

# Opportunities of Border Trade in North East India: With Special Reference to Indo-Myanmar Border Trade

Rishi Bhargav Das, Anjan Kumar Bordoloi

**Abstract**— North Eastern India has nine percent of India's geographical area and contributes three percent to the country's gross domestic product (GDP). In relative terms, it is one of India's economically laggard regions. However, given its natural resources base and strategic location, NER has the potential to become India's "powerhouse" in terms of trade and investment. The region is best known for its cultural heritage, ethnic beauty and rich natural resources. The region has rich bio diversity, oil and natural gas, coal, limestone, hydro potential and forest wealth. Given the peculiar geo-political location, the region can develop cross-border markets, which are likely to be more cost effective for North East India's surplus production than the distant national markets. The region is famous for its exotic flora and fauna. It is ideally situated to produce spices, fruit & vegetables, flowers and herbs. Therefore, the North East India can emerge as an exporter of orchids, flowers, apple, orange, pineapples, spices, herbs, etc. to the South East Asian Region. From the geo-political angle, the NER is located in a strategic location as it is bounded by several foreign countries. Naturally it has got both advantages and disadvantages due to its location. So far advantages are concerned it is connected with the South-East Asian countries mainly China, Myanmar, Bhutan, Bangladesh, Malaysia, Thailand, Philippines, Cambodia and Indonesia etc where almost half of the world's population live. Border trade has special significance for the economies of the North-Eastern States, which have a large segment of international border on their boundaries. Of the border trade conducted through the international border of these states, it has been mentioned in the report of the Inter-Ministerial Task force that the trade with Bangladesh and Myanmar is especially important for a variety of reasons. Apart from the fact that these two nations account for the major portion of the border trade with the North Eastern States, India has to forge special trade relationship with both Myanmar and Bangladesh in view of the Inter-Country trade issues. The paper intends to find out the prospects of trade with Myanmar for N.E. states of India, examining its constraints and challenges and analyze the initiatives of Myanmar and India for border trade in view of Look East Policy.

**Index Terms**— Opportunities, Border Trade, North East India, Indo-Myanmar Border.

## I. INTRODUCTION ON NORTH EAST INDIA:

North Eastern India has nine percent of India's geographical area and contributes three percent to the country's gross domestic product (GDP). In relative terms, it is one of India's economically laggard regions. However, given its natural resources base and strategic location, NER has the potential

to become India's "powerhouse" in terms of trade and investment. Although the NER is rich in resources like hydrocarbons and other minerals, and has immense potential to produce hydroelectricity, absence of adequate infrastructure has impeded its development. Inadequate and poor infrastructure, inhospitable terrain and a comparatively late start in the development process are some of the reasons for economic backwardness of the region. However, the NER has certain strengths in different angles to achieve economic development in easy way.

The region is best known for its cultural heritage, ethnic beauty and rich natural resources. The region has rich bio diversity, oil and natural gas, coal, limestone, hydro potential and forest wealth. Given the peculiar geo-political location, the region can develop cross-border markets, which are likely to be more cost effective for North East India's surplus production than the distant national markets. The region is famous for its exotic flora and fauna. It is ideally situated to produce spices, fruit & vegetables, flowers and herbs. Therefore, the North East India can emerge as an exporter of orchids, flowers, apple, orange, pineapples, spices, herbs, etc. to the South East Asian Region. The vast array of aromatic plants of the region can be used in aromatic industry for the manufacture of perfumes, incenses, etc. Rich bio-diversity, heritage sites & ethnic beauty can make it a destination for the tourists. Several big & small rivers flowing across this region are suitable to construct hydro projects to generate electricity. Moreover, owing to climatic advantage the region can also be a major producer and exporter of tea.

From the geo-political angle, the NER is located in a strategic location as it is bounded by these several foreign countries. Naturally it has got both advantages and disadvantages due to its location. So far advantages are concerned it is connected with the South-East Asian countries mainly China, Myanmar, Bhutan, Bangladesh, Malaysia, Thailand, Philippines, Cambodia and Indonesia etc where almost half of the world's population live. There is no doubt that this vast population could have great advantage for establishing any kind of trade and commerce. But the vary geographical condition basically the rivers and mountains of the country stand as a barrier and create geo-political tensions which ultimately act as most disadvantages factors in creating a conducive atmosphere in the path of developing trade relation among those countries. But in the recent developments in the field of communication and technology, some visible changes are taking place. Now the NER have felt the need of the hour regarding the modern facilities of lives. They have realized that in order to develop the economy of the nation, the border trade could be an effective solution.

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Border trade has special significance for the economies of the North-Eastern States, which have a large segment of international border on their boundaries. Of the border trade conducted through the international border of these states, it has been mentioned in the report of the Inter-Ministerial Task force that the trade with Bangladesh and Myanmar is especially important for a variety of reasons. Apart from the fact that these two nations account for the major portion of the border trade with the North Eastern States, India has to forge special trade relationship with both Myanmar and Bangladesh in view of the Inter-Country trade issues. It is also important in view of the need to promote trade in locally produced goods in which the region has strength. The report suggests that a focus or promotion of export through the border trade will promote greater value addition in the North-East and help in shifting the export initiatives from the trading centres located outside the region to those located within the region. So a special importance needs to be given to the measures connected with simplification and facilitation of border trade.

In the context of globalization and liberalization and of the emerging 'Look East Policy' of the government of India, the issues of border trade across the North Eastern States of India has attracted the attention of the governments, planners, development agencies and the academics in India. Considering the geographical proximity and huge potentialities, the existing value and volume of bilateral trade between the neighbouring countries like Bhutan, China, Myanmar and Bangladesh on the one hand and India on the other appear to be too small. It is because, trading between these countries is quite difficult due to transport bottlenecks and the protectionist policy followed in the pre-globalization period. Lack of wider markets had impeded the economic development and the process of exploitation of potentialities of all these countries. With the initiation of liberalization policy, border trade is now viewed as one of the important instrument for the development of the bordering regions. Border trade lessens the insecurity and hardships of life in border areas particularly if it is far away from national market places. It may observe that besides economic implications, unlike sea or air borne trade, border trade unifies the interest of the people across the border and it tends to strengthen the links among the people living in the bordering areas which in turn help in a greater way to make better border management possible.

Recent developments widen the scope of India's trade with countries bordering North East India like academic initiatives, a regional cooperation among these countries; proposed development in transport and communication, prospects of border trade of the regions by exploring new frontiers with its rich bio-diversity like beautiful orchids horticultural crops, major and minor forest products, economic mineral resources, tourism products, plantation sector including tea, coffees, rubber, bio-diesel products (viz. jatropha) etc.

### II. BORDER TRADE IN NORTH EAST INDIA:

The North East Region (NER) of India, despite being endowed with immense resource potential, is considered to be an economically backward region of the country. The lack of proper accessibility and the absence of infrastructure development and connectivity facilities have physically

impeded many of the developmental prospects of the region. The crucial geostrategic location of the NER along with its rich natural reserves accords the region with the possibility of being India's powerhouse of trade and investment as well as a substantive gateway to the robust engagements with the neighboring countries. The trade at India's border needs to be enhanced to take advantage of the NER's strategic location. The NER border is critical for business and commercial transactions between North East India and its neighbours beyond international borders or in its vicinity by the people inhabiting the area. The importance of border is profound for the NER as it yields tangible benefits to the region thereby facilitating sustainable economic development. Determinants like geographic proximities, socio-cultural and ethnic affinities, economic complementarities, political commitments, policy coordination, infrastructure development and mutual interdependence extensively bolster the promotion of trade at borders.

Given the NER's significant geo-strategic location by virtue of sharing about 5000 kilometres of international borders with the countries of Bangladesh, Bhutan, China and Myanmar it can be utilized as a base for India's improved economic association with its neighbours. Moreover, it has one of the most fertile stretches of land along the Brahmaputra valley, whose viability for the cultivation of a wide variety of cash and food crops on a commercial basis is yet to be fully explored. Development of the trade at India's border between the neighbouring countries thus is conceived as a necessary precondition for the economic development of the NER in particular and the country in general. The trade points in the NER border such as at Moreh (Manipur) and Tamu (Myanmar), Zakhawthar (Mizoram) and Rikhwadhar (Rhee, Chin), Avankhug-Somra point at Nagaland, Nampong through Pangsung Pass in Arunachal Pradesh, Dawki in Meghalaya, Suterkandi in Assam and Nathula Pass in Sikkim need to be developed and made operative for fructifying the essence of economic cooperation with the neighbouring countries.

However the ground realities of the region pose certain challenges to the realistic realization of the trade transactions at border. It encounters a plethora of constraints like the spiraling problem of insurgency, poor infrastructure, rough physical terrain, the influence of various pressure groups, overarching uncertainties among the trading communities and the absence of basic amenities in the border areas. The inherent limitations need to be addressed to in order to make this trade transaction a dynamic. The promotion of trade at borders is a prerequisite for utilising the comparative geographic and natural advantage of the NER and elevating the region out of the menace of economic backwardness, poverty and insurgency.

### III. REVIEW OF LITERATURE:

Indo-Myanmar border trade is important to Myanmar because it serves as a life-belt to Myanmar's sinking economy. (Singh, K.I. 2005). Informal border trade between Myanmar and its neighbouring countries, viz., China, Thailand, Bangladesh, India, have been going on for the past several decades. The social, cultural, religious and the ethnic similarities among the human groups have encouraged stronger economic ties in the form of border trade. The history is full of such relations,

which are still continued despite formation of 'impermeable' boundaries. (Husain 2000). According to a report of Joint Indo-Myanmar Task Force (2006), trade along the Indo-Myanmar border remains relatively low in comparison with Sino-Myanmar and Thai-Myanmar borders. India has been a late entrant but the opening of more border points will gradually increase the volume of border trade. However, lack of infrastructure on both sides of the border remains a limitation. The report further mentions that security is another reason which has been hampering the border trade. According to the report, Tamu in Namphalong market (adjoining area of India at Moreh) is flooded with third country goods such as electronic goods from China, plastic products from Korea, hardware and instruments from Japan, textiles and consumer products from Thailand. Indo-Myanmar border trade through Moreh is marked more by overregulation seeing trade only as exchange of commodities instead of seeing it as a means for flow of ideas and opportunity for raising per capita income as well (Yumnam 2005). Border trade is essentially a form of international trade and is associated with inherent complexities. (Bhattacharya 2005).

A case study was done at Moreh in Manipur and Namphalong in Tamu by Singh, N.M and Luwangcha, H.K in 2007. According to findings of the study, the total daily cash outflow to Namphalong was about Rs. 2, 10, 93,000. This excludes buyers from Moreh and surrounding villages, invisible activities and other black transaction. The study also revealed that Moreh market attracted a very less number of customers as compared with Namphalong market. On the other hand, Namphalong market in Myanmar is growing faster as compared to Moreh in India. Cross-border trade between India and Myanmar at Moreh in Manipur has suffered because of various problems associated with social and political issues. Ethnic conflicts, territorial boundary disputes among states and influx of illegal immigrants are some of the major problems facing the region. Frequent blockades are imposed by different social/political/ethnic groups on the highways, especially National Highway 39, which is arguably the only freight route out of the state of Manipur to the rest of India. Manipur is also facing problems of poor infrastructure, like poor transport and communication system, poor power and water supply system, etc. These problems have imposed severe burden on the traders who have to use the highways and has caused major disruptions to trading activities. According to a report of Directorate of Commerce and Industry, Government of Manipur, (2006), the decline in the border trade is mainly because of disturbing law and order situation, multiple check-posts on the National Highway No. 39, restriction on import of timber, collection of local levies, absence of food testing laboratory and limited list of exchangeable items.

Items worth more than one crore are transacted everyday through Gate No. 2 only. It was told that some middlemen collect taxes through the gate in the presence of both customs and police personnel and the collected amount ranges from Rs. 30,000 to Rs. 50, 000 per day. The main items of trade through this gate are cigarettes, mattress, pillows, towels, curtain, table, clothes, blanket, quilt, bed linen, electronic items, toilet items, cosmetics, umbrella, raincoats, dry fruits

and food items, home care, candle, incense sticks, plastic products like table, chair, etc., colour spray, nail cutter, knife, scissors, trolleys, television stand, portable wardrobe, decorative items like bouquet, dolls, toys and liquor. Informal trade flows from Myanmar to India through Tamu-Moreh border involve a series of procedures. First, Myanmarese traders will issue a slip of paper to his Indian counterpart. Indian traders will hand over the slip to Myanmar check post officials. Then the Indian traders, it was told, will make a series of payments to various check posts and police stations in Chandel district of Manipur. (e.g., Indian checks post at the border, Custom Preventive Force officials, Moreh Police Stations, re-checked by the Custom Preventive Force officials, Tengenoupal Police Stations and Pallel Check Post)

The above suggests that there is serious limitation in the existing three-tier trade system. It is reported that a large quantity of fertilizers (urea) have been exported illegally from Manipur to Myanmar through Moreh. This has resulted into shortage of fertilizers among the farmers in Manipur. The fertilizers were procured from Brahmaputra Valley Fertilisers Cooperative, Assam. There was an incidence in which a truck load of urea was seized at Indo-Myanmar border carrying 100 bags of urea. Fertiliser is profitable in Moreh market because of significant variation between market price in Imphal and Moreh. For example, while 50 kg bag of urea cost Rs. 1, 050 in Moreh market, it costs Rs 550 in Imphal market.

The recent imposition of sanction by the Government of United States (US) on Myanmar and compulsory settlement of normal trade transaction through Asian Clearing Unit (ACU) dollar are now posing serious problem to the progress of the cross border trade. (Bhattacharya 2005). It has been pointed out that there is significant difference between the official administered rate and unofficial market rate of kyat against US dollar or India rupee. This has impeded the growth of normal trade including letter of credit (LC) transaction. In a study by Kathing (2005) on Indo-Myanmar border trade shows that traders are reluctant to transact business under regular trade and the letter of credit system because the official exchange rate of currency appears to benefit Indian traders. In such circumstances, barter system continues to a viable solution for carrying out trade between the countries. It may be noted that trade and trade related services have increased manifold not only in border towns of Moreh and Tamu but also in different parts of Manipur. Trade related services include shops trading in variety of products like electronic items, furniture, food items, etc. These products are imported from Myanmar through Moreh. There are more than 1000 shops in various places of Manipur and these shops are selling goods flowing from Myanmar through the border. On the other hand, there are also more than 1000 shops in Namphalong market in Tamu. These shops sell a variety of products ranging from agricultural goods to industrial goods which are originating from third countries. All these suggest that border trade between India and Myanmar has created a large number employment opportunities among the economically active people living on both sides of the border as well as in different parts of Manipur.

To sum up, Indo-Myanmar border trade is vital for people living on both sides of the border. Since the agreed

exchangeable items are very limited, legal trade is carried on small scale. The normal trade as a component of the three-tier system of trade has not yet been started. As a result, barter trade mechanism continues to be only means for carrying out border trade. A large scale of border trade is carried out through informal channels. This might be due to restrictions imposed in the trade and long porous borders between the countries. The flooded of third country goods in Tamu and Namphalong market of Myanmar is mainly because of their low prices as compared to goods originated from the states in India. On the other hand, third countries like China, Japan, Thailand, Korea and Singapore might have substantially low cost of production, based on their production on labour intensive as well as application of new technologies.

#### IV. OBJECTIVES OF THE STUDY:

1. To find out the prospects of trade with Myanmar for N.E. states of India.
2. To examine the constraints/ challenges of border trade pertaining to India's North-East region.
3. To analyze the initiatives of Myanmar and India for border trade in view of Look East Policy.

#### V. RESEARCH METHODOLOGY:

The study paper is descriptive and theoretical in nature. The study is mainly based on secondary data. Especially data's are to be collected from various published, unpublished records, books journal and internet.

#### VI. PROSPECTS OF TRADE WITH MYANMAR FOR N.E. STATES:

Myanmar constitutes one of the critical components for the success of India's Look East Policy. It has not only a common land border of 1,643 km with India's North East states like Mizoram, Manipur and Nagaland and Arunachal Pradesh but also share a long maritime boundary. Besides border trade between India and Myanmar, India has involved in oil and gas sector and infrastructure development of Myanmar. India and Myanmar formally signed Border Trade agreement on January 1994 to exchange goods produced locally by people living along both sides of the border as well as to create mechanism to deal with foreign trade transaction. Both governments agreed to open border trade through the following points: (i) Moreh (Manipur) in India and Tamu in Myanmar (ii) Champhai/ Zokhawthar (Mizoram) in India and Rhi in Myanmar. Effort is also underway to open border trade between Bangladesh and Mizoram.

The states of Assam, Meghalaya and Tripura had already operated border trade relations with Bangladesh. Sino-Indo Border trade is expected to grow up in a big way in the North East following the reopening of the historic Nathula Pass in Sikkim. India has already constructed the 160 km long Tamu-Kaewa-Kalemmyo road at a cost of Rs 90 crores and also offered to upgrade Rhi-Tiddim and Rih-Falam roads. India is actively participating in the currently proposed Indo MyanmarThailand Superhighway Project, 1400 km long to connect Moreh in Manipur to Maesot in Thailand, running

through the ancient city of Bagan in Central Myanmar. Another project called Kaladan Multimodal Transport Project (approximately 411 km) providing connectivity between India and Myanmar along the Kaladan River in southern Mizoram upto the Sittwe port (Myanmar) in the Bay of Bengal has also been approved by Government of India. The total estimated cost is US\$ 105 million. India is to provide US\$ 95 and Myanmar US\$ 10 million. The Government of India has further agreed to provide the amount in the form of a Line of Credit to Myanmar Government. India has also been taking interest in Myanmar's large gas reserves that would help to address its energy security concerns. A trilateral deal between India, Myanmar and Bangladesh has already been negotiated to export Myanmar's natural gas from Shwe natural gas field in the Bay of Bengal to India through Bangladesh.

#### VII. INDIA-MYANMAR BORDER TRADE AT MOREH:

Unlike Assam, Tripura and Meghalaya, border trade at Moreh is in the nature of transit trade. Moreh handles both export and import cargoes. However, the volume of trade handled is miniscule as compared to the informal/illegal trade that takes place through the local trade point, better known as "Gate No. 2". The latter has no customs officials; only a few security personnel were found to be manning the gates. According to a survey it was found that the "no man's land" was only a narrow strip between the two gates, which was also being used by the traders (chairs were laid out and were obviously being used). The Trade taking places in form of Imports consist of precious stones, agricultural commodities including beans, vegetables and fruits, besides electronic equipment. Quite clearly, the goods that are traded through the informal/illegal channels are well beyond the 40 items that have been included in the Border Trade agreement between India and Myanmar. Most of the products coming through Moreh are not of Burmese origin - they are produced in China and elsewhere. Trade through "Gate No. 2" is heavily skewed against India.

Traders on the Indian side of the border report that the infrastructure facilities are well developed on the other side of the border at Namphalong (Tamu). About 700-800 well stocked shops form the basis for imports from Myanmar. The situation across the border in Moreh is in sharp contrast – there are less than 100 shops. There is clearly no momentum in India's exports to Myanmar. There is a market for Indian products in Myanmar, some of which are currently being supplied at sub-optimal levels. There is a demand for Indian products during a brief trip to Namphalong, the shopping district closest to the border near Tamu. Products include tea, confectionery products, cosmetics, tyres utensils, fruit juices and processed food products. In this market, the Indian products are in serious competition with the Chinese products on the display shelf. However, trade expansion from India has often suffered because of supply-side bottlenecks, not the least because of the frequent blockades and bandhs in Manipur.

Trade through the latter channel takes place through head-loads. Consequently, there are no official accounts kept on the volume/value of trade coming through "Gate No. 2". Trade seems to be flourishing since there are no explicit

checks at the border by the governments on either side. The magnitude of trade taking place is phenomenal. Traders' daily imports are anything between Rs. 3-4 crore on average (as per a study). As it is usually the case, any estimates of this kind are likely to be underestimates of the actual level of trade taking place. The trade balance is hugely against India given the large quantities of Chinese (and some Thai) products being imported. These estimates should be compared with the official figures to understand the significance of informal/illegal trade taking place through Moreh. Officially, the two-way trade between India and Myanmar the quantity of Import is much higher. The numbers for informal/illegal trade clearly suggest that these trade and related activities are sustaining the economy of the region. Barter trade is a common practice among traders engaged in informal/illegal trade.

Where currency is used, the mode of payment is Indian rupees. This is to be expected since there is no official exchange rate between the rupee and the kyat, and India has the stronger currency. It would appear that the exchange rate parity is another factor that is proving to be an impediment to legal trade through the LCS.

#### VIII. STRATEGIC RATIONALE DETERMINES THE CONTOURS OF INDO-MYANMAR RELATIONS:

1. Myanmar is located at the tri junction of East Asia, South Asia and South East Asia.
2. Myanmar is the second largest of India's neighbors and the largest on the eastern flank.
3. Myanmar provides the Eastern littoral of the Bay of Bengal. An unfriendly Myanmar hosting foreign naval presence would pose a threat to Indian security.
4. Myanmar has a big border with China in the north contiguous with the Sino-Indian disputed border which has many implications.
5. India has both a land border (1643 km) and a maritime boundary with Myanmar in the Bay of Bengal, four Indian states (Arunachal Pradesh, Nagaland, Manipur and Mizoram) border Myanmar (Kachin & Chin states and Sagaing Division)
6. China can gain access to Indian Ocean through Myanmar.

#### IX. ECONOMIC IMPORTANCE:

1. Myanmar is India's gateway to ASEAN as it is the only country of this grouping which has a land and maritime boundary with India. With India becoming a summit level partner of ASEAN and a member of the East Asia Summit, improved relations with Myanmar will be beneficial in many respects. Besides, Myanmar and India are members of some sub regional groupings such as the BIMSTEC and the Mekong Ganga Co-operation.
2. China has raised its economic profile in Southeast Asia, particularly in Myanmar despite the sanctions imposed by the West. India should not be left behind especially in view of the large oil and gas resources available in Myanmar and much needed by India.

#### X. AGRICULTURAL IMPORTANCE:

Agriculture still commanding a larger share in domestic product of North Eastern region than in that of the whole country, the region is deficient in production of quite a few agricultural commodities. The region is dependent on supplies from other parts of India for its almost entire requirement of pulses and also a significant part of requirement of rice. Rice and pulses being staple food items for the population in the region have steady and stable demand. The supplies from north-western India not only involve large transport cost, but the supply routes are prone to disruption during monsoon due to floods in Assam plains. Myanmar is traditionally surplus producer and exporter of these two products. There is no apparent reason why Myanmar should not be able to supply these commodities to the consumers of neighbouring North East India. Indeed North East India can provide markets for other agricultural products of Myanmar too. For instance, onion from Myanmar often appears in the markets in Manipur whenever there is a shortage of its supply in India. Once border trade is liberalised, the item can be regularly exported to North East India and even beyond. As of now supplies to North East India come from such distant states as Maharashtra.

Myanmar continues to export forest products like timber and timber based products. Though North East India also used to be rich in forest resources, unsustainable commercial and industrial exploitation of these resources over the years have denuded the region from much of its forest cover. The situation has deteriorated to such an extent that the honourable Supreme Court of India in an order in the year 1998 had to ban felling of timber in the region. Forest based industrial units in the region including the plywood factories have virtually closed down. A new supply line from Myanmar can give a new lease of life to the forest based industries in the region.

Myanmar also has strength in various types of mineral deposits. Granites produced in Myanmar can find a market in North East India where house construction has been a booming activity. As of now heavy and bulky stones like marble and granite used in construction in the North East come, from Rajasthan in western India. Granites from Myanmar should have transport cost advantage in the market in North East India. Myanmar is also famous for high value low volume stones like jade and ruby.

Myanmar's coastal areas are richly deposited with natural gas. Couple of Indian companies including the ONGC is already engaged in exploration and production in the area. With the Indian economy growing rapidly the demand for energy is also expected to rise rapidly, indeed at a faster rate. In that context gas supply from Myanmar can be of great advantage for the Indian Economy. In fact there are already some initiatives towards laying pipelines for importing gas from Myanmar. Since laying pipelines through the Bay of Bengal is likely to be far more expensive than through land, the pipeline should be laid through the North East.

Another area of potential trade between Myanmar and North East India, which has so far not been explored much, is trade in services like health care, hospitality and tourism, which

through backward linkage can generate trade in transport, communication and related services.

The prospect of border trade between North East India and Myanmar is not as bleak as may appear at the first sight. As of now the growth of orderly and legitimate trade between Myanmar and North East India has been kept in leash by factors such as poor infrastructure and, more fundamentally, the rigidities and tangles in the trading arrangement and the over-valuation of Myanmar's currency as per the official exchange rate. Once border trade is allowed to take place in a transparent and orderly manner, many dynamic economic forces may be unleashed on both sides of the border leading to opening up of mutually beneficial areas of economic cooperation.

### XI. CONSTRAINTS/ CHALLENGES OF BORDER TRADE PERTAINING TO INDIA'S NORTH-EAST REGION:

#### ***Border Trade through Moreh:***

In the Study, it was analyzed the trend of trade between India and Myanmar through Moreh, has received an increasing trend upto a decade and thereafter there was a continuous downfall in the trade. The challenges and Obstacles in the growth of border trade are being discussed below ----

#### ***(i) Number of Exchangeable Items:***

Trade in the barter and exchange mechanism is restricted to only 22 items as listed in Ministry of Development of North Eastern Region, North East India. Moreover, the 22 listed items are grown and available on both sides of the border, though in bulk on the Myanmar side, which has a surplus. Goods of high demand in both sides are not included in the list. It is found that all these items are being smuggled illegally.

#### ***(ii) Multiple Check Post on NH-39:***

Multiple check posts and obstruction on movement of import/export goods on the National Highway- 39 and 53 running through the state of Manipur and Nagaland have been a major stumbling block. Representations received from the trade indicate that there are 53 check posts of various depts. of the Govts. of Manipur and Nagaland from Moreh to Dimapur on NH-39 and as many as 12 check-posts of the Govt. of Manipur on NH-53.

#### ***(iii) Restrictions on Export/ Import of Plant and Plant Materials:***

Growth of export trade from India to Myanmar is adversely affected because of the restrictions on export of plant and plant materials by Ministry of commerce which restricts export of such items only through the ports of Mumbai, Kolkata, Cochin, Delhi, Chennai, Tutticorine and Amritsar. Import of plant and plant materials are restricted through the Moreh Land Customs Station. Agartala Land Customs Station and Karimganj Steamerghat and Ferry Station are only notified entry points for this purpose. As a result of this restriction trade has been suffering.

#### ***(iv) Restriction on the Import of Timber:***

The import of Myanmar timber is allowed through every post of India except through Moreh. There is a tremendous

potential for timber imports from Myanmar as the location of Moreh is in the vicinity of vast timber producing areas of Myanmar and the scarcity of timber in our own country holds a natural advantage for trading in Myanmar timber. As per the decision of High Powered Committee's meeting, import of timber from Myanmar was allowed only under the condition that it will be used for local consumption only and will not be allowed to be moved outside Manipur.

#### ***(v) Collection of Taxes:***

Collection of sales tax, forest royalty and other taxes on import of goods by the state government of Manipur has added to the tax burden of the Indian importers. High transportation cost and such taxes reduce the cost-effectiveness of the trade.

#### ***(vi) Illegal Collection Taxes:***

The main vehicles plying on this national highway from Imphal to Moreh are Bus, Tata Sumo, Maruti Van and Truck for the purpose of transportation of goods and passengers. So many underground organizations are levying illegal taxes from these vehicles.

#### ***(vii) Community Crises and Law and Order Problem of Moreh Town:***

Moreh town is a place of different communities with Kukis, the highest number of population. There were community crisis between Kukis and Tamils and Kukis and Meiteis. In such situation, it is very difficult to have a free and smooth trade. In addition to this, there are frequent bands and blockades in the Moreh town as well as in this highway.

#### ***(viii) Military Junta in Myanmar, a Government with Uncertainty:***

The Union of Myanmar is military regime. The current head of the state is Senior General Than Shwe, who holds the posts of 'Chairman of the State Peace and Development Council' and 'Commander in Chief of the Defense Services'. General Soe Win is the Prime Minister. At any moment, there may be a military coup and with the change of leader any unpredictable changes may come up. The movement for restoring democracy in the country has been continuing and with the hike of oil prices in the country, an uprising against military junta has started recently by the pro-democracy activists and monks. It is difficult to say the future of the trade with such an uncertain military govt.

#### ***(ix) Lack of Infrastructural Facilities for International/Border Trade:***

With a weight bridge, a Trade Centre building, a warehouse with no working condition and a bad conditioned Two-lane road, it is very difficult to prosper the cross border trade between the two countries.

#### ***(x) Exchange Rate of Currencies i.e. Kyat and Indian Rupee:***

Myanmar's currency is the Kyat. It must be one of the most unstable currencies in the world. At present in the market, Kyat has higher value. So, Indian traders don't prefer to have trade legally and through banks.

#### ***(xi) Security Consideration:***

The major security considerations are:

1. Insurgency in the North Eastern states of India-some of the insurgent groups have established camps in Myanmar and operating from Myanmar territory.
2. Smuggling of arms (by both land and sea)
3. Drug trafficking and narco-terrorism.
4. Illegal immigration from Yunnan into Northern Myanmar and association of Chinese workers in road construction activities. From 1948 to 1962 there were a friendly and cordial relationship between the two countries, but there was a strained relationship from 1962 to 1992-1993. From 1993 onward India reversed its stance with a more realistic and pragmatic policy and started engaging the military regime. Since then, the relations have been growing steadily and there has been all round progress in political, economic and military relations as well as co-operation in technology, HRD, infrastructure, education, health and other fields.

#### XII. INITIATIVES OF MYANMAR AND INDIA FOR BORDER TRADE IN VIEW OF LOOK EAST POLICY:

NER is critically located for it holds the key to India's economic integration efforts with its neighbours in South and South East Asia. A logical starting point for an exercise for enhancing trade and investment cooperation involving the neighbouring countries, with whom India shares common land frontiers, is to study the dynamics of trade taking place through the local trade points. Over the years, both the Government of India and the Governments of the State where these trade points exist, have realised the importance of these trade points and have set objective of bringing the informal/illegal trade taking place onto the formal channels. The following are the initiatives taken by Government of India to promote a bilateral trade with Myanmar.

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

conducting high volumes of trade. Communication systems are in a general state of disrepair in most of the border trade points. In some cases, like Moreh, where communication systems are in place, the service is highly erratic. Most of the other infrastructural facilities are either non-functional or are unavailable. These include weighbridges, warehouses and dumping sheds.

4. The NER has been the hub of niche products in handicrafts and handloom, much of which is in the state of decline for want of effective government intervention. As their budgetary position has worsened, State Governments have lowered the level of support that was once given to the artisans. It is suggested that these activities need to be revived with Central assistance through a well coordinated programme to promote the artisans. This programme will promote one competitive and staple product from a village to improve the living standards of the population.
5. Development of local industries is an imperative that must be given high priority, especially in the face of the penetration of imported products into the local economy. Industries like agro-processing, horticulture and textiles in which the NER has natural comparative advantage must be expanded using an employment-led strategy. Such a strategy will not only result in augmentation of domestic demand, but will also create a viable industrial base that can service external demand. At the same time, possibilities of setting up industries for producing rubber goods, cycles and cycle parts, pharmaceuticals, edible oils, petroleum products, cement must be explored since the NER either has the raw materials for their development and/or the demand from the region and the countries around it are large enough to sustain them.
6. Capacity building for officials, entrepreneurs, and traders is needed for strengthening human resources. This would help improve the quality and delivery services in the region. State-level trade promotion centres assisted by the apex industry associations might be the right step for building capacities in the region.

#### XIII. CONCLUSION:

With the adoption of Look East Policy (LEP) in the early 1990s, economic engagement between India and Myanmar has been steadily growing. This is particularly significant for India as Myanmar is the land-bridge that connects India to the dynamic economies of East and South-East Asia. With India entering into economic partnership agreements with almost all countries in this region, Myanmar has assumed added importance. The change in India's policy towards Myanmar has paid rich dividends. Official trade between the two countries increased steadily over the past decade, despite the fact that the Border Trade Agreement of 1994 had put a cap

on the number of items that could be traded through the local trade points. Myanmar has benefited from the two-way trade, as is evidenced by the large trade surplus that it has enjoyed.

India and Myanmar agreed to allow border trade in 22 commodities in the 1994 Agreement, which was expanded to 40 items in 2008, but this seems to have lost its relevance particularly since informal/illegal trade has proliferated. The low level of border trade at Moreh LCS can perhaps be attributed to the unfavourable trading environment and the lack of essential infrastructure and other facilities. These barriers to border trade at Moreh LCS should be framed up and a strategy should be taken to overcome the low-level trap that India-Myanmar trade has fallen its downsizing its graph.

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