



Border trade: Act east policy of India with special emphasis on Indo-Myanmar trade point at Moreh

Dr. Namita Pegu

ICSSR, Aruna Asaf Ali Marg, Jawaharlal Nehru University, New Delhi, India

* Corresponding Author: **Dr. Namita Pegu**

Article Info

ISSN (online): 2582-7138

Volume: 03

Issue: 04

July-August 2022

Received: 14-07-2022;

Accepted: 28-07-2022

Page No: 363-368

DOI:

<https://doi.org/10.54660/anfo.2022.3.4.16>

Abstract

The research paper has attempted to identify the reason for the under-development in NER (North-East Region) of India and how border trade point like Moreh can play an important role in the economic development of NER of India. Moreh in Manipur state is a border trade point since time immemorial. It shared border trade links with Myanmar. Myanmar along with its neighbouring sub-region like Bangladesh and Deep South China represent an under developed regional block. An Economic Planning for NER has to be addressed at the level of developing this regional block as a whole. India can use Look East, Act East policy as an opportunity for developing its NER by up gradation of infrastructure in border trade points which will increase the size of the economy and bring about prosperity and peace for the region as a whole. With this prospect in sight, research findings are evaluated and suggestions are presented.

Keywords: border trade, Act East Policy, North East Region, Manipur, Moreh, Tamu

Introduction

North Eastern Region is a political constituent of India comprising of seven States (Sikkim is excluded for the purpose of this study) and constitute 7.9% of the geographical area of country. It is bounded by deep Southern China, Bangladesh and Myanmar. It is connected to the main land of India through Siliguri Corridor (chicken neck). The geographical landmark of North Eastern Region is the Brahmaputra River system providing natural access to Bay of Bengal through Bangladesh, while eastern Himalayas provides physical barrier in north. Railway network is well developed in Assam, owing to abundance of Oil and tertiary coal. In case of the other states (mostly hill states) rail connectivity is very recent addition but not adequate to serve economically the entire territories. Air connectivity has significantly increased, but absence of rail links to main land has not significantly integrated NER economy with national economy. NER remains dependent on redistribution arrangements under the aegis of Central Government guaranteed by Constitutional scheme. Self-sufficiency and contribution to country's GDP is yet to come about in this region. NER Contributes just over 2.5% of India's GDP.

As per the North East Region Vision 2020 of Ministry of Development of North Eastern Region, GDP of NER is a meagre 2.5 % of the National GDP. The low GDP figure of NER speaks volumes about the general inadequacies for economic expansion and underdevelopment of this region of India. With such low GDP rates, economic drivers for growth are subdued and lacks the push factors. Unemployment, Low Investments from private sector, lack of an industrial base, over exploitation of natural resources, environmental degradation, loss of forest cover, socio-political turmoil are consequences of a low productivity economy. NER witnesses all of these and insurgency is one manifestation of social resentment towards lack of economic development. The resultant socio-political turmoil sustains the low GDP economic under development cycle.

Background of Moreh as a Border Trade Point

Moreh is a border town in Tengnoupal district of Manipur. Border town of Moreh has been a border trade point between Manipur

and Myanmar from ages. Four States of North Eastern Region of India (Arunachal Pradesh, Nagaland, Manipur and Mizoram) together shares 1600 km of international boundary with Myanmar and each state has one Border Trade point each. However, Moreh is the only operational Border Trade point. The trade relations with Tamu on other side had been catering to the communities living on both sides by sustaining a local economy. The trade relations were formalized with India and Myanmar signing a trade agreement in 1994 after adoption of Look East Policy. Thereafter the list of permitted tradable goods stood at 40 as per Director General of Foreign Trade, Government of India. Under Look East policy Myanmar came to occupy an important position as India's gateway to ASEAN nations and Moreh assumed significance as an operational Border trade point.

Statement of the Problem identified for study

North East vision 2020 states that Look East policy despite its existence for more than a decade and a half has substantially benefitted the states in other parts of India and benefits to NER has been negligible. The paper poses this observation from vision document as the question and attempts to find the markers for policy recalibration. Focus of this study is economic engagement with Myanmar from the stand point of North Eastern Region of India under Look East, Act East Policy.

Research Methodology

The research methodology adopted for study is based on secondary sources of information. The materials are collected from books, Journals, Government websites (State & Central). The findings are analyzed to identify loopholes, policy inadequacies and indicate policy prescriptions. A perception of the problem is formed which is then analyzed in geographical context to find the locus of economic integration of NER of India.

Review of Literature

Das and Bordoloi mentioned prospects of trade with Myanmar for North Eastern States of India by examining its constraints and challenges. It analyzed the initiatives of Myanmar and India for border trade in light of North East Policy. The paper makes a localized view of border trade in the context of liberalized policies under globalization. It opines that border trade can be instrumental in developing border areas, ease hardships to areas far away from national market places. Border trade also promote people to people contact which is unlike sea or airborne trade. An advantage that helps strengthen links among people and facilitate border management. The study looked the prospects of trade with Myanmar for NER from the Border trade points at Moreh (Manipur); Champhai/Zokhawthar (Mizoram) in light of Road and Railway Infrastructure projects in Myanmar. It was noted that the nature of trade at Moreh is in nature of transit trade and the informal trade far outweigh formal trade of 40 items. Supply side bottlenecks in exports from Moreh Border trade point and inconsistent exchange rate parity are constraints pointed out. The authors also noted the strategic rationale behind Indo-Myanmar relations in terms of: Myanmar location at tri junction of East Asia, South Asia and South East Asia, Myanmar at eastern littoral of Bay of Bengal, Myanmar shares big border with China, India has both land border and maritime border with Myanmar and China probable access to Indian Ocean through Myanmar.

The economic importance of Myanmar for India in terms of agriculture imports in form of rice, pulses, onion, forest produce, minerals, natural gas. The prospects of trade in services like healthcare, hospitality and tourism and resultant backward linkage generating trade in transport, communication and related service is emphasized. Amongst the constraints/challenges the paper highlights limited number of exchangeable items, multiple check posts on National Highway, export/import restrictions, restriction on import of timber, collection of taxes, community strife and law and order problems in Moreh town, uncertain military junta in Myanmar, lack of infrastructural facilities required for border trade such as weigh bridge, exchange rate instability and security concerns like insurgency, smuggling, drug trafficking and illegal immigration. It concluded that Myanmar offers a land bridge for India to Southeast Asia and the change in India's policy towards Myanmar has paid rich dividends (Das & Bordoloi, 2015) [3].

Das observes that economic corridors are based on a narrow approach as focuses on economic activities in a band rather than region. But growth/development zones approach focus on regional integration amongst countries at different levels of economic development. Growth model harnesses the geographical proximity and common cultural back ground among countries of a growth zone and different resource base of countries. Main aim of growth zone approach is to derive tangible benefits of poverty eradication and economic upliftment of participating country. The author mentioned that trade in goods cannot be increased unless institutional mechanisms exist for trade in services evolve. It focused on integrated framework combining trade in goods, services and investment. The role investment in border areas for increasing employment is also highlighted along with developing the basic infrastructure. Emphasis was put on creation and augmenting regional value chains (RVC). With respect to infrastructure the author bifurcated it into hard and soft infrastructure. Hard infra includes railway lines, roads and soft infrastructure includes banking and other financial institutions, internet connectivity. Some of the constraints in border trade management, identified by the study are ambiguity in conceptual level, information trickle down at operational level and narrow interest at stakeholders' level (Das, 2016) [2].

The research study conducted by Indian Council for Research on International Economic Relations under the supervision of Taneja, highlighted that Act East Policy of 2014 was underlined to be an action-oriented policy to deepen focus on eastern front and as new economic development strategy for Northeastern Region of India and integration of the region with South East Asia. The study highlights that in 2017-18, 92% trade with Myanmar was by sea route, 8% by air and a negligible (less than 1%) by road. The study highlights the insignificance of Land border trade point at Moreh. The study further presents data to show India's negligible volume of border trade with Myanmar compared to Thailand and China. The impediments identified are poor connectivity, non-tariff barriers, enhanced tariff on imports from Myanmar via land border, lack of quality infrastructure at LCSs, limited trade financing instruments, informal payment systems, third country goods, concerns related to issue of certificate of origin and increased documentation and procedures (Taneja, 2019) [7].

Marchange highlights the prospects and constraints in enhancing border trade through Moreh. The informal trade

dominates and is mostly in transit goods. The main factors affecting border trade according to this study is lack of banking services in both sides of border, frequent bandhs and strike, extortion, drugs emanating from golden triangle reaching Moreh gate, illegal weapons, other illegal border trade such as smuggling of urea from Indian side were noted. Among the prospects highlighted are the infrastructure projects like Trans Asia Highway project, IMT Trilateral highway project in promoting trade through border trade points such as Moreh (Marchange, 2018).

The study highlights that under developed infrastructure is no longer a strategy to ward off external threat and border areas no longer act as buffer zones. The study examines development of infrastructure in terms of road, railways, air connectivity and hydro power and energy in the context of China and India in Myanmar. The study examines the key drivers in terms of three scenarios: India losing interest in infrastructure projects in Myanmar leaving the field open for China; India completes the projects to keep China at bay; if India withdraws from Myanmar, then it would become client state of China and relations with India would deteriorate. The study prescribes that connectivity with NER need boost and then with Myanmar would be prioritized. Projects in Myanmar need to be completed as per schedule (Dahiya & Behuria, 2012) [1].

Importance of Border Trade

Border Trade (BT) had been vital for livelihoods, employment and economic activity since antiquity. Border Trade has the potential to bring immediate economic uplift for the people in the surrounding region. With higher economic activity these Border Trade points can transform into economic magnets, attracting investment and enterprise. Border trade points are relevant for local, isolated and remote economies.

Efforts of Indian Government for Development of Border Trade in NER

On the Indian side efforts have been made to uplift the economy of North Eastern Region. Special packages, Tax breaks and Tax holiday for businesses, Subsidies (transport and material) are some measures to induce investment and economic growth. After 1991 paradigm shift in foreign policy towards eastern neighborhood came in the form of 'Look East Policy'. India professed to increase its engagements with South East Asia. South East Asia has emerged as promising economic block for India. In 2014 onwards the emphasis on Eastern neighbor was elevated to the next level in the form of 'Act East Policy' to implement the eastward engagements further. India's trade with South East Asia has increased manifold after unveiling its eastward policies.

Reason for Underdevelopment of Border Trade in Moreh

Most studies have highlighted the constraints to border trade at Moreh under three categories:

- Procedural
- Infrastructural
- Socio-political

While the procedural constraints relate to the formal part of the border trade in the form of documentation and paper work and multiple check points on highway leading to Moreh.

Infrastructural constraints present mostly in the form of lacking facilities such as weigh bridge warehousing, banking and non-banking services such as insurance. Socio political constraints involves law and order, bandhs, strikes etc.

Besides the above, the volume of informal trade is much higher in Moreh. Trade in commodities and items is well outside of the official list of 40 items and are mostly in transit nature of goods produced in third countries such as China and Thailand.

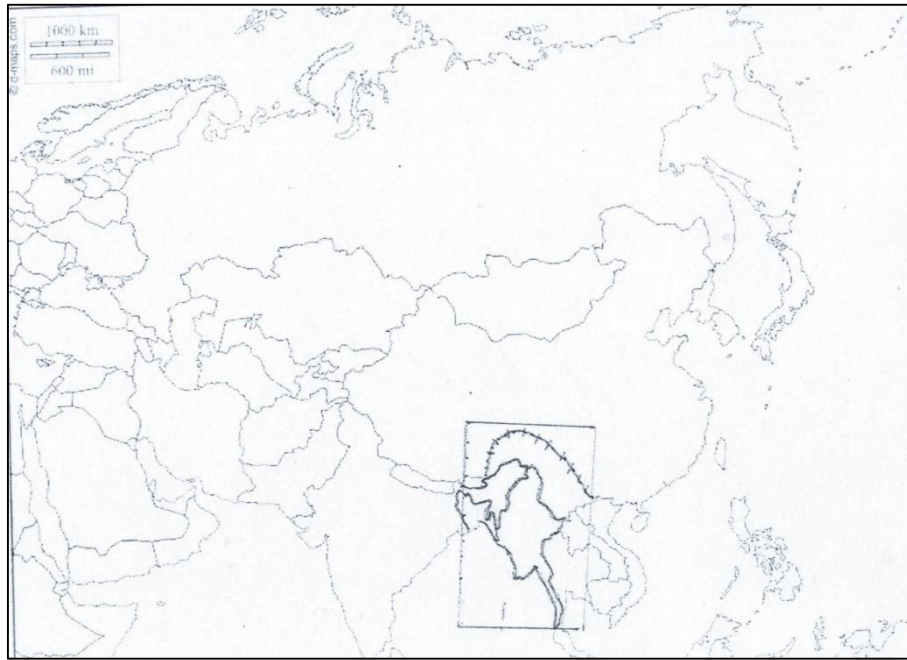
Geographically Manipur constitute a land locked region with undeveloped natural drainage waterways. The land locked economy like Manipur overland trading routes is crucial. However potential for transport of goods over land by road and rail network has not yet been realized so far in NER-ASEAN region.

Moreh border trade point could not gain economic significance from a Look east, Act East policy. There are structural problems in the form of infrastructure and investments in Manipur. There is lack of local entrepreneurship and moreover insignificant presence of private sector have prevented integration of Moreh-Manipur or broadly the NER economy with South East Asian markets. Socio-political instability adds to structural problems. Various studies have pointed out the structural inadequacies in economy of NER and shortcomings in implementation of Look East, Act East policy.

Under development in the Sub-Regions a Boon for India to Strengthen the Border Trade in NER

North East Region of India (NER) is one of the economically backward regions of India. In a wider context, a geographic region of Asia in which North East India is a part is an underdeveloped region of South Asia. Contours of this region of South Asia can be defined as the North Eastern Region of India, Bangladesh, Northern Myanmar, and the Deep Southern part of China. Geographically, this region is landlocked in the north and only Bangladesh has direct access to the Bay of Bengal. Bangladesh also has the natural advantage of the Ganga-Padma River system opening up the entire country to sea routes. Myanmar is a country of difficult North but has favorable sea access to Bay-of- Bengal in south. Deep Southern China too has great geographical disadvantage economically. This region is land locked with mighty Himalayas with in-accessible terrain on one side and on other great distance from inland waterway that led to the ports at South China sea. Geographical disadvantages coupled with peculiar socio-political factors have kept this region underdeveloped and poverty ridden despite abundance of natural resources. North East region of India (NER) is part of this under developed region encompassing Deep Southern China, Bangladesh and Myanmar. For analysis and planning, it makes sense to view economic development of NER in the overall context of the South Asian geographic region as a whole. Together these sub-regions form an under-developed economic block of South Asia which call for a holistic view towards developing synergies. India can use this as an opportunity to strengthen its economy by expanding infrastructure, developing roads and railways, and more investment in the form of PPM (Public-Private Model) to increase production, which can be exported to these countries to increase the volume of its economy.

A brief profile of the sub-regions is outlined to put the study in the intended perspective



Source: www.mappictures.org

Fig 1: Map depicting geographical setting underdeveloped sub-region (in box)

Deep Southern China: Regional growth disparities also characterize Chinese economic growth. The deep South provinces are underdeveloped in sharp contrast to the southern and northern parts. Ethnic issues, difficult terrain, a landlocked setting, syntaxial of natural drainage systems (rivers) towards south into Burma and India, distance from inland waterways running towards east coast into South China Sea, unfavorable geopolitical setting are some of the reasons for underdevelopment of deep southern China. The main challenges faced by this region are - lack of major development, Low productivity and competitiveness (en.m.wikipedia.org article Yunnan).

Bangladesh: Bangladesh with 57 trans boundary rivers and being situated in the mouth of Bay of Bengal has both advantages and disadvantages from its geography. Fertile lands of Ganga –Brahmaputra-Padma delta that supports agriculture on one hand but being highly flood prone on the other. High population density and resultant disruption of economic activity due to recurring natural calamities had kept economic prosperity of the country subdued. The 21st century however has witnessed Bangladesh surge ahead and position itself as next emerging economy of Asia. The study however will keep its focus on the 20th century realities that prevailed in Bangladesh. 20th Century Bangladesh, after liberation was mired in political instability. Military coup interspersed democratic governments until 1991. Policies for economic revival was found wanting during this period. Poverty and under development were the hall mark of Bangladesh economy making it dependent on aid from International Agencies and concessionary trading arrangements from India under Gujral Doctrine.

Myanmar: Myanmar and India shared common colonial past under British Dominion. The country gained independence in 1948 around the same time with India. Colonial occupation was short (1885-1948). The country however became a

theatre of war and was devastated during World War II with majority of its infrastructure destroyed and economic assets lost during Japanese invasion of Burma. But after the British left the country in the aftermath of World War II, there were hardly any economic infrastructure that Burma inherited. Moreover, post-Independence the economic destinies of India and Myanmar delinked and both countries embarked on political and economic journeys in stark contrast to each other. Politically, democracy in Myanmar was intermittent and Military junta ruled most part of Independent Burma (now Myanmar). The Junta rule and the associated negative image, invited economic sanctions from west which ruined chances of economic revival and economic experiments. India on the other hand had stable democratic institutions taking roots and pursued waves of economic development. Public sector led economic development, Green revolution, Liberalization of India economy in the nineties to name a few. India experimented with economic models which had positive outcomes for its economic rise. But Myanmar under junta was more embroiled in political repressions that goes with military rule than planned economic development that go with democracy. It is an objective statement as the purpose of this paper is not comparative evaluation of the two political institutions.

Pre-Independent Myanmar was economically progressive under British enterprise. Economic rise centered around immigrants from India, China and enterprises mostly involved in extractive industries exploiting natural resources. After world war, with flight of capital and capitalists; and destruction of economic infrastructure exposed the socio-political fault lines in the newly independent country. The Country lapsed into an unsettled political structure involving Kachin and Shan province in north and ethnic groups of south. During colonial times British rarely engaged with north economically beyond extracting natural resources. The favorable geography of South flowing rivers and approach to Bay of Bengal saw rise of economic nerve centers like

Mandalay, Yangon in the southern part of country. However Northern Burma which came under influence of Chinese rather than British and was mostly left out of economic growth seen in south. This disparity engendered ethnic divide further and the resulting political divides left the northern region economically underdeveloped.

While Myanmar in general remained economically backward, countries such as Singapore, Malaysia and most littoral countries progressed in leaps and bounds to be dubbed as Asian economic tigers. The countries known as ASEAN (Association of South East Asian Nations) countries emerged as an influential economic block offering enormous opportunities for the region. Burma (now Myanmar) slipped into least developed nation bracket and western sanctions further pushed the country into economic insignificance for world.

Findings of Present Study

The present study however looks at Border trade in context of economic development of NER under Look East, Act East policy. One common inadequacy in the region encompassing Deep Southern China, Myanmar and NER is lack of core infrastructure to promote growth and economic development. This deficiency has to be addressed locally by national governments and thereafter bring about an integration to the superstructure. Wherever national governments failed to do so, the region is left out of potential economic progress. China has made rapid stride in addressing the deficiency in deep Southern China by promoting cities like Yunnan as local growth centers. Myanmar has been welcoming investments to develop its road and railway infrastructure, both Indian and Chinese. Present paper focuses on a need for infrastructure and investment push in NER in the context of tapping the trade potential of ASEAN through land borders with Myanmar under Act East Policy.

The underlying factors are first examined

- a) Border trade in transit goods is unlikely to bring about an economic turnaround in a vast economic region as NER. It can at most cater to providing incomes to population in vicinity.
- b) Trade through land border involve transportation of goods by road. The greater the distance of travel more the factor cost of transportation and loss of competitiveness. After all trade by shipping gives competitive edge over land transport in this scenario.
- c) Sourcing of goods produced in other states of Mainland India does not induce revival of core sectors of NER economy necessary for employment generation and boosting output of NER economy.

Trade in transit goods, be it from third country or any third State in India will not bring any structural or sectoral change in NER Economy. Unless manufacturing activity is undertaken in the region, economic benefit will be limited to trading and rise of accounting services. For economic revival as envisaged in Look East, Act East policy, investments both (Government led and private sector) will have to be brought about in secondary and tertiary sectors. Such developments can induce the services sector to come up concomitantly. Cost of transporting goods from within the NER to the ASEAN region either through Land route would be cheaper only under a seamlessly integrated transport infrastructure within the region. For instance, Assam and Tripura can utilize the Brahmaputra –Padma River system for landing its goods

at Sittew, Chittagong ports for shipping goods all over the world apart from the ASEAN block. For land locked States like Arunachal Pradesh, Nagaland, Manipur and Mizoram the Land ports such as Moreh is crucial. These border trading points give tremendous advantage for trade with ASEAN block. Setting up Special Economic Zones along the border areas near Border trading point will open up disadvantaged border regions to economic prosperity. Special Economic Zones harbors, every economic activity under the sun that is needed to sustain business in close association. The employment generation potential can be tremendous thereby weaning away the youth from path of extortion, smuggling and other illegal activities. High value goods from states like Assam can be transported through Land border trade points provided that road infrastructure is as good as national standards.

Look East policy was about India's awakening to the possibilities of eastward engagements. 'Act East Policy' has to necessarily be centered around development of NER of India. Until now India's trade with ASEAN has increased manifold in last one and half decades. But the goods traded are produced in other states and mode of transport is predominantly shipping. Neva Sheva port (Jawaharlal Nehru Port Trust) in Mumbai handled bulk of exports to Myanmar from thousands of miles away. With no border infrastructure and landlocked disadvantage, NER economy remained unaffected by winds of Look East Policy.

Conclusion

- a) Economic destiny of NER, India is linked to an economic upheaval of the under developed south Asian region of which it is an inalienable part, separated by political boundaries drawn over a contiguous cultural landscape. The underdeveloped region was once part of prosperous trade route disrupted by historical events.
- b) Act East Policy is about integration of NER of India with other two regions of the underdeveloped south Asian block (Deep Southern China, Bangladesh and Myanmar). This Integration can come about by pushing investments in NER to develop infrastructure and enterprise. The goals of Act east policy will not be realized in increasing the volume of goods traded out of Mainland to Myanmar and other ASEAN countries while leaving NER out of the picture. Development of Indian part of the larger underdeveloped South Asian region i.e., the NER no economic gains would accrue to India by developing big ticket infrastructure projects in Myanmar. Implementation of Act East Policy begins from infrastructure development in India's NER and integrating NER with ASEAN trade links.
- c) NER has immense natural resources and Human capital base (skilled and unskilled). These resource base can easily sustain any push for economic revival once the lacking element of capital is infused.
- d) China is extending its Belt and Road Initiative to the region including Myanmar. India is also involved in many bi lateral and multi-lateral infrastructure projects of Myanmar. India can gainfully engage with China through resurgent NER economic revival. By developing NER infrastructure and its economic profile India can definitely gain geopolitical advantage in the region.
- e) The number of SEZ in NER is insignificant/nonexistent. SEZ Act 2005 provides for government and private

sector SEZ. Government should lead the way in setting up SEZs in NER with one model SEZ near Moreh. Moreover, FDI in Special Economic Zones in NER can be a game changer. Such investments act as catalyst for change. Once infrastructure and other structural drivers are put in place, likelihood of FDI from ASEAN countries into NER is more.

References

1. Dahiya Rumel, Behuria Ashok K. (eds). India's Neighborhood: Challenges in the next two decades. Institute of Defense Studies & Analysis. New Delhi: Pentagon Security International, 2012.
2. Das Ram Upendra. Enhancing India Myanmar Border Trade: Policy Implementation measures. Department of Commerce and Industry, 2016. Government of India. https://commerce.gov.in/wp-content/uploads/2020/02/MOC_636045268163813180_Final-Enhancing_India_Myanmar_Border_Trade_Repo
3. Das, Rishi Bhargav, Bordoloi, Anjan Kumar. Opportunities of Border Trade in North East India: with Special Reference to Indo-Myanmar. World Journal of Research and Review, 2015, 1(1).
4. EXIM bank. Annual Report, (2019-2020), 35(2). 28file.pdf (eximbankindia.in)
5. Marchang Reimeingam. Indo-Myanmar Border trade at Moreh Namphalong and Beyond. Journal of Global Economy. 2018; 14(2):120-136.
6. Sewada Kavita. India Myanmar commercial relations. India-Myanmar Commercial Relations (thekootneeti.in), 2020.
7. Taneja etc. India-Myanmar Border Trade: Working paper 378. Indian Council for Research on International Economic Relations, 2019. Working_Paper_378.pdf (icier.org)