

**PROSPECT OF BORDER TRADE WITH
MYANMAR AND BANGLADESH
PRE- INVESTMENT FEASIBILITY REPORT**

STUDY TEAM

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EXECUTIVE SUMMARY

1. Export from Myanmar has been increasing over the years. It was nearly 851.6 M USD in the year 1995, which was increased to 2115.90 M USD during 1999. The trade deficit has been widened from 483 M USD to 990.7 M USD in 1999.
2. Myanmar has imposed a ban on import recently in September 1999 to curb the import bill and thereby to improve trade deficit. However, despite limit on export, import of consumer items rose by 22.4% during 1999-2000.
3. The Asian countries other than Japan are the important trading partner of Myanmar. Myanmar's export to India increased from Rs125.16 crore 1995-96 to Rs 735 crore during 1999-2000. On the other hand, India's export to Myanmar has been increased from Rs 100.9 crore in 1995-96 to Rs 144.09 crore during 1999-2000.
4. India's export to Myanmar consisted of a diversified range of products varies from primary commodities to manufacturing products.
5. The weak reserve, high inflation and political uncertainty resulted in downward value of free market exchange rate against dollar. According to EIU estimate, the exchange rate would further drop during the coming years.
6. Under-banking in Myanmar is a major concern for the international traders. According to World Bank, Myanmar suffers from lack of banking in spite of recent growth in private banking.
7. At present only one official border trade point exist with North East India. The Moreh – Tamu border point was opened on 12-4-1995 for border trade as well as for barter trade. Presently, DGFT has permitted 22 items as exchangeable items.
8. The Myanmar authorities has imposed the system that export from India should precede import from Myanmar w.e.f 26-11-97 resulting Indian traders to import by opening letter of credit, since the payment under barter system are to be received in the form of goods of equivalent value, usual delay practice by Myanmar trader has resulted in uncertainties as well as penalties of Indian traders by the RBI under FEMA.

9. In the initial years of Indo-Myanmar trade (1995-96 to 1997-98) the trade volume shoot up to Rs 59.56 crores from Rs 15.84 crores, thereafter the volume of trade witnessed a diminishing trend and eventually it came down to Rs 7.54 crores during 2000-01. The reason being ascribed to factors like system of export first by Indian trader preceded by import, limited choice of commodities and goods by traders, imposition of illegal taxes by different legal and illegal authorities.
10. Based on demand of Myanmar, the trading community and the state government has identified 20 more items to be included in the list of permitted item. Formal approval of the items is awaited from the concerned authority of India and Myanmar.
11. A memorandum of understanding towards USD settlement account between UBI, Moreh Branch and Myanmar Economic Bank is yet to be executed. Also the authorization of currency chest is limited to only Rs 4 crores. This has affected normal export – import trade related transaction.
12. The Moreh town, last frontier town of India with Myanmar, lacks minimum civic facilities and requires speedy implementation of the Central Government sponsored different schemes leading to development of trade friendly infrastructure development. The Tamu town on the other side of the border has reasonably improved infrastructure facilities towards trade.
13. Both Government of India and State Government of Manipur have taken up infrastructure development scheme for Moreh town. This includes weigh bridge, trade centers, road and street lighting, industrial growth center, integrated industrial development center, EPIP etc for development of cross border trade. However, the required pace in implementation has not been in commensurate with the traders expectations. Feeling of insecurity has to some extent, dampened the implementation process.
14. The export – import related service for enhancement and facilitation of cross border trade envisaged under various policy initiatives has failed to make direct impact on the traders.
15. The opening of 165 Km of Tamu-Kalemyo- Kalewa road in February 2001 has contributed in facilitating easy movement of traffic and commodities flow in the true sense of the term.
16. Efforts are on for positioning border town of Pungro and Kpokhungiri of Nagaland as focal point for trade with Myanmar. These two towns possess advantage as they are connected with Layshi town in Myanmar, which in turn is connected with all weather road upto Tarmanthi, and Homalim on the Chindwin river waterways.

17. In the Zorkhathwar-Rih international border, Melbuk (Khawnuam) has been identified for development as a trade town. This is a welcome step as the place has less cross border security hazards. However, a bridge on river Tiau is necessary to facilitate trade, before land custom office starts functioning.
18. The Koladyn which originates from Chin state of Myanmar and flows through southern side of Mizoram to Akyap port in Myanmar provides ample scope for cheap transportation of commodities through waterways to different South Asian countries. Therefore it would be worthwhile to initiate steps to have an inland waterways protocol with Myanmar government along with a techno feasibility study leading to Akyap port. Alternatively, an international road may be constructed from Lawngtlai (Mizoram) to Akyap (Myanmar) along the bank of river Koladyn. Presently, a motorable non – mettaled road is in existence from Lawngtlai to international border.
19. Through the border towns of Arunachal Pradesh namely Vijaynagar, Nampong, Khemiyong, Laju, Wokha, Pongchou presently, no official trade takes place except some amount of cross border transaction of commodities with Myanmar. The Stilwell road that runs from Ledo in Assam to Mykkina (headquarter of Shan state of Myanmar) through Phangsau Pass in Tirap- Myanmar border, if opened could facilitate Arunachal to access Myanmar. However about 300 Km stretch in Myanmar is not motorable while the balance segment of the road culminating in China is a double lane highway. Therefore development of road upto Phangchou pass needs immediate attention.
20. The Government of India is desirous to open more trade points at Paletwa (South Mizoram), Champai – Rhi route (Mizoram) with Myanmar, however Myanmar government has been emphasizing on strengthening of Moreh- Tamu route before any new routes are opened.
21. The Indo – Bangladesh bilateral trade has increased rapidly during 90's but balance of trade is significantly in favour of India. India's import from Bangladesh has increased rapidly from Rs 14.60 crores in 1991-92 to Rs 345.54 crores in 1999-2000. In the same period export to Bangladesh has increased from Rs 798.49 crore to Rs 2789.02 crore. India's export to Bangladesh consisted of diversified products and varies from primary commodities to manufacturing products.
22. Presently, there are 32 land custom stations along the North East India and Bangladesh border, out of which 14 are functional. Out of the 18 non-functional LCS , 5 of them have been denotified by Customs department. Out of the functional 14 LCS, 2 are in Assam, 7 in Meghalaya and 5 in Tripura.
23. The total volume of trade (both export and import) through the borders of North East with Bangladesh and Myanmar during 1996-2001 was Rs 850.96 crores. Out of which export was Rs 732.64 crores (86.5%) and import was Rs 117.85 crores (13.5%)

24. Total export from North East to Bangladesh during 1996-2001 was Rs 663.33 crores and import was Rs 51.81 crores. Out of Rs 663.33 crores of export, export of coal topped the list and constituted to 65.52% (Rs 432 crores) followed by export of non-basmati rice with 19% (Rs 124.67 crores) and limestone 4.57% (Rs 30.29 crores). This indicates that 89.09% of the total export trades with Bangladesh are due to commodities like coal, non-basmati rice and limestone and dominance of pre-industrial use of raw material in export trade.
25. The total volume of export to Myanmar was Rs 68.38 crores and import was Rs 66.07 crores during the same period. The trend of last five year (1996-2001) shows that along the Indo –Bangladesh/ Myanmar border, the busiest border in terms of trade volume is Dawki (Rs 182.98 crores) , Sutarkandi (Rs 151.99 crores) followed by Moreh (Rs 134.37 crores), Ferryghat (Rs 109.6 crores), Borsora (Rs 78.58 crores), Ghausuapara (Rs 59.54 Crores), Agartala (Rs 47.5 crores) , Mahendraganj (Rs 42.53 crores) , Bhollaganj (Rs 19.40 crores), Shellabazar (Rs 12.08 crores), Baghmara (Rs 9.04 crores), Srimantapur (Rs 2.07), Dalu (Rs 1.07), Ragnabazar (Rs 0.84 crores) and Manu (Rs 0.21 crores)
26. In the Indo Bangladesh border there are 38 (thirty eight) prominent routes through which illegal trade takes place. The intensity of trade is very high in routes like Chotakola - Tarun Feri, Sunamara – Komilla in the Indo – Bangladesh Border. The intensity has been of moderate nature in the routes of Agartala- Akhoura, Baghmara-Durgapur, radhanagar – Tarun Feri, Rajnagar- Tarun Feri, Barnagar- Saldapur, kalamcherra- Saldapur, Rahimpur – Saldapur, Narayanpur- Akhoura, Barmutia- Dharmapur and Demagiri – Rangamati
27. In the Indo Myanmar border there are 10 (ten) prominent routes through which illegal trade takes place. The intensity is found very high in Moreh-Tamu route in the Indo – Myanmar Border. The intensity has been moderate in nature in the Zorkhatwar-Rhi and Lungwa - Yanking routes.
28. The total annual volume of illegal trade for the North Eastern region has been estimated to be Rs 331 crores approximately. Comparatively the illegal trade volume is more in Indo- Myanmar border with Rs 224.89 crores than Rs 106.14 crores of Indo- Bangladesh border.
29. The bilateral trade review talk of Indo- Bangladesh has recommended for 4 additional trade routes to Bangladesh namely Borsora- Cherragaon, Jalabazar-Betuli-Fultala, Agaratla- Akhoura and Sonamura- Comilla.
30. The Sutarkandi border is now being developed as International Trade Facilitation Center by developing commercial complex in the vicinity of the border. Presently District Industries Centre, Karimganj has initiated the initial work of implementation. However, road between Sutarkand LCS and Karimganj (10 Kms stretch) is in deplorable condition, which needs immediate attention for the trade centre to function to its fullest potentiality.

31. The Mahendraganj border between Meghalaya and Bangladesh operates only during post and pre monsoon period and handle export traffic consisted mainly coal, stone, boulder etc. The road approaching the border point from Halliduaganj to customs point (55km approx) is in very bad condition. However, the connecting road on the other side leading to Sherpur –Kamalpur-Dacca is good and motorable. Absence of cold storage on both side of the border restricts trade of perishable commodities in the route.
32. The Dalu LCS points in West Garo hills of Meghalaya also operates during pre and post monsoon period and handle commodities like coal, stone and crushed stones. The LCS is connected with NH 51. However trade suffers due to non-availability of dumping ground and banking facilities. The connecting road on Bangladesh side is good, however suffers from lack of cold storage facility.
33. The Ghasuapara LCS in South Garo Hills of Meghalaya is adjacent to NH 62 and handles export traffic consisted of coal and crushed stone. There has been no import through this point in the last five years.
34. Borsora LCS in East Khasi Hills of Meghalaya mainly handles export traffic coal and limestone. However, the LCS suffers from bad law and order situation.
35. Bholaganj in East Khasi Hill of Meghalaya is at 180 km from Shillong, used mainly for boulder stone and limestone and occasionally fruits like orange and pears. The Kumla Limestone-Mining Corporation transport limestone ropeway to Chatak Cement Company in Bangladesh.
36. The Dawki LCS in East Khasi Hills in Meghalaya directly links with Sylhet in Bangladesh. The connecting Dawki-Jowai road though declared as National highwa, but the road is in bad shape particularly the stretch between Amlaren and Dawki, which needs immediate improvement.
37. The Shella bazaar LCS located in East Khasi hills in Meghalaya is 80 Km from Shillong. This LCS mainly handles export of betel nut, betel leaves, coal, limestone, citrus fruits through Shella river. Limestone is also transported through boat to Chatak Cement Factory.
38. The Agartala LCS is located in Agartala and handles export traffic consisted of coal and fruits. Import traffic consisted of Hilsa fish, fruit products, potato crackers, mosquito nets etc. The road on the other side (150 Km) to Dacca is of good condition.
39. The Srimantapur LCS is located in Sonamura Sub -division of West Tripura District and is only 25 km from Comilla town of Bangladesh. The nearest railway station on Indian side is Kumarghat (210 km) and in Bangladesh side it is at Comilla town (8 km).

40. Tlabung (Demagiri) on Indo – Bangladesh border comes under Lungsen Sub- Division of Lunglei district. Presently due to weak bridge condition between Lunglei and Demagiri heavy vehicle cannot ply to Demagiri. There exist a LCS at Demagiri but it is not functional. To enhance trade, two alternative places at Thekadwar and Lamtai are being considered by the state government for development of border township. Lamtai is a better place since it is located on the bank of the river Kornafulli.
41. The river route through Karnafulli from Tlabung / Lamtai-Tablabagh to Rangamatti (Bangladesh) is navigable. However, due to construction of Kaptai HE project on the river Karnafuli by Bangladesh government, accessibility to Chiitagong port through river route is not possible. Alternatively a motorable road on the riverside of Karnafuli is a better option to reach Chittagong port.
42. New LCS in Indo Bangladesh border at Kuliang (Jaintia hills of Meghalaya), Golakganj Railway station LCS (Dhubri district, Assam), Balat (Tripura) are being considered for opening up for trade. However, poor condition of Ganagadhar Bridge on Indian side and Poteswari Bridge on Bangladesh side has ruled out immediate availability of Golakganj Rail custom point for trade purposes.
43. The following points in Indo Bangladesh border has been rated as high intensity center of illegal trade, these are Chotakola - Tarun Feri and Sunamara – Komilla. The moderate intensity centers are Agartala- Akhaura and Bagmara – Durgapur, Radhanagar- Tarun Feri, Rajnagar – Tarun Feri, Bornagar-Saldapur, Rahimpur-Saldapur, Narayanpur-Akhawara and Barmutia-Dharampur.
44. In the Indo –Myanmar border, Moreh-Tamu has been rated as high intensity center of illegal trade. The moderate intensity center is Zorkhatwar- Rhi.
45. The illegal trade preventive agencies are aware of the illegal trade activities both in Indo – Bangladesh and Indo-Myanmar. However security and other considerations prevents in curbing the illegal trade practices.
46. The seizure value of goods directly reflects the trend of smuggling activities that are taking place. In Moreh – Tamu sector the value of goods seized has increased from Rs 50 lakhs during 1997-98 to Rs 200.61 lakhs during 1999-2000. This is in reverse of trend of legal trade, which has decreased from Rs 57.53 crore to Rs 6.94 crore during the same period.
47. The growth of global import by Bangladesh was 10% during 1999, which was a significant rise over the last year (1998) rate of growth i.e 5.3%. However, during 2000 growth rate has declined to 8%.
48. Commodity wise import intensity ranking identifies 14 commodities that command 54% of the total import bill of Bangladesh. Out of these 14 commodities, some of the items are petroleum oil and oil from bituminous mineral, textile yarn, cotton fabric (woven), man made textile, iron and non- alloy steel flat roll products, rice, cotton textile fibre.

49. In case of Myanmar, the global import bill of the country grew by 66.9% during 1996-97. Despite several restrictions imposed on import on food and allied products, these products shows an increasing trend.
50. Commodity wise import intensity ranking identifies 3 items that command 65.04% of the total import bill of Myanmar. The commodities are basic manufacturing items excluding paper, rubber, cotton, lime, cement products, machinery and some other unclassified items.
51. Though World Health Report placed Bangladesh second in overall health system performance among the seven SAARC countries, the country however lacks in providing comprehensive health and specialized health care. Due to long sharing of border with North East and easy accessibility through various border points and relatively low level of transport and accommodative cost, the NE region stands at an advantageous position for offering better health care facilities.
52. In Myanmar, presently the Myanmar government is reviewing the entire health care service to provide better health care facilities to the people. The bordering states of Myanmar like Mizoram and Manipur are considered to be the ideal center for providing health care service to the people of Myanmar due to cost effectiveness in consideration with its other bordering countries like Thailand and China.
53. In the recent past, there has been noticeable growth in both secondary education and higher education, however, when this growth is compared to student population per teacher, Bangladesh situation turns out to be the worst in South Asia. The student per teacher ratio in primary education was as high as 112, for secondary education it was 39 and higher education level it was 36 during 1999. This provides North Eastern Region scope for providing education service to the people of Bangladesh. However, out of 53,000 Bangladeshi students studying in different educational institutions in India, the majority (42%) is in West Bengal, followed by 21% in Karnataka. The flow of students to North Eastern states has not been significant yet. This is due to lack of consultancy services provided by concerned authorities of the North Eastern Region at Dacca.
54. The Myanmar government has been emphasizing to reduce school drop out rate particularly in rural areas due overcrowded classrooms and lack of adequate teaching aids. With the opening up of economy and creation of favorable climate for education Myanmar will witness demand of specialized institutions and qualified professionals in different fields of education. Therefore the North Eastern Region has scope to tap the future demand of educational services by positioning Mizoram and Manipur as educational centers. However, such initiative requires policy level intervention from both the government as well as adequate sensitization of Myanmarrese about availability of quality educational services in the North Eastern Region.

55. Though tourism is a promising industry in the North East, but the flow of tourist both national and international has been limited due to several reasons, ranging from insurgency, lack of infrastructure, product development etc. The hill station starved Bangladesh could utilize Shillong as the only hill resort because of its easy accessibility, cost effectiveness etc. Further, the region's uniqueness in terms of varied topography, climate, culture, ethnicity, archeology and religious sites, national parks could also offer an attractive tour package to the Bangladeshi tourist. But to facilitate tourism, necessary infrastructure development and adequate publicity of the same is required.
56. There are altogether 25 trades routes leading to different parts of Bangladesh through Meghalaya. Out of them the most prominent routes used by the traders for formal trade are (i) Mahendraganj- Sherpur- Kamalpur- Dacca (ii) Tura- Dalu- Nalitabari (iii) Ghasuapara-Koraitalai- Hahiaghat (iv) Ghasuapara-Gobragona (v) Ranikor-Borsora-Cherragaon- Sherpur (vi) Bholaganj- Chattak- Sylhet (vii) Jowai-Dawki-Tamabil-Chandghar –Sylhet (viii) Shellabazar-Chatak- Sylhet . In Tripura- Bangladesh border there are altogether seven prominent routes. They are (i) Dhalai ghat-Halhall- Kamalpur-Kamalganj- Maulvi bazaar (ii) Manu-Kailashar-Kumargaht –Shamshernagar- Maulvi bazaar. (iii) Dharmanagar- Ragnabazar-Beltuli Fultala (iv) Muhurighat- Belonia-Noakhali (v) Agartala- Akhaura-Comilla-Narayanganj- Dacca (vi) Kalayanpur-Khowaighat-Habiganj (vii) Udaipur-Sremantapur- Comilla. In Assam there are three prominent routes to Bangladesh: (i) Goalpara-Mancachar- Bengunbari-Dacca (ii) Karimganj – Sutarkandi-Sylhet (iii) Karimganj- Silua- Sylhet. There are two prominent routes to Bangladesh from Mizoram (i) Lunglei-Demagiri- Thekaduar- Rangamatti-Kaptai Dam- Chittagong (ii) Aizawl- Marpara- Mamit-Rangamati-Chittagong.
57. There are two important routes from Mizoram to Myanmar: (i) Champai-Rhi- Tiddim /Falam-Kalemyo- Mandalay (ii) Saiha-Paletwa-Akiap port (through river Koladyne). The major route to Myanmar from Manipur is Moreh-Tamu-Kalemyo-Mandalay. There are six trade routes to Myanmar from Nagaland: (i) Mon-Lungwa-Yankyong (ii) Tuensang- Phansa- Pongyo (iii) Mimi-Robabi (vi) Mollen-Sompra pansak (v) Pokhungri – Layshi- Tmanthi.
58. The commodities, which are illegally imported from Myanmar through Moreh Tamu border and Champai- Rhi border, are electronic goods, fabrics, teak wood, iron and brass scrap, precious and semi precious stones. Most of the products do not originate from Myanmar.
59. The products that are exported to Myanmar are not only consumed in Myanmar but also finds way in other South Asian markets.
60. The illegal collection of taxes by different groups operating on the Moreh - Dimapur stretch affects in movement of commodities resulting in lesser returns of goods traded. This problem is also observed in Jowai- Dawki and Shillong- Borsora road.

61. The transit of Indian goods from a point in India to another point in Bangladesh is allowed under trade and transit protocol with Bangladesh. However, use of Chittagong port is not covered in this agreement. This has resulted in increase in transshipment cost of intra regional transfer of goods.
62. The Inland Water Protocol between India and Bangladesh provides only two points in Assam. Since one of these approved route from Bhairavbazar-Mitamail-Itna-Laltur-Sunamganj-Chatak and vice versa is not in regular use. A new route from Calcutta-Dhubri and vice versa if put in use, would help trade to take place. Ashuganj in Bangladesh need to be declared a “port of call” for these route and transshipment of Indian cargo from Ashuganj to Agartala by road need to be permitted. For better movement of cargo, the routes from Dhubri to Dibrugarh, Sadiya to Kullam need to be made navigable throughout the year with night navigation facilities.
63. The present railway network is predominantly confined to Brahmaputra and Barak valley of Assam. This requires extension in connecting places like Pasighat in Arunachal Pradesh, Jaintia hills, Burnihat, Dawki in Meghalaya, Bhairavi in Mizoram, Akhaura in Tripura, Karaong in Manipur.
64. For facilitating air cargo movement, air cargo complex at Borjhar is a necessity. Cold storage facility is also a requirement for movement of horticulture and floriculture products.
65. The Export –Import policy of Myanmar provides certain incentives and facilities for foreign investment participation as well as for trade, which may be beneficial for the exporters of the region.
66. The Government of Bangladesh has initiated action for pragmatic changes in export and import policy. For the smooth regulation of imports, the import policy has identified a number of items, which can be imported to Bangladesh.
66. The various policy incentives offered by the Government of India as well as the State Governments of the region has taken a number of measures by way of setting up of EPIP, Growth Centre, Software Technology park, Food Processing Park, Walk in cold storage facilities etc. and offering a number of incentives. However, to boost up the export from the region steps may be taken to establish a Nodal Agency, Branch of Export Inspection Council, Trade Centre of International standard, EXIM bank branch, separate EXIM policy etc for the region and also to examine the problems faced by the exporters.
67. The various policies for promotion of exports are a welcome sign for the exporters; however, there has been some amount of mixed reactions among the exporters in case of certain policies.

68. Based on global import demand of Bangladesh and Myanmar, export from India, resource availability of North Eastern region, the following areas of investment opportunities have been identified for implementation in a phase manner during the period 2001-10: Manufacturing sector: Limestone based, (Rs 57 crores) Rubber based (Rs 4.36 crores), Clay based (Rs 11.25 crores), Glass (Rs 1.47 crores), Paper (Rs 60.5 crores), Coal based (Rs 2.5 crores), Spices (Rs 0.3 crores), Agro based (Rs 10.6 crores), Fertilizer(0.65 crores), Poultry (Rs 0.20 crores), Horticulture(Rs 1.54 crores), Textile (Rs 3.20 crores) (b) Service sector: Tourism, Health care(Rs 8.30 crores).