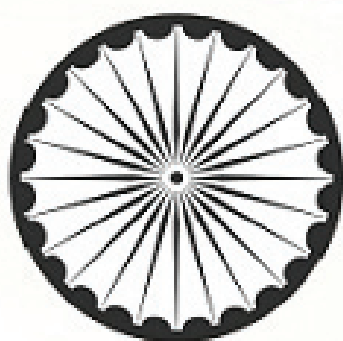


PROXIMITY TO CONNECTIVITY:
INDIA AND ITS EASTERN AND SOUTHEASTERN NEIGHBOURS

PART 2
INDIA-MYANMAR CONNECTIVITY:
Possibilities and Challenges



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Observer Research Foundation, Kolkata

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Contents

About the Foundation	3
About the Authors	4
Preface	7
Acknowledgements	8
List of Tables	10
List of Maps	12
List of Figures	13
Annexure	14
List of Abbreviations	15
Introduction	19
1. Connectivity through Rail, Road, Air and Waterways	21
1.1 Multi-modal Connectivity	24
1.1.1 The Kaladan Multi-Modal Transit Transport Project.....	24
1.1.2 Logistical Obstacles	25
1.2 Details of the Project.....	29
1.3 Road Connectivity	29
1.3.1 The Trilateral Highway	29
1.3.2 The Tamu-Kalewa-Kalemryo Road.....	31
1.3.3 Rhi-Tiddim Road.....	32
1.3.4 Proposed Imphal-Mandalay Bus Service	34
1.4 Rail Connectivity.....	36
1.5 Connectivity through Inland Waterways.....	41
1.6 Coastal Shipping Service with Myanmar	42
1.7 Air Connectivity.....	42
Endnotes	44
2. Cooperation in the Energy Sector	47
2.1 India's Current Engagement in Myanmar's Energy Sector	52
2.1.2 Projects of ONGC Videsh Ltd. and GAIL in Myanmar	52
2.1.3 Engagement of Reliance Industries Ltd.	55
2.1.4 Jubilant Energy	55
2.1.5 NHPC	55
2.1.6 ESSAR Projects	56



2.2	Scope for India-Myanmar Gas Trade Revisited.....	56
2.3	Scope for Cooperation in Refined Products	58
2.4	Prospects of India-Myanmar Connectivity through Renewable Energy.....	59
	Endnotes	62
3.	India's Economic Engagement with Myanmar	65
3.1	Banking Sector Collaborations.....	73
3.2	Digital Connectivity	75
3.3	Academic and Technical Training Cooperation	75
3.4	Cooperation in the Agricultural Sector	77
3.5	Cooperation in the Health Sector	78
3.6	Rehabilitation, Reconstruction and Restoration	79
	Endnotes	81
4.	Issues and Challenges in Border Management	83
4.1	Border Trade and Certain Modalities.....	86
4.2	Land Customs Stations at Moreh and Zowkhatar: At a Glance	88
	Endnotes	96
5.	Concluding Observations and Recommendations.....	99
Annexure 1	110



Preface

In 2014 when the Kolkata Chapter of Observer Research Foundation turned two years old, it embarked on a research project to study issues related to India's connectivity with its neighbours, Bangladesh and Myanmar to the east, and China to the north. The first report, *India-Bangladesh Connectivity: Possibilities and Challenges*, was published in June 2015 and has received positive feedback for its contribution to existing literature on India and its neighbours. Like that first report, this current one on India-Myanmar connectivity is also based on a careful examination of documentary evidence, field visits to Myanmar, and consultations with experts in both countries. The chapter also organised an India-Myanmar workshop in its premises, in February 2015.

In this report, ORF Kolkata aims to present a picture of the existing state of connectivity between India and Myanmar, make an assessment of what has been promised and what has been delivered so far, and finally, provide policy directions for a stronger and more productive network of connectivity between these two neighbours who share deep historical and cultural ties. India, being the larger and more resource-full of the two countries, has greater responsibility to initiate and follow up connectivity measures. However, the desire for enhanced connectivity must be present in both nations; there must also be consensus about what needs to be done, and policies must carry a promise of beneficial results for both. Positive ripples are expected to be felt throughout the neighbourhood as well.

This research has been inspired and aided by Dr. C. Raja Mohan and Dr. Manoj Joshi, both Distinguished Fellows of ORF, as well as by Dr. K. Yhome, Fellow, and Dr. Lydia Powell, Head of Energy Initiative at ORF, New Delhi. Other colleagues in New Delhi extended advice when we were in need of it. Shri Sunjoy Joshi, Director, ORF, has been an abiding inspiration. The research team appreciates all their support.

Finally, this project would not have gotten off the ground without inspiration and encouragement from Mr. Ashok Dhar, Director, ORF Kolkata. The authors and researchers alone, however, are responsible for the imperfections that remain in the report.

Rakhahari Chatterji
20 November 2015



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This report is an outcome of a year-long research on *Proximity to Connectivity: India and its Eastern and Southeastern Neighbours*. The research project has three phases:

Phase I: India-Bangladesh Connectivity

Phase II: India-Myanmar Connectivity

Phase III: India-China Connectivity

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List of Tables

Table 1: Physical Connectivity Projects between India and Myanmar

Table 2: Progress of Construction in KMMTT project as of March 15, 2015

Table 3: Details of Feasibility Study for Rail Link between Jiribam-Kalay, Section I (Jiribam-Imphal-Moreh)

Table 4: Details of Feasibility Study for Rail Link between Jiribam-Kalay, Section II (Tamu-Kalay)

Table 5: Trends in the Crude Oil and Natural Gas Production (2009-10 to 2014-15)

Table 6: Primary Energy Mix for India

Table 7: Domestic Gas Production in India

Table 8: Myanmar's Energy Potential: Fact Sheet

Table 9: Companies Involved in Offshore Resource Extraction and Sales in Shwe Gas Project

Table 10: Percentage Share of Ownership in the Shwe Gas Project

Table 11: India's Refined Product Surplus Availability

Table 12: Energy Trading Potential

Table 13: Energy Trade Prospects

Table 14: Foreign Investments of Existing Enterprises as of March 31, 2014 (by sector)

Table 15: Foreign Investments of Existing Enterprises as of March 31, 2014 (by country)

Table 16: India-Myanmar Bilateral Trade

Table 17: Bilateral Trade between Myanmar and BCIM countries (Apr 2013-Mar 2015)



Table 18: Potential Sectors for Investments in Myanmar

Table 19: Major Items Imported by Myanmar (Apr 2013-Mar 2014)

Table 20: Major Items Exported by Myanmar (Apr 2013-Mar 2014)

Table 21: India's Engineering Exports to Myanmar, by group

Table 22: Trends in Border Trade (US\$ million)

Table 23: Myanmar Border Trade with its Neighbours (Apr 2013-Mar 2014)

Table 24: Total Trade at Moreh (in INR crore)

Table 25: Import through the LCS Zokhawthar

Table 26: Export through the LCS Zokhawthar



List of Maps

Map 1: Asian Highways passing through Myanmar

Map 2: The route of the KMMTTP

Map 3: Satellite image of the Sittwe port, Myanmar

Map 4: SEZ and Port locations in Myanmar

Map 5: The Trilateral Highway

Map 6: The Tamu-Kalewa-Kalemyo (India-Myanmar Friendship) Road

Map 7: The Rhi-Tiddim-Falam road

Map 8: Proposed routes for Imphal-Mandalay Bus Service

Map 9: Main Road networks within Myanmar connecting with International Highways

Map 10: Rail Connectivity within Myanmar (2012-13)

Map 11: Tamu-Kalay-Mandalay Rail Link

Map 12: The inland waterway route of the KMTTP

Map 13: Map of Indian state of Mizoram showing the location of the site of the Kaladan Project along the Kaladan River

Map 13: Shwe Gas Project Map

Map 14: China's Trans-Myanmar Oil and Gas Pipeline

Map 15: Hydro Schemes in Myanmar (in operation and planned)

Map 16: Manipur, Chandel District



List of Figures

Figure 1: A brief look at the status of the KMTTP

Figure 2: Imphal-Mandalay Bus service

Figure 3: Sea links between India and Myanmar

Figure 4: Future trend of energy import status in India

Figure 5: Projected domestic and export gas demand of Myanmar

Figure 6: Indian gas supply and demand condition by 2030 (in MMSCMD)

Figure 7: Allocation and use of credit

Figure 8: Previous joint military operations between India and Myanmar



Annexure

Barter Trade with Myanmar under the Indo-Myanmar Border Trade Agreement Circular No.17 (October 16, 2000), Reserve Bank of India



List of Abbreviations

ACARE	Advanced Centre for Agriculture Research and Education
ADB	Asian Development Bank
ASEAN	Association of South East Asian Nations
ASI	Archaeological Survey of India
ATC	Authorized Training Centre
BRO	Border Roads Organisation
BCF	Billion Cubic Feet
BCIM	Bangladesh–China–India–Myanmar Forum for Regional Cooperation
BCM	Billion Cubic Metres
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BIPA	Bilateral Investment Promotion Agreement
BOB	Bank of Baroda
BOI	Bank of India
BOP	Border Out Posts
BP	British Petroleum
BPD	Barrel per day
C-DAC	The Centre for Development of Advanced Computing
CEP	Cultural Exchange Programme
CICTT	Centre for Information and Communication Technology Trainings
CNE	Committee of Non-Plan Expenditure
CNPC	China National Petroleum Corporation
CNUOC	China National United Oil Corporation
COB	Company Operating Base
Daewoo	Daewoo International
DEA	Department of Economic Affairs
DPR	Detailed Project Report



DTAA	Double Taxation Avoidance Agreement
DWT	Dead Weight Tonnage
EIA	Environmental Impact Assessment
EXIM	Export-Import Bank of India
FIL	Foreign Investment Law
FMR	Free Movement Regime
GAIL	Gas Authority of India Ltd.
HIV	Human Immunodeficiency Virus
HMTI	Hindustan Machine Tools International Ltd
HRD	Human Resource Development
HSCC	Hospital Service Consultancy Corporation India Ltd
ICCR	Indian Council for Cultural Relations
ICT	Information and Communications Technology
IDA	International Development Association
IMCEITS	India-Myanmar Centre for Enhancement of Information Technology Skills
IOC	Indian Oil Corporation
ITEC	Indian Technical and Economic Cooperation
IWAI	Inland Waterways Authority of India
IWT	Inland Waterway Transport
JICA	Japan International Cooperation Agency
JTC	Joint Trade Committee
KCP	Kangleipak Communist Party
KMMTTP	Kaladan Multi-Modal Transit-cum-Transport Project
KOGAS	Korea Gas Corporation
KOICA	Korea International Cooperation Agency
KYKL	Kanglei Yawol Kunna Lup
LCS	Land Customs Station
LEP	Look East Policy
LNG	Liquefied Natural Gas
MDoNER	Ministry of Development of North Eastern Region
MEA	Ministry of External Affairs of India



MFTB	Myanmar Foreign Trade Bank
MIEDC	Myanmar-India Entrepreneurship Development Centre
MMSCMD	Million Metric Standard Cubic Meter per Day
MOEP	Ministry of Energy and Planning
MOFA	Ministry of Foreign Affairs
MOGE	Myanmar Oil and Gas Enterprises Ltd.
MORTH	Ministry of Road Transport and Highways
MOU	Memorandum of Understanding
MPT	Myanmar Posts and Telecommunications
M and S	Machine and Solutions Co Ltd.
MSSRF	M. S. Swaminathan Research Foundation
MW	Mega Watt
NFR	Northeast Frontier Railway
NHPC	National Hydroelectric Power Corporation
NSCN (K)	National Socialist Council of Nagaland (Khaplang)
ONGC	Oil and Natural Gas Corporation
OVL	ONGC Videsh Ltd.
PNB	Punjab National Bank
PNGRB	Petroleum and Natural Gas Regulatory Body
POSCO	Pohang Iron and Steel Company
PSCs	Production Sharing Contracts
RIL	Reliance Industries Ltd.
RIS	Research and Information System for Developing Countries
RITES	Rail India Technical and Economic Services
RLNG	Regasified Liquefied Natural Gas
SBI	State Bank of India
SCI	Shipping Corporation of India
SEAGP	South-East Asia Gas Pipeline Company Limited
SEZ	Special Economic Zone
SGPGIMS	Sanjay Gandhi Post Graduate Institute of Medical Sciences
TCF	Trillion Cubic Feet



TCIL	Telecommunications Consultants India Limited
TCS	Technical Cooperation Scheme
UBI	United Bank of India
UMFICCI	Union of Myanmar Federation of Chambers of Commerce and Industry
UNRD	United National Resources Development Services Co. Ltd.



Introduction



India and its neighbour, Myanmar, have had a long history of friendly relations, tied by strong bonds of shared history and commonalities in culture and spirituality. In the 1990s, however, these relations gathered a new momentum. It was then that India launched its Look East Policy (LEP), marking a significant shift in India's vision in foreign policy and its place in the international arena. Since then, India and Myanmar's relations have received a boost from more aggressive initiatives in forging formal agreements and deepening economic, political, cultural and people-to-people ties between them. The administration of Prime Minister Narendra Modi, elected in 2014, remains committed to the LEP, which it had renamed 'Act East' since then.

Myanmar shares a 1,600-km-long land border with India, as well as a maritime boundary in the Bay of Bengal; this geographical proximity alone has influenced their bilateral relations, making the two countries important strategic partners for one another. Myanmar serves as a 'land-bridge' between India and South East Asia and, beyond that, East Asia—a harbinger of friendly engagements for India and these neighbouring regions. For India, its relationship with Myanmar is integral to its Act East policy, in the pursuit of a more stable, secure and prosperous Asia and the surrounding Indian Ocean and Pacific regions. Connectivity, therefore, between India and Myanmar is essential to India.

Holding more promise for closer India-Myanmar relations is the latter's ongoing journey towards democratisation, which began when military rule ended in 2011 and Myanmar embarked on economic and political reforms. In the past few years, parliamentarians from Myanmar have been coming to India to learn parliamentary practices and procedures. India, after all, is the second largest democracy in the world and can teach valuable lessons to its neighbour, whose growth was for a long time stunted by the absence of democracy. The



The energy-rich and resource-rich Myanmar has emerged as a land of opportunity and, along with India, looks poised to galvanise economic ties.

growing India-Myanmar partnership, therefore, is not only defined by development cooperation but also by its twin, capacity building.

In a recent spate of high-profile, two-way visits, leaders and representatives of the two nations have cordially exchanged views on further strengthening their existing friendly relations and promoting cooperation in the areas of connectivity, including the India-Myanmar-Thailand Trilateral Highway; Rhi-Tiddim Road; and Kaladan Multi Modal Transport Transit project. Discussions have been done on various issues such as boundaries, defence, trade and commerce, tourism, and culture. In early 2012 India extended a US\$500-million loan to Myanmar for development in various sectors like health, infrastructure and power generation, of which US\$140 million is for infrastructure.¹

The increased initiatives have been showing results; bilateral trade, for example, has grown and a host of Indian companies have established their bases in Myanmar. Top Indian companies are looking for investment in industries, including telecommunications, energy and aviation. Nurturing good relations with Myanmar is crucial to the economic transformation of India's northeastern states. It is a fact that much of the problems being faced by India's Northeast have been the result of its sudden loss of connectivity and market access, following Partition. India's Act East policy, and its consequent, stronger engagement with Myanmar, have the potential to mark a paradigm shift in the country's all-round development.

What might be considered a sour note amidst the developments in India-Myanmar relations, is that certain agreements have been forged without careful consideration of the practical aspects of their implementation and operationalisation. Moreover, the Myanmar government tends to think that India's delivery time is slow; India needs to prove such perception wrong. At the same time, India is also viewed as a 'good omen' because of the two countries' historical, spiritual connection. Relations between the two countries are at present stable and problem-free and India needs to leverage this for better links and more constructive bilateral ties.²

This report examines the status of connectivity projects between India and Myanmar, the hurdles they face, and the possible solutions to overcome these. For instance, in areas with difficult terrain, air or water connectivity may be considered more significant; border *haats* and local trade may substantially add to the local development efforts. Similarly, trade on energy may help these states to meet rising demand. On the other hand, security considerations at certain conflict-prone points on bordering areas may be a factor in determining the extent of physical connectivity to be established. Therefore, complex development-security nexus must be kept in mind, as well as issues related to environment, displacement, and rehabilitation.

The report is divided into four sections: physical connectivity through road, rail, air and water ways; cooperation in sectors of energy and environment; India's economic engagement with Myanmar; and issues and challenges in border management, including border trade.

1

Connectivity through Rail, Road, Air and Waterways



Physical connectivity is the bedrock of all other forms of connectivity such as economic links, social links and people-to-people interactions. Given the geographical proximity of Myanmar with India, the establishment of road, rail, inland waterway and maritime links is vital for integrating the region as well as to encourage and develop economic interactions that would contribute to the region's socio-economic improvement.

Myanmar has a considerable amount of internal road connectivity but not all of these roads are in good condition. Therefore one of the primary tasks is to upgrade the existing network and improve them so that they are able to withstand traffic. Existing roads which connect with international highways should also be improved and made more durable to bear the load of cross-country trade and traffic. The Trilateral Highway (more details in Section 1.3.1) which will connect India, Myanmar and Thailand once it is operational, has sections of roadways which are in a sorry state of disrepair, including for instance the Kalewa-Yagi section of the highway. Indian goods are available at Kalewa (in the Sagaing division in Myanmar) at very



India and Myanmar are yet to take full advantage of their geographical proximity despite sharing long land and maritime boundaries with enormous potential for overland and maritime connectivity including road, rail and waterways.

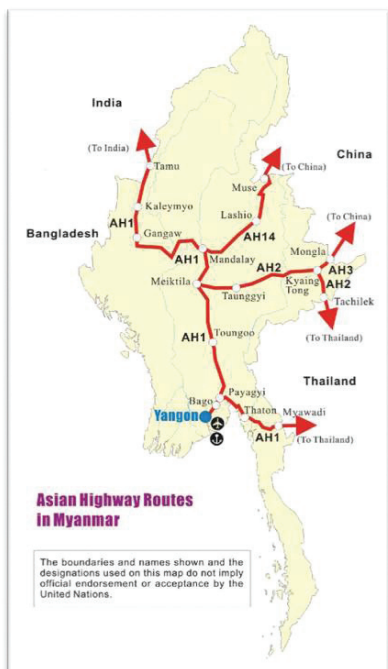
low prices but the pitiable road conditions make the area largely inaccessible and, in turn, failing the trade prospects.

There is also a section of opinion which considers it high time for the revival and development of the Ledo road, also known as the Stilwell road. The Ledo road connects Assam, in India with Kunming, in China through Myanmar. Named after Gen. Joseph Stilwell of the US Army, it was built during World War II for the Allied powers to transport supplies to China. The major part of this road lies in Myanmar territory, passing through Shingbwiyang, Myitkyina and Bhamo in Kachin state³ and although it is no longer in use, upgrading the road will make it useful for the Myanmar people. China is keen on reviving the road and has completed work on the Myitkyina-Kambaiti section in 2007; work is ongoing at the Myitkyina and Tanai.⁴ But due to the reticence of the Indian government, the road on the Indian side remains unusable. The Indian government is wary that the road may be used by anti-India insurgents and rebels.

Through the projects envisioned under the Act East policy, there have been many attempts towards exploring and establishing a greater expanse of physical connectivity links. Also, despite there being no dearth of literature on the prospects of these links and assessments of such projects, effective implementation continues to remain a challenge.

For realising the maximum potential of these connectivity links, it would also be beneficial to integrate the various projects that have been planned so far. This would further help

in the transformation of physical links into ‘development corridors’, a concept which is attracting attention because of its projected economic benefits. What is most important in this regard is an appraisal of the objectives that underlie these initiatives. It is important to define and determine exactly what is demanded from increased connectivity so as to develop specific outcomes.⁵



- Legend:**
- AH 1- 1650 km (Myawaddy-Yangon-Mandalay-Tamu)
 - AH 2 – 807 km (Tachileik-Meiktila-Tamu)
 - AH 3 – 93 km (Mongla-Kyaing Tong)
 - AH 14 – 453 km (Muse-Mandalay)

Map 1: Asian Highways passing through Myanmar

Source: North East Federation on International Trade. <http://www.nefitindia.com/event.html>

**Table 1: Physical Connectivity Projects between India and Myanmar**

Project Name	Stretch	Remarks
The Kaladan Multi-Modal Transit Transport Facility	The sea, river, land transport system linking Indian ports and Sittwe port in Myanmar and then through riverine transport and by road to Mizoram (India). Implementation commenced in Dec 2010	Ongoing – Expected to be completed in 2016
The India-Myanmar-Thailand Trilateral Highway Project	The 1360 km cross-border transportation network would link Moreh (India) to Mae Sot (Thailand) through Bagan (Myanmar)	Expected to be completed in 2016
The Mekong India Economic Corridor	The corridor proposes to connect Ho Chi Minh (Vietnam) with Dawei (Myanmar) via Bangkok (Thailand) and Phnom Penh (Cambodia) and further linking it to Chennai (India)	Proposed
The Stilwell Road (the Ledo Road and the Burma Road)	The WW II overland road linking Ledo in Assam (India) to Kunming in Yunnan (China) through Myanmar	The section from Myitkyina to India-Myanmar border needs upgradation. Reopening of the road remains an issue of debate in India and Myanmar
The Delhi-Hanoi Railway Link	The Delhi-Hanoi train connectivity proposes to link India with Vietnam via Myanmar, Thailand, Malaysia, and Singapore	Proposed
The Tamu-Kalewa-Kalemyo Friendship Road	The 160 km cross-border road from Tamu to Kalemyo in Myanmar's Sagaing Region and forms part to the India-Myanmar Thailand Trilateral Highway	Completed in 2001 (India has taken additional task for upgradation)
The Rhi-Tiddim Road in Myanmar	The 80 km cross-border road from Rhi to Tiddim in Myanmar's Chin State	Ongoing – expected to be completed in 2018
The BCIM Economic Corridor	The cross-border transportation network linking China's Kunming to India's Kolkata from Myanmar and Bangladesh	Prospective

Source: Presentation by K. Yhome at the International Consultative Workshop on 'Proximity to Connectivity: India-Myanmar in Perspective' held at Observer Research Foundation, Kolkata on 16-17 February 2015.



1.1 Multi-modal Connectivity

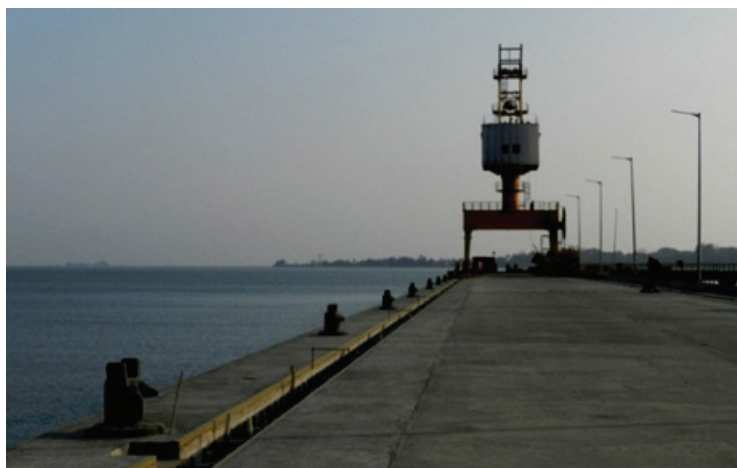
1.1.1 The Kaladan Multi-Modal Transit Transport Project

India and Myanmar signed an agreement on the US\$ 110-million Multi-Modal Transit-cum-Transport Project (KMMTTP) which would connect India's landlocked Northeast with the southern coast of Myanmar. According to the Framework Agreement of April 2008, the Government of the Union of Myanmar was to provide, gratis, the required land and security for the Project, including security for all personnel and technicians. The Indian government would bear the full cost of the project, which was originally estimated at US\$120 million.⁶ More recently, following enhancement, the cost estimate has been adjusted to US\$ 134 million. Under previous agreements the Myanmar regime was supposed to contribute US\$ 10 million to the project. In 2007 the Indian government extended to Myanmar a minimum-interest loan in that amount to cover the costs of the latter's commitments. The April 2008 agreement does not explicitly mention any financial obligation of the government of Myanmar for the Kaladan Project.⁷



Map 2: The route of the KMMTTP

Source: Flickr



The KMMTTP project is being piloted and funded by India's Ministry of External Affairs, with preliminary feasibility studies being carried out by Rail India Technical and Economic Services (RITES). Construction work on Sittwe port and a jetty in Paletwa as well as the dredging work was to be executed by the Inland Waterways Authority of India (IWAI) with Essar Projects Ltd, a division of the Essar Group appointed in May 2010, as the main contractor (detailed progress of the project are presented at the end of this section). On 19 June 2014, the World Bank approved a loan of US\$ 107 million for Mizoram State Roads II. Funding is provided by a credit from the International Development Association (IDA).⁸

Jetty at Sittwe, Myanmar.

Photo credit: Research team.



As per media reports, the World Bank-funded road project will be carried out in two groups, where the Kaladan project falls under Group II. The Asian Development Bank (ADB) has announced significant amount of funding for the implementation of this project. Since the project commenced in 2011, the price of raw materials has been rising steadily and this has contributed to an enhancement of the financial requirement for the project.



Myanmar Port Authority, Yangon, Myanmar.

Photo credit: Research team.

Fig. 1 offers a brief overview of the waterway and road links of the KMTTP along with the progress of construction (as of November 2014), the estimated timeline and the total cost incurred. Both the timeline and estimated cost have undergone adjustments over the years, leading to further complexities. The figure shows the exact lengths of road and water links

from Lawngtlai in Mizoram to the Sittwe port and then onwards to Haldia in West Bengal, India.

The Sittwe port is part of a US\$ 214-million river and road network project with a new 122-km highway linking a part of Myanmar with the Indian state of Mizoram. In 2013, the Government of India offered a US\$ 50-million line of credit for establishing a Special Economic Zone (SEZ) in Sittwe.



1.1.2 Logistical Obstacles

A crucial logistical issue has been identified which needs to be addressed for the project to realise its objectives. The KMTTP comprises a complex process of disembarkation and re-embarkation at Setpyitwin in Myanmar.⁹ According to current rules, goods travelling to Mizoram and further into India's Northeast, need to be transferred into land vehicles from waterway containers. This is because the Kaladan river is navigable only

Figure 1: The KMTTP: A snapshot

Source: "Slicing off 1,000 km, to bring Mizoram closer to the world", by Adam Halliday, *The Indian Express*, November 16, 2014, <http://indianexpress.com/article/india/india-others/slicing-off-1000-km/>



Map 3: Satellite image of the Sittwe port, Myanmar

Source: <http://myanmarpropertyinsider.com/kaladan-project-iwt-80-complete/>

up to Paletwa and the route towards Mizoram is a surface transport route. Thus to make the multi-modal aspect of the project fruitful, smooth operations and facilities must be put in place.¹⁰



The issues of illicit trade, smuggling of drugs and narcotics and migration of peoples must be sufficiently addressed so that unmonitored migration and traffic does not further destabilise the efficiency of the route. The estimated number of Rohingya refugees presently in Mizoram varies. Many of them have fled political and military repression in Myanmar. People living in the border areas on the Myanmar side frequently cross the borders to look for work in Mizoram as domestic helps, coolies, or petty traders. This has led to law and order problems as many such individuals are alleged to be involved in crime, drugs and illegal border trade.¹¹

Map 4: SEZ and Port locations in Myanmar

Source: RIS Background Paper, 2014, http://ris.org.in/images/RIS_images/pdf/Border%20connectivity%20Background%20Note.pdf



1.2 Details of the Project

According to Anil Vishwakarma, the Project Director of KMTT Projects, Essar,¹² goods destined for the northeast will be unloaded at the Sittwe port and then travel 160 km along the Kaladan river to Paletwa and then along a 210-km highway connecting to the Indian border at Lawngtlai, Mizoram. A Land Customs Station (LCS) at Zorinpui in the Lawngtlai district of Mizoram will be established.

The government of India is going to fund the US\$ 250-million highway and a Detailed Project Report (DPR) for the same has already been prepared. Upon approval by the Indian Parliament, the process of contracting for and constructing the highway will begin. Meanwhile, two jetties are being constructed, one at the Sittwe port and the other at Paletwa. In between the port at Sittwe and the jetty at Paletwa, there are seven points along the Kaladan River which need to be dredged and the water channel widened. Work on this is ongoing. Construction of six self-propelled 300-tonne vessels is ongoing in Yangon and these will be sent to Sittwe after completion.¹³

The Sittwe port is designed to handle a maximum capacity of 20,000 DWT (dead weight tonnage) vessels. Although such heavy vessels will not ply at present, after the area is fully developed in 10-15 years, heavier vessels will be in demand. The government of India has nominated the Inland Waterways Authority of India (IWAI) as the development consultant of the KMTT project and the IWAI has nominated Scott Wilson India Pvt. Ltd. as the supervisors of the work for which Essar is the main primary contractor. The total value of the contract is



Navigational buoy off the coast near Sittwe jetty. Photo credit: Research team.



Jetty at Sittwe. Photo credit: Research team.



INR 346 crores, but it is expected to exceed INR 400 crores. The Sittwe port will be operated by the Myanmar Port Authority and the jetty will be operated by the Inland Waterway Transport (IWT) of Myanmar. The port will be meant entirely for cargo traffic.¹⁴

While the KMTTP will have many benefits for the northeastern states of India, some feel that a transit route directly through Bangladesh would have been much more useful.¹⁵ Although Bangladesh has agreed to offer transit through its territory to Tripura for food grains, a more comprehensive transit route is not in the offing in the near future. And hence the KMTTP would work as the next best alternative. Despite the challenges of efficiency due to the multi-modal character of this connectivity link, there is a lot of scope for the KMTT project to become beneficial not only for Myanmar but for India’s northeastern states as well, whose physical connectivity with other parts of the country have historically been weak.

Table 2: Progress of Construction in KMMTT project (as of 15 March 2015)

Construction of Revetment (1640 ft x 44 ft)	83%
Sand filling for Back Up Area	96%
Construction of Port Office	80%
Construction of IWT Office	77%
Construction of Cover Storage Shed I	72%
Construction of Cover Storage Shed II	55%
Construction of Cover Storage Shed III	57%
Dredging of Approach Channel	96%
Construction of Restaurant and Recreation Centre	63%
Construction of Electricity Office	60%
Fencing work	83%
Construction of Security Office (1) Column to roof beam	76%
Construction of Security Office (2)	76%
Dredging along Kaladan River up to Paletwa	39%
Construction of RCC Storm Water Pipe System	100%
Renovation of road within the Jetty compound	38%
Preparing the open storage area	26%
Distribution of water works	26%
Renovation of the internal open drain within the jetty compound	4%
Navigational buoy installation	70%
Over-all progress at Sittwe Port area	85%

Source: Based on information collected from the office of ESSAR Projects, Sittwe, Myanmar



Table 2 shows that the major part of the work on most of the components has already neared completion.

Like some other projects currently underway in Myanmar, the KMTTP has also faced opposition from Human Rights organisations, worried about the social impact of the project. The Chin Human Rights organisation, for example, started a movement called the Kaladan Movement comprising a coalition of ethnic rights groups. The movement believes that the India-funded, US\$ 214-million project will affect approximately one million people living along the Kaladan River, but very little information about it has been made public. The residents around the affected areas are most concerned about compensation for their land, as well as the environmental and social impacts of dredging in Arakan State, which is known to exacerbate soil erosion. The project was mildly delayed because of a series of riots in Sittwe between Buddhist and Muslim communities in Rakhine state. It was alleged that ESSAR has played down concerns of compensation, and does not want to take up responsibility for human rights concerns.¹⁶ ESSAR, for its part, claims that they have addressed concerns regarding the people and the environment.

The Sittwe port will be directly connected with the Kolkata port after completion of the project and provide further impetus to the connectivity between eastern India and Myanmar, and will be an important step in India's drive to link the country's northeast with commercial sea routes. As Swapna Bhattacharya notes, "This entire circle of land and waterways connecting the two countries with multiple purposes should be seen as one of the most important landmark events in India-Myanmar relationship in the 21st century."¹⁷

1.3 Road Connectivity

1.3.1 The Trilateral Highway

The Trilateral highway will ensure connectivity from Moreh in India to Mae Sot in Thailand via Myanmar. Substantial progress has been made in preparing the Detailed Project Report (DPR) for roads and causeways in Myanmar. Two routes are under consideration, one through Mandalay and another bypassing Mandalay. Myanmar has requested India to accept the route through Mandalay. As Imphal-Mandalay bus service will start, it is desirable that Tri-lateral Highway route passes through Mandalay which is an important commercial city. The two routes are:

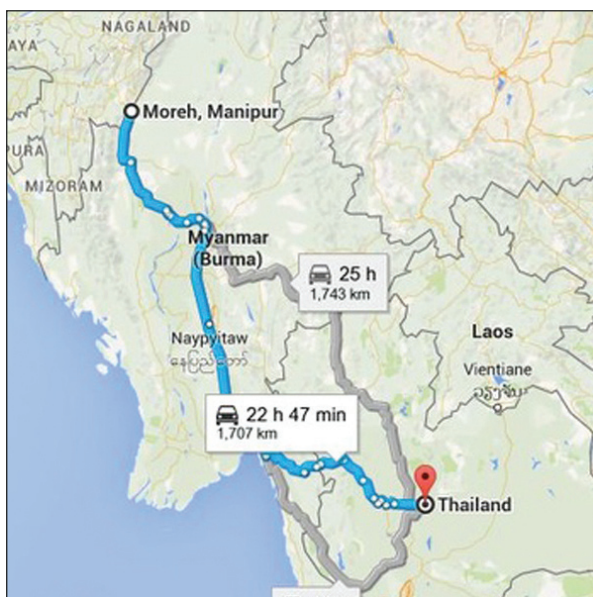
- ❖ Moreh (India) – Tamu-Kalewa-Chaungma-Yinmabin-Pale-Kyadet-Lingadaw-Pakokku-Bagan-Kyaukpadaung-Meiktila bypass-Taungoo-Oktwin-Payagyi-Theinzayat-Thaton-Hpaan Kawareik-Myawaddy-Mae Sot (Thailand) (bypassing Mandalay)
- ❖ Moreh (India) – Tamu-Kalewa-Yagyi-Chaungma-Monywa-Mandalay-Meiktila bypass-Taungoo-Oktwin-Payagyi-Theinzayat-Thaton-HpaanKawkareik-Myawaddy-Mae Sot



Members of the Ministry of Transport, Nay Pyi Taw, Myanmar, in interview with Research team, 24 March 2015.

(through Mandalay). The stretch between Kalewa-Yagyi-Chaungma-Monywa is not well developed.

The cost of constructing the Trilateral Highway is estimated at US\$ 140 million. Delhi has agreed on a US\$ 500-million loan to help build 3,200 km of highways linking India and Thailand via Myanmar. Asian Development Bank officials have visited Manipur to do a technical survey and have submitted their preliminary aid memo to the road ministry, which is now going through the appropriate alignment and other technical aspects before it gives its approval to the project and pass it on to the Department of Economic Affairs (DEA). ADB has declared its intention to fund the NE-Myanmar linking highway project.



Map 5: The Trilateral Highway

Source: Google Maps



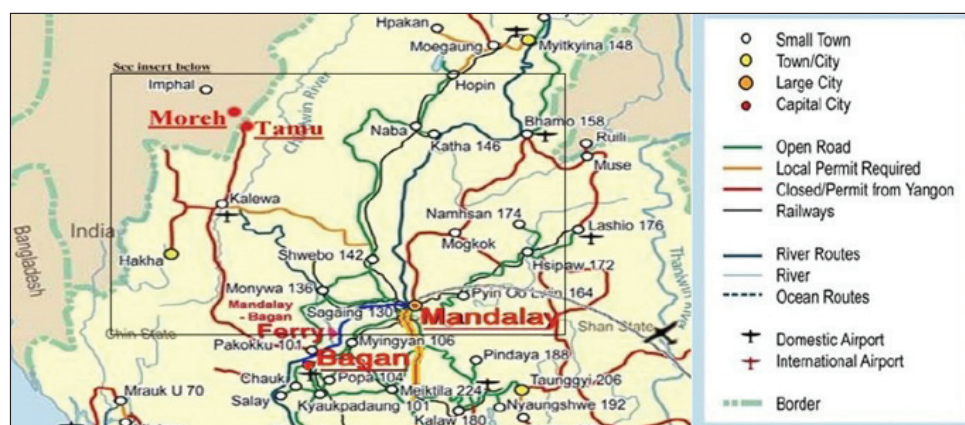
It is important to consider the internal connectivity of the northeast to the border town of Moreh in Manipur. Moreh is located at a distance of 110 km from the state capital Imphal and the two are connected by NH 39, which takes about two hours to cover. From Imphal, National Highways 36, 37 and 39 connect with Guwahati, which is the main hub of the northeastern states. The journey from Imphal to Guwahati at present takes about 12 hours, with many sections of the road being in disrepair. Another option for travelling from Imphal to Guwahati via Haflong is also being considered, which is a shorter but more difficult route. Suggestions for upgrading the Imphal-Silchar road are also being considered.¹⁸ Internal connectivity would be vital towards boosting bilateral links and considerable attention should be given to this by both the state and central government.

1.3.2 The Tamu-Kalewa-Kalemmyo Road

Conceived in 1993, the Tamu-Kalewa-Kalemmyo road or the India-Myanmar Friendship Road was inaugurated in 2001 by the then External Affairs Minister, Jaswant Singh. The road, built entirely by India was a gift to Myanmar and is a part of the Asian Highway.¹⁹

The Tamu-Kalewa-Kalemmyo Friendship Road beginning from across the border at Moreh has been built by India through BRO. The Government of India and ADB has signed a US\$125.2-million loan that will be used for upgrading roads in India's Northeast. The road has been handed over to the Myanmar authorities. However, there are 70 weak bridges along the road, of which only one has been repaired by Myanmar till date. The remaining 69 bridges need upgradation and repair. These will not be repaired by the Government of India through BRO; the responsibility of repairing these 69 bridges is with the Myanmar government.²⁰ It is part of the Trilateral Highway.

Map 6, which charts the course of the Tamu-Kalewa-Kalemmyo road, gives a detailed representation of the type of roads, railways and inhabited areas that the route would traverse.



Map 6: The Tamu-Kalewa-Kalemmyo (India-Myanmar Friendship) Road

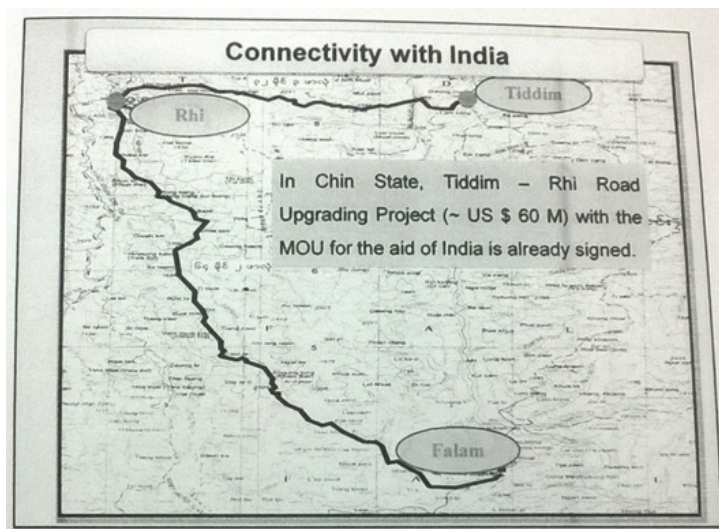
Source: Presentation at Brainstorming Session on India-Myanmar Strategic Partnership, Organised by RIS, 4 February 2013.



In 2013 at the 11th India-ASEAN Summit, India proposed that the Trilateral Highway be expanded to connect Laos, Cambodia and Vietnam and further, with ports and SEZs of the ASEAN countries. “It would be useful to look at the extension of this Highway to Laos, Cambodia and Vietnam, its further linkage with ports in ASEAN countries and its integration with models like SEZ. This would call for innovative financial and institutional mechanisms. I hope our Ministers and officials can discuss these ideas further,” said then Indian Prime Minister, Manmohan Singh.²¹ Along with the development of soft infrastructure along these corridors, the scope of physical connectivity can be expanded.²²

1.3.3 Rhi-Tiddim Road

The 225-km Rhi-Tiddim-Falem road is being built to connect Champhai in Mizoram to Rhi in Myanmar. It is important to note that Moreh and Champhai are two important border-trading



Map 7: The Rhi-Tiddim-Falam road

Source: Ministry of Transport, Nay Pyi Taw, Myanmar

points along the Indo-Myanmar border, which became operational in 1994 and 2004, respectively. The Indian Railways have also recently proposed a rail link to Myanmar through the Northeast which involves laying tracks in the Jiribam-Imphal-Moreh sector; this line could be extended to Mandalay as part of the Delhi-Hanoi rail link. The 80-km Rhi-Tiddim road connecting Myanmar with Mizoram in India is considered a vital lifeline in terms of boosting trade and commerce: a trade centre at Mizoram's Champhai district would be the direct beneficiary once the road

opens. If the Rhi-Tiddim road opens, it would surely boost bilateral trade between the two countries. With the current poor road communications on the Myanmar side, there is limited business at the trade centre in Champhai.

During the July 2010 visit of the Senior General Than Shwe, Chairman, State Peace and Development Council of Myanmar to India, it was decided that the construction and revamping of the Rhi-Tiddim road in Myanmar would be financed through a grant assistance of US\$60 million from India.²³ The project is yet to be implemented, however, and the present road is in poor shape. With India's assistance, it can be made into a single-lane road, which is expected to promote trade and travel links between Myanmar and Mizoram and help in optimising the utility of the investment made in the Zawkhathar LCS in Mizoram.

The adjoining town on the Myanmar side is Rhi and at present, the road connectivity from Rhi further inland into Myanmar is unpaved and in poor condition. The present road connecting



Construction of road from Champhai to Zakhawthar underway. Photo credit: Research team.



Land Customs Station at Zowkhathar. Photo credit: Research team.

Zokhawthar LCS towards the Myanmar side is a mere *kutch* road from Kalemryo via Tiddim which can be plied only in dry season. A stretch of four to five km between Indian border at Zakhawthar and Rhi town in Myanmar needs upgradation and is essential for seamless connectivity from Zakhawthar to Rhi and onwards. Rhi-Tidim road will connect to Monywa and onwards to Mandalay. In effect, it will provide connection between Zakhawthar in Mizoram and Mandalay.

IRCON has prepared the estimate of the 80-km Rhi-Tidim road at INR 298 crore. The MEA has obtained the approval of the Committee of Non-Plan Expenditure (CNE). The construction will be completed within three years after the requisite approvals. India has agreed to the implementation of Rhi-Tiddim Road Development Project in Myanmar with grant assistance to that country and Ministry of External Affairs of India (MEA) has sought technical assistance from the Ministry of Road Transport and Highways (MORTH) for the road.²⁴



Trade between India and Myanmar through the Zakhawthar LCS takes place on a regular basis although the volume of legal trade is limited. Unlike the Moreh-Tamu border points, the Zakhawthar-Rhi trading point is a more peaceful one, although the latter sees a larger volume of exchanges. The road from Champhai, the nearest town in Mizoram from the border at Zakhawthar, is at a distance of about 33 km, a little more than an hour away. The road from Champhai to Zakhawthar is being constructed with assistance from the ADB and is almost finished. It is at present a modest one but the road is being widened at several points and its condition being improved as it nears completion. The distance from Aizawl, the capital city of Mizoram, to Champhai is about 186 km and the journey takes about six hours.

For increase in trade through the border point at Mizoram, the road on the Manipur side needs to be improved and made capable of handling heavy vehicles.²⁵ This is not the case at present. The Zakhawthar-Rhi border point has a lot of potential for increasing links between India's northeast and Myanmar. The opening of the Rhi-Tiddim road is also expected to boost bilateral trade between the two countries.²⁶

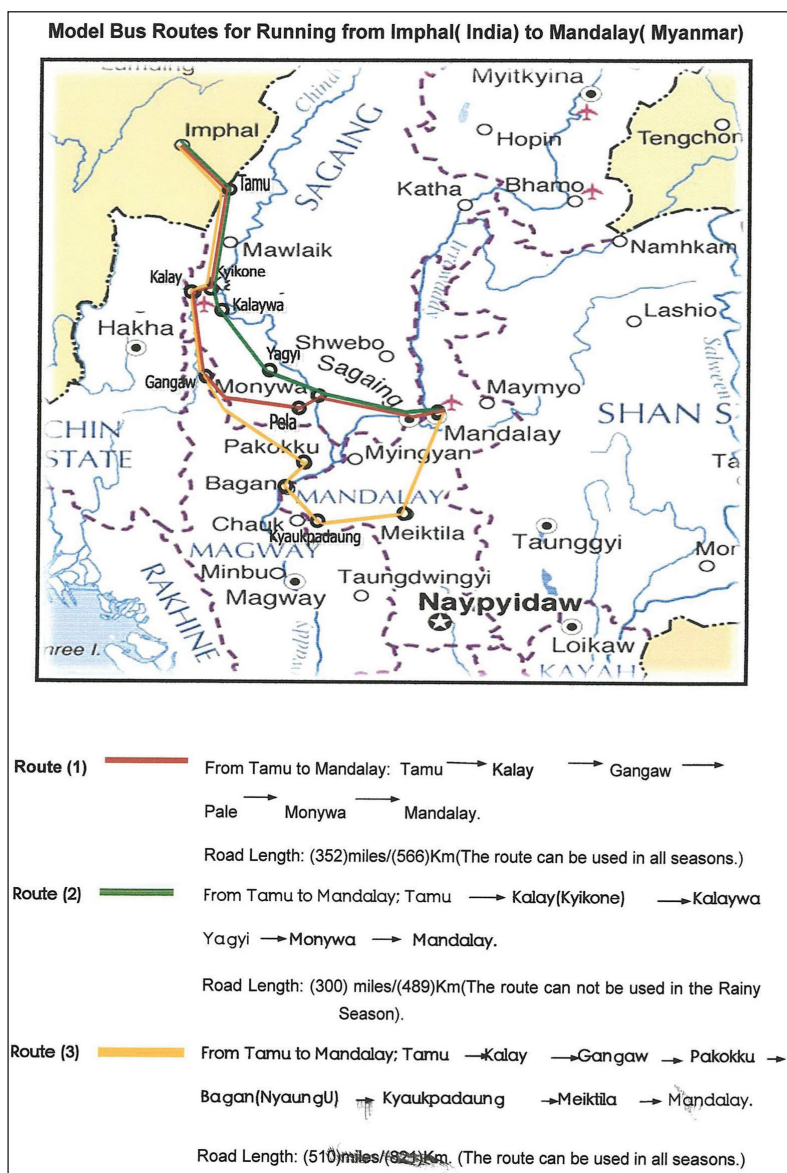
1.3.4 Proposed Imphal-Mandalay Bus Service

Early in 2015, a field survey for the proposed 579-km Imphal-Mandalay bus service began comprising a joint team from India and Myanmar. The initial proposal for the bus service was submitted to the MORTH and the MDoNER in 2009. The entire distance is expected to be pliable during all seasons.²⁷ There are three routes under consideration. The Imphal-Moreh section of the road is about 110 km while the section from Moreh to Mandalay is about 469 km.

The MoU for the bus service between India and Myanmar was amended in 2012 and in 2014 a technical committee meeting was held for the second time. A joint special team by members of both countries was formed and it was found that the roads between Imphal to Moreh are in good state but the route from Moreh to Yagi and Moreh to Gangawis not in good condition. The MoU is yet to be ratified. There are three proposed routes for the bus service (see Map 8) of which the second route is not usable during the rainy season and in the first route, there are about 70 bridges in the Yagi-Kalewa section which need repair.²⁸

Despite the fact that India and Myanmar had once been a part of the British Empire, no road and rail links were established between them. The Imphal-Mandalay bus service is held to be important not only because of the expected boost that it will give to bilateral trade, but also for the development of tourism. However, the issue of illegal trade remains since this route has been one of the busiest in terms of drug trafficking from Asia to Europe.²⁹ It is expected that the operationalisation of this route will help reduce illegal trade and, in turn, contribute to the increase in legal trade. Passengers are required to possess valid passports and may be granted single-entry visas valid for 28 days on arrival.³⁰

In 2014, Route 1 from the three options (see Map 8) was finalised and the service was expected to begin from October of the same year.³¹ But it has not materialised till date. The route is



Map 8: Proposed routes for Imphal-Manday Bus Service

Source: Ministry of Transport, Myanmar

Mandalay-Tamu corridor. Myanmar’s Ministry of Construction is in the process of getting approval from the Parliament for the master plan, after which the implementation will begin. The entire project is estimated to take about 30 years.³³

There is also an agreement with the Indian government of US\$140 million for upgrading the Myiktina-Putao road section (about 350km) and US\$20 million for upgrading road links in the Rakhine state in Myanmar.

579-km long and the duration of journey is expected to be 14 hours. To ensure ease of access, visa on arrival facility will be made available to travelers. The bus service is a much-awaited demand as many Manipuris live in Mandalay.

While plans to develop networks of connectivity that would link India with Myanmar and further onwards to Southeast Asia have been the subject of discussion for long, little has progressed till date. According to Myanmar’s Ministry of Construction, there is little demand for increasing roads within the country and hence the various bilateral and multilateral projects that are underway will primarily benefit the northeastern states in India and other neighbouring countries like Thailand.³² There are 10 major domestic transport corridors in Myanmar in the pipeline, one of which is the

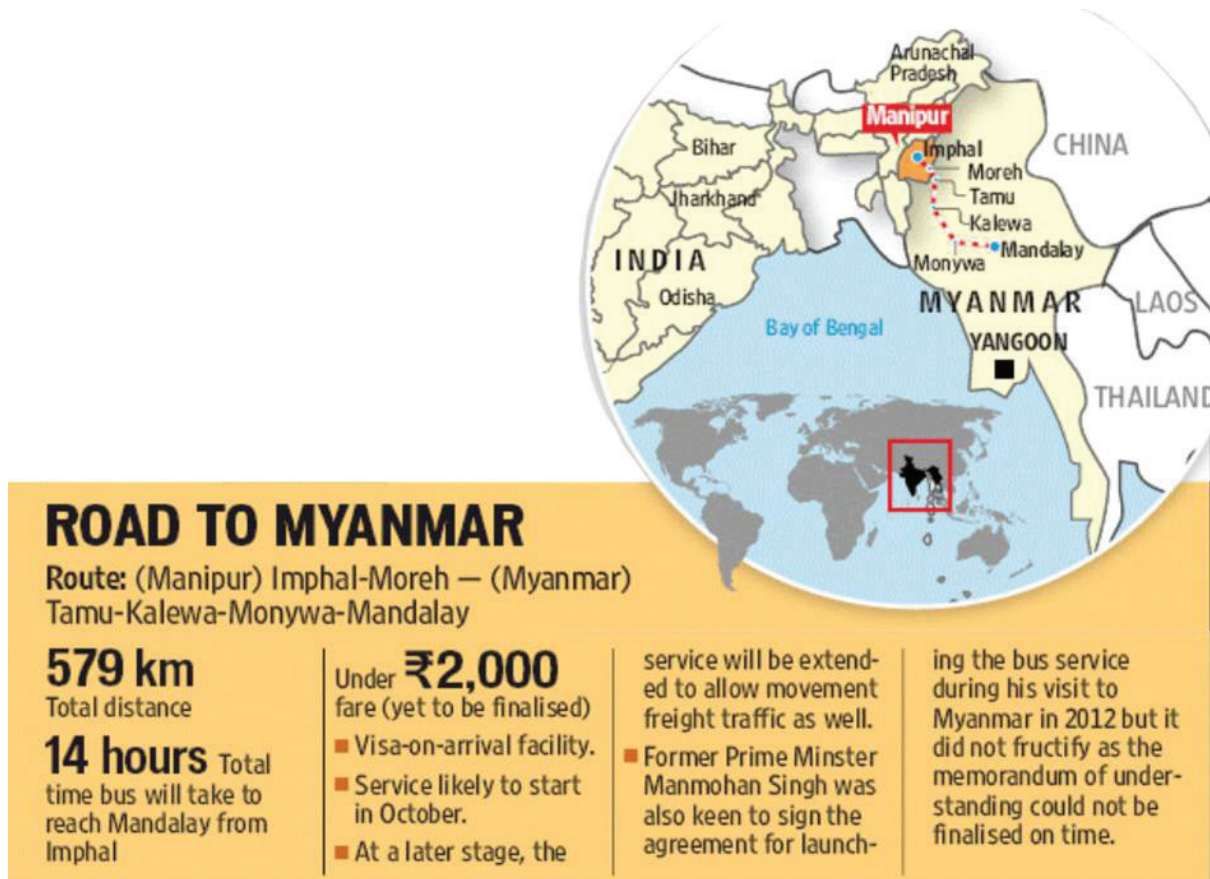


Figure 2: Imphal-Mandalay Bus service

Source: <http://www.hindustantimes.com/india-news/soon-a-bus-ride-to-myanmar/article1-1232832.aspx>



1.4 Rail Connectivity

The first railway lines in Myanmar were set up during the late 19th century during British rule of the subcontinent. The Burma Railway Company was formed in 1896 by the merger of three companies - The Irrawaddy Valley State Railway, The Sittang Valley State Railway, and the Mu Valley State Railway. The rail network was rebuilt after the country gained independence in 1948 and extended to include parts that were previously not connected via the rail network. Myanmar Railways

Map 9: Main Road networks within Myanmar connecting with International Highways

Source: Ministry of Transport, Nay Pyi Taw, Myanmar



currently operates a network of railways that connects most major towns and cities within the country.

International connectivity of the domestic rail network is also being planned with China and Thailand, besides India. According to Myanmar's Ministry of Railways, there are about 800 km of rail lines with China under ongoing government-to-government discussion. Rail links with Thailand connecting with the Dawei deep sea port region are being planned.³⁴

Establishing rail connectivity with Myanmar is important both in terms of increasing bilateral commerce and improving people-to-people interactions. Rail links will significantly reduce journey time via road, especially for longer distances.

With India, the study for a rail link from Jiribam in Manipur to Mandalay in Myanmar has been conducted by RITES in 2005. According to the feasibility report, the length of Section I of the rail link, (Jiribam-Imphal-Moreh) is 219 km and the length of Section II (Tamu-Kalay) is 127.4 km. Thus the total length of the rail line from Jiribam to Mandalay will be 885.4 km. The matter was last discussed in 2013, and there has been no further development regarding this. When completed, this will be a part of the Southern corridor of the Trans Asian Railway network.

Within India, there is no rail link between Jiribam and Moreh, while on the Myanmar side, there is also no link between Tamu and Kalay. Connectivity between these points in the respective countries would contribute in increasing communication and commerce. The Jiribam-Tupul-Imphal broad gauge line is expected to be completed by 2016. The route will involve several minor and major bridges and tunnels, of which a special feature will be Bridge No.164 having a pier height of 141 meter and thus becoming the tallest girder rail bridge in the world.³⁵ Initial survey work a broad gauge rail link between Imphal and Moreh has been done by the North East Frontier Railway and is currently awaiting approval.³⁶



Map 10: Rail Connectivity within Myanmar (2012-13)

Source: Maps of World, <http://www.mapsofworld.com/myanmar/rail-map.html>



Table 3: Details of Feasibility Study for Rail Link between Jiribam-Kalay, Section I (Jiribam-Imphal-Moreh)

Description	
Route Length	219 km (136 mile)
Ruling Gradient	1 in 60
Standard of Construction	
Gauge	1676 mm (Broad Gauge) (5'-6")
Rails	52 kg (new) 90 UTS
Sleeper	PSC, M+7 density for main line and PSC, M+4 for loops and sidings
Ballast	250 mm cushion
Speed Potential	100kmph
Curves	
Maximum degree of curvature	5
Total number of curves	95
Total length of curved track	58461.792 m
% of curved track	0.26695
Bridges	
Total no. of bridges	253
Total no. of minor bridges	211
Total no. of major bridges	42
Total linear waterway of major bridges	4085.7 m
Length of longest major bridge	365.6 m
Tunnels	
Number of tunnels	34
Total length of tunnels	39.452 km
Length of longest tunnel	10.497 km
Road under/over bridge	
No. of roads over bridge	9
No. of roads under bridge	6
No. of level crossings	22
No. of stations	18
Standard of interlocking	Std. III, MACL

Source: Ministry of Rail Transportation, Nay Pyi Taw, Myanmar



Table 4: Details of Feasibility Study for Rail Link between Jiribam-Kalay, Section II (Tamu-Kalay)

Description	
Route length	127.4 kms (79.11 mile)
Ruling Gradient	1 in 100
Standard of Construction	
Gauge	1000 mm (Meter Gauge)
Rails	52 kg (new) 72 UTS
Sleeper	PSC, M+7 density
Ballast	250 mm cushion
Speed Potential	100kmph
Curves	
Maximum degree of curvature	1.75
Total number of curves	22
Total length of curved track	18328.139
% of curved track	14.386
Bridges	
Total no. of bridges	206
Total no. of minor bridges	178
Total no. of major bridges	28
Total linear waterway of major bridges	1353.8 m
Length of longest major bridge	770.85 m
No. of stations	18
Road over bridge	1
Road under bridge	2
No. of level crossings	23
No. of tunnels	Nil

Source: Ministry of Rail Transportation, Nay Pyi Taw, Myanmar

The need for the establishment and upgradation of sufficient rail and connecting road links is the reason that investments from international bodies like the Japan International Cooperation Agency (JICA) for improving physical connectivity are being welcomed. The Korea International Cooperation Agency (KOICA) is also interested in improving the rail system in Myanmar.

Gauge differences also exist between the two countries, giving rise to delays in time.



Map 11: Tamu-Kalay-Mandalay Rail Link

Source: Ministry of Rail Transportation, Nay Pyi Taw, Myanmar

The National Transport Master Plan, which has been prepared by Myanmar’s Ministry of Transport, is an integrated, long-term plan of 30 years. The Plan intends to integrate 10 major transport and development corridors, of which the development of the Tamu-Mandalay corridor is priority. The aim is to develop this corridor within 15 years. While road transport links exist to border areas on the Myanmar side, there is an urgent need to upgrade and improve them.



Members of the Myanmar Institute of International and Strategic Studies, Yangon, in interaction with the Research team.



Besides Indian involvement in infrastructural and developmental links, work on physical connectivity within Myanmar is taking place with primary financial support from the private sector along with loans and grants from friendly governments and institutions like the Asian Development Bank. Japan offers plenty of financial support and China helps in cooperation programmes like maritime search and rescue. The rest is being covered by domestic government funds.

In 2013, India's Northeast Frontier Railway (NFR) prepared a master plan to link Bangladesh and Myanmar with the country's Northeast. According to the plan, 252 km of railway tracks would be laid connecting "Jawaharnagar, the headquarters of Dhalai district in Tripura, and Darlong city of Myanmar through Kolasib, a town in Mizoram".³⁷

More recently, China announced its desire to establish rail links connecting its southwestern province of Yunnan with the eastern part of India as part of the BCIM multi-modal corridor project. The entire rail route would be of 2,800 km long, with a trade potential of US\$132 billion.³⁸

1.5 Connectivity through Inland Waterways

While negotiations are ongoing for the revival of the Kolkata-Rangoon freight service, there is no such possibility for passenger traffic. Myanmar's existing laws do not allow foreign passengers and traffic through inland waterways, despite the fact that countries like Japan, Korea and Singapore have requested for transport through the inland waterways. While these laws may be amended in the future, there is no such possibility at present.³⁹



The Kaladan Multi-modal Transit Transport Project is the only mode in which inland waterway will be used. The route from the Kaladan river and further upwards is a part of the KMTTP which will be linked to Aizawl in Mizoram further north through a highway. The Kaladan river, also known as the Kolodyne river, has its source in Mizoram where it is known as the Chhimtuipui river. Transport along the river will be possible from the Sittwe port to Paletwa, since the river is not navigable beyond that point according to a feasibility

Map 12: The inland waterway route of the KMTTP
Source: Myanmar Port Authority, Yangon, Myanmar



Map 13: Map of Indian state of Mizoram showing the location of the site of the Kaladan Project along the Kaladan River

Source: Samaw.com, obtained from Manipur Online, <http://manipuronline.com/look-east-policy/kaladan-multi-modal-project-in-myanmar/2010/12/19>

study conducted in early 2000.⁴⁰ While construction of the Sittwe port is almost complete, the jetty at Paletwa is still being completed. The KMTTP is scheduled to be completed in 2015.

Map 13 shows the section of the Kaladan river reaching up to the state of Mizoram. The nodal point for the KMTTP in Mizoram is the town of Lawngtlai.

1.6 Coastal Shipping Service with Myanmar

A cargo ferry service between the two countries has begun operating since October 2014. The ferry service launched by the Shipping Corporation of India (SCI) will function from Chennai to Yangon. The service will ply the Colombo-Chennai-Krishnapatnam-Yangon route, calling on the Chennai port once every fortnight.⁴¹

The service, which will include container ships, is expected to significantly reduce the journey time for goods to reach Myanmar through land routes and will be advantageous given that both countries had agreed to increase bilateral trade to US\$3 billion. The SCI is expected to get a subsidy for the first six months of the service.⁴²

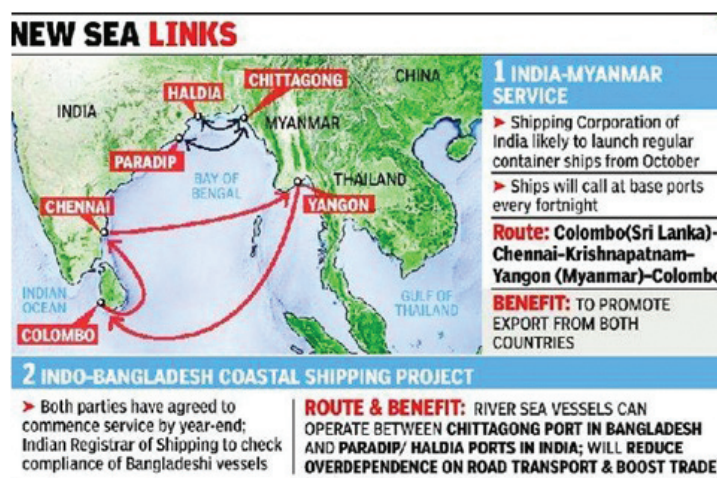


Figure 3: Sea Links between India and Myanmar

Source: Dipak Kumar Dash, "India to launch shipping service to Myanmar, Bangladesh to boost ties", *The Times of India*, 29 August 2014, <http://timesofindia.indiatimes.com/india/India-to-launch-shiping-service-to-Myanmar-Bangladesh-to-boost-ties/articleshow/41146593.cms>, accessed on 30 June 2015

1.7 Air Connectivity

Air connectivity between India and Myanmar needs to be improved urgently. One key requirement is direct flights, in the absence of which as is the case at present, the flight duration increases with unnecessary stops and layovers. For India, air connectivity with Myanmar can be of particular importance as it would help pilgrims and monks to visit Bodh Gaya.⁴³ At present there is an Air India flight which flies directly from



Besides offering the scope for increasing people-to-people interactions among people from both countries, more flights would also be welcome for the million-strong Indian diaspora that reside in Myanmar.

Kolkata to Yangon twice every week. Besides this, there is one once a week flight service between New Delhi to Yangon via Gaya.

Most other flight services such as Thai Airways reach Yangon via Bangkok. On the other hand, the flight services from Myanmar to other East and Southeast Asian countries like Singapore, Malaysia, Taiwan, Japan and Bangkok are much more frequent and larger in number. During the months of October to March every year, Myanmar Airways and another privately operated service, the Myanmar Golden Airlines, operate flights thrice a week from Yangon to Gaya for Buddhist pilgrims in Myanmar.⁴⁴

The shortage of direct flights to Myanmar is not the case with other neighbouring countries like China or even Japan. Myanmar Airlines is slated to begin a new flight on Kolkata-Bodh Gaya-Yangon route, mainly targeting religious tourism. The Indian diaspora is concentrated mainly in Yangon and Mandalay and are employed in various fields like education, trade and commerce, and civil services. Many families are engaged in export and import businesses which are based in India. There is therefore an opportunity for furthering economic exchanges, in addition to social interaction.⁴⁵

There is an annual growth of 20 percent in the aviation industry in Myanmar and it is expected that increased flights between the two countries would take advantage of this growth. The government of Myanmar is also planning to increase international flights which include flights to India.⁴⁶

Air connectivity will also have an important role to play in multi-modal connectivity. A report published by the Research and Information System for Developing Countries states that “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. It has already been indicated that the Myanmar government would be further strengthening the Kalemmyo airport.”⁴⁷



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2

Cooperation in the Energy Sector



Energy connectivity between India and Myanmar holds immense potential for the two countries and can also have a positive impact on their overall bilateral relationship.

The energy sector of India, one of the world's fastest-growing economies, sees an average 6.5-percent growth in demand yearly.¹ Along with economic growth, energy demand is bound to rise in India in the coming years. India's energy security is primarily about ensuring continuous availability of commercial energy at competitive prices to support its economic growth and meet the lifeline energy needs of its households with safe, clean and affordable forms of energy. Efforts are being made at increasing production and exploitation of all available domestic energy resources, along with a thrust on measures to increase energy efficiency and managing the demand through suitable fiscal and pricing policies.²



Table 5: Trends in the Crude Oil and Natural Gas Production (2009-10 to 2014-15)

Year	Crude Oil Production (MMT)	% Growth in Crude Oil Production	Natural Gas Production (BCM)	% Growth in Natural Gas Production
2009-10	33.690	0.54	47.496	44.61
2010-11	37.684	11.85	52.219	9.94
2011-12	38.090	1.08	47.559	8.92
2012-13	37.862	-0.60	40.679	-14.47
2013-14*	37.788	-0.19	35.407	-12.96
2014-15**	38.763	2.58	36.620	3.43
2014-15 (Apr-Dec)*	28.172	-0.88	25.332	-5.12

* Provisional ** proposed production

Source: Energizing Growth of a Nation, Annual Report 2014-15, Ministry of Petroleum and natural gas, Government of India, New Delhi, P.6

The energy supply portfolio of India is highly dependent on coal – and this situation will remain the same in the near future. However, it is expected that natural gas will increase its contribution to the supply portfolio. Various factors give natural gas a competitive advantage, such as the (non-)availability of affordable good quality coal, lack of investment in coal mining, confusion over allocation of coal beds for mining, coal prices, and increasing concerns over environmental pollution. Moreover, climate change considerations are putting the country under immediate and intense pressure to reduce dependence on coal.³ It is estimated that by 2032 India will be dependent on imports for most of its oil needs (90 percent) and natural gas (85 percent).⁴ As per BP statistics review 2014, India is the fourth largest energy consumer in the world, with oil and natural gas constituting 37.24 percent of primary energy consumption, of which 29.46 percent is from crude oil and 7.78 percent from natural gas. Coal constitutes around 54.51 percent of total energy consumption in the country.⁵ Table 5 shows the trends in Crude Oil and Natural Gas Production from 2009-10 to 2014-15.

According to *Hydrocarbon Vision: 2025*, the share of natural gas in the energy mix of India will increase to 20 percent in 2025, as compared to 11 percent in 2010. However, given that all the plans for expansion in natural gas supply in the country with the help of additional Re-gasified Liquefied Natural Gas (RLNG) terminals, a nationwide transmission pipeline network and transnational pipelines, are expected to materialise by 2025, it is envisaged that the share of natural gas in the primary energy mix would reach 20 percent by 2030, if not more.⁶ The expected change in the primary energy basket for India between 2010 and 2025 is summarised in Table 6.

**Table 6: Primary Energy Mix for India**

Sources	2010	2015
Coal	53%	50%
Oil	30%	25%
Gas	11%	20%
Hydro	5%	2%
Nuclear	1%	3%
Total	100%	100%

Source: Vision 2030: Natural gas infrastructure of India, Industry Group and Petroleum and natural gas Regulatory Body (PNGRB), P.13 cited in <http://www.pngrb.gov.in/Hindi-Website/pdf/vision-NGPV-2030-06092013.pdf> accessed on 20 July 2015

The total daily average domestic gas production during the first half of 2014-15 (April 2014-September 2014) was 91.77 Million Metric Standard Cubic Meter per Day (MMSCMD) while supply was 74.79 MMSCMD. Total consumption of natural gas in the country was around 119.34 MMSCMD, consisting of 74.79 MMSCMD (62.67 percent of total consumption) of domestic gas and 44.55 MMSCMD (37.33 percent of total consumption) of imported Liquefied Natural Gas (LNG). As per projections published in the Annual Report of the Ministry of Petroleum and Natural Gas, Government of India, domestic gas production in the country is going to increase from 97.01 MMSCMD during 2013-14 to 150.62 MMSCMD by 2018-19 (See Table 7).⁷ However, given India's gas reserve situation, the importation of LNG is inevitable. Under the circumstances it has been indicated that India's natural gas supply can be secured by improving the regional gas supply, particularly by including Myanmar in the picture. Energy market integration is thus a potential solution to India's widening energy supply-and-demand gap. However, unless some major obstacles are overcome, importing gas from Myanmar will remain a distant dream. (The politics of gas imports will be discussed in later sections of this report.)

Table 7: Domestic Gas Production in India

Company	Actual	Projected				
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19**
ONGC	63.79	65.75	69.01	76.04	86.30	96.38
OIL	7.19	7.78	8.47	8.49	8.77	10.96
PSC Regime	26.02	24.62	22.39	28.41	38.02	39.53
Total Production	97.00	98.15	99.87	112.95	133.09	146.87

* Including ONGC NLEP production of 4.66 MMSCMD ** Including ONGC NLEP production of 12.05 MMSCMD

Source: Energizing Growth of a Nation, Annual Report 2014-15, Ministry of Petroleum and Natural Gas, Government of India, New Delhi, P.39

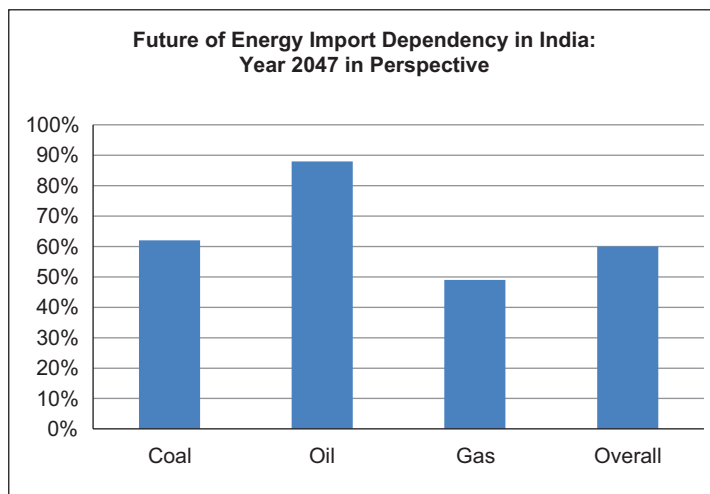


Figure 4: Future tend in Energy Import Status in India

Source: *India Energy Security Scenario 2047, 2014*

Myanmar's energy portfolio shows that the country has considerable potential to increase its gas production. The bulk of its output currently comes from the offshore Yadana and Yetagun fields, which is mainly exported to Thailand. Until recently, Myanmar's proven gas reserves amounted to 3.39 billion cubic metres (BCM) (12 Trillion Cubic Feet) (TCF), mostly coming from two blocks in the Shwe gas fields. It currently produces 0.0336 BCM (1.2 Billion Cubic Feet (BCF) of gas per day⁸. Domestic demand for gas is lower than total gas exports due to the low energy demand from domestic industries and households.

As of 2013, Myanmar's domestic gas demand was around 7.05 BCM (252 BCF annually) compared to 12.5 BCM (448 BCF) of annual exports.⁹ Its gas surplus may continue for another two decades even with steady growth in domestic demand, provided gas production remains stable. It is estimated that annual domestic demand will grow at 10 percent per annum while export demand will rise at eight percent until 2030. At these growth rates, Myanmar's total consumption will be around 78.4 BCM (2,800 BCF) by 2030. Figure 5 shows Myanmar's projections on domestic and export gas demand until 2030.¹⁰

Out of 339.6 BCM (12 TCF) of reserves, Myanmar has already committed the bulk to China and Thailand under several long-term contracts. It has been claimed that there is very little leftover for other countries such as India. Nevertheless, Myanmar has 2,264 BCM (80 TCF) of potential reserves that are yet to be contracted. The Myanmar government, with its current technical and financial capacity, is not in a position to convert these potential reserves into proven reserves. India could thus opt to be a potential technical and financial partner of Myanmar in this regard.¹¹

In 2011, Myanmar exported 36 BCM of pipeline natural gas to Thailand out of its 700 BCM of total gas reserve. China, too, is arranging a major deal with Myanmar by investing US\$4.8 billion in the Shwe Gas project. This will be the single largest gas field in Southeast Asia with a total capacity of 150 BCM. An 850-km pipeline has already been constructed to get this gas to Yunnan province. Myanmar's Ministry of Energy has further opened 11 shallow and 19 deep water blocks through competitive bidding.

The Myanmar government, with its current level of technical and financial capacity, is not yet in a position to convert these potential reserves into proven reserves.

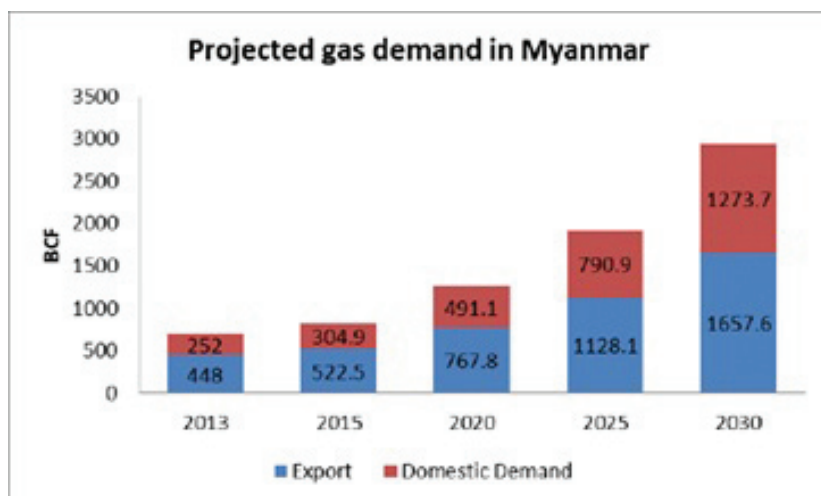


Figure 5: Projected Domestic and Export Gas Demand of Myanmar

Note: 1 BCF=0.02 BCM

Source: Anindya Bhattachaya and Tania Bhattachaya, "ASEAN-India Gas Cooperation: Redefining India's "Look East" Policy with Myanmar", ERIA Discussion Paper Series, 2014. P.30 cited in <http://www.eria.org/ERIA-DP-2014-19.pdf> accessed on 14 July 2015

Table 8: Myanmar’s Energy Potential: Fact Sheet

Resources	Potential
Crude Oil	500 million barrels
Natural Gas	20 TCF
Hydro	108,00 MW
Coal	71 MT
Biomass	Potential annual yield of wood-fuel: 19.12 million cubic tons
Wind	365.1 TWH per year
Solar	51,973.8 TWH per year
Geothermal	93 locations

Note: 20 TCF = 566 BCM

Source: BA 2013, ERIA 2013, Myanmar Engineering Society 2011

- Energy demand more than doubles between 2010 and 2020
- Exponentially rises between 2020 and 2035
- Transport sector is the largest energy consuming sector followed by smaller share of industry

- The fuel share remains almost unchanged between 2010 and 2035
- Fossil fuels play a dominant role

- The geo-politics of energy has started to alter relations between India and Myanmar



2.1 India's Current Engagement in Myanmar's Energy Sector

There is a conceptual difference between exploitation of commercial opportunity by companies and cooperation between states, though states can help in facilitating exploitation of commercial opportunities. The current engagement of Indian companies in Myanmar's energy sector covers mainly the Rakhine Offshore BlockA-1/A3 (part of the Shwe Project) of which the shareholders are Daewoo International Corporation of Korea with 60-percent share, Oil and Natural Gas Corporation (ONGC) Videsh Ltd. of India with 20 percent, GAIL (India) Ltd. with 10 percent and Korea Gas Corporation with 10 percent. India renovated the Thanlyin Refinery in 2005-06 and is currently undertaking the upgradation of the Thanbayakan Petrochemical Complex. India had offered US\$150 million of credit for project exports for establishing a SEZ at Sittwe. The National Hydroelectric Power Corporation (NHPC) is involved in the Htamanthi and Shwezaye Hydro-Electric Power projects, which are currently suspended.

2.1.2 Projects of ONGC Videsh Ltd. and GAIL in Myanmar

ONGC Videsh Ltd (OVL), the overseas arm of state-run explorer ONGC signed Production Sharing Contracts (PSCs) for two onshore blocks in Myanmar in 2010. The contracts were signed between OVL, Myanmar Oil and Gas Enterprises Ltd (MOGE), National Oil Company of Myanmar, and Machine and Solutions Co. Ltd. (M and S), the local partner. OVL has also participated in the Onshore Gas Pipeline Transportation project executed through a joint venture company, South-East Asia Gas Pipeline Company Limited (SEAGP), registered in Hong Kong on 25 June 2010. The project will be implemented in four phases. SEAGP's share of investment in the mid-stream project till 31 March 2014 was about US\$ 265.637 million for Block A-1 and US\$ 127.63 million for Block A-3. The share-holding of the joint venture is as follows: OVL 8.34 percent; China National Petroleum Corporation (CNPC)-50.9 percent; Daewoo, Korea-25.04 percent; Myanmar Oil and Gas Enterprise (MOGE) 7.36 percent; GAIL and KOGAS (Korea Gas Corporation) 4.17 percent each. OVL is also expected to bid for offshore blocks in the upcoming round of bidding in Myanmar¹².

Shwe Natural Gas Project: At a Glance

The Shwe natural gas and Myanmar-China oil transport projects are two of Myanmar's largest energy projects. The Shwe natural gas project comprises the Shwe, ShwePhyu and Mya offshore gas fields located in Blocks A-1 and A-3 of the Bay of Bengal. The project is backed by Myanmar, China and India. It is being developed by a consortium of six companies led by POSCO subsidiary Daewoo International, which is also the operator of the project¹³. Gas was first tapped from the Shwe project in July 2013 from its Mya field, while commercial production started in August. Production from the Shwe gas field started in January 2014. The pipeline's capacity is 12 billion cubic metres per year but in 2014 it pumped only 25 percent of this volume into China. A key market for the Myanmar gas was meant to be China's southern Guangxi Province, but sales have been so disappointing that PetroChina



is reportedly seeking to sell off its gas distribution system there, raising questions about the future ownership of its Myanmar operations.¹⁴ (See Tables 9 and 10)

Separately, GAIL India has picked up a four-percent stake in the US\$ 2 billion Myanmar-China gas pipeline project. The total investment of GAIL and OVL is expected to be around US\$250 million (over INR 1,000 crore) in the 870-km pipeline the CNPC is laying in Myanmar. Myanmar had decided to sell gas from this field to China. GAIL and OVL are investing 25 percent of a total of US\$2.6 billion in onshore and offshore blocks for the gas pipeline project in Myanmar. Both ONGC and GAIL are involved in the Shwe Natural Gas project.

The Shwe gas project has faced much criticism as its Environmental Impact Assessment (EIA) was not released prior to the start of construction. It has been alleged that the project's pipelines pass through ecologically sensitive as well as residential areas, including rainforests, parks, rivers, marines and sanctuaries. Human rights activists opposed the Myanmar military's acquisition of land in the Gown Chewin, Thit Pate Taung, and SabaShar areas to make way for the project pipelines without providing compensation for the locals. Fishing has also been banned in the area by the Myanmar Navy, affecting the livelihood of the local fishermen.¹⁵ The project has also been under fire for not allocating sufficient gas for domestic use in Myanmar.

Table 9: Companies involved in offshore resource extraction and sales in Shwe Gas Project

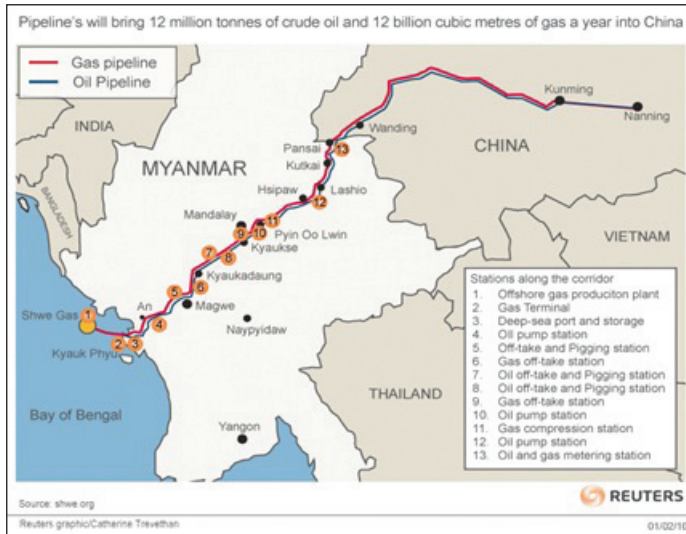
Company	Country of origin	% of Share
Daewoo International	South Korea	51%
ONGC	India	17.5%
MOGE	Myanmar	15%
Korean Gas Corporation	South Korea	8.5%
Gas Authority of India Limited (GAIL)	India	8.5%

Source: <http://www.offshore-technology.com/projects/shwe-natural-gas-project/> accessed on 2nd of December 2014.

Table 10: Percentage share of ownership in the Shwe Gas Project

CNPC	59.9%
MOGE	40.1%

Source: Cited in <http://burmacampaign.org.uk/media/DrawingTheLine.pdf> accessed on 15 September 2015



The Shwe Gas project has also increased ethnic tensions in Myanmar. The natural gas pipeline traverses Arakan State, Magway Division, Mandalay Division and northern Shan State, directly affecting 22 townships. Human rights violations have taken place, such as arbitrary detention and torture. Land has been forcibly confiscated in many cases, while adequate compensation was not paid in the Arakan state. There were reports of locals being engaged in forced labour.¹⁶

Map 14: China's Trans-Myanmar Oil and Gas Pipeline

Source: Ben Blanchard, "China takes risky step with Myanmar pipelines", Reuters, February 2010, <http://in.reuters.com/article/2010/02/03/idINIndia-45868120100203>



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2.1.3 Engagement of Reliance Industries Ltd.

Recently, Reliance Industries Ltd. (RIL), India's largest private sector company, won two of the three offshore oil and gas blocks in Myanmar while ONGC Videsh Ltd failed to get a foothold in the two areas it vied for. RIL bid for three blocks in the Myanmar Offshore Block Bidding Round 2013 and has won shallow-water blocks M-17 and M-18 in Myanmar's maiden offshore licensing round. Royal Dutch Shell, Chevron, Statoil and BG Group have picked up most of the blocks.¹⁷ RIL has also signed a production-sharing contract (PSC) with Myanmar's state-owned MOGE for the two offshore blocks that it bagged through competitive bidding in 2013.¹⁸

As a result, Reliance Industries will be the operator of the blocks with a 96-percent participating interest. United National Resources Development Services Co. Ltd. (UNRD), a Myanmarese company, will hold the remaining interest in the block.¹⁹ The blocks are located offshore in the Tanintharyi basin of Myanmar in water depths up to 3000 ft. and together encompass a total area of 27,600 sq km.²⁰ According to the company's statement, RIL's participation is in line with its strategy to expand its international asset base by investing in internationally attractive oil and gas destinations. The company will leverage its organisational capabilities and expertise to create value for the E&P (exploration and procurement) segment. With the production sharing contract in place, the company will now work out the schedule for starting work on the blocks.²¹

Myanmar offers a production sharing contract (PSC) regime similar to India's. However, unlike Indian PSCs where the work on an area begins with the exploration phase, Myanmar offers a six-month preparation period, followed by a study period of up to 12 months, after which companies have the option to exit the block. Exploration phase begins after the study period. Myanmar also allows an operator to retain a discovery for seven years even afterwards, if it is not considered economical. Multiple extensions of one year are also available.²²

It is noteworthy in this context that the oil produced in India can be sold at arm's length price, but gas can only be sold at a price determined by a previously approved formula. In Myanmar, oil can be sold at arm's length while natural gas can be sold at any price that can be realised from the market.²³

2.1.4 Jubilant Energy

This private-sector energy company was awarded block number PSC-I under the Burma onshore blocks bidding in 2011. It holds a 77.5-percent controlling interest in the block, while the rest is held by Parami Energy Development.²⁴

2.1.5 NHPC

The National Hydroelectric Power Corporation (NHPC) signed a memorandum of understanding (MoU) with the Myanmar Government in 2004 for the development of the 1,200-megawatt (MW) Htamanthi dam on the Chindwin river, with an estimated 80 percent



of the power going to India. A new agreement was signed in 2008 between NHPC and the Myanmar Hydroelectric Power Department to form a joint venture for the development of the Htamanthi and Shwesayay dams (642 MW).²⁵ Though a report published by the NHPC, entitled Deals and Alliance Profile (2015), indicates that the company is planning to invest around US\$ 2.119 million in the Htamanthi Hydro Power Project and US\$ 1.165 million in Shwezaye Hydro Power Project²⁶ both the projects have been stalled at present due to increasing cost.²⁷

2.1.6 ESSAR Projects

It has already been stated that in 2010 ESSAR Projects (India) Ltd. signed a contract with the Ministry of External Affairs, Government of India to export Port and Inland Water Transport components for the 'Kaladan Multi Modal Transit Transport Project' to be executed in Myanmar. In April 2008, India and Myanmar signed the agreement on KMTTP, a cooperative endeavour costing US\$ 120 million and entirely financed by India. At the same time, ESSAR Oil has US\$ 100 million worth of ongoing exploration projects in Myanmar.²⁸

2.2 Scope for India-Myanmar Gas Trade Revisited

India's long-term natural gas demand has been increasing rapidly compared to its domestic gas supply. Such demand-and-supply gap has widened exponentially over time. By 2030, India's gas supply-and-demand gap will reach up to 280 MMSCMD, or around 35 percent of the country's total gas demand. Figure 6 shows the supply and demand for India's domestic and imported gas. Under the circumstances it was thought that India's natural gas supply can be secured by 'looking east', particularly by including Myanmar in the broader perspective. Therefore energy market integration became a potential solution to India's widening energy supply-and-demand gap.

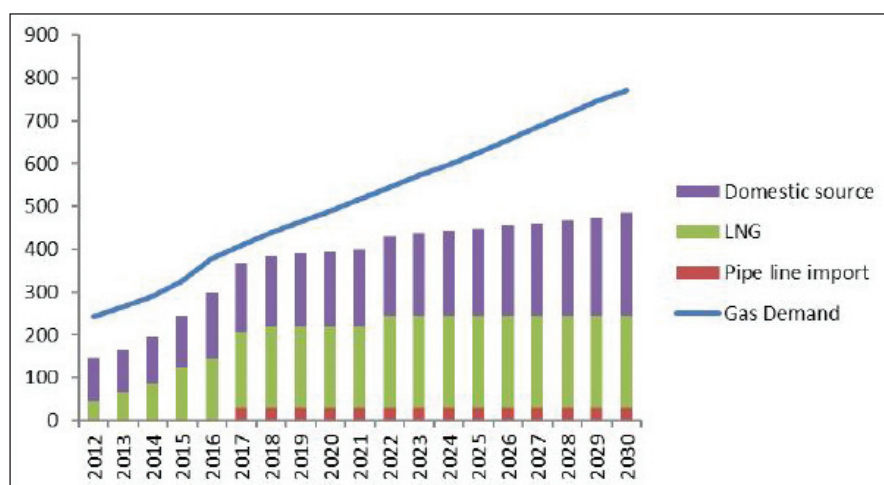


Figure 6: Indian Gas Supply and Demand Position by 2030 (in MMSCMD)

Source: Anindya Bhattachaya and Tania Bhattachaya, "ASEAN-India Gas Cooperation: Redefining India's "Look East" Policy with Myanmar", ERIA Discussion Paper Series, 2014. P.31 cited in <http://www.eria.org/ERIA-DP-2014-19.pdf> accessed on 14 July 2015



It should be recalled that importing gas from Myanmar has been on India's agenda for a while now. The process was accelerated by the negative response from Bangladesh on gas exports to India, as Bangladesh wants to take care of its own needs first.²⁹ Initially, Daewoo International showed interest in selling gas from Myanmar to India. India was also interested in constructing an LNG plant along with a 900-km long pipeline from the Shwe gas field to India via Bangladesh. But the then Bangladesh government did not agree. It imposed three conditions on India for allowing the pipeline through its territory: i) India should provide a free trade corridor for Bangladesh to Nepal; ii) India should remove existing trade barriers (including a trade deficit of US\$ 2.5 billion) between India and Bangladesh; and iii) India should permit Dhaka to buy cheap hydropower from Bhutan and Nepal so that its own gas reserves would be preserved for the future.

India felt that Bangladesh stood to gain from the pipeline, by earning US\$ 125 million annually as transit fees.³⁰ But Bangladesh did not consider this a fair deal. The unresolved differences between the two South Asian states over the multi-million dollar project not only delayed the signing of an MoU between India and Myanmar on the pipeline, but in a sense also paved the way for Myanmar exporting gas to China instead.³¹ Thus, the proposed Myanmar-Bangladesh-India gas pipeline has not materialised. If it eventually does, Myanmar can supply India 24 MMSCMD by 2040.³²

In early 2006, Myanmar signed an MoU with Petro-China to supply a large volume of natural gas from its reserves in the Shwe gas field. After completion of the survey to construct a 2,389-km long pipeline from Kyaukpuy in Myanmar to China's Yunnan province it was envisaged that, 183.9 BCM (6.5TCF) could be supplied from Block A1 for 30 years. In return, China would make available a soft loan of US\$ 84 million to Myanmar.³³ The strategically important pipeline will shorten the transportation distance. Needless to say, as a result of this, India has also planned to import natural gas from the same gas field.³⁴ In a nutshell, export of natural gas and access to the ports of Myanmar has become a serious bone of contention between India and China.

Based on the available natural gas so far contracted to Indian companies (mainly in A-1 block), Myanmar can provide around 6-8 MMSCMD.³⁵ As this amount is very small compared to India's total demand, India should explore other options to enhance its stake in Myanmar's gas for both the mid-term and the long-term period. In fact, after finalisation of Myanmar-China gas export deal, India has, for the time being, lost hope of importing gas from Myanmar.

While evaluating the option of gas trade from Myanmar to India it is important to account for long-term availability of surplus energy in Myanmar. In the absence of well-founded

Although Myanmar is an energy-rich country, there is a big gap between demand and supply. There is a lot of demand for gas domestically, but the internal demands are yet to be met effectively.



estimates, the data vary from one stakeholder to another. Moreover, there are several other factors to be taken into consideration, such as Myanmar's internal socio-economic situation, its investment environment, and energy pricing. It is important to note that ministers and representatives of energy departments from Myanmar and India meet frequently in various international forums to discuss regional energy sharing mechanisms. However, the Myanmar government is not looking to expand its energy supply to other countries beyond existing collaborations.

The Myanmar government is therefore trying its best to devise and implement policies that would meet its domestic demands before it considers sharing or supplying energy to neighbouring countries.³⁶

2.3 Scope for Cooperation in Refined Products

India's oil refining capacity will increase by more than 43 percent to 310 million tonnes a year by March 2017 – that is, by the end of the 12th Five-Year Plan period – from the current 216 million tonnes. The growth in refining capacity has made India a leading exporter of petroleum products since 2001-02. The commissioning of new refineries has raised total oil refining capacity in the country. The state-owned Indian Oil Corp (IOC) continues to be the largest refiner. It has begun crude processing at 300,000 barrels per day (bpd) at its Paradip refinery on the east coast of India. India is now the world's fourth largest refining centre after the US, China and Russia, according to BP's statistical review of world energy. The Paradip refinery is the most sophisticated of IOC's 11 plants. Surplus refining capacity is expected to increase further by 2030 and India will continue to be product surplus (see Tables 11, 12 and 13).

With increase in refinery capacity, production of petroleum products has increased substantially during last few years. During 2013-14, 67.864 MMT of petroleum products, valued at INR 3,68,279 crore, were exported. During the previous year, export of these products amounted to 63.408 MMT valued at INR 3,20,090 crore. Export of petroleum products during 2013-14 was higher by 7.03 percent in terms of quantity and by 15.05 percent in terms of value, as compared to the previous year.

Against this backdrop India can provide opportunities to Myanmar for refining crude in its refineries on the one hand, and on the other, can also export petroleum products, keeping in mind the growing importance of Paradip plant on the east coast.

With increase in refinery capacity, production of petroleum products has increased substantially in the last few years.



2.4 Prospects of India-Myanmar Connectivity through Renewable Energy

The two countries have complementary needs and thus can contribute to the development of energy links. There is a lot of demand for electricity in the border town of Tamu in Myanmar. However, it is difficult to connect Tamu with the domestic supply link. Electricity transfer from the Indian side is more convenient. Negotiations and surveys for supplying Tamu with 2MW of power are underway.³⁷ If the initiative succeeds, other areas may also be considered for similar trade. There is no such discussion on electricity trade between Myanmar and Thailand or Myanmar and China.

Experts argue that energy cooperation has the potential to form the bedrock for strong relations between India and Myanmar. While there is great opportunity in the traditional and conventional forms of energy, there is also potential for both large and decentralised renewable energy cooperation.³⁸ The possibility for energy cooperation can also be looked at in a sub-regional context which can help address risks and vulnerabilities arising out of climate change by both countries jointly. Energy cooperation therefore has a lot of scope for being mutually beneficial in helping ensure a sustainable energy future.

A large part of the population in both India and Myanmar live in remote villages which are inaccessible for conventional sources of energy. In Myanmar, biomass energy constitutes a major portion of primary energy consumption. In this context, India can help Myanmar with technological knowhow in the utilisation of non-conventional energy sources, such as biogas plants and biomass.³⁹ As India has an exclusive Ministry for Renewable Energy Development, which has launched a large and ambitious programme on renewable energy, it can coordinate the training programmes on New and Renewable Energy Technologies, demonstration programmes on Bio-mass gasifiers, as well as tidal and wind energy utilisation for energy conservation.⁴⁰ Sharing of experiences in the field of tapping renewable energy among member countries is one of the most promising activities for energy cooperation between India and Myanmar.

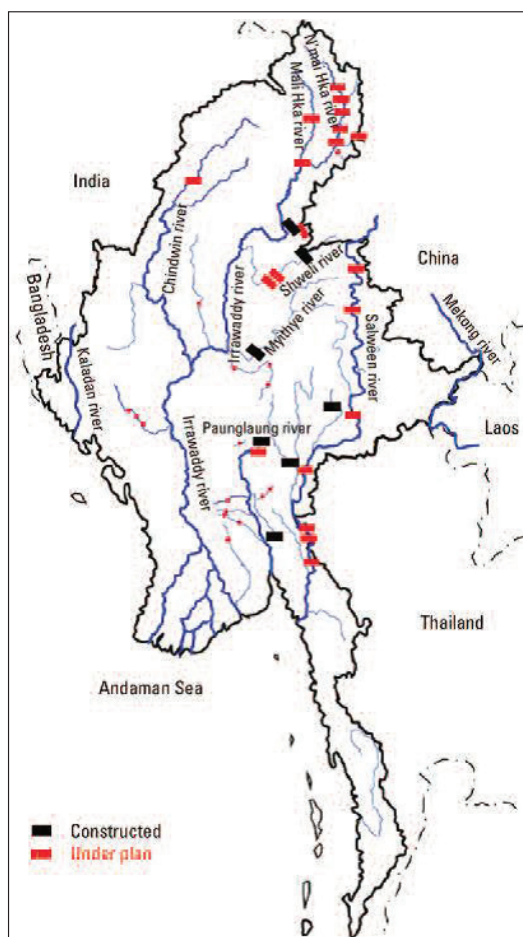
In renewable energy, Myanmar has an abundance of potential hydropower resources. The Ministry of Energy and Planning (MOEP) estimates Myanmar's hydropower potential from the four main river basins – the Ayeyawaddy, Chindwin, Sittaung and Thanlwin – at more than 100,000 MW. It has identified over 300 large-scale hydropower project locations with an estimated capacity of 46,331 MW. In contrast, Myanmar's installed hydropower capacity is only 2,520 MW.⁴¹

However, while explaining the renewable energy scenario of Myanmar, the Asian Development Bank (ADB) has identified the following barriers to future development: (i)

A large part of the population in both India and Myanmar live in remote villages which remain unconnected to conventional sources of energy.



absence of a transparent institutional and legal framework for exploration, development and deployment; (ii) limited financial capacity to support research and development (R&D), market-based investment and physical infrastructure; (iii) lack of human resource capacity; and (iv) subsidised power and petroleum prices.⁴² In this context India can cooperate with its technological knowhow.



Map 15: Hydro Schemes in Myanmar (in operation and planned)

Source: D. Doran, M. Christensen and T. Aye, “Hydropower in Myanmar: Sector analysis and related legal reforms”, *The International Journal on Hydropower and Dams*, Vol.21, Issue. 3, 2014, p.87

Table 11: India’s Refined Product Surplus Availability

	Refined Product			Refining Installed Capacity		
	Production	Consumption	Net Export/(Import)	2011	2015	2020
Country	000 bbls/day			000 bbls/day		
India	4125	3292	833	3967	4746	4906
Myanmar	16.7	40.6	-23.9	57	57	57

Source: Extract from a presentation by Ashok Dhar at the 11th Petro India Conference on ‘Regional Cooperation for Accessing & Developing Hydrocarbon Resources’ jointly organised by India Energy Forum and Observer Research Foundation in December 11, 2012, cited in *Regional Energy Cooperation: Accessing and Developing Hydrocarbon Resources in South Asia*, ORF Seminar Series, Vol. 1, Issue 11, May 2013, p.20.

**Table 12: Energy Trading Potential**

Country	Oil & Petroleum Products		Gas		Coal	
	Import	Export	Import	Export	Import	Export
India	Yes	Yes	Yes	No	Yes	No
Myanmar	Yes	No	No	Yes	No	Yes

Source: As in Table 11, p.19

Table 13: Energy Trade Prospects

India - Myanmar	Supply refined products
Myanmar - India	Significant hydropower and gas export

Source: As in Table 11, p.19



Endnotes

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- 6 Vision 2030: Natural gas infrastructure of India, Industry Group and Petroleum and natural gas Regulatory Body (PNGRB), P.13 cited in <http://www.pngrb.gov.in/Hindi-Website/pdf/vision-NGPV-2030-06092013.pdf> accessed on 23 July 2015.
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- 38 Mmadhura Joshi, TERI, New DELhi expressed this in the International Consultative Workshop on ‘Proximity to Connectivity: India-Myanmar in Perspective’ held at Observer Research Foundation, Kolkata on February 16-17, 2015.
- 39 Interview with U PeZinTun, Director General, Ministry of Energy, Government of the Republic of Union of Myanmar, Nay Pyi Taw, Myanmar dated on 27 March 2015.
- 40 Biomass gasification is thermo-chemical conversion of biomass into a combustible gas mixture (producer gas) through a partial combustion route with air supply restricted to less than that theoretically required for full combustion. A gasifier system basically comprises of a reactor where the gas is generated, and is followed by a cooling and cleaning train which cools and cleans the gas. The clean combustible gas is available for power generation in diesel-gen-set or 100% producer gas engines. The Ministry is promoting multifaceted biomass gasifier based power plants for producing electricity using locally available biomass resources such as wood chips, rice husk, arhar stalks, cotton stalks and other agro-residues in rural areas. The main components of the biomass gasifier programmes are:
- Distributed / Off-grid power for Rural Areas.
 - Captive power generation applications in Rice Mills and other industries.
 - Tail end grid connected power projects up to 2 MW capacities.
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3

India's Economic Engagement with Myanmar



Bilateral and multilateral economic ties and interdependencies help determine the prospects of a country's domestic economic development as well as its potential for growth and prosperity. Understanding such benefits of economic cooperation, India and Myanmar set up in 2003 a Joint Trade Committee (JTC) to appraise their bilateral trade and development. The JTC is chaired by the Finance Ministers of the two countries. In 2008, the two countries signed a Bilateral Investment Promotion Agreement (BIPA) and a Double Taxation Avoidance Agreement (DTAA). Both are also signatories to the India-ASEAN Trade in Goods Agreement; geographically, Myanmar is positioned as a bridge between India and the ASEAN member countries.¹

Recognising that the inflow of foreign direct investment would contribute significantly to improving economic performance, a Foreign Investment Law (FIL) was introduced in



In order to give a boost to economic and social infrastructure, the government in Myanmar has been focusing on the development of power generation plants, roads, railways, bridges, schools, hospitals and commercial buildings.

1988 and reenacted in 2012 by the Myanmar government. The law expanded the role for investments and eased related procedures; it allowed various kinds of tax breaks, and land leases for 50 years.² The Stabilization Programme initiated by the Myanmar government from the late 1980s and early 1990s was geared towards reviving the local economy through a market-based system. It has been followed slowly and steadily over the years. In August 2014, the Myanmar Investment Commission issued a notification clarifying the scope of foreign investment.³ The amount of FDI approved till March 2014 was an estimated US\$36.16 billion, involving 423 projects from 26 countries in 11 economic sectors (Table 14). Myanmar's exports reached US\$11,109 million in 2013-2014 from US\$9,136 million in 2011-2012.⁴

These would facilitate the development of an investment-friendly climate. After 1962, the number of Indian businesses in Myanmar had declined significantly, but it is on the rise again with eight Indian companies investing US\$273.5 million in Myanmar in 2012 in sectors like banking, energy, healthcare and infrastructural materials, according to the Ministry of National Planning and Development in Myanmar. Many private sector businesses have shown interest in expanding their businesses to Myanmar. However, the political situation in Myanmar continues to deter business expansion. For instance, although the reenactment of the Foreign Investment Law has been a welcome move, the Myanmar Investment Commission reserves the right to assess investment offers and the Commission itself is not a transparent body. Together with protectionism, it becomes difficult for foreign businesses to enter the country.⁵

Table 14: Foreign Investments of Existing Enterprises as of March 31, 2014 (by sector)

Sectors	No.	Approved amount (US\$ million)	% Share
Oil and Gas	64	13,630.102	37.69
Power	6	13,254.432	36.65
Manufacturing	246	2785.987	7.70
Mining	11	2337.226	6.46
Hotel and Tourism	37	1549.685	4.29
Transport and Communications	11	1327.908	3.67
Real Estate	11	715.573	1.98
Industrial Estate	2	179.113	0.50
Agriculture	10	174.339	0.48
Livestock and Fishery	11	166.562	0.46
Other services	14	40.361	0.11
Total	423	36,161.287	100

Source: Based on information collected from Myanmar Federation of Chambers of Commerce and Industry, Nay Pyi Taw, Myanmar



Table 15: Foreign Investments of Existing Enterprises as of March 31, 2014 (by country)

Sectors	No.	Approved amount (US\$ million)	% Share
China	40	14,159.218	39.16
Hong Kong	57	6,407.377	17.72
Singapore	75	4185.170	11.57
Republic of Korea	76	2989,017	8.27
Thailand	37	290,705	8.27
UK	35	2597.137	7.18
Malaysia	20	1049,724	2.90
Vietnam	7	513,186	1.42
France	2	470,360	1.30
India	11	295.00	0.82
Japan	34	223.301	0.62

Source: Based on information collected from Myanmar Federation of Chambers of Commerce and Industry, Nay Pyi Taw, Myanmar

Table 15 shows the countries which have the highest share of foreign investments in domestic enterprises. The country with the highest share is China, followed by Hong Kong and Singapore.

As India is a big market for Myanmar, a boost in trade relations will help the latter. At the same time, India's software and services sectors have the potential to contribute in Myanmar. UMFICCI observes that the aspirations of the people in both countries are quite common and there is a lot of scope for economic synergy. India is the 5th largest trading partner of

Table: 16: India-Myanmar Bilateral Trade (in US\$ million)

Year	2009-10	2010-11	2011-12	2012-13	2013-14	2014- 15 Apr-Nov
India's exports	207.97 (6.17%)	320.62 (54.17%)	545.38 (70.1%)	544.66 (-0.13%)	787.01 (44.5%)	483.81
India's imports	1,289.80 (38.84%)	1,017.67 (-21.1%)	1,381.15 (35.72%)	1,412.69 (2.28%)	1395.67 (-1.20%)	951.78
Total trade	1,497.77 (30.17%)	1,338.29 (-10.65%)	1,870.20 (39.75%)	1,957.35 (1.6%)	2182.68 (11.51)	1135.59

Figures in brackets indicate variation from previous year(s)

(Source: DGFT, Dept of Commerce, India)



Myanmar although it is only the 10th largest investment partner, with Indian investment in other Southeast Asian countries like Vietnam higher than that in Myanmar. However, economic connectivity of Myanmar with India is not as easy as that with other countries, especially China. One of the main reasons is the absence of appropriate shipping routes. Once operational, the KMTTP is expected to be beneficial in this regard. Another factor is that there needs to be stakeholders geared towards the economic connectivity of both countries. In Myanmar, the common perception is that there is a lack of willingness in India, as deemed from the length of time it takes to bring discussions to fruition. A faster pace of activity is thus required to fulfil the objectives that have been agreed upon.

India imports large quantities of pulses and agricultural commodities from Myanmar. Myanmar, meanwhile, imports pharmaceutical products, transport equipment, and electronic appliances from India. Still, India and Myanmar's overall economic engagement remains less than satisfactory, and India accounts for a mere 6.5 percent of Myanmar's external trade (See Table 16).

There are many reasons why India-Myanmar trade has remained below mutual expectations. Until recently, Myanmar had artificially high official exchange rates for its currency. Given the difference between market value of the currency and its official exchange rates, formal trade between the two countries was a difficult enterprise.⁶ Further, there was near absence of financial infrastructure such as banks and associated financial regulations, which made it very difficult to engage in formal economic activities. All these problems were further compounded by economic sanctions imposed by western countries on Myanmar's old military junta, which have been eased only in the recent past, following the restoration of elections and the initiation of reform. The absence of land and maritime connectivity networks between India and Myanmar also contributed to the low levels of trade with India.

These challenges indicate that Myanmar did not have a fully developed market economy and its participation in a globalised economy was relatively less intense. The recent changes in Myanmar are not merely about movement towards democracy; it is also about a shift towards a more market-based economy and increased participation in the globalised economy.⁷ The shift from autarkic economic policies to market-based economy has its own challenges and opportunities. The opportunities for Indian investments should be located in the economic shifts that Myanmar is currently witnessing.

Although it is often cited that Myanmar and India have long shared deep cultural and national ties as neighboring countries, the differences in their political backgrounds seem to be an important factor in their bilateral relations.⁸ In conceptualising the Act East policy, India's policy-makers chose to overlook Myanmar and this has pushed the country towards China. Another factor constraining the growth of bilateral trade, especially involving the borders, relates to the security and insurgency issues in those areas. Moreover, Myanmar's per capita income remains low, making the market smaller for relatively more expensive Indian products. However, it is the big gap in trade, investment and overall connectivity which needs to be bridged seriously by both parties.



Myanmar is rich in natural resources, including minerals and energy resources. With a massive forest cover, the country is home to 90 percent of the world's supply of teak. Wood- and cane-based industries hold a lot of potential. It also has the world's largest jade and ruby mines, besides other precious stones like sapphire and diamonds. Non-metallic minerals include lime stone, gypsum and coal. Investments and developments in these industries will have a significant impact on the country's economy.

Table 17: Bilateral Trade between Myanmar and BCIM countries (Apr 2013-Mar 2015)

Countries	Exports	Imports	Total
China	2913.634	4119.452	7033,086
India	1143.385	493.533	1636.918
Bangladesh	59.089	15.925	75.014

Source: Myanmar Federation of Chambers of Commerce and Industry

In 2012, 41 percent of Myanmar's total exports went to Thailand, 15 percent to India and 14 percent to China. Myanmar imported mainly from China. A total of 37 percent of Myanmar's imports came from China, while 20 percent from Thailand, but only 3 percent from India. Myanmar's total trade volume in 2012 was US\$25.16 billion. The trade deficit reached US\$5.76 billion because total exports stood at US\$9.69 billion and total imports were US\$15.46 billion. Myanmar enjoys a favourable trade balance with India, but of its total trade of over US\$18 billion in 2011-2012, India accounted for only about 7.5 percent. Table 17 shows trade between Myanmar and Bangladesh, China and India.

Even with these low figures, India's overall trade with Myanmar has in fact more than doubled in the last seven years. In 2013-14 total trade crossed US\$2 billion, with Indian exports at US\$787.01 million and imports at US\$1.395 billion. The economic engagement between Myanmar and India has gained momentum in the last few years, with trade relations witnessing steady growth. India now accounts for a sizeable share in Myanmar's imports of pharmaceutical products (37 percent); essential oil, perfumes and cosmetics (6.6 percent); rubber and articles (6.2 percent); articles of iron or steel (5.6 percent); cotton (5.6 percent); and iron and steel (5.5 percent). Although there is a demand for Indian goods in Myanmar, cheaper counterparts produced by other countries, especially China, are often purchased more commonly.

Myanmar can benefit greatly from Information Technology (IT) services from India besides pharmaceuticals, which are in demand in Myanmar.⁹ Indian medicines have been imported by Myanmar for a number of years and are very popular although other countries, like Thailand, have begun exporting medicines to Myanmar. What Myanmar also needs for increased regional connectivity is improvement in soft connectivity.¹⁰



Table 18: Potential Sectors for Investments in Myanmar

1	Information and Technology
2	Education
3	Agriculture and Food Processing
4	Forestry
5	Mini Hydel Power Plant
6	Garments and Textiles
7	Tourism
8	Natural Gas
9	Gems and Jewellery
10	Pharmaceutical Fertilisers
11	SME Industry
12	Oil and Gas Explorations
13	Transport

Source: Department of Commerce, Ministry of Commerce and Industry, Government of India, 2014

Table 19: Major Items Imported by Myanmar (Apr 2013-Mar 2014)

Items	Value (US\$ million)
Petroleum products	2391.77
Vehicles and spare parts	1335.00
Machinery and spare parts	1082.33
Ships and parts	887.00
Iron and steel construction materials	813.45
Palm oil	400.13
Plastic raw materials	292.26
Electrical equipment	290.85
Corrugated sheet	286.77
Pharmaceuticals	253.00

Source: Union of Myanmar Federation of Chambers of Commerce and Industry

**Table 20: Major Items Exported by Myanmar (Apr 2013-Mar 2014)**

Items	Value (US\$ million)
Natural gas	3299.22
Jade	1011.55
Garments	884.65
Teak logs	637.50
Rice	381.62
Black Matpe	376.40
Sesame seeds	340.65
Green gram	310.16
Fish	292.95
Maize	285.77

Source: Based on information collected from Union of Myanmar Federation of Chambers of Commerce and Industry, Yangon, Myanmar

Table 18 lists the potentials sectors of investment in Myanmar while Tables 19 and 20 show the major items imported and exported by the country. For a list of exports from India to Myanmar, see Table 21.

India and Myanmar collaborate on various development sectors like infrastructure, agriculture, human resource development, industrial development, power, and health. During the 2012 visit of then Prime Minister Manmohan Singh to Myanmar, the two signed an MoU for a US\$ 500-million line of credit for infrastructure development projects (See Fig. 7). The 2012 visit is considered a landmark in bilateral relations between India and Myanmar as several agreements were then forged by the two governments, including the following:

- ❖ Memorandum of Understanding regarding US\$500-million Line of Credit
- ❖ Air Services Agreement
- ❖ Memorandum of Understanding on the India-Myanmar Border Area Development
- ❖ Memorandum of Understanding on Establishment of Joint Trade and Investment Forum
- ❖ Memorandum of Understanding on the Establishment of the Advance Centre for Agriculture Research and Education (ACARE)
- ❖ Memorandum of Understanding on Establishment of Rice Bio Park at the Department of Agricultural Research
- ❖ Memorandum of Understanding towards setting up of Myanmar Institute of Information Technology
- ❖ Memorandum of Understanding on Cooperation between Dagon University and Calcutta University



- ❖ Memorandum of Understanding on Cooperation between Myanmar Institute of Strategic and International Studies and Indian Council of World Affairs.
- ❖ Agreement on Cooperation between Myanmar Institute of Strategic and International Studies and Institute for Defence Studies and Analysis.
- ❖ Cultural Exchange Programme (2012-2015)
- ❖ Memorandum of Understanding on establishing Border Haats across the border between Myanmar and India

The Joint Statement after the visit “reaffirmed their shared commitment to fight the scourge of terrorism and insurgent activity in all its forms and manifestations”¹¹ and also committed to prevent terrorists from using each other’s territories for sanctuary, training and other purposes. In addition, fellowships to be offered to Myanmar students for studies in chemical sciences, engineering, mathematics and medicine among others, were also discussed.¹²

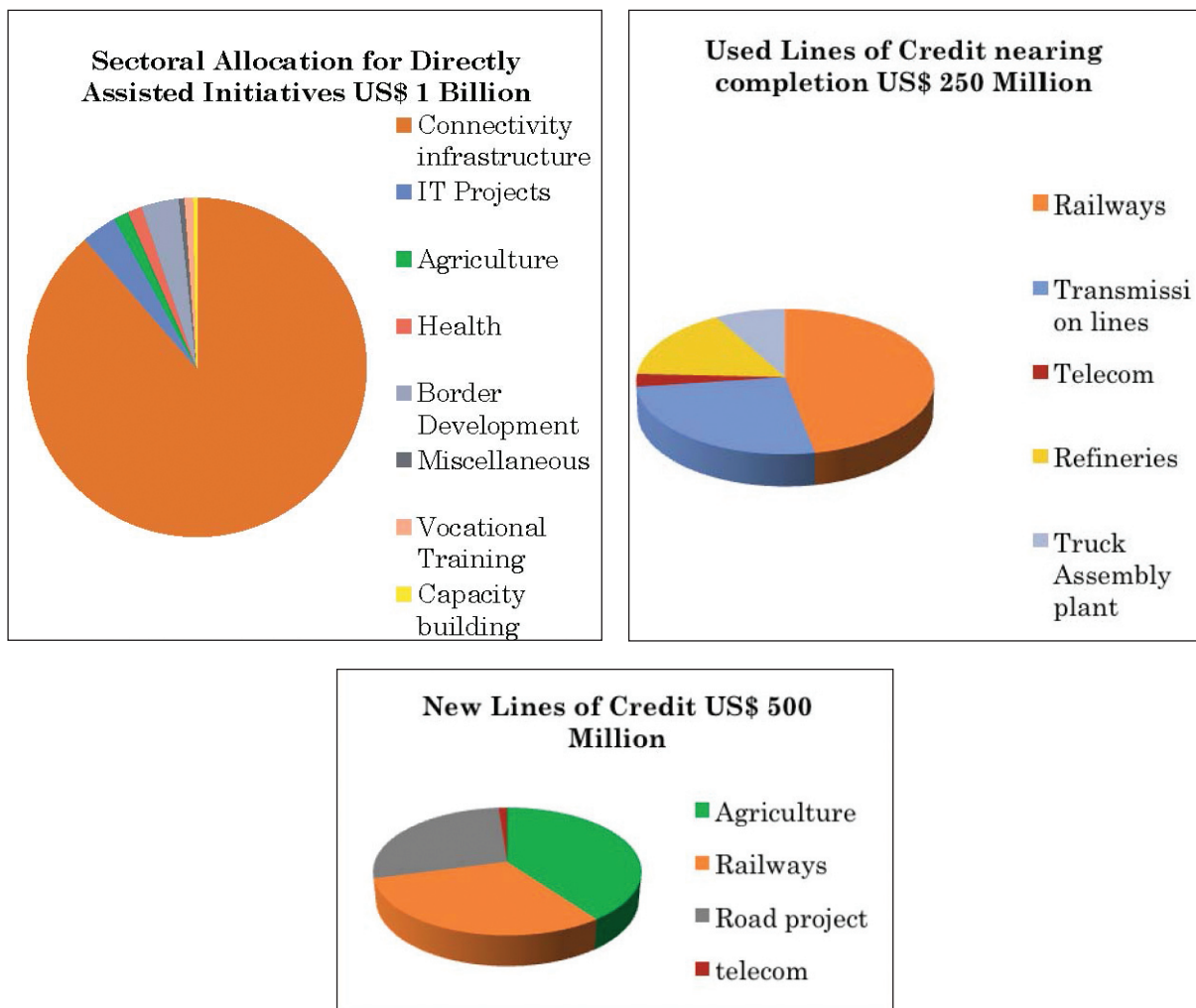


Figure 7: Allocation and Use of Credit

Source: India Myanmar Development Cooperation, Indian Embassy, Yangon, http://www.indiaembassyyangon.net/index.php?option=com_content&view=article&id=67&Itemid=137&lang=en



3.1 Banking Sector Collaborations

Several Indian banks have begun establishing their presence in Myanmar over the last few years, in anticipation of increased business prospects in the wake of connectivity links like the KMTT project, as well as increasing bilateral commerce. The United Bank of India (UBI), Bank of India (BOI) and State Bank of India (SBI) have already set up their establishments in Myanmar, or are in the process of doing so. Other banks which are considering a similar move include the UCO Bank, Punjab National Bank (PNB), Bank of Baroda (BOB) and Canara Bank.¹³ UBI opened a representative office in Myanmar in 2012. The Central Bank of Myanmar approved the SBI to set up representative offices in the country, which are now in place.

A representative office maintains links between clients and the main bank without having full operational powers. As Indian investments in Myanmar increase and more companies begin operating in the country, they will require Indian banks to be fully operational. However, most Indian banks are yet to receive clear guidelines about the subsidiary model of business that Myanmar wants to follow. This model implies that foreign banks will not be permitted to establish fully owned subsidiaries, which will then have to look for resources for establishing their presence on their own. Indian banks are not believed to be in favour of such a plan. On the other hand, representative offices would limit banking operations to a great extent and in turn affect business prospects. Myanmar plans to allow “corporate banking, project finance, international remittance, treasury and trade services. At a later stage, foreign banks may be allowed to give consumer loans.”¹⁴ It is believed that the ongoing process of reforms would gradually allow increased operational facilities. The lack of proper banking facilities also fuels informal trade. V Seshadri, India's former ambassador to Myanmar, says, “It is imperative to re-engineer trade through border and one of the ways could be by setting up efficient banking facilities.”¹⁵

EXIM Bank Line of Credit

The Export-Import Bank of India (EXIM) Bank has signed a Memorandum of Understanding (MOU) with the Myanmar Foreign Trade Bank (MFTB) for a Line of Credit (LOC) worth \$500 million to tap the country's potential in various sectors. The MoU covers 16 ongoing irrigation schemes, two irrigation projects, a project for procurement of rolling stock, equipment and upgradation of three major railway workshops in Myanmar. It has received a banking license to open a representative office at Yangon in Myanmar. Exim Bank, India's export credit agency, has already extended seven LOCs, with an aggregate value of US\$247 million and total disbursements worth US\$123 million to MFTB. The credit line will be used for irrigation, rail transportation, electric power and other infrastructure development projects in Myanmar. The Bank of India and Export Import Bank of India plan to establish presence in Myanmar through branches and representative offices to push Indian investments and support growth in bilateral trade. Exim Bank also offers medium- and long-term buyers' credit for project exports to Myanmar, thus enabling Indian project exporters to secure business while avoiding risk. There is no doubt that the bilateral trade target of US\$3 billion set by the Government of India by 2015 will be accomplished easily.¹⁶



Table 21: India's engineering exports to Myanmar, by group (Value in million USD)

Group	Apr-Aug 12	Apr-Aug 13	Growth (%)
Iron and Steel	15.64	9.68	-38.06
Products of Iron	4.17	12.52	199.98
Copper and Products	1.58	1.06	-32.8
Aluminium and products made of aluminium	0.50	4.43	791.25
Zinc and products made of zinc	0.01	0.00	-100
Nickel and products	0.00	0.00	-100
Lead and products made of lead	0.15	0.34	117.03
Other Non Ferrous Metals and their products	0.70	1.05	49.61
Nuclear reactors, Industrial Boilers and parts	0.39	0.71	83.53
IC engines and parts	0.10	0.82	732.95
Pumps of all types	2.20	6.95	215.29
Air condition and Refrigeration Machinery and Parts, Industrial Furnaces, Water heaters and Centrifuges	0.18	3.32	1770.99
Industrial Machinery for dairy, agriculture, food processing, textiles, paper, chemicals, etc.	7.87	12.83	62.91
Machine Tools	0.90	0.52	-42.45
Machinery for ATMs, Injecting Moulding machinery, valves, etc	0.23	0.06	-75.36
Electric Machinery and Equipment	8.82	11.45	29.84
Motor Vehicle / cars	2.26	1.27	-43.76
Two and Three Wheelers	0.00	0.24	
Auto Components / Part	0.40	0.31	-23.02
Aircrafts, Spacecrafts and Parts	0.000	0.004	1724.77
Ships, Boats and Floating Structures	0.76	1.56	103.74
Medical and Scientific Instruments	3.18	4.71	48.11
Railway Transport and Parts	1.46	0.92	-36.73
Hand Tools, Cutting Tools and Implements made of Metals	0.90	0.10	-88.65
Electrodes, Accumulators and Batteries	0.11	0.83	639.96
Accumulators and Battery	1.50	0.91	-39.24
Bicycle and Parts	1.97	2.48	26.05
Cranes, Lift and Winches	0.08	0.16	94.2
Office Equipments	5.87	4.38	-25.34



Group	Apr-Aug 12	Apr-Aug 13	Growth (%)
Other Construction Machinery	0.03	0.01	-77.51
Prime Mica and Mica Products	0.36	1.51	315.22
Other Misc. Items	0.01	0.00	-70.99
TOTAL	62.32	85.13	36.59

Source: Directorate General of Commercial Intelligence and Statistics, Kolkata

3.2 Digital Connectivity

Myanmar has set up cross-border fibre optic links with many of its neighbouring countries, including India. The first cross-border fibre optic link between India and Myanmar was set up in February 2009, running from Moreh in Manipur to Mandalay in Myanmar, or a distance of 500 km. The 640-km-long link passes through Tamu, Kampatwa, Kyi Gone, Shwebo, Monywa and Sagaing. The optic link is a high-speed broadband link for voice and data transmission.¹⁷

The project was signed between the state-run Myanmar Posts and Telecommunications (MPT) and the Telecommunications Consultants India Limited (TCIL) in March 2006, during then President APJ Abdul Kalam's state visit to Myanmar.¹⁸ Myanmar's Information and Communications Technology (ICT) sector has been witnessing rapid growth in the last few years, with telecommunications being an important growing sector. The India-Myanmar link is worth US\$7 million.

3.3 Academic and Technical Training Cooperation

During the visit of Prime Minister Manmohan Singh to Myanmar in 2012, India promised to offer technical and financial assistance for the establishment of a Myanmar Institute of Information Technology and extension of support for the India-Myanmar Centre for Enhancement of IT Skills in Yangon. The Myanmar Institute of Information Technology opened on 17 June 2014 in Mandalay. The aim is to develop a National Centre of Excellence in Information Technology along the lines of the IIT of India, conducting programmes and courses on IT subjects and also awarding diploma degrees. The Government of India will assist Government of Myanmar in running the Institute for five years. The permanent structure for the Institute is being constructed by Myanmar; it has been decided to commence regular courses temporarily at the University of Computer Sciences, Mandalay from the 2015 academic session.

Two Vocational Training Centres at Pakokku and Myingyan (of a total of six such Centres which exist) in Myanmar were established by Hindustan Machine Tools International Ltd (HMTI) and the Government of Myanmar. HMTI has supplied the equipment and conducted



training onsite as well as in India. These centres provide vocational training on various industrial aspects including Machinist-Fitter, Machinist-Turner/Miller, Tools and Die Making, CNC machinists, Industrial Electrician, Electronic Mechanic, Sheet Metal and Welding. While the Pakokku Centre was handed over in 2012, the Myingyan Centre was handed over to the Government of Myanmar in October 2013.

The Language Laboratories and E-Resource Centre project involved deploying Classroom Management Software and Self-paced English, French, German, Japanese, Russian and Chinese Languages learning content along with hardware support to assist officials from the Ministry of Foreign Affairs (MOFA), Myanmar in their training/skill development over Foreign Languages. The project also involved providing assistance for soundproofing of the Laboratories which, along with the E-Resource Centre, have been established at the MOFA at Nay Pyi Taw and at Yangon. The Centre for Development of Advanced Computing (C-DAC) has assisted the Government of India in implementation of the project which was completed (and handed over to the Myanmar government) in April 2014.

The Government of India supported the establishment of the India-Myanmar Centre for Enhancement of Information Technology Skills (IMCEITS) to assist Myanmar in its endeavour to provide short-term courses on Software and Application Programming for eligible students in Myanmar with an aim to further refine the IT skills of the population. Situated at the Centre for Information and Communication Technology Trainings (Hlaing) (CICTT), IMCEITS was established through C-DAC in 2010. The Centre was upgraded through C-DAC in 2014 through the enhancement of courses, IT equipment and training. IMCEITS has been an Authorized Training Centre (ATC) of CDAC for three years and offers joint certification with C-DAC.



Vice President, Shri Hamid Ansari inaugurating the Myanmar-India Entrepreneurship Development Centre (MIEDC), at Yangon in Myanmar, 2012. Source: <http://photodivision.gov.in/IntroPhotodetails.asp?thisPage=395>.



The Myanmar-India Entrepreneurship Development Centre (MIEDC), meanwhile, was established in February 2009 with the technical assistance of the Entrepreneurship Development Institute of India (EDII), Ahmedabad and financial support from the Government of India. It functions under the administrative control of the Yangon Institute of Economics. As of December 2012, some 5,115 participants have benefitted through various activities of MIEDC. Of this number, 3,251 participants have attended MIEDC training programmes. The Government of India is implementing the Human Resource Development (HRD) cooperation with Myanmar under different schemes, such as Indian Technical and Economic Cooperation (ITEC) Programme, Technical Cooperation Scheme (TCS) under Colombo Plan, as well as through various scholarships offered by the Indian Council for Cultural Relations (ICCR) and Special Courses for ASEAN Diplomats.

The HRD Cooperation Programme was launched in Myanmar in 1996. The Indian Technical and Economic Cooperation (ITEC) and Technical Cooperation Scheme (TCS) of Colombo Plan have been very popular programmes and a large number of participants from different ministries of Myanmar government attended various courses offered under these two scholarships. Over 48 institutes from both government and private sectors offer a choice of more than 200 courses, both short- and long-term.

Besides these, the Indian Council for Cultural Relations also offers fellowships and scholarships for graduate and post-graduate studies.

3.4 Cooperation in the Agricultural Sector

As part of an agreement to cooperate in the agricultural sector, India provided agricultural machinery worth US\$10 million to Myanmar. India is encouraging research in the agricultural sector and is assisting in the setting up of the Advance Centre for Agricultural Research and Education (ACARE) in Yezin. ACARE is expected to assist in developing high-yield crops, incorporating the use of technology in agriculture and promoting knowledge management for the improvement of agriculture.

Both countries agreed to set up an Advanced Centre for Agricultural Research and Education as a Centre for Excellence with assistance from Indian Agricultural Research Institute, New Delhi.¹⁹ It was also decided that a Rice Bio Park would be set up to serve as Training and Demonstration Park for conversion of rice biomass into market driven products like straw, bran, husk, roots and grain, helping in job creation and income generation.²⁰ This will help in maximising gains from rice. The Park would be located in Yezin, Naypyitaw. The M. S. Swaminathan Research Foundation (MSSRF) is the consultant and project manager responsible for business plan, equipment and training. Construction work for the Rice Bio Park includes 13 different buildings and work is ongoing in full swing, including the procurement of equipment.



Another project is the Cardamom Plantation project, under which the Spices Board of India is expected to provide technological support for the commercial production of Large Cardamom in Naga Self-Administered Zone of Myanmar. The Spices Board will also supply quality seeds to the Myanmar farmers and monitoring visits would be undertaken by the Spices Board to assess the progress of plantation. The Board conducted two-day training modules in Naga SAZ in April-May 2013 at Khamti and Lahel. The Project also involves exposure visits for 100 Myanmar farmers to large cardamom growing areas in Sikkim and in the Darjeeling district of West Bengal. The farmers would also visit the RRS-Indian Cardamom Research Institute at Tadong, Sikkim. The first batch of farmers has been identified and they would be visiting India in the open season of 2014-2015.

An agreement between EXIM Bank and the Myanmar Foreign Trade Bank was signed in 2013 for irrigation and rehabilitation. At present, work on irrigation canals in Myanmar has been completed and being explored is the supply of farm machineries and consolidation of land.

3.5 Cooperation in the Health Sector

Cooperation in the health sector between India and Myanmar promises a lot of potential. Indian assistance in the health sector involves the improvement of two hospitals, namely, the Yangon Children Hospital and Sittwe General Hospital at Yangon and Sittwe, respectively, and the supply of medical equipment and training to these institutions. The Hospital Service Consultancy Corporation India Ltd (HSCC) is the project management consultant and has prepared the DPR for the proposed hospitals.

A team led by senior administrators and doctors from Yangon General Hospital visited Sanjay Gandhi Post Graduate Institute of Medical Sciences (SGPGIMS) in Lucknow, for a short exposure and orientation tour in July 2014. It was an overwhelming success.

Moreover, hospitals located in the Indian state of Manipur have been in the forefront of extending medical assistance to the poor communities of Myanmar's Sagaing region. Another proposal was received from Myanmar requesting improvement of the Monywa General Hospital in Sagaing, comprising increasing the number of hospital beds and the construction of four buildings and providing equipment such as MRI set ups, C arm X-ray imaging equipment, a mini Operation Theatre, as well as the setting up of an ICU. The detailed project plan has received approval from the Government of India and the choice of an implementing agency is being finalised to execute the project. As a friendly non-government gesture from Manipur to the people of Myanmar, the Shija Hospital, Imphal has been conducting free medical camps in Monywa, Sagaing region in collaboration with the Monywa General Hospital and the Sagaing regional Government. Shija hospital has so far conducted three medical missions in Monywa aimed at providing quality medical care, free of cost.



The first free medical camp, named Mission Myanmar-I, was conducted in Monywa General Hospital in May 2013. Dr. Pe Thet Khin, Union Minister for Health and U Thar Aye, Chief Minister of Sagaing Region, visited the Mission Myanmar III medical camp on 22 March 2014. A 14-member medical team of Shija hospitals conducted the camp in association with the doctors and staff of Monywa General Hospital. It is also to be noted that the condition of healthcare services in Myanmar is generally poor. Mortality rates due to diseases like malaria and tuberculosis, for example, are high. India's support in the health sector is thus expected to be of immense value.

3.6 Rehabilitation, Reconstruction and Restoration

The Government of India is involved in various restoration and rehabilitation projects in Myanmar. Financial assistance has been extended to Rakhine State, Myanmar, for the construction of schools for rehabilitation and reconciliation of the two communities affected by intermittent riots since 2012 between Rakhine Buddhists and Rohingya Muslims.²¹ The construction is being undertaken by the Ministry of Border Affairs, Myanmar at the designated sites (4 in Sittwe; 4 Maudaung; 1 each in Kyawtaw and Minba townships) through local contractors.²²



Ananda Pagoda and Thatbyinnyu Pagoda at night. Source: Myanmar Tours US, <http://www.myanmarstours.us/destinations/bagan/ba-attractions/ananda-pagoda/>



India has also been actively involved in disaster relief programs. In 2008, after Cyclone Nargis hit Myanmar, India was the most active among all other regional countries in offering aid and assistance, including 125.5 tonnes of relief materials and US\$200,000 towards renovation efforts. There are also various NGOs in Myanmar, especially in the Chin state, which send their staff workers to India for training.

Under the Border Region Development MoU between India and Myanmar signed in 2012, the Government of India is extending US\$5 million as micro development assistance every year for five years starting from 2013 towards developmental assistance of the Naga Minority Self-Administered Zone in the Chin state of western Myanmar. Under the first year project plan, 21 schools, 17 health centres and eight bridges are being built in Chin State and Naga Self-Administered Zone of Myanmar through the Ministry of Border Affairs, Myanmar. The Project is now 90-percent complete and proposals for the second year are being finalised for implementation.²³

The Indian government has also committed to itself to undertake restoration work at the famous Ananda temple in Bagan, a project which is being implemented through the Archaeological Survey of India (ASI) in coordination and consultation with the Ministry of Culture, Myanmar.



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4

Issues and Challenges in Border Management



The India-Myanmar border regions form an almost-forgotten frontier in the Indian and global imagination. India's frontiers to the west (Pakistan), the north (Tibet/China) and the South (Sri Lanka and the Indian Ocean) have always received greater attention. Today, however, the region representing the conjunction of India, China and Myanmar is gaining more attention for a number of reasons. Violence has long been endemic in the region since communities and peoples were left asunder by the imposition and policing of officially demarcated borders between India and Myanmar in 1967. Yet trade, both formal and informal, has managed to carry on. Today, the region has become an area of concern because of the increasing severity of transnational challenges such as drug-trafficking, informal trade, insurgency, and the spread of diseases.

India shares a 1,600-km-long border with Myanmar, along the Indian states of Arunachal Pradesh, Nagaland, Manipur and Mizoram. Assam Rifles, the paramilitary force, stands



guard along the border and is tasked to deal with insurgency. The border-guarding battalions deployed along the Indo-Myanmar border operate as Company Operating Base (COB) and not as per the Border out Posts (BOP) system.¹ The companies are deployed on all routes of ingress and egress and are checking for infiltration, and the smuggling of arms, ammunition, illegal drugs, and counterfeit currency.

The Indian Army has had a close relationship with the Myanmar Army (Tatmadaw) for decades, but the ties have revolved mostly around the supply of defence equipment. Given the dynamics of the border areas in the two countries, this is not unnatural. It is a well-known fact that anti-India insurgents take shelter across the border inside Myanmar, such as the National Socialist Council of Nagaland (Khaplang), which maintains active bases inside Myanmar territory. Besides the NSCN (K), there is also a significant number of Naga insurgents fighting for a Greater Nagaland which includes the state of Nagaland on the Indian side and part of Myanmar territory as well.² The armies of both countries share intelligence and have put in place a border agreement which enables India to take action against insurgents located not far from the border into Myanmar.

The Tatmadaw also has been able to take steps to curb the activities of these insurgent groups, albeit to a limited extent. Periodic violations of ceasefire agreements between the governments of India or of Myanmar and the insurgent groups, also take a toll on the security situation in both countries. In 2012, India had been faced with an embarrassing predicament as arms and equipment procured by India from Sweden and sold to the Tatmadaw wound up in the possession of the Kachin Independence Army. Increased cooperation between the two armies involving training of military personnel or organising joint operations would contribute to greater coordination in the fight against insurgency and boost bilateral security ties.³ The border is far from being efficiently and effectively managed. The deployment of a border guarding force like the Border Security Force is expected to help improve the situation.⁴

The NSCN (K) and the local government in Sagaing signed a ceasefire agreement in 2012 which granted the latter, autonomy in the region. This led to renewed fears within India that the NSCN (K) would acquire greater leeway in its operations.⁵ There are other factions of the NSCN, all of which have different objectives. The Indian government needs to take the Myanmar government and army into confidence to address the risks and threats posed by the NSCN (K) and other insurgent groups.

Security as well as economic concerns linked to the smuggling of arms and ammunition, illegal trade, and other similar activities prompted the decision in 2003 to fence the porous border between the two countries. However, this soon met with protests which claimed that Manipur would lose territory to Myanmar; demands were made that the boundary dispute be solved and a joint survey be conducted before fencing is undertaken. The opposition to the fencing of the Indo-Myanmar border has continued.⁶ Despite the fact that the boundary between India and Myanmar had been demarcated in 1967, there has been no manifestation of the boundary line on the ground except for the presence of border pillars. Thus like the situation with Bangladesh, the boundary technically cuts across villages and settlements and,



India-Myanmar border fencing.

Source: "Not Just A Road to Thailand via Myanmar", 13 May 2015 cited in <http://www.nelive.in/manipur/news/not-just-road-thailand-myanmar>

most importantly, dividing ethnic groups. However, in the normal course of people's daily life along the border between India and Myanmar, there is no semblance of the boundary line.⁷

It is probably in acknowledgement of this fact that the Free Movement Regime (FMR) is in place between the two countries. The FMR allows individuals of both countries to enter and move freely within a distance of 15 km within each other's territory. However, insurgents use this agreement to slip into Indian territory for acquiring arms and planning attacks, and then conveniently heading back to the Myanmar side.

The border trade agreement between India and Myanmar, signed on 21 October 1994 in New Delhi, provides for the following three Land Customs Stations (LCS) on the Indian side of the border:

- ❖ Moreh in Manipur
- ❖ Zokhawthar (Champai) in Mizoram
- ❖ Nampong in Arunachal Pradesh

Out of these three LCSs the first two are now functional. Border trade through Moreh in Manipur, India to Tamu in Myanmar was formally started on 12 April 1995 while border trade



through Zokhawthar, near Champhai to Rhi in Myanmar, began operating since 30 January 2004 with a new LCS built by the BRO on 14 September 2007. Initially, cross-border trade was agreed to be conducted on 22 products. This list was lengthened to 40 items in October 2008, and again to 62 items in November 2012.

Both countries have also agreed to set up border *haats* for trade in locally produced products in an MoU signed during the visit of then Indian Prime Minister Manmohan Singh in May 2012. Consequently, India identified eight points for building border *haats*, 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. As pilot, the two countries have agreed that one border *haat* would first be opened at Pangsau Pass (Nampong) in Chaglang district of Arunachal Pradesh, corresponding to Pangsau in Sagaing Region of Myanmar. Other locations would be agreed upon by both countries based, *inter alia*, on historical aspects, interaction, and convenience of access, the interdependence of population on both sides of the border, and availability of suitable locations.⁸ As far as the proposed border *haats* in Nagaland are concerned, the experts are in favour of opening up Avakhung (Phek district), near Wazeno Cement Factory, which is just 25 km from Lashi in Myanmar.⁹

4.1 Border Trade and Certain Modalities

After China, Myanmar was the second country with whom India restarted border trade. At present, the bulk of the border trade with Myanmar takes place through the Moreh LCS. Border trade along the India-Myanmar border is carried out in two ways: First is the 'Traditional/Free Exchange Mechanism' and second is the 'Barter Mechanism'. Under the Traditional/Free Exchange Mechanism, trade is allowed according to the 'customary practice' through simple customs documentation. In other words, indigenous people residing within 40 km on either side of the international border are allowed to exchange locally produced commodities in small quantities, i.e., whatever could be carried as a head load. According to the Reserve



Bank of India Circular No. 17 issued on 16 October 2000, which is supposed to be the main regulatory instrument in border trade arrangement between India and Myanmar, in terms of payment for goods traded, each transaction is limited to less than US\$1000 and the export and import of items is required to be balanced by import and export of items of equivalent value within one or two days. No customs duties are imposed on these tradable items and no customs formalities are required. (See Annexure 1 for the Circular).

Initially, according to the 1994 Border Trade Agreement only 22 items had been approved to be traded under the barter system. Some of the items were bamboo, betel nuts and leaves, chillies, mustard and rape seeds, pulses and beans, fresh vegetables, fruits, onions, spices,



ginger, minor forest produce excluding teak, reed broom, tobacco, and sunflower seeds.¹⁰ However, due to widespread smuggling of essential commodities (not included in the initial list) coupled with falling official trade volume, the list of tradable items has since been expanded twice. Once in November 2008, when 18 items were added including agarbatti (incense sticks), bicycle spare parts, cosmetics, and fertilisers, and again in November 2012, for 22 more including agricultural machinery, three wheelers and cars below 1000-cc, coal, semi-precious stones, plastic items, rice, and wheat.¹¹

According to the Myanmar Department of Border Trade, the border trade turnover between India and Myanmar has ranged from US\$ 10 to 22 million, though it is probably higher if the huge unaccounted informal trade is also taken into account.¹² Table 22 shows the trends of bilateral border trade between 2005 and 2014.

Table 22: Trends in Border Trade (US\$ million)

Year	Myanmar exports	Myanmar imports	Total trade	Balance of trade
2005-2006	11.28	4.13	15.41	7.14
2006-2007	11.02	4.75	15.77	6.27
2007-2008	10.91	3.92	14.83	6.99
2008-2009	5.49	4.43	9.82	1.05
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	26.96	11.67	38.63	15.20
2013-2014	30.92	17.71	48.63	13.21

Source: http://www.indiaembassyangon.net/index.php?option=com_content&view=category&layout=blog&id=21&Itemid=122&lang=en

The major items exported to Myanmar include cotton yarn, auto parts, soya bean meal, and pharmaceuticals; those imported from Myanmar include betel nut, dried ginger, green mung beans, black matpe, turmeric roots, resin, and medicinal herbs.¹³

On the other hand, the overland trade between Myanmar and China takes place through three identified crossing points out of which Muse (Myanmar) remains the main border trade point. Through Muse, over 50 percent of total bilateral trade is transacted; this percentage is even higher in terms of Myanmar's exports to China. Moreover, the bulk of the trade through the Muse border is largely between Myanmar and the Yunnan province of China. Muse is located at about 180 km from Lashio, the main town in northern Shan State of Myanmar. Lashio, in turn, is 265 miles north of Mandalay. Much of the entire road from Mandalay goes over hilly terrain, with winding lanes; the average journey time to cover the whole distance is over 12 hours by truck.¹⁴ Table 23 shows the volume of border trade between Myanmar



Table 23: Myanmar Border Trade with Neighbours (Apr 2013-Mar 2014, in US\$ million)

Check Point	Exports	Imports	Total
Muse (for China)	2339.223	1370.177	3609.398
Lwegae (for China)	225.357	29.343	254.362
Kanpaiktee (for Thailand)	7.098	23.088	30.186
Sittwe (for India)	9.393	0.108	9.501
Tamu (for India)	20.366	10.474	30.849
Maungdaw (for Bangladesh)	5.229	0.327	5.556
TOTAL	2606.666	1433.517	3939.855

Source: Based on information collected from Union of Myanmar Federation of Chambers of Commerce and Industry, Yangon, Myanmar

and China through Muse, in comparison to Myanmar’s border trade with other neighbouring countries.

4.2 Land Customs Stations at Moreh and Zowkhatar: At a Glance

The LCS is expected to regulate, regularise and streamline the flow of goods from India to Myanmar, and vice-versa. While moves to stimulate and support the formalisation of cross-border trade are no doubt welcome, there is need to consider various aspects related to border trade that would directly or indirectly impact the socio-economic fabric of the state.

The Indo-Myanmar border town of Moreh is located in Chandel District (formerly known as Tengnoupal District) and lies in the southeastern part of Manipur. It is the border district of the state with Myanmar (erstwhile Burma) on the south, Ukhrul district on the east,



India-Myanmar Friendship Road at Moreh

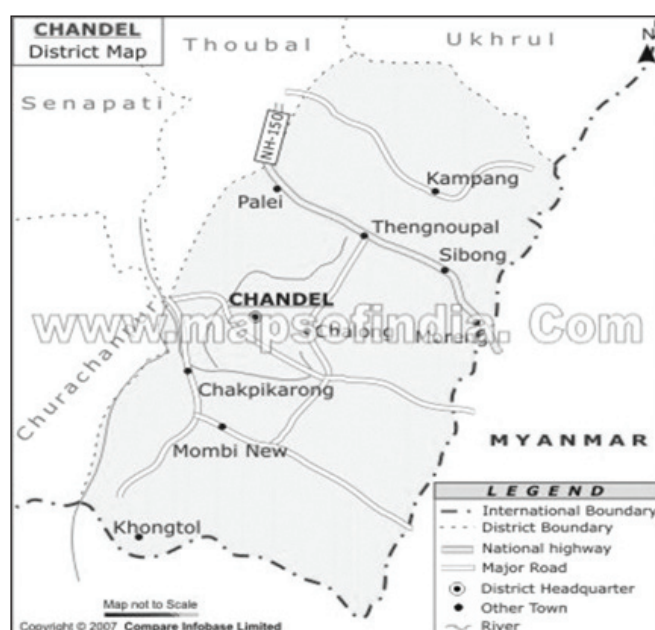
Churachandpur district on the south and west, and Thoubal district on north. It is about 64 km away from Imphal (See Map). The National Highway No. 39 passes through this district. The Moreh town, the international trade centre of the state, lies on the southernmost part of the district. When the Trans-Asian Highway is built, Chandel district will be one of the gateways to the Asian countries. It is a hill district with an area of 3,313 sq. km. As per Census 2001, the population of the district is 1, 34,462 (Male 67,965 &



Female 66,497) and, the literacy rate is 42.73 percent (Male 48.77 percent and Female 36.56 percent). The population density per sq. km. is 41.¹⁵

The district is inhabited by several communities comprising about 20 different tribes, including the Anal, Lamkang, Kuki, Moyon, Monsang, Chothe, Thadou, Paite, Maring, and Zou. There are also other communities like the Meiteis and Muslims in small numbers. Non-Manipuris like the Tamils, Bengalis, Punjabis, and Biharis are also settled in this town¹⁶. This first segment of the population are traced to the British era when timber traders and loggers were brought in by the British, who settled down over the years and either married into the existing communities along the border or have family extensions coming over. India and Myanmar share a border of 1,600 km, which remains improperly fenced.

Much of the trading activity at Moreh takes place through Gate No. 2. There are many well-stocked shops at the Namphalong market in Tamu on the other side of the border adjacent to Gate No. 2; there is no similar market on the Indian side.¹⁷ There is a significant volume of Indian goods that find their way to Myanmar which are smuggled during the night through the porous border. In the Namphalong market there is active trading with buyers from the Indian side, taking a permit from the gate for entry, paying for the goods purchased in Indian rupees, and returning with cart loads. While there is no apparent restriction or imposition of customs duties, reports indicate that transactional costs and payments are necessary, with none of them being officially registered. Apart from the 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 are also third-country goods originating in China, Thailand, and other East Asian countries.¹⁸



Map 16: Manipur, Chandel District

Source: <http://www.mapsofindia.com/maps/manipur/districts/chandel.htm>, accessed on 16 February 2010.

The volume of border trade along the India-Myanmar border at Moreh showed tremendous growth in the initial years. The total trade volume increased from INR 15 crore in 1995-96 to INR 46.49 crore in 1996-97, and to INR 62.39 crore in 1997-98.¹⁹ The trend, however, witnessed a sharp decline in 1998-99 and since then, the total trade has been dropping further. The inclusion of 18 more items in 2008 also failed to increase the volume of the trade. This is evident in the fact that the quantum of trade had fallen from INR 8.82 crore in 2006-07 to INR 3.37 crore in 2011-12 (See Table 24), which means the volume of border trade has not yet flourished as expected. A number of factors are responsible for this, including the following:



- ❖ Myanmar government's demand that imports from Myanmar should precede exports from India
- ❖ limited choice of commodities for the traders
- ❖ ban imposed on export and import of certain commodities by both the governments
- ❖ frequent *bandhs* and blockades called by various groups in Manipur
- ❖ imposition of illegal taxes by insurgent groups
- ❖ poor infrastructure at Moreh²⁰

On the other hand, Zokhawthar, a district town of Champhai only 28 km ahead of the border, is home to 20,000 people and has a disproportionately large and thriving marketplace with stores selling a wide range of household appliances, electrical wares, medicines, smartphones, footwear and other goods. Champhai, the highest town in Mizoram (5,505 ft) is one of the largest trading centres after the state capital Aizwal, and caters to the needs of the hilly Northeastern state of Mizoram and the bordering Chin State in Myanmar. The demand is extremely low for some goods on both sides of the border but very high on some other items. It has been revealed during this research team's field trip to Zokhawter that medicines

Table 24: Total Trade at Moreh (in INR crore)

Year	Export	Import	Total
1995-96	10.45	5.39	15.84
1996-97	29.79	16.7	46.49
1997-98	25.16	37.18	62.35
1998-99	4.88	3.74	8.62
1999-2000	3.31	6.52	9.83
2000-01	5.68	12.41	18.09
2001-02	1.29	8.13	9.42
2002-03	3.84	11.9	15.74
2003-04	9.45	8.85	18.3
2004-05	6.49	5.38	11.87
2005-06	3.87	5.21	9.08
2006-07	6.13	2.69	8.82
2007-08	4.94	1.35	6.29
2008-09	1.61	0.76	2.37
2009-10	2.15	8.32	10.46
2010-11	0.26	3.8	4.16
2011-12	1.49	1.88	3.37

Source: Ministry of Development of North Eastern Region; Ch. Priyoranjan, *Border Trade in Manipur: Ground Level Survey and Status Report*, Department of Commerce and Industries, Government of Manipur, Imphal, pp. 146-159



are in high demand across the border and are being traded unofficially. One cannot but be amazed by the number of medicine shops that have mushroomed in the border town of Zokhawthar.²¹

Border trade at Zokhawthar similarly presented a dismal picture, with total trade volume remaining extremely low, though the patterns have been quite erratic. For example, in 2009-10, the total trade was valued at only INR1.2 lakh, which decreased to INR1.85 lakh in 2012-13 but then increased to INR1.24 crore in 2013-14 (See Tables 25 and 26).²² There are over 50 registered importers at Champhai, but only a few are active. Official trade is limited to the import of a single consignment of betel nut per week, and some occasional parcels of Myanmarese energy drink.²³ There is no trace of exports from India. There are nearly 15 major informal trading routes along the 510-km unfenced border shared by Mizoram with Myanmar, with Champhai being the biggest draw of them all.²⁴

Table 25: Imports through the LCS Zokhawthar

Year	Commodity	No. of Consignment	Qty. (in Metric Ton)	Assessable Value (in Rs.)
2009-10	Reed Broom	01	15	61,882
2010-11	Betel Nut	04	11.68	4,33,548
2011-12	Betel Nut	07	60	22,27,740
2012-13	Nil	-	-	-
2013-14 (upto Feb 14)	Betel Nut	11	110	1,24,79,489

Source: Pushpita Das, *Status of India's Border Trade: Strategic and economic Significance*, IDSA Occasional paper No.37, IDSA, New Delhi, 2014, p. 18

Table 26: Exports through the LCS Zokhawthar

Year	Commodity	No. of Consignment	Qty. (in Metric Ton)	Assessable Value (in Rs.)
2009-10	Soyabari	01	02	60,000
2010-11	Nil	-	-	-
2011-12	Nil	-	-	-
2012-13	Nil	-	-	-
2013-14 (upto Feb 14)	Soyabari	01	06	1,85,600

Source: Pushpita Das, *Status of India's Border Trade: Strategic and economic Significance*, IDSA Occasional paper No.37, IDSA, New Delhi, 2014, p. 18



It has been argued that connectivity between Zokhawthar and Kalemmyo should give the much needed boost to India's trade ambitions in the region. There are, however, infrastructure bottlenecks to reach this goal. According to a press communiqué issued by the Mizoram Trade and Commerce Department in March 2015, "The road from Zokhawthar-Rih border to Kalemmyo via Tiddim-Falam is a bad grade single lane *Kuchha* road," unsuitable for bulk movement of goods. In a recent move, the India government entered an agreement with Myanmar to upgrade this segment into a single-lane highway.²⁵ A detailed project report entailing investment of INR 711.47 crore has also been approved by New Delhi but the construction is yet to start. Apart from being shorter in length than the Tamu-Kalemmyo segment; the proposed Rih-Kalemmyo road will also bypass the troubled northern part of the Sagaing division. A similar (if not bigger) advantage is anticipated in the Indian side, too. The Moreh-Tamu border is connected to Guwahati (for further journey into the mainland India) by 587 km NH-39 that passes through the insurgency-affected areas of Manipur and Nagaland.²⁶

The LCS is expected to regulate, regularise and streamline the flow of goods from India to Myanmar, and vice-versa. While moves to stimulate and support the formalisation of cross-border trade are no doubt welcome, aspects related to border trade that would directly or indirectly impact the socio-economic fabric of the state require consideration. The research team's field visit to Mizoram (Aizawl and Champhai) has revealed issues that warrant an examination of the present condition of cross-border economic interaction.

First, it was found that the amount of goods that are coming from Myanmar (known as *Burmathil* by the locals) are more diverse and greater in number than those making their way from India to the other side of the border.²⁷ A significant quantity of these goods comes from China and certain Southeast Asian countries. There is thus a difference of trade balance in favour of Myanmar. This is primarily because the productive capacity of Mizoram is low and there is little to export. The main livelihood of the state is agriculture but due to unfavourable soil conditions yield is low and most consumable items are bought from across the border.



Picture of Champhai, photograph taken by the researchers



Given that products imported from Myanmar are more in number, the state of Mizoram is largely a conduit for cross-border trade with little economic engagement in the entire process. To address this issue, opportunities for economic stake should be created for the people of Mizoram. For instance, the development of tourism and indigenous crafts will contribute in this regard.

The flipside of this argument states that the Indian government has initiated several measures to boost the economies of the Northeastern states but the opportunities have not really been utilised by the people. In this context the views of Debdatta Nandwani, Deputy Director General at the Federation of Indian Export Organisations, Eastern Region, are worth mentioning.²⁸ She has observed that the government has already put in place several facilitating mechanisms that would allow border trade between India and Myanmar to improve its pace but the result has not been satisfactory. She said that border *haats* and border trading points of other regions, for example the Petrapole-Benapole point between India and Bangladesh, are much more active and see a lot more traffic unlike those in the country's Northeast. The main reason behind this, according to Ms Nandwani, is a lack of demand and also insufficient enterprise among the people of the region.

Unless the demand for goods is sufficiently developed, the establishment of border *haats*, integrated checkpoints and other mechanisms would do little to contribute to the enhancement of bilateral cross-border interactions.

Second, there exists an intermittent problem of petty crimes and law and order issues posed by the free movement of individuals across the largely unpatrolled border. India and Myanmar have an agreement in place which allows persons from either country free movement for upto 15 km inside each other's territory. The fact that the people inhabiting the region belong to the same ethnic stock makes such movement easier and people from Myanmar often cross over to the Indian side to do petty jobs, earn some income, and go back home. This movement has a long history. For instance, during the years of insurgency in Mizoram, the people would cross over



Border gate at Zokhawter. Photo credit, L and R: Research team



Picture of Pangsu Pass



to the Burmese side for shelter. Presently, the border town of Zokhawthar in Champhai and the town across the border in Myanmar known as *Khaunaum* appear as one big settlement divided by the river Tiau.

The movement of people on both sides flows freely with even Myanmarese students receiving education from a school on the Indian side of the border. Such movement, while aimed at establishing goodwill, has at times also led to incidents of petty crimes. It is therefore necessary to revisit the existing agreement and require some form of identification to be put in place to enforce a general check on such movement. Though the Mizo border with Myanmar is relatively peaceful, the threat posed by insurgent groups taking shelter across the border is real, as recently witnessed in the ambush of the 6 Dogra in Manipur's Chandel district by rebels. According to sources, there are mainly two types of crimes on the Mizo border with Myanmar – drug trafficking and smuggling, and local crimes. The Assam Rifles is in charge of handling issues related to trafficking and smuggling; in 2014 they were able to seize a few caches of smuggled arms.

The state of Mizoram is unique because it has remained largely non-violent unlike other insurgency-prone states in the Northeast. And this is precisely why Mizoram has a potential for engaging itself with the larger policy initiatives of Act East. The limitations of the LEP are to an extent due to the failure of the policy to engage with a region that is core to the achievement of policy goals. While the focus on the economic development of Mizoram and other states in the Northeast should not be driven solely by foreign policy goals, it is important to involve these states, nonetheless. In this respect the extensive visit of the Indian Prime Minister Narendra Modi to the Northeast is a turning point that shows the acknowledgement of the region's centrality to one of the most important foreign policy orientations of the country.

Indeed, a lot of the trade, whether along the Pangsau Pass in Arunachal Pradesh on the Stilwell Road, or Moreh in Manipur or the Zokhawthar-Rih trading posts on the Mizoram (India)-Chin State (Myanmar) border, actually are in the form of barter trade. Trade at the Pangsau Pass is rather more informal, with traditional items being sold on fixed days on which trade takes place and only locals on both sides of the border being allowed to engage in trade. At Moreh and Zokhawthar there are much better developed customs stations and a higher volume of trade. However, there are frequent ethnic clashes and blockades called by insurgent groups that disrupt trade and transport at Moreh. The two countries signed an agreement on India-Myanmar Border Area Development during the Prime Minister's visit in 2012, according to which India has offered to assist Myanmar in the production of large cardamom in the Naga Self-Administered Zone.

The Nagas and Kachins across the border in Myanmar are heavily dependent on markets in the small Arunachali hamlet of Nampong as the nearest towns from Pangsau village on the Myanmar side are over a hundred kilometres away with poor road connectivity. Every Friday of the month—known as Burma Day—Myanmarese citizens from across the border are allowed to come into Nampong to trade. Meanwhile, on the 15th and 30th of every month—called India Day—Indians are allowed to visit Myanmar for a brief period and with



permission from the civilian authorities in Nampong, guarded with a contingent of Assam Rifles.

Moreh also happens to be a major transit point for weapons from Myanmar. Pickup trucks fully loaded with Chinese goods are stopped by Indian Army units at multiple checkpoints all along the road to watch for weapons being smuggled in.

The heavy traffic of people and goods to and from Moreh gives an indication of the money being made on this illicit trade. New Delhi, however, needs to decide upon its objectives pertaining to Indo-Myanmar border issues: for instance, how much attention needs to be paid to the improvement of the security situation and also to the facilitation of economic and trading conditions that, in the long run, may also help reduce the threat of insurgency.

In addition, in Mizoram especially, which saw a large influx of Myanmarese refugees and political dissidents following the 1988 takeover by the military junta in Myanmar—and which continues to receive many more refugees each year—there are frequent complaints of newcomers taking away jobs from locals as the migrants are willing to work for lower wages.²⁹ In addition, there is the problem of itinerant labour that moves freely across the border. It is indeed true that with movement of local groups across the India-Myanmar border largely free and quite regular—and in many instances even allowed by bilateral agreements under certain conditions—contacts have remained vibrant. Given the comparatively better economic development and opportunities on the Indian side of the border, there is substantial movement from Myanmar into India, especially among ethnic groups such as the Nagas that straddle both sides of the border.



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5

Concluding Observations and Recommendations



The geopolitics of South and Southeast Asia are fraught with political and social intricacies compounded by a long and complex shared history. India and Myanmar, in particular, have traditionally nurtured cultural, historical, ethnic and religious ties, in addition to sharing a long geographical land border and maritime boundary in the Bay of Bengal. In fact, there is historical evidence of how the Bay of Bengal, the eastern part of the Indian Ocean, played an important role in linking India and Myanmar in the ancient as well colonial period. ¹ After decolonisation of both countries, their relationship officially got underway after the Treaty of Friendship was signed in 1951. The foundation for a more meaningful relationship was established during then Prime Minister Rajiv Gandhi's visit to Myanmar in 1987.

Their bilateral ties received another significant boost in 1994, when the two countries signed a trade agreement. There was a marked shift in bilateral ties between India and Myanmar from the 1990s when India decided that it was going to choose pragmatism over idealism



in its relationship with Myanmar.² While the direction of bilateral engagement has remained constant over the years since then, both countries are yet to take full advantage of their geopolitical and economic potential. There are three important factors that are conducive to developing a more energetic and fruitful bilateral relationship between the two countries.

The first is Myanmar's internal political situation. Over the last few years, the country has been going through a phase of political transition, from being politically and socially closed, to gradually putting in place mechanisms that would eventually allow the country to become more democratised internally and better able to handle external interactions. This creates scope for India to engage with Myanmar more meaningfully and to plan and undertake bilateral projects and policies for enhancing and strengthening ties. Despite the fact that the transition has been slow, and various vital areas of army control are yet to be loosened, this movement towards democratisation is a welcome development.

The second is the evolution of the idea within India that engaging with the neighbourhood is important for various reasons, both domestic and international. While the notion of looking towards the East, initiated in the 1990s by then Indian Prime Minister Narasimha Rao, is no longer novel, the fact that its implementation needs to be carried forward with greater zeal, sense of purpose, precision, and swiftness, is well recognised. This is vital for developing India-Myanmar ties.

Third, Asia is increasingly becoming an important theatre for both cooperation and competition among the world's powers. A strong and friendly neighbourhood would maximise the benefits of increased interaction among countries. Myanmar, being India's gateway to the east of Asia, stands poised to play an important role in India's neighbourhood policy and India's engagement with the country will also go a long way in strengthening the region.

While these reasons are important and call for mutually beneficial bilateral ties between the two countries, they may also prove challenging. For instance, there are difficulties and limitations for a democratic country of engaging with a country where the army is in control, especially in terms of economic engagements. Over the last decade, Myanmar has seen a number of changes in its domestic socio-economic profile as those in power have probably realised the necessity of opening up to the outside world. Joshua Kurlantzick wrote for *The Boston Globe* in 2011 that, "In a country ruled for five decades by a repressive military government, and in which only four years ago the security forces brutally beat and killed monks peacefully protesting in the streets, a new civilian government-chosen last fall in the first elections held in 20 years has suddenly shown dramatic signs of political opening and reform."³ This shift in governance was welcomed by both the citizens of Myanmar and also by other countries. But there remains a sense of caution, because as Kurlantzick explains, there is no clear and expressed reason behind the sudden moves by the military junta after being indifferent and unrelenting for decades in the face of diplomatic pressures and economic sanctions.⁴ Many countries are thus still wary of engaging economically with Myanmar.



On the side, Myanmar's primary concern is bureaucratic inertia in India. This is reflected in the long periods of time often taken by India in the implementation of projects already agreed upon, leading to a sense of frustration in Myanmar. An important challenge thus seems to be that of overcoming the gap that persists, between planning and implementation of bilateral endeavours. While India has been one of the few countries to recognise the military-ruled state at a time when other neighbouring countries were reluctant to do so, the country can do much more to effectively strengthen bilateral ties.

The Development-Security Conundrum and Importance of India's Northeast

Myanmar has become a contested locale with the onset of the political transition. The country wants, on the one hand, to reduce its dependence on China and thus has welcomed the involvement of countries of the West. This has created opportunity for the US, and also for Japan who in recent years has been exploring ways to counter what is perceived as the growing assertion by China in its immediate neighbourhood. China has not been too happy about this but at the same time is continuing its efforts to maintain its influence and presence in the country. China remains the largest trading partner of Myanmar.

At the political level, both India and Myanmar need to clearly understand each other's concerns, aspirations and requirements. The Sino-Indian boundary dispute further complicates matters, as does their strategic competition in the region including, in some sense, the contest for influence in Myanmar.

It is well-known that India's Northeast is one of the most complex regions in the entire territory and all connectivity projects under the larger initiative of the Act East policy have to pass through this region. It is thus vital to engage the people of the states sharing their borders with Myanmar, to understand their gains out of the road and communications networks being envisioned. If the region is not engaged, then perceptions such as the existence of "a 'democracy deficit' when it comes to New Delhi's dealings with the governments and peoples of Northeast India"⁵ would further take root and jeopardise their successful functioning. Such policies need to be implemented with greater consultation with the relevant actors in the region. As of now the Act East policy has had little effect on the Northeast. The original vision of opening up the landlocked area seems to have been misplaced and only Moreh is open for India-Myanmar border trade.

Official border trade is severely hampered by outdated government regulations and the limited number of goods that are allowed to be traded. Most of the trade conducted through Moreh and Zowkathar are informal, as discussed earlier. The porous nature of the India-Myanmar border, in addition to helping insurgency and informal trade, also allows for the flow of illegal weapons and narcotics and of political and economic refugees from Myanmar into India.

Many of the tribes in India's Northeast are ethnically linked to tribes on the Myanmar side of the border. Since independence, a number of these ethnic minorities have been demanding



autonomy or independence and many have organised themselves into separatist insurgent movements, such as the Naga rebellion (led by the National Socialist Council of Nagaland) and the Manipur insurgency. This has been a domestic problem for India for more than six decades, and it carries with it, specific cross-border ramifications. In this context, China's involvement with, and encouragement of insurgent groups within Myanmar poses a very serious security challenge for India. For instance, the People's Liberation Army has allegedly armed the Wa ethnic group with sophisticated weapons. It is also alleged that China supplies arms to anti-India insurgent groups taking shelter in Myanmar and also trains such groups.⁶ These groups are involved in planning and executing acts of terror and violation of ceasefire agreements with the Indian government. According to some, China wants to keep the insurgency in India's Northeast alive because of its strategic interest in the region. Leaders and personnel of the militant groups have been known to maintain close links with Beijing since the 1970s.⁷ Despite the fact that the Myanmar government has conducted military operations against these rebel groups since the 1980s, they still exist and are strong enough to pose a substantial security threat.

The ambush on the 6 Dogra regiment of the Indian Army by the NSCN (Khaplang), the Kangleipak Communist Party (KCP), and the militant Meitei Kanglei Yawol Kunna Lup (KYKL), in Chandel district in Manipur⁸ which occurred on 4 June 2015, was the deadliest of its kind in over two decades; it was a violation of the 2001 ceasefire agreement signed by the NSCN (K) with India. Such attacks affect not only national security but also severely hamper the natural course of life of people inhabiting the region. The Indian government's quick and precise response in the aftermath of the attack was an important step. The Myanmar government's involvement (though it is disputed in the public domain) was also necessary because without it the Indian government would not have been able to successfully carry out the counter strike. The recent visit of the Commander-in-Chief of the defence services in Myanmar, Senior General Minister Aung Hlaing, to the Eastern Command at Fort Williams, Kolkata, on 1 August 2015 was another significant development because the talks revolved around cooperation along the border between security forces and border guarding agencies to maintain peace, security and stability.⁹ The June strike was also part of the discussions and the visit further vindicated the need for strong bilateral cooperation in military and security matters.

Myanmar allowed joint operations with India for the first time in 1995 when an MoU for "maintenance of peace and tranquility in border areas," was signed between the two countries. This was followed by the joint (military) Operation Golden Bird (1995) and other smaller operations like the operation in January 2006 against the NSCN (K) inside Myanmar territory to flush out militancy.¹⁰ (See Figure 8)

Presently, border exchanges between the two countries take place at Manipur, Arunachal Pradesh, and Mizoram. But the modality of these exchanges can be upgraded along with the improvement of the roads that run across the border. The establishment of a secure border and border zone along the long India-Myanmar border is in the interest of both countries. It would ensure that the neighbouring areas along the border remain peaceful. This

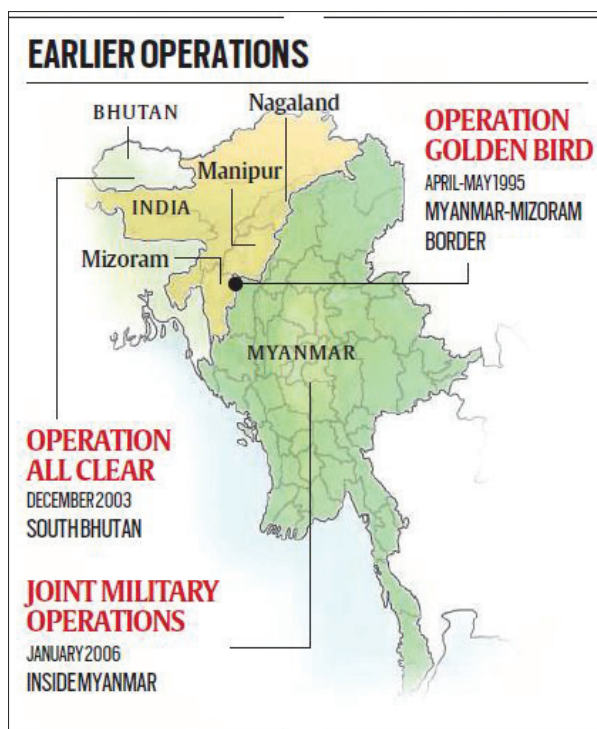


Figure 8: Previous joint military operations between India and Myanmar

Source: Sushant Singh, "Myanmar strike: Not the first time Army conducted cross-border operations", *The Indian Express*, 10 June 2015, <http://indianexpress.com/article/india/india-others/army-crossed-border-to-target-militants-in-the-past-too/> accessed on 13 June 2015

general sense of unease about it in Myanmar regarding too much dependence on China. In this context, India is seen as a potential balancer.¹² People think that China acquired the gas deal because it was quick, seen as reliable and because of the political support to Myanmar during the period of sanctions. The idea of strengthening economic cooperation between India and Myanmar essentially needs to focus on the developmental issues, creation of infrastructure, and projects which can enhance goodwill, create opportunities, and reduce security threats of the two states.¹³ In order words, there is a need for India to increase its visibility in Myanmar. With the country going through a political transition towards a more democratic political system, it is important for India and the neighbourhood to encourage and support the evolution of this democratic process.

This study puts forth the following recommendations for a few soft strategies which will be crucial for strengthening India and Myanmar's bilateral relationship.

Scope for strengthening mutual trust and understanding

In order to foster connectivity links and strong people-to-people interactions, there must first be a sense of understanding of the culture and history of the neighbouring country. Courses

will also enable mechanisms for mitigating the geo-political complexities of the region so that developmental initiatives are not held hostage to militancy. The governments in Myanmar and India therefore have a significant and substantial role to play in this regard.

Myanmar's Public Perception of China

While there is a general feeling that Myanmar wants to balance China's influence by enhancing India's presence, at the same time it is also felt that Myanmar realises that India is too slow to act and also that perhaps it does not yet have a well thought out vision about its relationship with Myanmar. China, on the other hand, has a growing presence with multiple involvements in Myanmar in various fields since the late 1980s.¹¹

A large number of Chinese investors and traders are actively participating in the economy of Myanmar, especially in the northern regions. However, there is a



on the history and culture of Myanmar are few and far between in India, while in Myanmar, there is stronger emphasis on learning Indian history despite domestic political changes. To establish a greater degree of understanding, there needs to be academic, media and literary exchanges that would help expand the scope of social interactions between the two countries. In this, the participation of the youth in both countries is essential to lend dynamism and fresh modes of interaction.

To this end, Track II dialogues between both countries are of critical importance, implying the need for increased and more frequent interactions. Conferences, roundtables and seminars take place among leading policy-making institutions of both countries, including the Myanmar Institute of International and Strategic Studies, the Maulana Abul Kalam Azad Institute for Asian Studies, the Observer Research Foundation, and especially the Research and Information System for Developing Countries (RIS). These initiatives contribute to an understanding of the dominant perceptions and opinions among the people of both countries regarding their mutual interests and contemporary issues. A Cultural Exchange Programme (CEP) for the period 2012-2015 was started by both countries to promote cultural exchanges between people in India's Northeast and the corresponding border areas in Myanmar.¹⁴

India also needs to increase its visibility in the country. For the Myanmarese, there is little visibility of India in their country beyond their familiarity with Indian cuisine. For instance, there is a demand in Myanmar for pharmaceuticals and other consumer products manufactured in India, but India has failed to explore and utilise this demand effectively.¹⁵ Indian goods in Myanmar may be of better quality but people still purchase China-made items because they are more attractive, better packaged and less expensive. While it may not be possible to lower prices while maintaining quality, Indian companies can still do a lot better in packaging and marketing their goods.

Importance of religious tourism and cultural ties

In terms of tourism, too, attempts made by both countries have not met with much success. There are two main reasons behind this. First, the cost of travelling to either country remains prohibitive and therefore does not encourage Indian tourists to visit Myanmar, and vice versa. Tourists from either country thus prefer to travel to places like Singapore and Bangkok which are comparatively easier on the pocket. Second, since the socio-cultural contact and interaction between the peoples of the two countries is very limited, there is little knowledge of the beauty and heritage of both the countries among the people. Coupled with this is the fact there is no proper promotion of tourism in either country.

In terms of cultural links, there are occasional film screenings and cultural programmes organised by the Indian embassy in Myanmar but they happen quite rarely. Indian movies have been popular in Myanmar and there is a lot of scope for cultural exchanges in this regard. Cultural links through exchanges of performing cultural troupes from either country have been in place since the late 1990s. For instance, in December 2009, a popular music band from Myanmar called Emperor participated in the South Asian Bands Festival held in



India and in January 2010, an Indian Film Festival was organised in Yangon. Classes teaching Yoga and Bharatnatyam have also begun in the Indian Embassy in Myanmar since 2010.

However, there is a lot of scope for cultural and religious tourism between the two countries. As P. Stobdan writes, “India’s policy leverage in Myanmar is Buddhism.”¹⁶ This is because Buddhism is an important cultural linkage between the two countries and therefore “an active interface” with the Sangaharaja in Myanmar, will contribute greatly to enhancing bilateral ties. He also writes that since monks are best suited for initiating and fostering this kind of interaction, there should be an easing of visa restrictions or lowering of visa fees for monks.

For fostering people-to-people interaction, it is essential to undertake different levels of establishing and maintaining links. Along with tourism, there needs to be a revival of academic exchanges, exchanges among political leaders, and so on. Misconceptions regarding each other would have a greater scope of being rectified in the wake of increased interaction. There is a need to promote mutual respect and understanding of each other’s ways of life.¹⁷ Moreover, since there is a sizeable Indian population in Myanmar, the opening of Trade and Cultural Centres would help in sustaining cultural links. The origins of the Indian community in Myanmar can be traced back to the mid-19th century. The Indian community is found mainly in Yangon and Mandalay and is mostly engaged in export-import business or as employees of corporations of Southeast Asian countries.

Importance of timely completion of bilateral initiatives

India has to seriously think about why it takes such a long time to finish ongoing projects and how it can quicken the pace. The tardy implementation process of new modes of physical connectivity is felt by Myanmar as a major obstacle. As discussed earlier, the Myanmar government wants India to be involved in infrastructural and developmental projects and India has been involved in many such schemes. However, what is important to note is that most such schemes have been ongoing for years. There is a distinct need for urgent completion of such projects so that they can be operationalised as soon as possible. As Kyaw Lwin, the Union Minister, Ministry of Construction, Myanmar notes,¹⁸ a major hurdle in collaborative projects with India is the long time taken by the latter in responding to and sanctioning the details of such projects. This has been the case for a number of years and continues to be so for many of the ongoing projects.

The KMTT project—which has been in the pipeline since 1999—is yet to take off. The Dawei deep sea port, which was initially to be constructed with India’s help is now going to be completed with assistance from Thailand because the Myanmar government waited a number of years for India to make things move. An MoU was signed on the Rhi-Tiddim road section about half a decade ago but little work has been done.

Many of the government personnel, academicians and ordinary people are of the opinion that India needs to engage in more visible ways with Myanmar. While China has aggressively



made its presence felt in the country especially with infrastructural developments, the Indian connection is comparatively much less in comparison. People in Myanmar feel that this should change.

Importance of sub-regionalism

In this regard sub-regional initiatives like the BIMSTEC and the BCIM are particularly relevant for enhancing integration. BIMSTEC is a unique forum which is free from territorial disputes among members and the “power asymmetry is relatively mild.”¹⁹ Uniting the Bay of Bengal economies, the BIMSTEC has a very significant role to play in regional cohesion and prosperity. The establishment of a BIMSTEC Secretariat in September 2014 is expected to help expedite the goals of the sub-regional organisation.²⁰ The BCIM which has a much slower take-off and is still in its initial stages, holds promise of overland connectivity in which Myanmar has a vital place. With the focus shifting from merely transport corridors to economic corridors, the BCIM may bring a lot of benefit to otherwise somewhat remote and less developed regions within both India and Myanmar. The development of infrastructure is vital for both these initiatives and this is where the role of member countries becomes important.

Thus, in order for sub-regional connectivity and development efforts to succeed, the impetus must be towards involving local governments to a far greater degree than has so far been the case, at least in India. It will help regulate illegal trade as well as encourage the formalisation of mutually beneficial informal trade arrangements. Moreover, it is necessary to regulate the flow of labour, to address trans-border environmental concerns such as illegal logging and trafficking in endangered species, and to provide early-warning or emergency response in case of natural disasters or the outbreak of disease.

Recommendations

There are several areas of bilateral cooperation that are possible between India and Myanmar that can solidify linkages and contribute to efforts at sub-regional integration.

- ❖ Increasing India’s visibility in Myanmar is extremely important towards building a more constructive bilateral relationship.
- ❖ Road connectivity between both countries has a lot of room for improvement and expansion.
- ❖ Air connectivity needs to be systematised more with frequent flights, more options of airlines, and cheaper fares.
- ❖ The aspect of religious tourism needs to be explored by increasing the number of direct flights from Yangon/Mandalay/Naypidaw to Gaya and other places in Eastern India.
- ❖ India can invest in and explore the health sector in Myanmar including the setting up of improved hospitals, clinics and technical institutions in healthcare. Indian pharmaceutical companies can be encouraged to take in interest in this area especially because Indian pharmaceutical products are in good demand in Myanmar.
- ❖ Joint military operations at regular intervals are necessary to keep a check on militancy,



smuggling and illegal entry into either country.

- ❖ The importance of establishing maritime connectivity with Myanmar needs attention. Besides the KMMTTP, the Indian government is also considering port connectivity (mentioned previously) for trade in goods. Maritime links could greatly reduce the cost of trade and this should be explored further.
- ❖ Inter-country passenger cruise service for the purpose of tourism can be considered.
- ❖ Suitable and relevant norms need to be worked out for better functioning of border *haats* and border trade. For instance, measures to boost cross-border trade could include more local products which would likely enhance economic activity in India's Northeast as well as in the bordering regions of Myanmar.
- ❖ Infrastructural facilities at border crossing points need to be upgraded to respond to security needs as well as to provide facilities like warehousing and banking.
- ❖ In the education sector, both countries can improve existing modalities of exchange and cooperation and enhance possibilities. For instance, the ability to use the English language is neither strong nor prevalent in Myanmar and this is one area where India can help.
- ❖ India can also provide assistance in imparting technological knowledge and related vocational skills. Select institutions and universities in both countries should be encouraged by respective governments to introduce courses not only in the field of technology but also in the areas of historical, cultural and language studies. India particularly can think of instituting a scholarship programme for Myanmar students in colleges and universities in eastern and northeastern India.
- ❖ Both countries need to explore and encourage bilateral tourism especially through package tours. Select tourist agencies may be encouraged to publicise areas of interest for targeted populations in either country and to provide tour packages at affordable prices.
- ❖ Measures to legalise informal trade and create suitable institutions and regulations for it including the use of both currencies as legal tender in border areas would be an important step forward.
- ❖ It might be useful for India to revisit norms that regulate border trade but which also limit the potential of the same and thus constrict the extent of trade that takes place. Fresh and meaningful regulations that would be better suited to contemporary situations may therefore be developed. For instance the items permissible for such trade could be revisited and revised.
- ❖ Creation of local resource based network with local tribal skills on both sides of the border can pave the way to strengthen cooperation and trust between these two states.
- ❖ Since the border shared between the two countries is largely porous, it is necessary to enforce mechanisms that would monitor the flow of migrant labour and also examine the entry and exit of narcotics and smuggled items.
- ❖ Both countries can also collaborate in the establishment of early-warning and management systems for natural disasters. There is a demand for electricity in the less developed border towns in Myanmar, and India can help Myanmar to meet the demand by supplying electricity across the border. If it happens—and there is no reason why it should not—then it will be a unique cross-border power trade when no such electricity



trade between Myanmar and its other neighbours has been talked about. Moreso, electricity must be considered as a commodity while generation and transmission must be treated as services and this trade will act as a major confidence building measure.²¹

- ❖ Proper utilisation of renewable energy sources is an appropriate option for energy cooperation between India and Myanmar. As India has an exclusive Ministry for Renewable Energy Development which has launched a large and ambitious programme on renewable energy, it can coordinate with Myanmar on the training programmes on New and Renewable Energy Technologies, demonstration programmes on Bio-mass gasifiers, tidal and wind energy utilisation for energy conservation.
- ❖ Sharing of experiences in the field of tapping renewable non-conventional energy is one of the most promising areas for energy cooperation.
- ❖ India should provide opportunities to Myanmar for refining crude in its refineries. As India has big refineries it should be easy to do. India also can think of exporting refined products to Myanmar keeping the growing importance of Paradip refinery in the east coast in mind.
- ❖ Finally, engaging the people of the northeast in projects and schemes that are conceived and sanctioned is important in a number of ways. Moreover, capacity building in less developed areas of Northeast India and northwest Myanmar is crucial for sustainable peace and stability along the borders.

With the ongoing political transition in Myanmar and with India being more willing to engage and integrate, both nations are poised to utilise each other's complementarities towards mutually beneficial endeavours.



Endnotes

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Annexure I

**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 I.
 - 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 1.
 - (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

**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.

The multifaceted relations between India and Myanmar, based on strong bonds of shared history and commonalities in culture, religion and spirituality, gathered a new momentum in the early 1990s with new initiatives and agreements following India's launch of its Look East Policy. Myanmar—with its nearly 1,600-km land border and a maritime boundary in the Bay of Bengal with India—is increasingly becoming an important strategic partner for the country. The geographical proximity of Myanmar has made it the 'land-bridge' between India and South East Asia. Moreover, Myanmar's ongoing journey towards democratic transformation promises to bring it closer to its neighbours like India.

This study examines the current state of connectivity between India and Myanmar. It makes an assessment of what has been promised and what has so far been delivered, and provides policy directions for a more productive network of connectivity between these two historically and culturally close neighbours. The study explores physical connectivities over land and waterways, and examines the scope for enhancing legal, cross-border trade, along with possibilities for furthering collaboration in the energy sector to help both countries to meet their rising demands.

Indeed, road networks and railways constitute an integral part of communication as they enable smooth trade and commerce. Upgrading existing rail and road links—and establishing new ones—would facilitate interconnection. The importance of land connectivity can be best realised when these links are extended to the nearest ports. Waterways hold a lot of potential for achieving multi-modal connectivity. Cooperation in energy sector can also have a positive impact on the overall bilateral relationship between India and Myanmar. Finally, engaging with all the existing and probable stakeholders at different levels needs to be considered by India and Myanmar, as it would enhance and streamline not only their bilateral trade but, equally important, people-to-people interactions as well.
