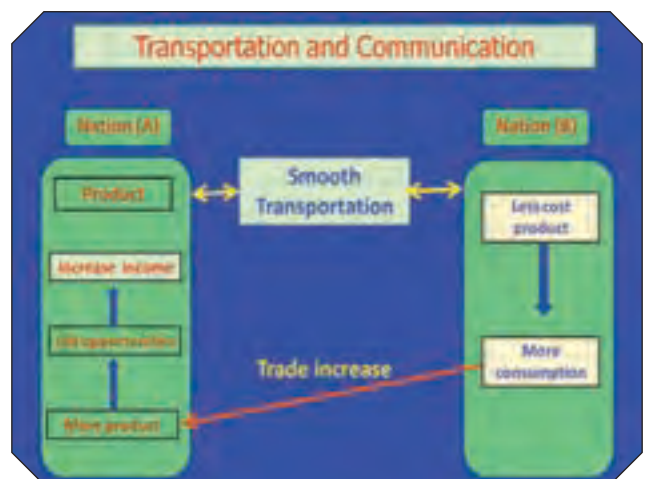
Before I conclude, it will be necessary for me to thank on behalf of RIS the Government of Myanmar for all the facilities and courtesies extended to enable the holding of this Seminar. I would also similarly extend my thanks to the Embassy of India and its officials for all the efforts they have taken to ensure that we have a good discussion. We have sought to actively collaborate with MDRI, who are participating with two resource persons. We hope this could be the beginning of a more enduring partnership between MDRI and RIS. The Manipur University is also represented by Dr. Priyoranjan Singh, a very reputed academic. Finally, I would like to thank all the presenters and participants for having kindly accepted our invitation.

Once again, a very warm welcome to all of you.

Thank you.

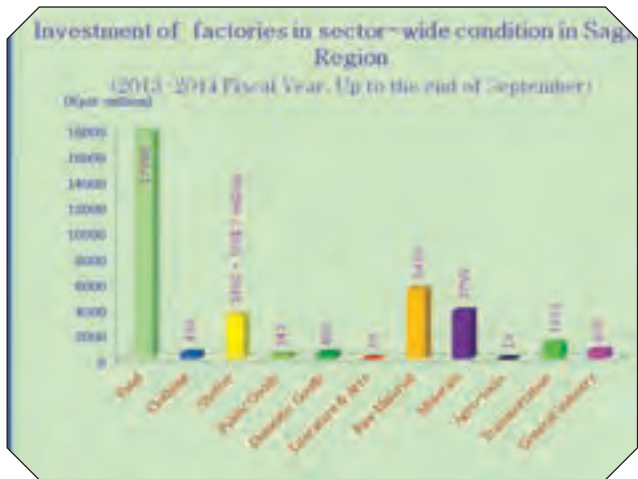
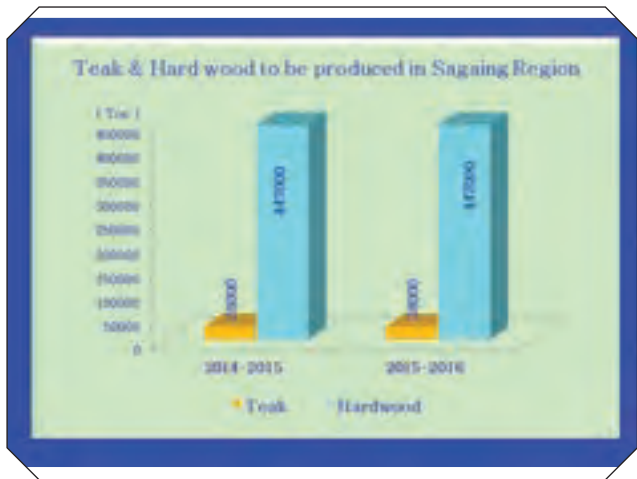
Sagaing Region Government From Connectivity Corridors to Development Corridors between India and Myanmar Seminar

- H.E. U Thar Ye, Chief Minister of Sagaing Region











Opportunity of Investment in Sagaing Region

Power Plant	Water Treatment Plant	Drinking Water
Gold Mining	Logistic Transportation	
Gold Production	Tourism	Agricultural
Silver Mining	Agricultural Process Factory	
Silver Production	Finish Products Packaging Factory	
Copper Mining	Food Packaging Factory	
Copper Production		
Coal Mining		
Coal Production	Jade Production	
Jade Mining		



Development Planning and Aid Coordination in Myanmar

-Dr. Wah Wah Maung, Deputy Director General
Foreign Economic Relations Department, MNPED



A series of specific political reforms



- political dialogue with Daw Aung San Su Kyi.
- free and fair bi-election.
- release of prisoners
- developing civil society in Myanmar.
- free discussion at the parliamentary meeting.
- invitation of the exiles back to our country, policy consultation with multi stakeholders for the national development.

Political Inclusiveness



Daw Aung San Su Kyi who has taken up a seat in the parliament and assumed the chair of its commitment to the rule of law.

Some prominent Myanmar expatriates are returning to Myanmar for the first time in more than 20 years and sometimes staying to contribute directly to nation building or engaging in open discussion of change and reform even during brief visits.

Second Stage of Economic and Social Reform



- FESR
- Quick Wins, Long term development
- People centered Development
- People Centered Government
- Close cooperation, coordination and collaboration among the ministries, regional and local governments

Third stage of Reform : Public administrative reforms



- administrative reforms which would pave the way for ensuring the good governance and clean government
- Better service delivery
Rule of Law
- Training
Mind Set reform
Bottom up Initiatives

As part of efforts for the emergence of a good governance and clean government, an Action Committee against Corruption is formed to fight against corruption and bribery in government organizations (January 8 2012).

Fourth stage of Reform : Private Sector Development reform

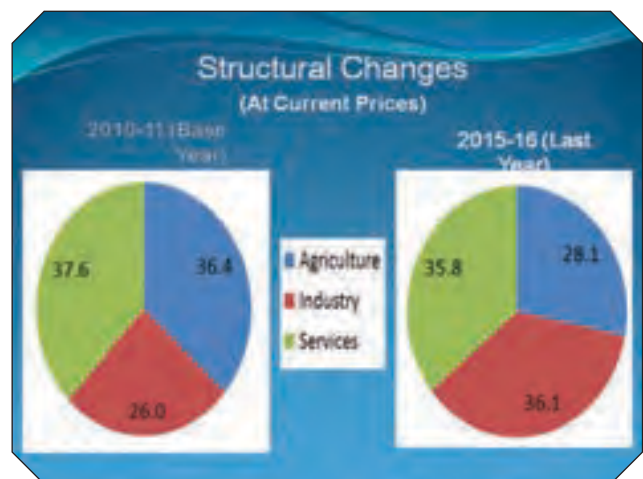
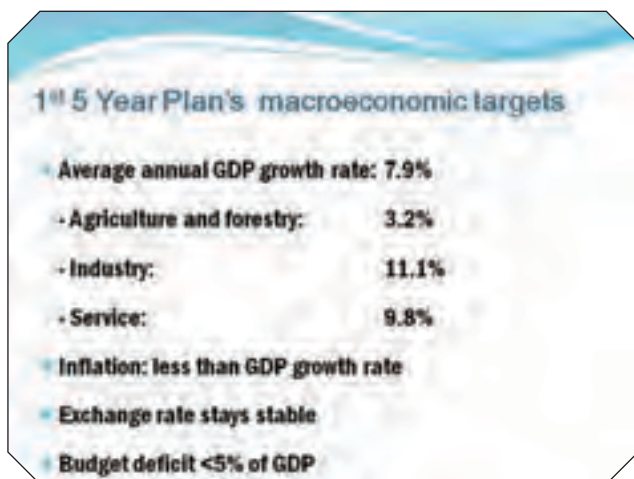


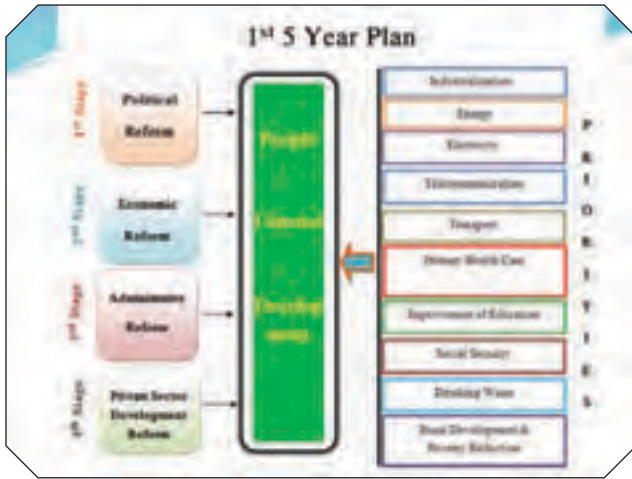
- Integrating into Global Market Access
Primary Economic Laws
Macroeconomic Stability
Infrastructure
- Technology Transfer
Credit Access
Standardization
- Business Ethics
International Training
Laws
Management

Myanmar in Triple Transitions



- Peace
War to peace
Post-conflict reconstruction
- Economy
Planned to market economy
Economic reforms
- Democracy
State/guided to inclusive democracy
Political reforms





Myanmar's Economy Today

- + GDP in 2012 about USD 55 billion
- + Per Capita Income USD 896
- + Agriculture sector 36% of GDP, 70% of the employment
- + Very low investment and saving ratios (Below 15% GDP)
- + Traditional Primary Exports (Gas, Minerals and Gems) over 90% of total
- + Most FDI in energy and mining only
- + Current account positive until past 3 years as imports being liberalized
- + Very low fiscal revenues
- + Social indicators (health and education) expenditure is still low

Trade and Investment are the engine of growth

- Business laws, rules and regulations for the company registration are being amended and improve for the faster processes.
- Some laws, rules and regulations are to be amended and some laws will be enacted
- Foreign Direct investment Law amended
- Revised Foreign Investment Law and it will create more economic opportunities and business friendly environment.
- Special Economic Zone Law, Dawei SEZ Law
- Necessary law such as Competition Law, Consumers Protection Law are also under process.



Seven Priority Areas



First Myanmar Development Cooperation Forum Introduced Nay Pyi Taw Accord

- Localization of Paris Declaration
- First Myanmar Development Cooperation Forum (January, 19-20, 2013)
- Adopted Nay Pyi Taw Accord: Declaration on Aid Effectiveness

Aid Management Institutions



* Financial Control Commission and other committees chaired by the President/Minister/Secretary work with Myanmar's local and Regional levels as well as consultation with donors' committees.

* MARD is working towards a follow-up system for AID Effectiveness.

Quick wins for short term

- Sustainable development , but, quick wins are also important.
- Poverty intended to reduce 2 % per year
- Short term therapy ?
- Matching short term plan/ program of donors as well as project duration and type of support with our priority areas and regions

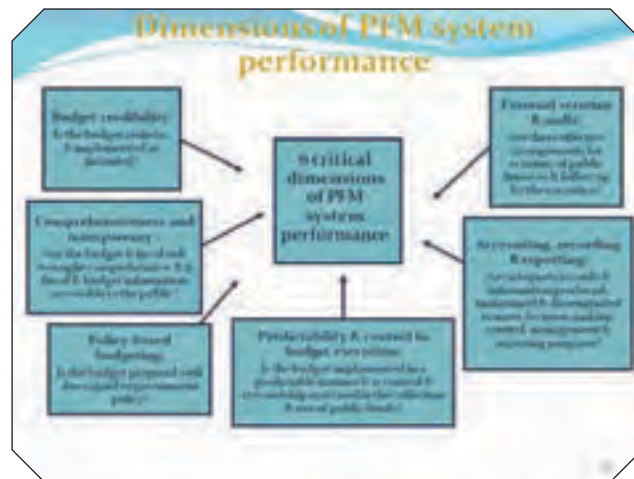
Prospects of Achieving MDG-1 in Myanmar



Source: WDI (1997, 1998), WFP (1996, 2000) India/China (1990, 2007)

Monitoring and Evaluation (M&E) for Aid Effectiveness





- ## PFM Reform Package
- Modernizing Financial Rules and Regulations
 - Bottom Up & Top-down Budgeting
 - Medium-Term Budget Framework
 - Reforms in State Owned Enterprises
 - Fiscal Decentralization
 - Organizational Reform
 - Human Resources Development
 - ICT development for an enhanced PFM

Cooperation with regional economy as well as international economy

- We are ready to cooperate with any country.
- Now closely working with ADB, IMF, World Bank and WTO
- And we are also closely working with UN organizations and its affiliates and INGOs for the rural development and poverty reduction in Myanmar.
- We very much welcome the removal of economic sanctions from EU and US.

The block includes three photographs: the first shows a group of men in suits shaking hands; the second shows two men in suits standing together; the third shows a group of men in suits standing in a line.

India-Myanmar Relations

India

- India-Myanmar relations: rooted in shared historical, ethnic, cultural and religious ties.
- India and Myanmar share a long land border of over 1600 km

Myanmar

- India and Myanmar signed a Treaty of Friendship in 1951.
- Exchange of High Level Visits
- Trade and investment relations
- 500 million Concessional Loan from India Exim Bank.

Relations

- Grant Assistance: SMEs Development, India-Myanmar Industrial Training Centre, Myanmar-India Centre for English Language, India-Myanmar Centre for Enhancement of IT Skills (IMCEITS)
- Jamsil-Kalewa-Kahmyo road, construction and upgrading of the Rho-Tiddim Road in Myanmar; the Kaladan Multimodal Transport Project.
- Border Trade, Trade Fair and market promotion

- ## As a member in the family of nations,
- Myanmar will be participating more actively in the activities of the United Nations in various fields.
 - Standing as a responsible and respectable nation on the world stage
 - Take the challenges of the 21st century in a bold and resolute manner
 - Myanmar should be viewed from a different and new perspective
 - It is also necessary for us to be able to work in a more conducive and favourable environment than never before.

Government Medium Term Strategy

- Reforms: in line with the Implementation of Istanbul plan of actions
- government is taking ownership and leadership for our own development.**
- An **integrated approach** is also applied with the participation of all stakeholders including international community.
- Peace and security, development and human rights are also promoted** by conducting political, economic and institutional reforms
- committed to carry on for the sake of our people as well as **to achieve MDGs** and to actively contribute towards the **maintenance of international peace and security.**

Priorities Areas

1. **Poverty reduction and rural development** (Agriculture and rural development (including agriculture, irrigation, forestry and aquaculture))
2. **Economic infrastructure** (Trade and investment liberalization and facilitation, Electricity, Roads, Ports, SEZ, Railways, Telecommunication)
3. **Social infrastructure** (health, education and training, population and development and some other areas).
4. **Preservation of environment and natural resources management**
5. Strengthening **Institutional development and capacity building, developing human resources, technology transfer**; enhancing the research and capacity development.

Investment Sector

- According to the Foreign Investment Law, a total of 571 foreign enterprises in 12 sectors from 32 countries were permitted with the total pledge amount of **US\$ 42545.227 million** up to the end of May, 2013. Among them, **Thailand ranks the second position**
- Among the investment in 12 sectors of the economy from 32 countries:
 - the **first leading sector is Power** accounted for 45.23%
 - the **second leading sector is Oil & Gas** accounted for 33.79% and
 - the **third leading sector is Mining** accounted for 6.65% of the total permitted amount of foreign investment.

Development Potential : Strengths and Risks

Growth Targets and Aspirations

- **Low growth Scenario:** 5-6% to 2030; Per Capita GDP USD 2000 in 2030
- **Middle Growth Scenario;** 7.5-8.5 % to 2030; GDP at USD 3000
- **High Growth Scenario;** 10-11% to 2030; Possible given Myanmar Advantages; Per capita GDP in 2030 at about USD 4800 (6 times current level)

Looking forward closer cooperation with India.



Cooperation Intention

Thank you for your kind attention!

Cooperation between India and Myanmar on Connectivity Projects

-Mr. Puneet Agarwal, Director, Ministry of External Affairs

Cooperation between India and Myanmar on Connectivity Projects

November 28, 2013
Nay Pyi Taw

Connectivity Projects

- INDIA-MYANMAR-THAILAND TRILATERAL HIGHWAY
- KALADAN MULTI-MODAL TRANSIT TRANSPORT PROJECT
- RHI-TIDIM ROAD PROJECT

India-Myanmar-Thailand Trilateral Highway

- Establishment of a 1360 kms long Trilateral Highway from Moreh (India)/ Tamu (Myanmar) to Myawaddy (Myanmar)/ Mae Sot (Thailand) via Myanmar was agreed by the three Governments in April 2002.
- The India-Myanmar-Thailand Joint Task Force on Trilateral Highway met in New Delhi in 2012.
- Agreed to work towards completion of the Trilateral Connectivity by 2016.
- Indian Commitments include:
 - Section I - Tamu-Kalewa Road (160 kms) and 70 bridges
 - Section II - Kalewa-Yagyi (120 kms)
- India's assistance for construction/ upgradation of 70 bridges and Kalewa-Yagyi announced during PM visit to Myanmar in May 2012.

TRILATERAL HIGHWAY

MAP OF PROPOSED INDIA-MYANMAR-THAILAND HIGHWAY

The map shows the proposed route of the trilateral highway connecting Moreh (India), Mandalay (Myanmar), Yangon (Myanmar), and Mae Sot (Thailand). The Bay of Bengal is also indicated.

Section - I: Tamu - Kalewa Road (Length- 160km)

The map shows the route of the Tamu-Kalewa Road section, starting from Moreh-Tamu and passing through Kalemyo, Kyigone, and Kalewa.

- BRD completed upgradation of 132 kms, handed over to Myanmar (2009)
- Remaining 28 kms require rebuilding/strengthening.

Upgradation of 70 Bridges on the Tamu-Kalewa Road

The map shows the upgradation of 70 bridges on the Tamu-Kalewa Road, with labels for Myanmar, India, and Thailand.

- Consultant to be hired through open tender for preparation of feasibility report
- Bids to be opened in December 2013.
- Feasibility report expected to be completed in 5 months after award of work

Upgradation of Kalewa—Yagyi Road (120km)



- Consultant to be hired through open tender for preparation of feasibility report
- Bids opened on 22nd November 2013.
- Award of work likely in December 2013
- Feasibility report expected to be completed in 5 months after award of work



Inland Water Transport (IWT) from Sittwe Port to Paletwa :158 Km

- Development of Sittwe Port
- Development of IWT Terminal at Sittwe & Paletwa
- Construction of 6 Barges

Road from Paletwa (Myanmar) to Zorinpui (Mizoram) : 121 Km

DPR for the road component prepared by IRCON ISL, shared with Myanmar

- Construction to be undertaken in two packages
- IRCON ISL appointed as PMC for road component
- LCS proposed at Zorinpui, Mizoram

Progress

Port and Waterway component expected to be completed by June 2014.

The physical progress of the waterways component till October 2013 is 72 %.





Myanmar's Opportunities and Challenges: Connectivity to India-ASEAN Economic Community

-Ms. Cindy Joelene, Research Associate,
Myanmar Development Resource Institute



Myanmar's Opportunities and Challenges: Connectivity to India – ASEAN Economic Community

Myanmar Development Resource Institute
Center for Economic and Social Development
Presenter: Cindy Joelene (Research Associate)
cindy.ceid@gmail.com

Overview

- India's Connectivity with Myanmar and ASEAN
- Opportunities for Connectivity with ASEAN
- Opportunities for Connectivity with Myanmar through Trilateral Highway
- Challenges for Connectivity with Myanmar and ASEAN through Trilateral Highway
- Myanmar Connectivity with India and ASEAN
- Recent Developments
- Challenges for India-Myanmar-ASEAN connectivity
- Excerpt from Mid-Term Review of the Implementation of AEC Blueprint: Executive Summary – (ERIA)
- Areas where India could contribute
- Policy Recommendations

India's Connectivity with Myanmar and ASEAN

ASEAN

- 1992 – Prime Minister Narasimha Rao formally launched India's "Look East" policy.
- 2003 – India-ASEAN summit held in Bali, three broad accords were signed:
 - 1- A comprehensive economic cooperation agreement
 - 2- a pact aimed at combating terrorism, and
 - 3- an agreement facilitating India's accession to ASEAN's Treaty of Amity and Cooperation.
- 2010 – Indian – ASEAN signed (FTA)
- Indian-ASEAN Commemorate Summit was organized in New Delhi in December 2012.

India's Connectivity with Myanmar and ASEAN

MYANMAR

- Has a long history ties with culture, language and religion.
- Before, Myanmar and India have good foreign relationship but trade and investments were not the first priorities that driven the relationship.
- Myanmar's opening and improved relations with India gives opportunity to boost trade and security ties with mainland and maritime Southeast Asia.
- Myanmar has significant land links with China, Thailand and Southeast Asian countries through Land, Air and Marine.
- Within these land links, the initiation of India-Myanmar-Thailand Trilateral highway is to promote trade and investment in Northeast while connecting a gate-way to ASEAN.

Opportunities for Connectivity with ASEAN

- One third of India's external trade is with its East Asian Neighbours and the share will grow.
- India's South-east Asia together constitute one-fourth of humanity and have a combined gross domestic products (GDP) of \$3.8 trillion and India seeks to expand trade with ASEAN from its current \$80 billion to \$100 billion by 2015 and \$200 billion by 2022.
- Economic engagement with India can also help further ASEAN's connectivity agenda and its pursuits of an ASEAN Economic Community to be achieved at least in principle by 2015

ASEAN – India Connectivity: New Corridor Projects



The map illustrates various connectivity corridors between India and ASEAN member states. Key projects shown include the India-Myanmar-Thailand Trilateral Highway, the India-Myanmar Economic Corridor, and the India-ASEAN Maritime Connectivity. The map also shows the location of the RIS (Myanmar Development Resource Institute) in Myanmar.



Opportunities for Connectivity with Myanmar through Trilateral Highway

- Myanmar is India's true Gateway to the ASEAN markets and recently has opened up its economy to Asia and the world.
- As part of the "Look East" policy, road projects in the northeast to connect the country with Myanmar and also to connect it to the Southeast Asian region including Thailand. Completion of this road is targeted 2016.
- Unlapped potential of power and energy sector where regions can work in a collaborated way for mutual benefits.
- Northeast has endowed with medicinal plants and herbs the pharmaceutical sector has potential for development in the state.
- Northeast connectivity is expected to boost the current growth rate of industrialization and promote regional development of Mandalay and Sagaing Region through trade and investments.

Opportunities for Connectivity with Myanmar through Trilateral Highway

- India's potential trade with Mandalay would be on Handloom and handicrafts.
- "Wood based industry, where several states of the region produces commodities based on bamboo and wooden products." _ U Thar Aye (Chief Minister, Sagaing Region)

Challenges for Connectivity with Myanmar and ASEAN through Trilateral Highway

- March in Manipur and Tamu in Sagan has been the main gate for the border trade between India and Myanmar where some parts are not monitored well.
- Even though border trade is significant, the exported products are from China.
- Myanmar SMEs are not developed enough to compete in international market.
- Power and Energy dearth in the Region would be one of the issue that India has to deal with.
- Infrastructures are still developing and will take sometime to finish.
- Labour and land acquisition which has also affected road development in the region.
- India is still under trade compared to China and Thailand and it needs a lot of effort to reduce the trade deficit between India and Myanmar.
- Political implications and security preventing from development and peace.

India's Trade with Myanmar

Years	2007-08	2008-09	2009-10	2010-11	2011-12
Exports	173.20	161.05	275.13	156.96	343.01
Growth %/A	-7.00%	39.91%	38.42%	3.91%	
Imports	897.25	961.46	798.84	1,029.23	1,044.64
Growth %/A	17.89%	-17.75%	30.14%	1.50%	
Total Trade	1070.45	1122.51	1073.97	1186.19	1387.65
Growth %/A	28.94%	-3.47%	16.47%	11%	

Source: Government of India, Department of Commerce

- Trade deficit scenario between India and Myanmar need to be reduced through the development of infrastructure and right connectivity. This will also help in reducing investment related problems in the region. In this regard, the Northeast Region has a prime role to play and the macro economic scenario should be made as robust as (under) "Gaulam Multiphathary, Indian Ambassador to Myanmar"

Myanmar Connectivity with India and ASEAN

- Regionalism and globalization has made Myanmar to be part of ASEAN.
- To have a confident and better relationship among member of ASEAN.
- Strengthening of external security.
- To foster regional development through trade and investment - creating job opportunities and reducing poverty rate.
- Peace and stability within the region.
- Plan to increase GDP and decrease unemployment rate.

Myanmar - ASEAN Cooperation for Economic Development
 Myanmar Exports to ASEAN (Kt in million)

	2000-01		2001-02		2002-03		2003-04		2004-05	
	Value (Total)	%	Value (Total)	%	Value (Total)	%	Value (Total)	%	Value (Total)	%
Singapore	104.3	25.6	96.8	19.6	117.3	5.8	112.7	7.4	100.0	2.0
Malaysia	40.81	1.6	147.3	2.9	471.1	9.2	540.4	2.8	332.2	2.0
Indonesia	--	--	299.4	5.7	221.6	4.2	100.5	1.8	205.2	3.1
Philippines	6.22	0.07	222.2	2.8	37.8	0.2	73.2	0.8	147.8	0.8
Thailand	447.0	11.1	344.9	6.9	141.3	2.8	190.4	10.1	174.0	4.2
Vietnam	--	--	0.01	0.00	29.5	0.2	221.8	1.0	299.8	0.7
Lao PDR	--	--	--	--	-2.8	-0.01	8.95	0.0004	--	--
Cambodia	--	--	4.1	0.02	--	--	--	--	--	--
Bruce	--	--	2.09	0.02	1.4	0.01	8.95	0.02	4.01	0.02

Source: Statistical Yearbook 2005

Myanmar Imports from ASEAN (Kt in million)

	2000-01		2001-02		2002-03		2003-04		2004-05	
	Value (Total)	%	Value (Total)	%	Value (Total)	%	Value (Total)	%	Value (Total)	%
Singapore	312.8	8.6	2818.7	17.3	3866.6	24.2	4246.2	28.1	5101	24.8
Malaysia	143.5	4.0	311.8	1.8	796.8	5.1	810.3	5.0	471.1	2.0
Indonesia	17.27	0.3	850.3	4.8	194.3	1.1	196.1	1.2	768.4	3.3
Philippines	1.26	0.02	0.25	0.00	25.2	0.1	41.8	0.2	71	0.2
Thailand	154.2	4.1	1638.8	12.8	1476.7	14.1	1876.2	11.9	2295.8	11.1
Vietnam	--	--	10.4	0.1	42.7	0.2	17.2	0.0	148.8	0.6
Lao PDR	--	--	--	--	1.1	0.01	--	--	--	--
Cambodia	--	--	--	--	--	--	--	--	4	--
Bruce	0.04	0.0001	0.01	--	--	--	--	--	--	--

Source: Statistical Yearbook 2005

- ### Recent Developments
- Economic Reforms
 - New Tax Law
 - Foreign Direct Investment Law
 - Unifying exchange rate
 - Central Bank Reform
 - Infrastructure Development

- ### Challenges for India-Myanmar-ASEAN connectivity
- Myanmar still need to meet deadlines for ASEAN
- Myanmar is well aware of the need to accelerate measures to integrate with the ASEAN economic scheme but lack of human resource and capacity continue to hamper any efforts to move forward.
 - Myanmar needs to improve trade facilitation, financial liberalization and domestic reforms.
 - Myanmar needs to improve transport facilitation to promote connectivity and economic integration.
- Myanmar's backwardness in infrastructure of the ASEAN highway network, lack of foreign investment in Lao PDR, leaving the remaining below 10% of total road in Myanmar, infrastructure of ASEAN cooperation of them are interconnections of widening.

- ### Challenges for India-Myanmar-ASEAN connectivity
- International investors and international organization demand for decision making is very high.
 - Apart from the official versions and UN sponsored reports, there are very few reliable assessments for local economic conditions and performances.

- ### Excerpt from Mid-Term Review of the Implementation of AEC Blueprint: Executive Summary (ERIA)
- Custom**
- Custom Department needs to be improved to meet the standard of other ASEAN members.
- Agriculture**
- Agriculture development is still behind mobilizing the partnership between public and private sectors. Improving agricultural infrastructure development for sustainable food production. Promotion of agricultural innovation, research and capacity building programs.

Excerpt from Mid-Term Review of the Implementation of AEC Blueprint: Executive Summary _ (ERIA)

SMEs

- Formulation, enactment and implementation of SME Laws and Development Policies in Myanmar is still needed.
- Financial system is still not working well for SMEs and at least 90% of SMEs at present are unable to obtain loans.
- Capacity building programme for Myanmar SMEs is also important.

Areas where India could contribute

- Software of systems: the customs codes, trade facilitation, regulatory regimes, training and capacity building that facilitates the antivirus software helps deal with the downside of greater connectivity and includes addressing health and environmental challenges, as well as nontraditional security concerns such as human trafficking.
- SME developments: India Model for SMEs and providing capacity building program.
- Education: Skills development for better labour and reducing unemployment rates.

Recommendations

- In order to expand the trade between Myanmar and India across the border, It is important for the both governments to take necessary steps to upgrade existing border trade to normal trade, by lifting or expanding the list of tradable items.
- A proper management of the country of origin by Myanmar government would be of crucial importance, to keep the trade under control.
- A proper policy environment and moderate improvement of road infrastructure. Moreh/Tamu border can become an important gateway connecting India and Myanmar, and further to China and Thailand.

Recommendations

- Power and energy dearth in the Region should give urgent and special focus – developing the infrastructure and power scenario of the region.
- Aug 9th 2013 – President’s speech has identified to invest in communication and information technologies and technology know-how to improve banking, trade and investment and also the government structure.
 - For AMALJUNGLE WINDOW, Pan-administrative and Pan-market infrastructure needs and investment opportunities will be key.
 - To support a FDI inflow from such investments, greater attention to infrastructure would be required and discussed.

Recommendations

- Seven Priority Areas by the President
 - Reduce supply.
 - Adopting banking and engineering standards.
 - Small and medium enterprises and industrial development to create more job opportunities.
 - Boosting the agricultural industry on which a majority of population rely and poultry industry by increasing incomes of the farmers.
 - Tourism industry as a catalyst for rapid economic development.
 - Setting trade investment target which are engine for economic development.
- Coordination among concerning ministries and departments that are involved in the connectivity process.
- Policies and programs need to be monitored and implemented.

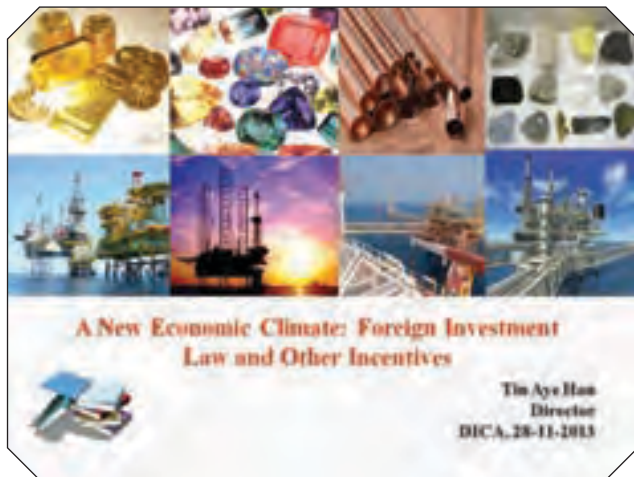
Foreign Direct Investment Flow into Myanmar from ASEAN

Country	11-1-2007			11-1-2013		
	Number of Projects	Amount (USD million)	% of Total Investment	Number of Projects	Amount (USD million)	% of Total Investment
Brunei	--	--	--	2	3.04	0.007
Singapore	70	1541.6	20.8	83	2367.0	5.2
Malaysia	31	351.1	2.0	43	3031.3	2.5
Indonesia	11	280.0	3.2	12	241.5	0.6
Thailand	49	1290.2	17.4	61	968.1	22.9
The Philippines	3	146.7	1.9	2	146.7	0.4
Cambodia	--	--	--	--	--	--
Lao PDR	--	--	--	--	--	--
Vietnam	--	--	--	5	811.8	0.9

Source: Directorate of Corporate Administration and Investment, Ministry of National Planning and Economic Development.

A New Economic Climate: Foreign Investment Law and Other Incentives

-Daw Tin Aye Han, Director,
Directorate of Investment and Company Administration (DICA)



Myanmar in Brief

- Over 60 million population with working age of 37.35 million, 62.25% of total population
- Largest country in ASEAN after Indonesia
- Geo-strategic location between China and India
- Land Bridge between Middle East and South East Asia
- Rich in Natural Resources
- Diverse Climate Conditions
- Large domestic market
- Relatively low wage
- Good Relations with all 7 communities
- Members of ASEAN and regional FTAs and international organizations such as GMS, ACMECS, WTO, UN etc.

Vision

- To become a modern developed nation that meets the aspirations of its people for a better life.

Current Reforms for Investment Facilitation and Accountability

Foreign Investment Law

- The Foreign Investment Law (2nd November 2012)
- Foreign Investment Rules (31st January 2013)
- Myanmar Investment Commission Notification No. 1/2013 (31st January 2013)

Formation of Myanmar Investment Commission

According to the Notification No.41/2013 dated on 1st May 2013, under the aegis of the provisions of the existing investment laws, the government of the Republic of the Union Myanmar reorganizes the Myanmar Investment Commission as follows:

HE U Win Shun Union Minister for Ministry of Finance & Revenue	Chairman
HE U Win Hsun Union Minister for Ministry of Environmental Conservation & Forestry	Member
HE U Zeng Aung Union Minister for Ministry of Rail Transportation	Member
Dr Binat Shun Union Attorney General Union Attorney General's Office	Member
Dr Aung Win Thein Economist	Member
U Nyunt Tin Ambassador (Retired)	Member

Source: IBCA

Formation of Myanmar Investment Commission (Cont.)

U Win Khin Chairman of the Myanmar Engineering Association	Member
U Aye Thinn Retiree, Deputy Director General, Directorate of Investment and Company Administration	Member
U Aye Khin Khin Nye Entrepreneur	Member
H. E. Dr. Kao Zin Vice Minister for Ministry of National Planning & Economic Development	Secretary
H. E. Thinn U Thinn Linn Deputy Minister for Road Transportation	Joint Secretary

Source: MICA

Functions of DICA

As Secretariat Office of the AIC

- Scrutinizing the Investment Proposals
- Assisting To Solve The Difficulties On Investment Issues
- Provide information to Investors and coordinate with the relevant Ministries

Business Administration and Registration

- Business Registration
- Business Administration

Business Activities

- ✓ Restricted or prohibited activities
- ✓ Business activities only to form joint venture with citizens
- ✓ Business activities permitted with specific conditions
- ✓ Reserved activities for local citizens

Forms of Investment

The diagram illustrates four forms of investment:

- 100% Foreign Owned (represented by a blue figure)
- A Citizen or Concerned Government Organization (represented by a blue and pink figure)
- Any System Included in the Mutually Agreed Contract (represented by a blue and pink figure)
- Joint Venture (represented by a blue and pink figure)

Application Procedure

- Fill up prescribed form (1) signed by promoter
- 100 % Draft contract or JV Contract
- Draft Lease agreement
- EIA/SIA report (big project)
- For resource-based industry, submit through concerned Ministries
- For non-resource based, submit directly to MICA

Project Assessment Team

- ☐ Officials from MNPED : DICA, PAPRD
- ☐ Ministry of Finance & revenue: Customs, Internal Revenue Dept
- ☐ Ministry of labour:
- ☐ Ministry of Electric Power
- ☐ Ministry of Construction: DHSHD
- ☐ Ministry of Industry
- ☐ Ministry of Commerce
- ☐ Ministry of Conservation and Forest

If necessary, to be included experts from respective Ministries.

Project Assessment Team

- ❑ Officials from MNPED : DICA, PAPRD
- ❑ Ministry of Finance & revenue: Customs, Internal Revenue Dept
- ❑ Ministry of labour:
- ❑ Ministry of Electric Power
- ❑ Ministry of Construction: DHSHD
- ❑ Ministry of Industry
- ❑ Ministry of Commerce
- ❑ Ministry of Conservation and Forest

If necessary, to be included experts from respective Ministries

Project Assessment Team

MIC issues permit if it is accepted

After get the recommendations, the proposal submit to MIC

When the commission has acceptable the proposal, Commission shall request the recommendations from Nay Pyi Taw Council or relevant Region or State Government, Ministry of Environmental Conservation and Forestry and concern ministries

The acceptable proposal shall be submitted by the Commission

PAT meeting (once a week)

Appointment of Staff and Workers

- ❑ Appoint Citizens employees, technicians and service personnel for skilled businesses as follows :
 - (a) First 2 years 25%
 - (b) Second 2 years 50%
 - (c) Third 2 years 75%
- ❑ Unskilled labour must be Myanmar Citizen

Appointment of Staff and Workers (Cont.)

- ❑ The foreigners who work at the investment business under the permit shall submit and apply for the work permit and the local residence permit issued by the Union.
- ❑ The investor shall:
 - (a) Conclude an employment agreement
 - (b) Carry out to enjoy the rights contained in the existing labour laws and rules and employment agreement;
 - (c) Settle the disputes in accord with the relevant existing laws.

Key Incentives

- 5 years tax holiday
- Further tax exemption/relief for an appropriate period in case if it is considered beneficial for the State

key incentives (Cont.)

Exemption/Relief of Customs Duties and/or Other Internal Taxes

- Imported machinery & equipment – construction period
- Imported raw material – first 3 years of commercial production

key incentives (Cont.)

Exemption/Relief of Customs Duties and/or Other Internal Taxes

- Imported machinery & equipment
(volume of investment is increased and original investment business is expanded during the permitted)

Exemption/Relief of Commercial Tax

- Exports

Guarantees

- No nationalization and expropriation.
- No termination during the permitted period.
- Right to repatriation.



Foreign Investment Flows into Myanmar



Foreign Investment Flows into Myanmar

Investment Filing Enterprises by Country as of October 2011

No.	Country	No.	Amount/Investment (Million US\$)	%
1	China	30	1421.62	37.71
2	China (HK)	84	697.72	18.04
3	Republic of Korea	75	387.24	10.00
4	Thailand	101	378.31	9.75
5	U.S.A.	100	199.26	5.18
6	Singapore	89	127.87	3.32
7	Indonesia	89	104.81	2.73
8	Malaysia	42	103.04	2.70
9	Japan	42	47.34	1.23
10	India	42	27.48	0.71
11	Spain	37	147.72	3.79
12	United Kingdom	37	14.55	0.37
13	France	37	11.65	0.30
14	Germany	37	10.71	0.28
15	Canada	37	10.59	0.27
16	Belgium	37	10.28	0.26
17	Philippines	37	11.63	0.30
18	Republic of Indonesia	37	11.63	0.30
19	Malaysia	37	11.63	0.30
20	United States of America	37	11.63	0.30
21	China (Taiwan)	37	11.63	0.30
22	China (Mainland)	37	11.63	0.30
23	China (Hong Kong)	37	11.63	0.30
24	China (Macau)	37	11.63	0.30
25	China (Singapore)	37	11.63	0.30
26	China (Other)	37	11.63	0.30
27	China (Total)	37	11.63	0.30
28	Other	37	11.63	0.30
29	Total	37	11.63	0.30

Road Map for FDI

- labour intensive
- export-oriented value-added
- Hi-tech and heavy investment

Doing Business in Myanmar



Incorporation of Companies

- ✓ **Laws related to incorporation of companies**
 - ✦ The Myanmar Companies Act 1914.
 - ✦ Special Companies Act 1950.
 - ✦ Myanmar Companies (Amendment) Act 1955 and
 - ✦ Myanmar Companies regulations 1957.
- ✓ **The Directorate of Investment and Company Administration (DICA) is responsible for permission and registration of the incorporation of companies.**

Incorporation of Foreign Companies

Types of Business

1. Industry and Manufacturing
2. Hotel
3. Construction
4. Services
5. Travels & Tours
6. Bank Representative
7. Insurance Representative

Note: It is required to acquire the permit of MIC for initiating the businesses of Industry and Manufacturing, Hotel and Construction.

Incorporation Procedures

- Name Approval (Within 1 hour)
- Lodgment of Required Documents for Permit and Registration
(If the types of business are industry and manufacturing, hotels and construction, it is required to get the permit of MIC)
- Issuing of Permit and Registration Certificates

Business Permit

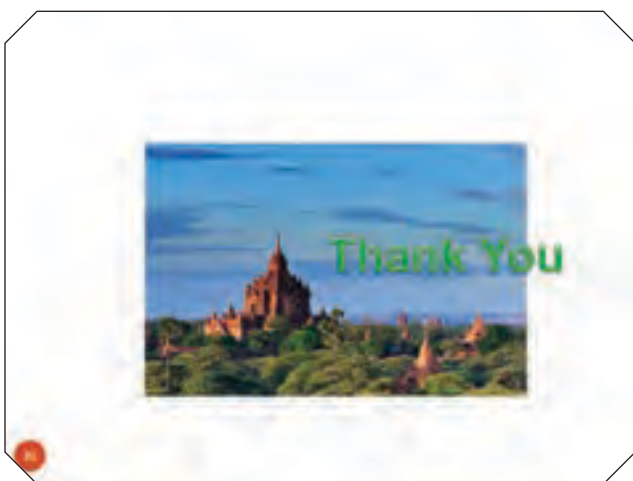
- need to obtain permit under section 27(A) of MCA
- documentary requirements for permit application and registration application can be seen in website: www.dica.gov.mm

Registration Fees

- Registration Fee for Foreign Company Branch Representative Office – Ks.1,000,000/-
- Renewal Fee (per 5 year) – Ks. 500,000/-
- Registration Fee for Changing Name – Ks. 50,000/-

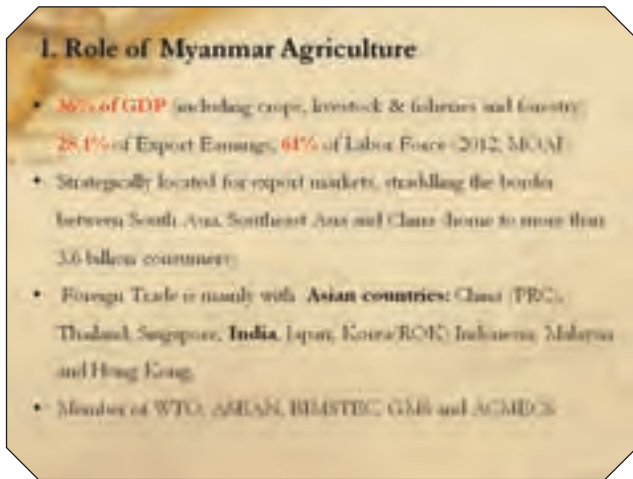
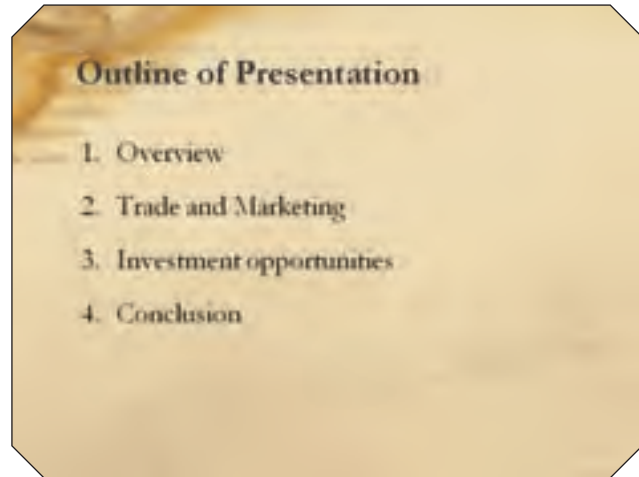
For More Information

- www.dica.gov.mm
- www.facebook.com/pages/DICA/365149220225843



Trade and Investment Opportunities in Agriculture Sector of Myanmar-India Border Area: Sagaing Region

-Ms. L Seng Kham, Research Associate, Myanmar Development Resource Institute



2.4 Myanmar Trade with India

- Two-free markets will emerge along Myanmar and India Border area aimed at developing border regions and alleviating poverty. [will allow 40 items of commodities to trade] (State Media, 2013).
- According to the Border Trade Department's Statistics, Myanmar and India Trade volume crosses 1 billion US Dollars yearly. And FY 2012-2013 crosses 23,943 USD million from Tamu-Moreh Border Trade (Sagaing Region).
- Ministry of Commerce is also pursuing to open border markets on Myanmar-India border. Myanmar has set to expand more markets as India has planned some in the India side too.
- Currently, operational border trade points are Tamu-Moreh (Sagaing) and Rha-Zawkhata (Chin State).

2.5 Myanmar-India Border (Border Trade Points)



2.6 Major Agricultural Commodities at Tamu-Moreh Border Trade Points

Major items Myanmar export to India through Tamu-Moreh	Major items Myanmar import from India through Tamu-Moreh
<ul style="list-style-type: none"> Iron ore Wheat Sugars Iron/Alloys Greening beans Chickpeas Yoghurt Iron Ore Steel coils Ironware/iron Iron and steel products Ironware/iron Others 	<ul style="list-style-type: none"> Wheat and wheat flour Iron and steel finished steel Iron bars and rods Pharmaceuticals Oil and fuel Auto parts & Transport Equipment Motorcycles Electrical machinery Engineering goods Engineering metal Ironware Chemicals and allied products Ironware Others

2.7 Sagaing Region Profile



2.7.1 Land Use Pattern by Districts of Sagaing Region

No.	District	Total Land Area	Cultivable Land		Fallow Land		Forest		Barren %
			Area	%	Area	%	Area	%	
1	Sagaing	813624	470948	58					
2	Alibon	2411885	1894718	78	118711	5	81773	3	
3	Shawbi	847118	1488115	175	128993	15	214888	25	
4	Kama	5519655	557232	10	58625	1	288660	5	
5	Kala	2881415	258185	9	11391	0	475774	16	
6	Mau Laik	127488	44950	35	7336	6	40991	32	
7	Taru	1088204	296185	27	39113	4	223887	20	
8	Wama	4784125	118880	2	15284	0	111409	2	
9	Shawbi	1879482	55989	3	4815	0	89144	5	
	Total	2154342	494438	23	141712	7	109792	5	

Source: Govt. Department of Agriculture, Sagaing & Ministry, Haidong

2.7.2 Monsoon Season Crops Cultivated Acre by Crops in Sagaing Region (2012-2014)

No.	Crops Name	FY 2012-2013		FY 2013-2014	
		Cultivated (Acre)	Estimated (Acre)	Cultivated Area (Acre)	Percentage
1	Monsoon Rice	1665214	1851800	1723970	93
2	Bean and Pulses	1079167	1153210	1149425	100
3	Oil Seeds Crops	877601	802202	896138	112
4	Sugarcane	162894	160810	168420	104
5	Cotton	80862	151900	97794	64
6	Vegetables	7147	7820	7818	100
7	Others Crops	1608242	1378880	1614118	106
	Total	5476117	5705902	5677764	96.71

2.7.3 Winter Season Crops Cultivated Acre by Crops in Sagaing Region (2012-2014)

No	Crops Name	FY 2012-2013		FY 2013-2014	
		Cultivated (Acre)	Estimated (Acre)	Cultivated Area (Acre)	Percentage
1	Monsoon Rice	107051	476200	740710	04
2	Bean and Pulses	140553	122950	740710	04
3	Oil Seeds Crops	152534	1495700	21028	01
4	Sugarcane	1021	152000	18617	12
5	Cotton	6458		3129	
6	Vegetables	59416	56300	20899	36
7	Others Crops	755317	675340	340508	51
	Total	4081617	4076659	2057559	50

3. Infrastructure

- sole land bridge between India and ASEAN (cross-border connectivity plays crucial role)
- Currently, roads connectivity works best only for half in a year (with border trade point [Tamu-Morh] through Sagaing Region to rest of Myanmar markets)
- finishing of Friendship Road (Tamu-Kale-Kalewa road project), the India-Myanmar-Thailand Trilateral Highway Project (trading for all year with the whole Myanmar internal markets, with China, Thailand and ASEAN)
- mutual benefits would be offered with regard to trade, tourism, business deals and investment (Flights)

3.1 Market Infrastructure: Commodity Exchange Centre (Monywa)



3.2 Price Dissemination and Information Bulletin



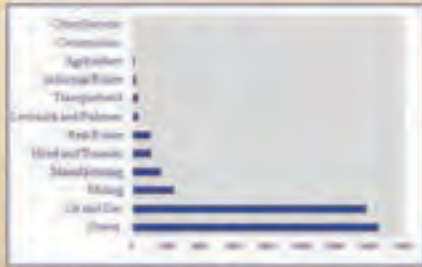
3.3 Price Bulletin and Information Source



3.4 Mandalay Commodity Exchange Center



4. Foreign Investment of Permitted Enterprises Approved Amount (USD million) as of 31.1.2011



Source: CIA, Commercial Yearbook 2011

4.1 Investment Opportunities in Agriculture Sector (Supply Chain)

- **Input Industries** (Seed, Agro-chemical, Agri-Machinery, Irrigation technology)
- **Production and processing industries** (Plantation and Processing)
 - **R&D Industry**
 - + production, processing, value-addition and marketing in all aspects of commodity value chains
- **Wholesale Markets Industry**
- + **Competitive drivers**
 - Transport and Logistics
 - Agricultural Cooperatives
 - Credit and Insurance Industries
 - Quality and Food Safety Institutions
 - Consumer Institutions

4.2 AGRI-FOOD SUPPLY CHAIN – ECONOMIC ACTIVITIES ALONG SUPPLY CHAIN:

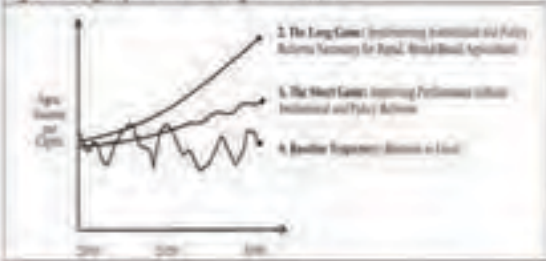


4.3 Myanmar Rice Value Chain ; Strength is determined by weakest links



4.4 Strategic Options for Burma's Agricultural Sector

Figure 1. Strategic Options for Burma's Agricultural Sector



4. Conclusion

- Myanmar will become an **major food supplier of the region** as the next billion is pursued but it must build the country to agri-business development
- **Improve border infrastructure** at Moulmein/Tanintharyi for faster growth (consistent and standards) as border crossing from duties and processes are very important
- Myanmar lacks **country body** could be realized through reforms of physical infrastructure development, effective institutional arrangements and empowered people and more effective implementation of existing and future initiatives (ADB 2011)
- **Financial market development** and market-driven currency exchange rate stability are essential
- **Integration** will bring reduced transaction costs, greater productivity infrastructure services, lower trade barriers, faster communication of ideas, goods and services, rising capital flows. It requires a strong political will not only at the national level but also at the regional level
- Myanmar will remain an **agrarian-based country** for a foreseeable future

4. Conclusion (cont.)

Expected Impact on Myanmar Economy

Strength

- International trade
- Foreign Direct Investment
- Local Investment
- Employment Opportunity
- Higher Wages
- Narrowing Development Gaps
- Regional Stability

Challenges

- Present funding
 - limitation of financial resources
- Environmental Degradation
- unresponsive financial sector in the area of trade
 - poor banking infrastructure and weaker infrastructure
- Lack of coordination between public and private sector. Private sector associations are few in number and weak in strength
- political instability and uncertainty as some part of Myanmar (and also as India's) neighbor, add to the investment risks, lowering the feasibility of cross-border infrastructure development
- Adverse Effects on Local Industries
- Political Influence of Major Investors

In order to achieve and maintain fruitful economic cooperation and successful regional integration, Myanmar and entire Region should have strengthened the followings:

1. macroeconomic, social and political stability
2. financial market development
3. better institutional and business environment
4. consistent and standardized border crossing formalities and procedures
5. low or no tariff and non-tariff barriers
6. managing environment and natural resources to ensure sustainable development, and
- political will, commitment and public-private partnership

Myanmar's Regional Economic Integrations



EDITEC: Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
 GHS: Greater Mekong Subregion
 AHBEL: Ayeyarwady-Chao Phraya Mekong Economic Cooperation Strategy

Opportunities

- Strategic location
- Favorable agro-eco zones
- Underutilized land (5.4 m ha)
- Resource endowment
- Democratic new government
- Domestic openmarket chain
- Favorable environment to go specialty food market

Constraints

- RFD
- HRD
- Weak supply chain management and industrial clusters
- Poor cooperative culture
- Lack of market infrastructure
- Poor export market access
- Lack of financial and legislative framework
- Trade and FDI policy

References:

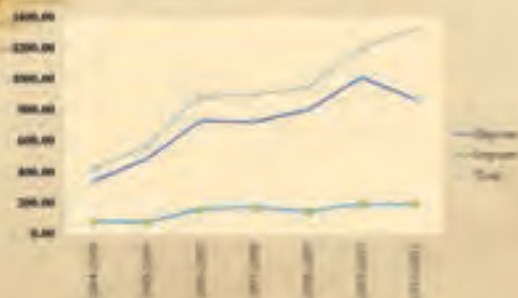
- <http://www.myanmar.com/benefits/trade.htm>
- 9919.tai-free-markets-tu-enews-at-myanmar-mia-benefit-region

1.2 Myanmar's Foreign Trade by Commodity (From 2009-2010 to 2011-2012)

Unit: \$ Million

Sr. No.	Description	FY 2009-2010	FY 2010-2011	FY 2011-2012	Remarks
1.	Export	7586.84	8861.01	9138.00	
(1)	Agricultural Products	273.81	385.71	377.81	
(2)	Animal Products	24.21	33.77	32.50	
(3)	Mineral Products	488.30	488.41	503.21	
(4)	Industrial Products	227.71	227.27	227.26	
(5)	Forest Products	761.21	761.71	761.37	
(6)	Manufacture Goods (Inclusive of mineral products)	228.80	267.34	267.31	
(7)	Others	598.51	581.51	575.81	
2.	Import	4181.40	4421.71	4608.00	
(1)	Capital Goods	1781.51	2488.01	2681.31	
(2)	Intermediate Raw Materials	187.58	228.37	243.01	
(3)	Consumer Goods	1123.89	1305.33	1473.68	
3.	Total	11768.24	13282.72	13746.00	

2.4 Myanmar Total Trade with India, from FY (2004-2005) to FY (2010-2011)



Agricultural Trade Policy

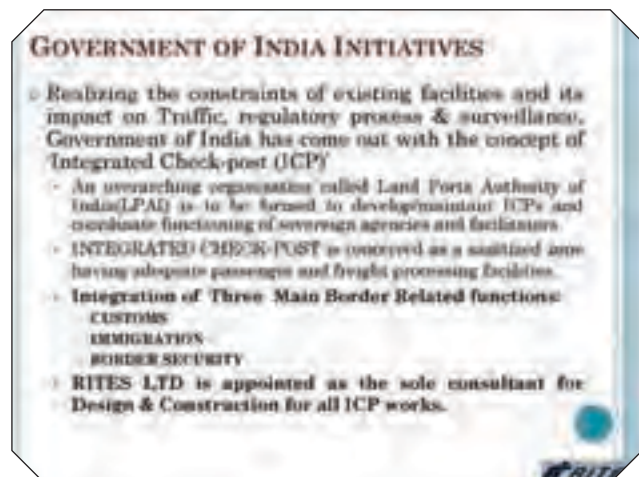
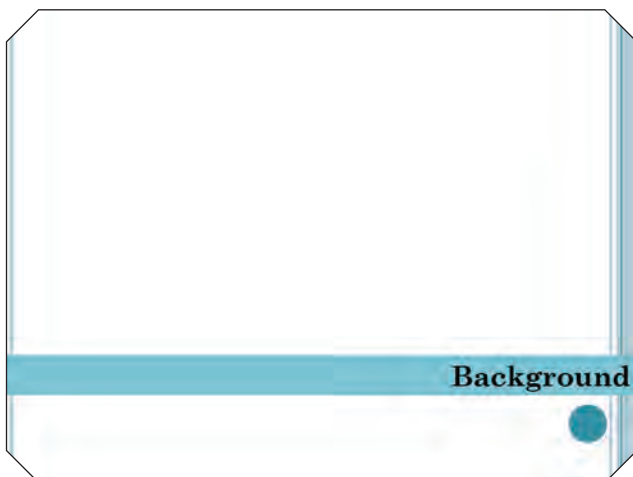
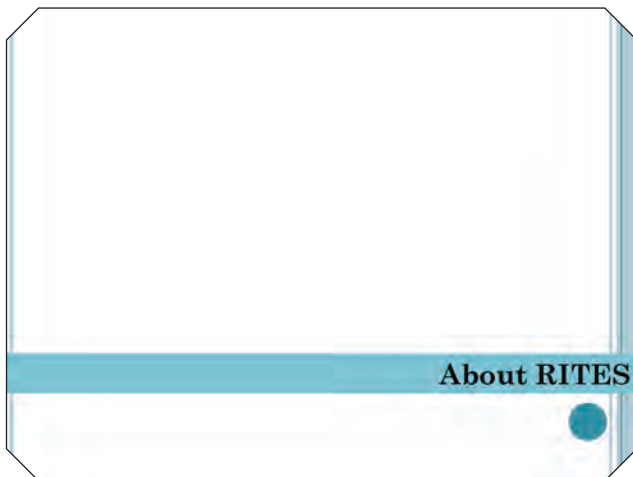
- Domestic Agricultural Marketing
 - Released all government controls on all crops including quota purchase on rice, sugarcane, cotton and rubber
 - Farmers can trade their produce freely in domestic markets

Agricultural Trade Policy (cont)

- Export Marketing
 - Exports of rice is being allowed to private companies based on the assurance of surplus rice
 - Other crops (e.g. pulses, oilseeds such as sesame, groundnut etc. and industrial crops such as jute, kenaf, rubber etc. and fruits and vegetables) have no restriction to export
 - New commodities for value-added agricultural commodities are also being encouraged to export

Proposed Integrated Checkpost at Moreh

-Mr. Y.K. Sharma, Group General Manager, RITES



DESIGN OF ICPs

ICP – GLOBAL PRACTICES


- Unlike Seaports and Airports, where internationally acceptable standards and planning literature is available, Land ports are planned responding to bilateral considerations and process requirement.
- Countries have locally developed their planning documents for creation & functioning of such facilities.
- Land ports, generally responds to a system where vehicle from originating country are allowed to enter in to country of destination under a transport agreement.
- There are very few examples where vehicles are not allowed to enter beyond a designated point. India is one such country for its land borders in East and West.



There are two types of planning models being adapted for ICPs projects.


FIRST MODEL

Model being adapted for Pakistan, Bangladesh & Myanmar borders provides Terminal and Warehouses as filters and vehicles from other country is to unload at these points. After due checks and process passenger and goods are carried in Indian vehicle. Same process followed in other country for Indian outgoing traffic.



SECOND MODEL

- The second model allows for cross border vehicular trade and is adopted for Nepal borders.
- Concept of Primary and secondary check is adopted.
- ICP would have dedicated lanes based on process requirement.
- Sovereign functions will be performed through convenient locations to induce efficiency and better coordination.
- Appropriate facilities such as warehouse, refrigerated sheds, waiting areas, food courts, dormitories etc are integral part of ICPs.
- Surveillance facilities such as Truck Scanners, CCTV, PA System, DFMDs etc are included.




ICP AT MOREH (MANIPUR-INDIA) ON INDO-MYANMAR BORDER

Construction Works in Progress

PROJECT SITE

Moreh, the border town with Myanmar is located on NH-39 at a distance of 110 kms from Imphal and 70 kms from District headquarters i.e. Champhai. This is the only land route feasible for trade with South East Asian countries.

Moreh is a hilly town having a population of about 20,000.

Tamu is the nearest town in Myanmar, only five kms from border.

Dimapur (Nagaland) is the nearest railroad, (325 km away from Moreh)

Tulna Airport in Imphal is the nearest Airport



TRADE WITH MYANMAR

- o The trade between India and Myanmar is undertaken using Air, Coastal and road routes. High valued commodities like gems and jewelry & bulk commodities like wood for coastal shipping. The land border trade that is permissible only through Moreh border is restricted to listed commodities, also involving barter trade.
- o There is a proposal for expansion of this present exchangeable items.

EXPORT ITEMS :

Cement, engineering goods, transport equipment motor cycles, iron, steel, medicine, chemicals and allied products, cotton yarn etc. The other items exported are Wheat-flour, Bleaching powder (but not now), Fenugreek seeds, Ani seeds, Cumin seeds, Soyabari, Dry Chilies, Agarbati, Suman, Rose Powder, Pea, Garlic, Dry Buffalo oil etc.

IMPORT ITEMS :

Beef Nuts, Turmeric, Red Kidney Bean (Rajma), Kuth roots, Gram, Mung Dal, Resin, Reed-brooms, Dry Ginger, etc.

SALIENT FEATURES PROPOSED ICP AT MOREH

Sl. No.	Item	Approx. Area (sq. m)	Keying Features
1	Terminal building (Ground floor)	2200	Entry lounge, VIP Lounge, DOWS, Immigration, Custom check, Bank, Hall for inspection, Duty free area, office, toilet.
2	Drivers Rest Area (2nd)	20 each	Waiting area, toilet.
3	Electric substation	1	100/220 kV busbar
4	Warehouse (perish)	100	Storage space, Supervision cell, Guard room, Station Master room, Post Guardhouse
5	Warehouse (Dry/long)	100	Concluded god shed, Office area, Store and Platform
6	Custom Counter in Semi Building	4 nos	
7	Immigration counter	4 nos	
8	Wash blocks	2	
Security & Surveillance			CCTV 16 camera, Hi-rail & street lighting



TARGETED IMPROVEMENTS

Key Feature	Existing Status	Proposed Improvement
Regulatory Processes	Decentralized	Centralized/Placed
Connectivity	Existing infrastructure is not sufficient	Due to roadblocks in surveillance stations, CCTV, PK system
General Utilities	Not available	Well organized STP Plant, Fire Fighting, Electric Sub Station, Standby (DG Sets), Hi-mast Lights
Support Facilities	Highway	Strategically placed
Security	Virtually non-existent	Fully Secured, Boundary Fencing, Boom Barriers, Sliding Gates
Normal Operations	Highly Congested, Conflicting traffic conditions	Dedicated Zone for each process
Capacity Constraints	Excess	Infrastructure to meet to immediate capacity needs
Aspects	Unplanned growth in commercial development	Gooding Architecture, planning, development and well organized road network

CONSTRAINTS

- ❑ The present connectivity is thru a steel bridge (single lane) over Lokchao River and is a major constraint for any future trade. Hence an additional four lane bridge is immediately required.
- ❑ Work on construction of bridges in the upcoming by pass road needs to be taken up on priority.

OTHER ICP WORKS—Glimpses & status

ICP LOCATIONS

S. No.	LOCATION	COUNTRY	ADMINISTRATIVE	PRESENT STATUS
1	ICP AT RAXAUL	INDIA	NEPAL	NEARBY COMPLETION
2	ICP AT ATTARI	INDIA	PAKISTAN	OPERATIONALISED
3	ICP AT JOGBANI	INDIA	NEPAL	UNDER CONSTRUCTION
4	ICP AT PETRAPOLE	INDIA	BANGLADESH	NEARBY COMPLETION
5	ICP AT PETRAPOLE	WEST BENGAL	BANGLADESH	UNDER CONSTRUCTION
6	ICP AT DAWKI	MEGHALAYA	BANGLADESH	UNDER PROSPECTIVE
7	ICP AT MOREH	RAJASTHAN	INDIA	CONSTRUCTION COMMENCED
8	ICP AT WADI	WEST BENGAL	BANGLADESH	FEASIBILITY STUDY / IPR COMPLETED
9	ICP AT CHITRAKOOT	WEST BENGAL	BANGLADESH	FEASIBILITY STUDY / IPR COMPLETED
10	ICP AT SUTRAKHAN	ASSAM	BANGLADESH	FEASIBILITY STUDY / IPR COMPLETED
11	ICP AT GOVERNMENT	WEST BENGAL	BANGLADESH	FEASIBILITY STUDY / IPR COMPLETED
12	ICP AT CHANGI	WEST BENGAL	NEPAL	FEASIBILITY STUDY / IPR COMPLETED
13	ICP AT BIRGAON	WEST BENGAL	NEPAL	FEASIBILITY STUDY / IPR COMPLETED
14	ICP AT BIRGAON	NEPAL	INDIA	UNDER CONSTRUCTION
15	ICP AT BIRGAON	NEPAL	INDIA	UNDER PROSPECTIVE
16	ICP AT BIRGAON	NEPAL	INDIA	FEASIBILITY STUDY / IPR COMPLETED
17	ICP AT BIRGAON	NEPAL	INDIA	FEASIBILITY STUDY / IPR COMPLETED

1) DPR for all 17 sites has been prepared by RITES
 2) IPR & PMC works for 9 Phase-I sites (7 for INDIA & 2 for NEPAL) in progress

STATUS OF PHASE-I ICP WORKS

Attari	Completed in Mar 2012
Agartala	Completed in Nov 2013
Raxaul	Physical Progress is 78%
Jogbani	Physical Progress is 53%
Petrapole	Physical Progress is 15%
Moreh	construction in progress
Dawki	under land acquisition

GLIMPSES OF THE FIRST ICP COMMISSIONED AT ATTARI (INDO-PAK BORDER)

Barter Trade with Myanmar under the
Indo-Myanmar Border Trade Agreement
A.P.(DIR Series) Circular No.17 (October 16, 2000)
Reserve Bank of India
Exchange Control Department, Central Office, Mumbai 400 001

A.P.(DIR Series) Circular No.17

October 16, 2000

To
All Authorised Dealers in Foreign Exchange

Dear Sirs,

**Barter Trade with Myanmar under the
Indo-Myanmar Border Trade Agreement**

Please refer to A.D.(G.P. Series) Circular No.8 dated 17th May 1997 on guidelines for the border trade between Myanmar and India, under the Border Trade agreement dated 21st January 1994 signed between the Government of Myanmar and the Government of India.

It has been decided in consultation with the Government of India that under the border trade arrangement between the two countries, imports from Myanmar into India should precede exports from India to Myanmar. Accordingly, the revised guidelines for the border trade are as follows:-

- i. The barter trade shall be restricted to land route as per the Border Trade Agreement between the two countries. Such barter trade transactions shall take place only by way of head load or non-motorised transport system.
- ii. Imports from Myanmar to India shall precede export from India to Myanmar.
- iii. The border trade will be restricted to items agreed to as per the Border Trade Agreement between India and Myanmar as listed in Annexure given at the end of this annexure.
- iv. There will be no monetary transaction under the barter trade arrangement.
- v. The consignments of imports and exports should be invoiced in U.S. dollars.
- vi. The value of goods exported under barter trade should not exceed U.S.\$ 20,000 per transaction.

- vii. Exports from India to Myanmar under barter trade of the value not exceeding U.S.\$ 1,000 per transaction are exempt from declaration on the prescribed form viz. GR form, in terms of Reserve Bank Notification No.FEMA.23/2000-RB dated 3rd May 2000. However, such transactions should be completed in one or two days. Customs authorities at the Indo-Myanmar border will report import/export transactions of the value not exceeding U.S.\$ 1,000 to the Exchange Control Department, Reserve Bank of India, Guwahati, on monthly basis.
 - viii. On import of goods the party should submit documentary evidence such as Bill of Entry to the designated bank, where the value exceeds U.S.\$ 5,000.
 - ix. 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.
 - x. The exporters should get the GR forms countersigned by one of the designated banks viz. United Bank of India, Moreh Branch, Manipur and State Bank of India, Champai Branch, Mizoram before submitting them to the Custom authorities. A copy of the contract for import and export with Myanmar parties should also be submitted along with the GR forms.
 - xi. On completion of export, the exporter should submit duplicate copy of GR form along with all commercial documents viz. copy of invoice certified by Customs, etc. within 21 days from the date of export, to the concerned designated bank.
2. i. The following branches of authorised dealers (i.e. banks) have been designated for the purpose of monitoring transactions under the barter trade arrangement.
 - (a) United Bank of India (UBI), Moreh Branch, Manipur.
 - (b) State Bank of India (SBI), Champai Branch, Mizoram.
 - ii. The designated banks' branches should only handle proposals for barter trade and documents relating to imports and exports thereunder.
 - iii. The designated banks' branches should countersign GR forms original and duplicate, submitted to them by the exporters (before submitting to the Customs authorities) after satisfying themselves that the GR forms are supported by a Bill of Entry for import of goods from Myanmar to India. Both original and duplicate copies of the forms should be returned to the exporter. The GR forms may be superscribed as under:
 'Exports under barter arrangement with Myanmar. The payments have been received in the form of goods/commodities of the equivalent value'.
 - iv. The designated banks should maintain a record of the transactions under the barter trade arrangement on the basis of GR forms countersigned by them, in a register as per proforma enclosed (Annexure II).
 - (v) The designated banks should forward a monthly statement as per the above form to the Exchange Control Department, Reserve Bank of India, Guwahati, within 15 days from the close of the month.

- .vi On completion of export against receipt of payment in the form of import of goods/ commodities from Myanmar, the concerned designated bank should surrender the duplicate copy of GR form and evidence of import to the Exchange Control Department, Reserve Bank of India, Guwahati along with the monthly statement, duly certified as under:
‘Value of goods exported adjusted against value of goods imported under barter trade arrangement as per Contract dated’. Before certifying the GR forms, the designated banks should verify documentary evidence for import of goods/commodities of corresponding value and ensure that the commodities exchanged are as per Annexure I.
 - vii. The transactions relating to barter trade should not be reported in R Returns.
3. Authorised dealers may bring the contents of this circular to the notice of their concerned constituents.
 4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and any contravention or non-observance thereof is subject to the penalties prescribed under the Act.

Yours faithfully,
K.J. UDESHI
Chief General Manager

ANNEXURE I of Circular No. 17
**Commodities identified for exchange by residents
living along the border between India and Myanmar**

1. Mustard/Rape Seed
2. Pulses and Beans
3. Fresh Vegetable
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.

ANNEXURE II of Circular No. 17

**Register showing details of barter trade transactions
with Myanmar Under Indo-Myanmar Border Trade Agreement
(Transactions of value from U.S.\$ 1001 to U.S.\$ 20,000)**

Name and Address of _____
the designated branch _____
A.D. Code No. _____
Month _____ Year _____

Imports

Sr.No.	Name and Address of importer	Name & Address of Myanmar supplier	Date of import into India	Mode of Transport (non-motorised)	Bill of Entry No.& Date	Commodity	Invoice value US\$	Remarks
1	2	3	4	5	6	7	8	9

Exports

Sr. No.	Name and Address of exporter	IE Code No.	Date of Export	GR Form No.	Customs Sr.No.	Mode of Transport (non-motorised)	Commodity	Invoice Value US \$	Name & Address of Myanmar buyer	Remarks
10	11	12	13	14	15	16	17	18	19	20

(Signature of authorised dealer)

Forwarded to the Exchange Control Department, Reserve Bank of India, Guwahati
In terms of A.P. (DIR Series) Circular No.17 dated October 16, 2000

**To be published in The Gazette of India Extraordinary
(Part-I, Section-1)
Government of India
Ministry of Commerce & Industry, Department of Commerce
Directorate General of Foreign Trade,
Udyog Bhawan, New Delhi -110 011
Public Notice No. 30 (Re-2012)/2009-2014
New Delhi, Dated 16 November 2012**

Subject: Indo-Myanmar Border Trade

In exercise of powers conferred under paragraph 2.4 of the Foreign Trade Policy, 2009-14 and in supersession of Public Notice No. 289(PN)/92-97 dated 10th April, 1995 and Public Notice No. 106(RE-2008)/2004-2009 dated 7th November, 2008, the Director General of Foreign Trade hereby makes the following arrangements with a view to promote Indo-Myanmar Border Trade:

2. In terms of the provisions contained in the Foreign Trade Policy, import/export of the following commodities/items is permitted by the people living along both sides of the Indo Myanmar Border as per the prevailing customary practice:
 - i. 22 commodities/items notified by Public Notice No. 289(PN)/92-97 dated 10th April, 1995:
 1. Bamboo, 2. Betal Nuts and Leaves, 3. Chillies, 4. Coriander Seeds, 5. Food Items for Local consumption, 6. Fresh Vegetables, 7. Fruits, 8. Garlic, 9. Ginger, 10. Katha, 11. Minor forest products (excluding Teak), 12. Mustard/Rape seed, 13. Onion, 14. Pulses and Beans, 15. Reed Broom, 16. Resin, 17. Roasted Sunflower Seeds 18. Sesame, 19. Soyabean, 20. Spices (excluding Nut Meg, Mace, Cloves, Cassia & Cinnamon), 21. Tobacco, 22. Tomato.
 - ii. 18 commodities/items notified by Public Notice No. 106(RE-2008)/2004-2009 dated 7th November, 2008:
 1. Agarbatti, 2. Bicycle's Spare parts, 3. Blades, 4. Bulbs, 5. Cosmetics, 6. Cotton fabrics, 7. Fertilizers, 8. Imitation jewellery, 9. Insecticides, 10. Leather footwear, 11. Life saving drugs, 12. Menthol, 13. Mosquito Coils, 14. Paints & Varnishes, 15. Spices, 16. Stainless steel utensils, 17. Sugar & Salt, 18. X Ray paper & Photo paper

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

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

3. Effect of Public Notice:

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

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

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

RIS A Think-Tank of Developing Countries

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 organisation that specialises 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.

The focus of the work programme of RIS is to promote South-South Cooperation and assist developing countries in multilateral negotiations in various forums. RIS is engaged in the Track II process of several regional initiatives. RIS is providing analytical support to the Government of India in the negotiations for concluding comprehensive economic cooperation agreements with partner countries. Through its intensive network of policy think tanks, RIS seeks to strengthen policy coherence on international economic issues.

For more information about RIS and its work programme, please visit its website: www.ris.org.in

— Policy research to shape the international development agenda



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Core IV-B, Fourth Floor, India Habitat Centre
Lodhi Road, New Delhi-110 003, India.
Ph.: +91-11-24682177-80, Fax: +91-11-24682173-74
Email: publication@ris.org.in
Website: www.ris.org.in