

North East India



Trilateral Highway and Its Extension to Cambodia, Lao PDR and Vietnam: Development Implications for North East India



RIS

Research and Information System
for Developing Countries

विकासशील देशों की अनुसंधान एवं सूचना प्रणाली

AIC

ASEAN-India Centre at RIS

© AIC & RIS, 2021

ISBN: 81-7122-166-1

Published in October 2021 by:



RIS

Research and Information System
for Developing Countries

विकासशील देशों की अनुसंधान एवं सूचना प्रणाली

AIC

ASEAN-India Centre at RIS

Zone IV B, 4th Floor, India Habitat Centre
Lodhi Road, New Delhi 110 003, India
Tel.: +91-11-24682177-80; Fax: +91-11-24682173-74
E-mail: aic@ris.org.in; dgo@ris.org.in
Website: www.ris.org.in; <http://aic.ris.org.in>

Contents

<i>Preface</i>	<i>vii</i>
<i>Acknowledgements</i>	<i>ix</i>
<i>List of Abbreviations</i>	<i>xi</i>
<i>List of Contributors</i>	<i>xiii</i>
1. Introduction	1
2. India's Trade with Myanmar: Trends and the Changing Profile.....	9
3. Border Infrastructure and Behind the Border Linkages.....	25
4. Trilateral Highway and Its Extension to Cambodia, Lao PDR and Vietnam	33
5. Industrial Development and Value Chain Potentials in Northeastern Region of India.....	45
6. Northeast India in the Context of Trilateral Highway and Development: Perspective of Manipur	57
7. Trilateral Highway: Trade and Development Implications for Mizoram	89
8. Developmental Impacts of the Trilateral Highway on Northeast India.....	105
9. Challenges and Recommendations	111
10. Conclusions.....	117

Preface

Professor Sachin Chaturvedi

Director General, RIS

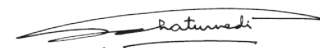
The North Eastern Region of India (NER), consisting of the states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim, is India's natural resource powerhouse. The region is endowed with not only vast natural resources, such as oil, natural gas and hydropower, but also agro-climatic conditions that help the region to grow some of the country's best agro-forestry products. A well-educated labour force, relatively high literacy rate, and access to clean water are some of its unique strengths over other Indian states. NER is also surrounded by an international border, serving as India's gateway to the east. Against these strengths, there are weaknesses and threats that emanate to a large extent from the difficult terrain of the region and inadequate infrastructure. These pose some of the greatest constraints to economic growth, thereby nullifying the NER's border advantage. Transport and logistics bottlenecks have long been identified as serious constraints to the growth of the NER.

To strengthen the connectivity between India and ASEAN, the Trilateral Highway (TH) between India, Myanmar, and Thailand is being developed, and there is a plan to extend the TH to Cambodia, the Lao PDR, and Vietnam. Completion of the TH is likely to facilitate faster movement of goods and people between India and ASEAN and add growth impetus to the NER. Therefore, the TH and its extension may promote better quality economic integration and facilitate economic welfare of the people of the ASEAN-India region including the NER and Myanmar.

Mandated by the ASEAN-India Summit Meeting of 2018 and commissioned by the Government of India, the Economic Research Institute for ASEAN and East Asia (ERIA) commenced a study in January 2019 on the feasibility of establishing a seamless, efficient, and end-to-end transportation corridor along the existing Trilateral Highway and its extension towards Cambodia, Lao PDR, and Vietnam. The ASEAN-India Centre (AIC) at RIS was the knowledge partner of this study and carried out India national study. This Report titled "Trilateral Highway and Its Extension to Cambodia, Lao PDR and Vietnam: Development Implications for North East India" fulfils this mandate.

This study sheds light on the economic principles underlying the NER market and to offer new ideas on how its potential can be better exploited in view of the TH development. As the NER will be at the forefront of the TH on the Indian side, this study assesses the status of the economic linkages of the NER, identify the constraints behind and at the India-Myanmar border, and recommend policy measures to augment the linkages between the NER and Southeast Asia. This study also reviews the institutional arrangements and identifies key elements that may hinder the movement of goods and people across the India-Myanmar border along the TH. It also analyses the development impacts of the TH on India's NER. The comprehensive Report on TH will provide important policy inputs for the development of TH and its eastward extension. I thank the Economic Research Institute for ASEAN and East Asia (ERIA) for assigning this study to RIS.

I take this opportunity to thank my senior colleague Dr Prabir De for leading the study team at RIS and for editing this Report on TH. I am confident that this Report will serve as a valuable literature for policymakers, academics and practitioners.



Sachin Chaturvedi

Acknowledgements

The Trilateral Highway and Its Extension to Cambodia, Lao PDR and Vietnam: Development Implications for North East India has been prepared under the guidance of Dr Prabir De, Professor and Coordinator, ASEAN-India Centre (AIC), Research and Information System for Developing Countries (RIS), New Delhi. He is also the editor of this Report. Dr. Durairaj Kumarasamy and Ms. Sreya Pan are contributors of different chapters and have extended valuable research and administrative support. We are also thankful to all contributors for their valuable contributions in this Report.

We would like to thank Dr. Mohan Kumar, RIS Chairman and Prof. Sachin Chaturvedi, Director-General, RIS for their encouragement and cooperation. We are equally thankful to Prof. Fukunari Kimura, Chief Economist, ERIA, Jakarta and Kieo University, Tokyo; and Mr So Umezai, Director, Institute of Developing Economies (IDE-JETRO), Chiba, Japan for the interaction and research guidance.

This is to note the author(s) of the chapters. Chapter 1: Introduction is written by Dr Prabir De; Chapter 2: NER-Myanmar Trade: Trends, Opportunities and Challenges is written by Dr Prabir De and Dr Durairaj Kumarasamy; Chapter 3: Border Infrastructure and Behind the Border Linkages is written by Dr Prabir De, Dr Priyadarshi Dash and Dr Durairaj Kumarasamy; Chapter 4: Trilateral Highway and Its Extension to Cambodia, Lao PDR and Vietnam is written by Dr Prabir De; Chapter 5: Industrial Development and Value Chain Potentials in NER is authored by Dr Durairaj Kumarasamy; Chapter 6: Northeast India in the Context of Trilateral Highway and Development is authored by Prof. Ch. Priyoranjan Singh; Chapter 7: Trilateral Highway: Trade and Development Implications for Mizoram is written by Prof. Gurudas Das; Chapter 8: Developmental Impacts of the Trilateral Highway on NER is written by Dr Prabir De, Dr Priyadarshi Dash and Dr Durairaj Kumarasamy; Chapter 9: Dealing with the Challenges and Recommendations is written by Dr Prabir De; and finally, the Chapter 10: Conclusions is written by Dr Prabir De.

This Report benefited from the discussions with stakeholders consultation at Guwahati, Imphal, Moreh and Tamu in May and June 2019. Their valuable inputs and recommendations are included in the respective chapters suitably. In particular, we would like to thank Manipur Government for hosting the consultation and all logistical arrangements. Prof. Ch. Priyoranjan Singh and his colleagues at the Manipur University extended great support in the consultation process. We thank them for their cooperation and participation in the programme.

ASEAN and India are going to celebrate the 30 years of partnership in 2022. We hope the findings of this Report will help India and ASEAN in strengthening the relations further and designing new avenues for cooperation in Indo-Pacific. It also carries important messages for the forthcoming 18th ASEAN-India Summit and 16th East Asia Summit to be held in the fourth week of October 2021. The RIS and its ASEAN-India Centre (AIC) stand ready to contribute to the fulfillment of the ASEAN-India Strategic Partnership.

We would like, in particular, to acknowledge the support of the Ministry of External Affairs (MEA), Government of India and the Economic Research Institute for ASEAN and East Asia (ERIA). This Report benefitted greatly from the assistance and support by the RIS Administration. Mr. Tish Kumar Malhotra coordinated the production of the Report along with Mr. Sachin Singhal.

Views expressed in this publication are those of the authors of the report and not the views of the Governments of India, ASEAN countries, Research and Information System for Developing Countries (RIS), ASEAN-India Centre (AIC) or the ASEAN Secretariat. Usual disclaimers apply.

For any queries on the Report, please write to prabirde@ris.org.in

List of Abbreviations

ACTS	ASEAN Customs Transit System
ADB	Asian Development Bank
AEP	Act East Policy
AH	Asian Highway
AIC	ASEAN-India Centre
ASEAN	Association of Southeast Asian Nations
BRO	Border Roads Organisation
BTA	Border Trade Agreement
CAREC	Central Asia Regional Economic Cooperation
CLMV	Cambodia, Lao PDR, Myanmar and Vietnam
CSIR	Council of Scientific and Industrial Research
DGFT	Director General of Foreign Trade
EDI	Electronic Data Interchange
ERIA	Economic Research Institute for ASEAN and East Asia
EXIM	Export Import
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FMCG	Fast Moving Consumer Good
FMR	Free Movement Regime
FSSAI	Food Safety and Standards Authority of India
GDP	Gross Domestic Product
GMS	Greater Mekong Sub-region
GR	Guarantee Receipt
GSDP	Gross State Domestic Product
GSVA	Gross State Value Added
HYV	High-Yielding Variety
ICP	Integrated Check Post
IDE	Institute of Developing Economies
IIAC	Intensive, Integrated and Inclusive Agricultural Development Cluster
IMTTH	India-Myanmar-Thailand Trilateral Highway
IT	Information Technology
JETRO	Japan External Trade Organization
KMMTTP	Kaladan Multi-Modal Transit Transport Project
LC	Letter of Credit
LCS	Land Customs Station
LDC	Least Developed Country
LEP	Look East Policy
LI	Likla Industry
LPAI	Land Ports Authority of India

MAMCO	Mizoram Agriculture Marketing Corporation
MDONER	Ministry of Development of North Eastern Region
MEA	Ministry of External Affairs
MIFCO	Mizoram Food and Allied Industries Development Corporation
MoU	Memorandum of Understanding
MUDRA	Micro Units Development and Refinance Agency
MVA	Motor Vehicle Agreement
NABL	National Accreditation Board for Testing and Calibration Laboratories
NEC	North East Council
NEIDS	North East Industrial Development Scheme
NER	North Eastern Region of India
NH	National Highway
NHIDCL	National Highways and Infrastructure Development Corporation Limited
NSPD	Net State Domestic Product
PPP	Public Private Partnership
PRASAD	Pilgrimage Rejuvenation and Spiritual Augmentation Drive
RCEP	Regional Comprehensive Economic Partnership
RFID	Radio-Frequency Identification
RIS	Research and Information System for Developing Countries
ROO	Rules of Origin
SASEC	South Asia Subregional Economic Cooperation
SBI	State Bank of India
SEZ	Special Economic Zone
SHRI	Shija Hospitals and Research Institute
SME	Small and Medium-sized Enterprise
SOP	Standard Operating Procedure
TFA	Trade Facilitation Agreement
TH	Trilateral Highway
T-MVA	Trilateral Motor Vehicle Agreement
TPS	True Potato Seed
UAE	United Arab Emirates
UBI	Union Bank of India
UCO	United Commercial Bank
UK	United Kingdom
UN	United Nations
USA	United States of America
WRC	Wet Rice Cultivation
WTO	World Trade Organisation
YMA	Young Mizo Association
ZENICS	Zoram Electronics Development Corporation
ZIDCO	Zoram Industrial Development Corporation
ZOHANDCO	Zoram Handloom and Handicraft Development Corporation

List of Contributors

Gurudas Das, Professor, National Institute of Technology (NIT) Silchar, Assam

Priyadarshi Dash, Associate Professor, Research and Information System for Developing Countries (RIS), New Delhi

Prabir De, Professor and Coordinator, ASEAN-India Centre (AIC), Research and Information System for Developing Countries (RIS), New Delhi

Durairaj Kumarasamy, Former Consultant, ASEAN-India Centre (AIC), Research and Information System for Developing Countries (RIS), New Delhi

Ch. Priyoranjan Singh, Professor, Department of Economics, Manipur University, Imphal, Manipur

1

Introduction

The North Eastern Region of India (NER), consisting of the states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim (Map 1), is India's natural resource powerhouse. The region is endowed with not only vast natural resources, such as oil, natural gas and hydropower, but also agro-climatic conditions that help the region to grow some of the country's best agro-forestry products. A well-educated labour force, relatively high literacy rate, and access to clean water are some of its unique strengths over other Indian states. The NER is also surrounded by an international border, serving as India's gateway to the east. Against these strengths, there are weaknesses and threats that emanate to a large extent from the difficult terrain of the region and inadequate infrastructure. These pose some of the greatest constraints to economic growth, thereby nullifying the NER's border advantage. Transport and logistics bottlenecks have long been identified as serious constraints to the growth of the NER.

Overall, trade and transportation infrastructure in the NER is dominated by the distribution of goods and products that are sourced mostly from the rest of India. The region lags behind the rest of India in the pace of economic growth and has a relatively small regional market. Trade has special significance for the economies of the NER states. However, the region's growth potential is considerably high due to its geographical proximity to the growing Southeast and East Asian markets. Given its geographical location, an enhanced engagement with the Association of Southeast Asian Nations (ASEAN) under the Act East Policy (AEP) may generate new economic opportunities, thereby fuelling growth in the NER, *ceteris paribus*.

The NER is central to the AEP. The AEP is designed to provide economic opportunities to the NER to benefit from its vast border and vibrant neighbours. The NER's value chain potential can be unlocked if border infrastructure and transportation networks, in particular, are improved. In other words, improvements in the border infrastructure coupled with enhanced transportation networks with Southeast Asia may provide new economic opportunities to the NER.

1.1 Why Connectivity so Important?

Connectivity represents physical or digital (virtual) networks, a set of interconnected nodes in a region. Connectivity is a multi-layer concept comprised of different types of networks, including those that are physical and virtual. It has hard and soft dimensions (see Box 1). Connectivity is an

attribute of a network and is a measure of how well connected any one node is to all other nodes in the network. The reliability of connecting to the nodes is the key.

Map 1: North Eastern Region of India



Source: Maps of India (www.mapsofindia.com).

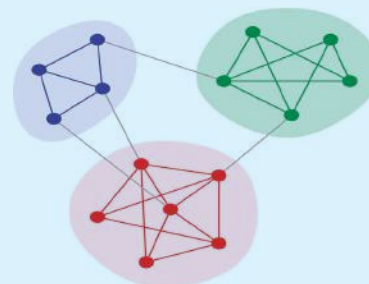
Connectivity promotes growth and productivity. Leduc and Wilson (2009) established that during the global financial crisis each US\$ 1 spent on highways increased state annual output by US\$ 2. Connectivity enhances access to markets and business opportunities. Djankov, Freund and Pham (2006) estimated that a day saved in international trade shipments was equivalent to 1 per cent trade volume or a distance of 70 km. Connectivity builds network resilience. Wilmsmeier and Notteboom (2009) estimated that doubling liner shipping connectivity reduces freight rates by 15 per cent.

Box 1: What is Connectivity

- Connectivity represents networks, a set of interconnected nodes. A node can be a person, firm, city, country or other spatial entity. A common thread running through the definitions is that connectivity is a multi-layer concept comprised of different types of networks, including those that are physical and virtual.
- It has hard and soft dimensions and includes concepts of access that determine the impacts as experienced by households, firms, cities, countries and regions.
- Connectivity is an attribute of a network and is a measure of how well connected any one node is to all other nodes in the network.
- The reliability of connecting to the nodes is the key.
- When the cost of interaction is low then we are likely to achieve complete connectivity whereas when the cost is high interaction is limited.

Source: World Bank (2019).

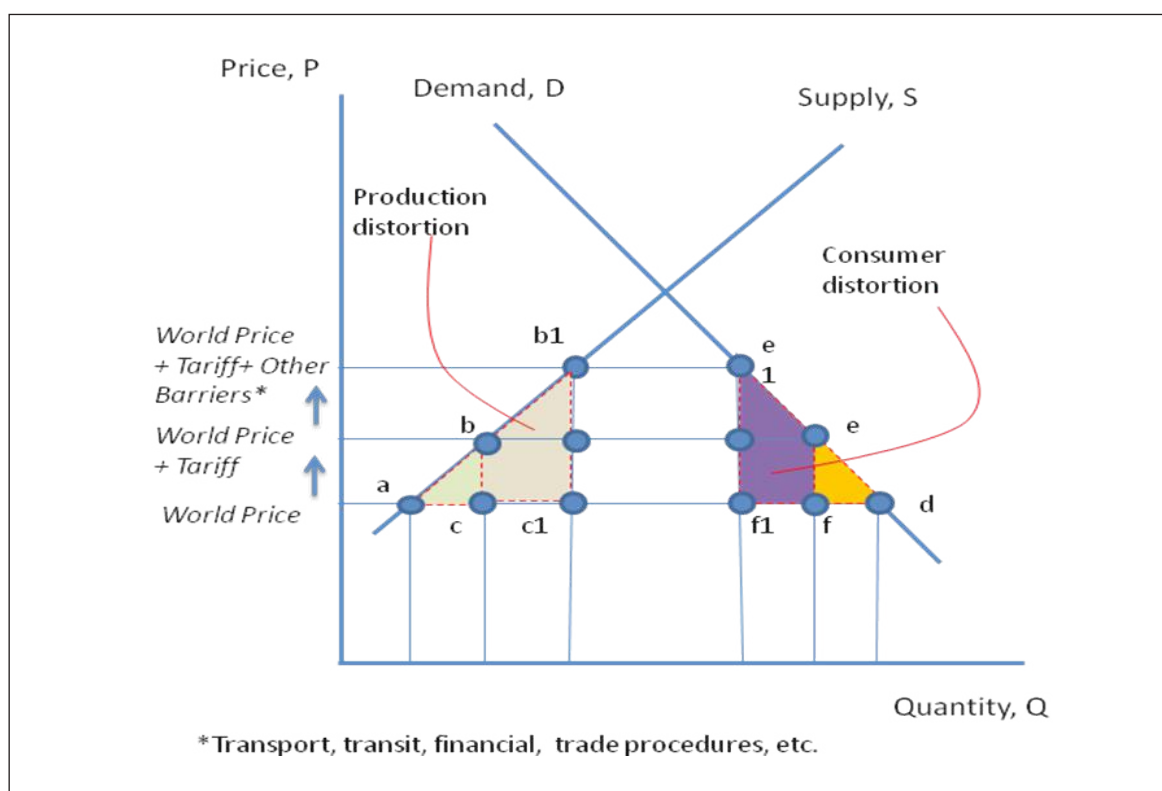
Networks and nodes between Region / Country



Why connectivity matters?

- Economic Growth
- Supply Chain Efficiency
- Resilience

Figure 1: Connectivity and Welfare



Source: Author

Improvement of connectivity increases the net economic welfare. This is illustrated in Figure 1. Barriers to trade above tariff cause huge loss of economic welfare. Illustrated in Figure 1, production loss goes up from abc to ab_1c_1 and consumer loss goes up from def to de_1f_1 . A move to just free trade (with FTA) eliminates tariff barrier but not necessarily other border barriers. However, improvement in trade facilitation and better connectivity would lead to rise of economic welfare through faster movement of goods and services and lowering trade costs.

To strengthen the connectivity between India and ASEAN, the Trilateral Highway (TH) between India, Myanmar, and Thailand is being developed, and there is a plan to extend the TH to Cambodia, the Lao People's Democratic Republic (Lao PDR), and Viet Nam. Completion of the TH is likely to facilitate faster movement of goods and people between India and ASEAN and add growth impetus to the NER. Therefore, the TH and its extension may promote better quality economic integration and facilitate economic welfare of the people of the ASEAN-India region including the NER and Myanmar.

In view of the above, the aim of this study is to shed light on the economic principles underlying the NER market and to offer new ideas on how its potential can be better exploited in view of the TH development. As the NER will be at the forefront of the TH on the Indian side, this study aims to assess the status of the economic linkages of the NER, identify the constraints behind and at the India-Myanmar border, and recommend policy measures to augment the linkages between the NER and Southeast Asia. This study also reviews the institutional arrangements and identifies key elements that may hinder the movement of goods and people across the India-Myanmar border along the TH.

1.2 Rationale of an Integration Synergy for the NER

The NER is a US\$ 43 billion economy, contributing about 2 per cent to Indian GDP. Assam is the largest economy in the NER; the state alone contributes 57 per cent of the NER's gross domestic product (GDP) (Table 1). Services are the mainstay of the economies of the NER states, accounting for 62 per cent of the region's GDP and comprising a major source of employment and livelihood in the region. Except for Sikkim, the remaining NER states are services-driven, which is very much consistent with the national trend. The agriculture sector contributes almost 27 per cent to the NER's GDP, which is another lifeline to the region's economy.

In contrast, industry has a small share (10 per cent) in the NER's economy. The existing industries of the NER include coke and refined petroleum products, food products, and a range of manufactured products including wood, furniture, beverages, pharmaceuticals, metal products, rubber, and plastics products. Industries requiring large-scale production, such as petrochemicals, cement, steel, and sugar, are not present despite the fact that the region is a rich source of the basic raw materials required as inputs for such industries.

Table 1: Economic Profile of the NER

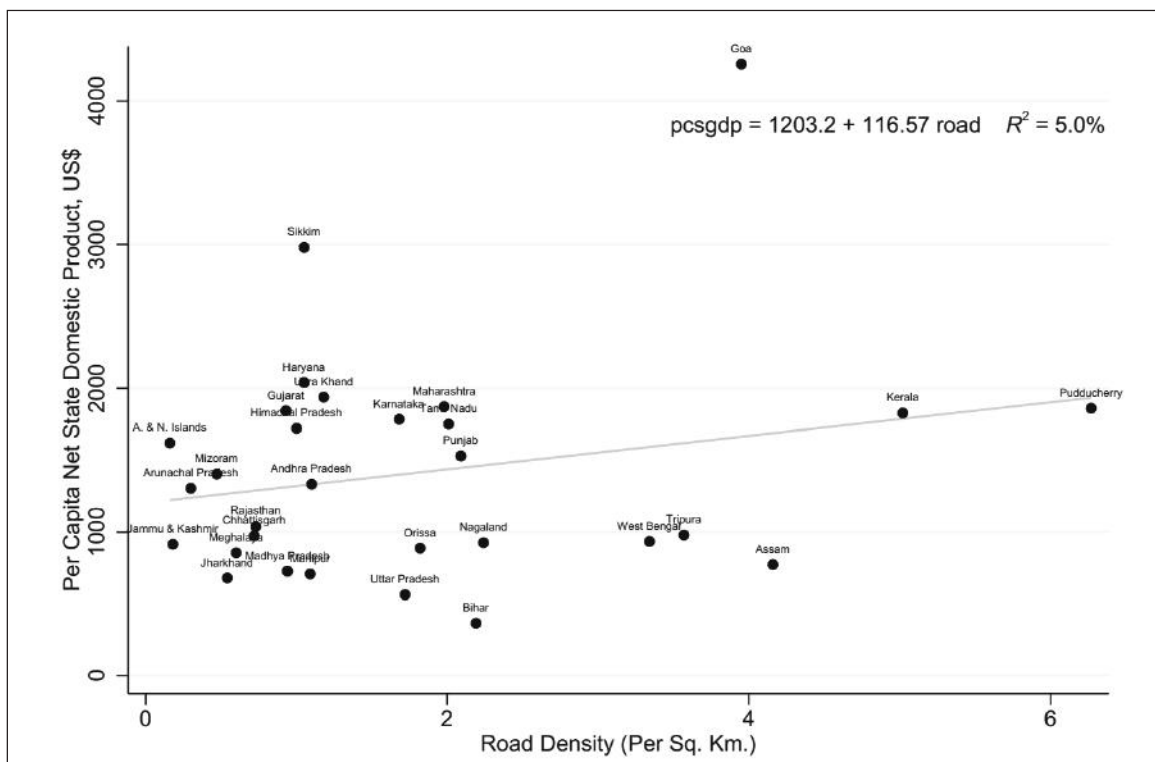
State	Per Capita NSDP [§] (2017-18)	NSDP [§] (2017-18)	Share of GSDP [#]			Annualised Growth Rate of NSDP (2011-12 to 2017-18)
			Agriculture	Industry	Services	
	US\$	US\$ billion	%			%
Arunachal Pradesh	1,528.0	2.29	38.84	3.78	57.37	6.7
Assam*	781.5	24.45	30.68	14.60	54.72	6.2
Manipur	784.9	2.48	16.78	3.44	79.78	5.9
Meghalaya	989.1	2.91	27.25	6.89	65.86	1.6
Mizoram	1,590.6	1.87	29.97	0.86	69.18	10.6
Nagaland*	947.8	1.94	29.69	1.57	68.73	4.7
Sikkim	3,073.9	2.10	7.80	48.05	44.13	6.2
Tripura	2,151.2	4.84	37.11	5.57	57.32	10.6
NER**	1,480.88	42.88 [^]	27.27	10.10	62.14	6.5
India	1533.8	2,018.60	20.29	17.84	61.87	6.7

Notes: GSDP = Gross State Domestic Product; NSDP = Net State Domestic Product; * Values for 2016-17; # share of GSDP is based on 2016-17; § taken at constant price at base 2011-12; ** simple average of eight NER states as applicable; ^ total of NER states.

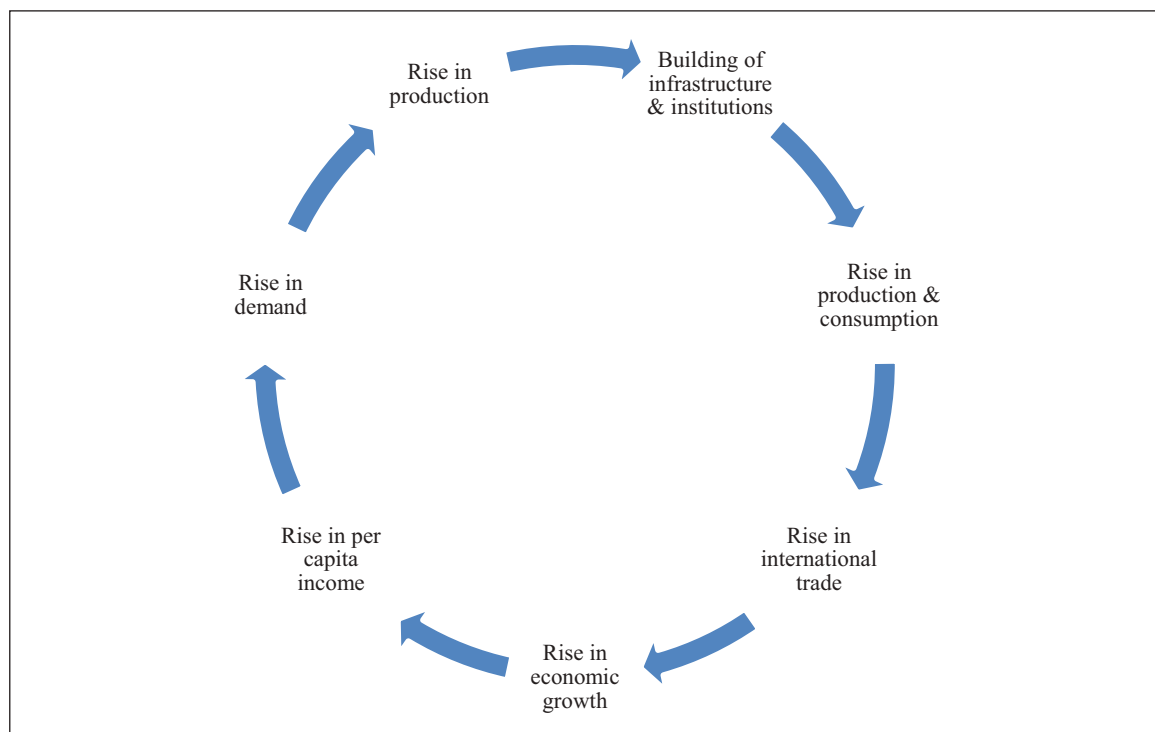
Source: Calculated based on the Economic Survey of India, Ministry of Finance, Government of India; and The Handbook of Indian Economy, Reserve Bank of India

The per capita income of most of the NER states is relatively higher than the average for other Indian states, except Mizoram, Sikkim, and Tripura (Table 1). In terms of per capita income, Sikkim is the richest state in the NER, followed by Tripura and Mizoram. The economic growth rates of most of the NER states are growing close to the average growth rate of other Indian states, except Mizoram and Tripura. Today, the rise in construction of public utilities in the NER is, thus, a manifestation of the NER's growth. The region is presently seeing the construction of roads and highways, bridges, railways, airports, land port, and many other such projects.

However, the NER suffers from infrastructure deficits. The region requires more quality infrastructure, both physical and social. A high level of infrastructure investment is a precursor to economic growth. The scatter diagram in Figure 2 shows a positive association between road density and per capita income among the Indian states, thereby suggesting enormous scope for further improving the income level of Indian states with higher capital accumulation. At the same time, the NER lags behind other Indian states in terms of technological progress and capital accumulation, which are essential for growth and development. The NER's capital accumulation base is abysmally low, and technological progress is rather slow. Infrastructure investment is, therefore, needed not only to build the national infrastructure but also to strengthen its capital accumulation.

Figure 2: Per Capita Income vs. Infrastructure Development, 2016-17

Source: Authors' own based on the Handbook of Indian Economy, Reserve Bank of India; and National Highway Authority of India (NHAI).

Figure 3: Removing Economic Isolation: Development Cycles for the NER

Source: De and Majumdar (2014)

From the supply side, strengthening the NER's current level of trade and economic linkages with the neighbouring countries would need infrastructure and institutional support, which gradually will facilitate growth and remove the region from economic isolation (Figure 3). Investment in physical and institutional infrastructure may augment production, both within and across borders, and enhance the growth of the region.

Considering the above, building infrastructure networks, such as the TH and its potential extension to the Mekong subregion, may facilitate trade and integration between India and Mekong (CLMV-T) countries. Synergy between them may enable them to realise the benefits of economic integration and generate new growth potential for the NER.

The rest of the report is organised as follows. Chapter 2 discusses the trade scenario between India and Myanmar with particular focus on the NER. Chapter 3 reviews the physical and institutional infrastructures profile of the NER in view of current and envisaged infrastructure linkages between the NER and Myanmar. Here we discuss the border infrastructure and behind the border linkages with reference to Moreh border. Chapter 4 then illustrates the Trilateral Highway and its extension to Cambodia, the Lao PDR, and Vietnam. Chapter 5 reviews the industrial development and value chain potentials in NER. Perspectives of Manipur and Mizoram states of India on Trilateral Highway are then presented in Chapter 6 and Chapter 7, respectively. Chapter 8 then analyses the developmental impact of the Trilateral Highway on the NER. Challenges to development and integration are then briefed in Chapter 9 along with a set of recommendations. Chapter 10 concludes.

Endnotes

1. See, for example, Sarma and Bezbaruah (2009).
2. See, for example, De (2011), Brunner (2010), RIS (2012a), and De and Kunaka (2019), to mention a few.
3. The total population is around 46 million (2011 census), with 70 per cent of living in Assam alone.
4. See, for example, Kathuria and Mathur (2019)
5. See, De and Majumdar (2014)
6. See, for example, Sarma and Choudhury (2018)
7. At the ASEAN-India Informal Breakfast Summit on 15 November 2018, the Leaders welcomed India's proposal for a study by the Economic Research Institute for ASEAN and East Asia (ERIA) on developing an economic corridor along the TH and the feasibility of its extension to Cambodia, the Lao PDR and Viet Nam. See <https://asean.org/chairmans-statement-asean-india-informal-breakfast-summit/>.
8. See Kimura and Umezaki (2011), Kumagai and Isono (2011), and De (2016), to mention a few.
9. See, for example, De *et al.* (2019).
10. Based on NEC Databank.
11. The data are based on per capita NSDP in US dollars at the current price for the year 2017-18.
12. See, for example, NITI Aayog (2018).
13. See, Barro (1990), for example.
14. Several studies argue that the NER needs major improvements in its border infrastructure, particularly to facilitate trade and investment with Bangladesh and Myanmar. See, for example, Das and Purkaystha (2010), RIS (2012a, 2012b), De and Ray (2013), De and Majumdar (2014), Dutta (2015), etc.

References

- Barro, R. J. (1990) "Government Spending in a Simple Model of Endogeneous Growth", *Journal of Political Economy*, Vol. 98, S103–S125
- Brunner, H. P. (2010) *North East India: Local Economic Development and Global Markets*. New Delhi, India: SAGE Publications.
- Chaudhury, A. B. R. and P. Basu (2015) 'India-Myanmar Connectivity: Possibilities and Challenges', Observer Research Foundation (ORF), Kolkata
- Das, G. and R. K. Purkayastha (2010) *Border Trade: North East India and Neighbouring Countries*, New Delhi: Akansha Publishing.
- De, P. (2011) "ASEAN-India Connectivity: An Indian Perspective", in *ASEAN-India Connectivity: The Comprehensive Asia Development Plan Phase II*, edited by F. Kimura and S. Umezaki. Jakarta, Indonesia: ERIA.
- De, P. (2016) "Strengthening BIMSTEC Integration: The New Agenda", *BIMSTEC Newsletter*, Vol. 72, No. 1.
- De, P. and C. Kunaka (2019) "Connectivity Assessment: Challenges and Opportunities", in S. Kathuria and P. Mathur (eds.), *Playing to Strengths: A Policy Framework for Mainstreaming Northeast India*. Washington, DC: World Bank.
- De, P. and J. K. Ray (2013) "India-Myanmar Connectivity: Current Status and Future Prospects", New Delhi: Knowledge World.
- De, P. and M. Majumdar (2014) "Developing Cross-Border Production Networks between North Eastern Region of India, Bangladesh and Myanmar: A Preliminary Assessment", Research and Information System for Developing Countries (RIS), New Delhi.
- De, P., S. Ghatak, and D. Kumarasamy (2019) "Assessing Economic Impacts of Connectivity Corridors in India: An Empirical Investigation", *Economic and Political Weekly*, vol. 54, no. 11
- Djankov, Simeon and Freund, Caroline L. and Pham, Cong S (2006) "Trading on Time", World Bank Policy Research Working Paper No. 3909, Washington, D.C
- Dutta, U. (2015) "The Long Way Home The Vicissitudes of Belonging and Otherness in Northeast India", *Qualitative Inquiry*, vol. 21, no. 2, pp. 161–172
- Kathuria, Sanjay; Mathur, Priya (2019) *Playing to Strengths: A Policy Framework for Mainstreaming Northeast India (English)*, Washington, D.C. : World Bank Group
- Kimura, F. and S. Umezaki (eds.) (2011) *ASEAN-India Connectivity: The Comprehensive Asia Development Plan, Phase II*, ERIA Research Project Report 2010-7, Jakarta: ERIA.
- Kumagai, S. and I. Isono (2011) "ASEAN-India Connectivity: Simulation Results from IDE/ERIA-GSM", in F. Kimura and S. Umezaki (eds.), *ASEAN-India Connectivity: The Comprehensive Asia Development Plan Phase II*, ERIA Research Project Report 2010-7, pp. 243–307.
- Leduc, Sylvain and Daniel J. Wilson (2009) "Infrastructure Spending as Fiscal Stimulus: Assessing the Evidence", *Review of Economics and Institutions*, vol. 5, no. 1
- NEC (2019) "NER Databank", North East Council (NEC), Shillong
- NITI Aayog (2018) 'NITI Forum for North East', New Delhi, <https://niti.gov.in/niti-forum-north-east>
- RIS (2012a), "Expansion of North East India's Trade and Investment with Bangladesh and Myanmar: An Assessment of the Opportunities and Constraints", New Delhi: RIS.
- RIS (2012b) *ASEAN-India Connectivity Report: India Country Study*, New Delhi: RIS.
- RIS (2014) "Transforming Connectivity Corridors between India and Myanmar into Development Corridors", New Delhi: RIS
- Sarma, A. and S. Choudhury (2018) *Mainstreaming the Northeast in India's Look and Act East Policy*, Singapore: Palgrave Macmillan.
- Sarma, A. and M. P. Bezbaruah (2009) "Industry in the Development Perspective of Northeast India", *Dialogue*, vol. 10, no. 3, pp. 55–64
- Wilmsmeier, Gordon and Theo Notteboom (2011) "Determinants of liner shipping network configuration: A two-region comparison", *Geo Journal*, Vol. 76, pp. 213–228

2

India's Trade with Myanmar: Trends and the Changing Profile

Trade has special significance for the NER's states. The NER's border is 98 per cent, international with neighbouring countries like China, Bhutan, Myanmar, and Bangladesh (Table 1). Myanmar shares a 1,643 km international border with the NER in the states of Arunachal Pradesh (520 km), Manipur (389 km), Mizoram (510 km), and Nagaland (215 km). India and Bangladesh share 4,091 km of international borders, out of which the NER's share is almost 1,880 km (wherein 1,434 km is land border and 446 km is riverine tract). Four NER states, Assam, Meghalaya, Tripura and Mizoram, have international borders with Bangladesh. The NER conducts border trade with Bangladesh, through multiple land custom stations (LCSs), and also with other neighbouring countries such as Bhutan, Nepal, China and Myanmar, respectively (Map 1). However, a large part of the NER's international border with Bangladesh is porous.

Table 1: Length of International Borders of NER States (km)

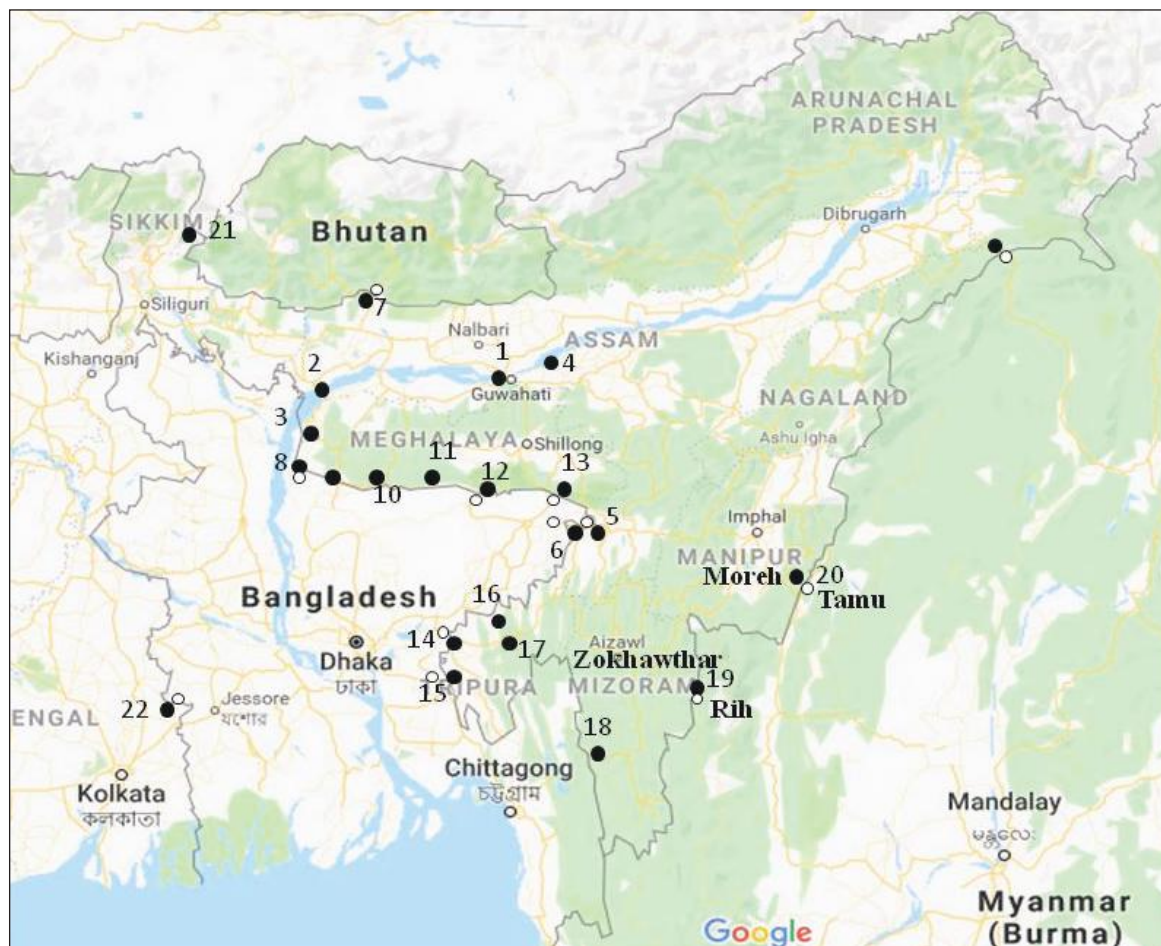
State/Country	Bangladesh	Bhutan	China	Myanmar	Nepal	Total
Arunachal Pradesh	-	217	1,080	520	-	1,817
Assam	263	267	-		-	530
Manipur	-	-	-	389	--	398
Meghalaya	443	-	-		-	443
Mizoram	318	-	-	510	-	828
Nagaland	-	-	-	215	-	215
Sikkim	-	32	220	-	97.8	350
Tripura	856	-	-	-	-	856
Total	1,880	516	1,300	1,643	97.8	-

Source: Ministry of Development of North Eastern Region, Government of India.

Although four NER states share an international border with Myanmar, border trade with Myanmar only happens through Moreh in Manipur and Zokhawthar in Mizoram. The India-Myanmar Border Trade Agreement was signed on 21 January 1994, and trade started through the LCSs of Moreh in Manipur, Zokhawthar in Mizoram, and Nampong in Arunachal Pradesh. Out

of the three LCSs, only Moreh and Zokhawthar are functional border posts. Border trade through Moreh in Manipur (India) to Tamu in Myanmar was formally started on 12 April 1995, while border trade through Zokhawthar in Mizoram began operating on 30 January 2004, with a new LCS built by the Border Roads Organisation (BRO) on 14 September 2007.

Map 1: NER's Border Posts with Neighbouring Countries

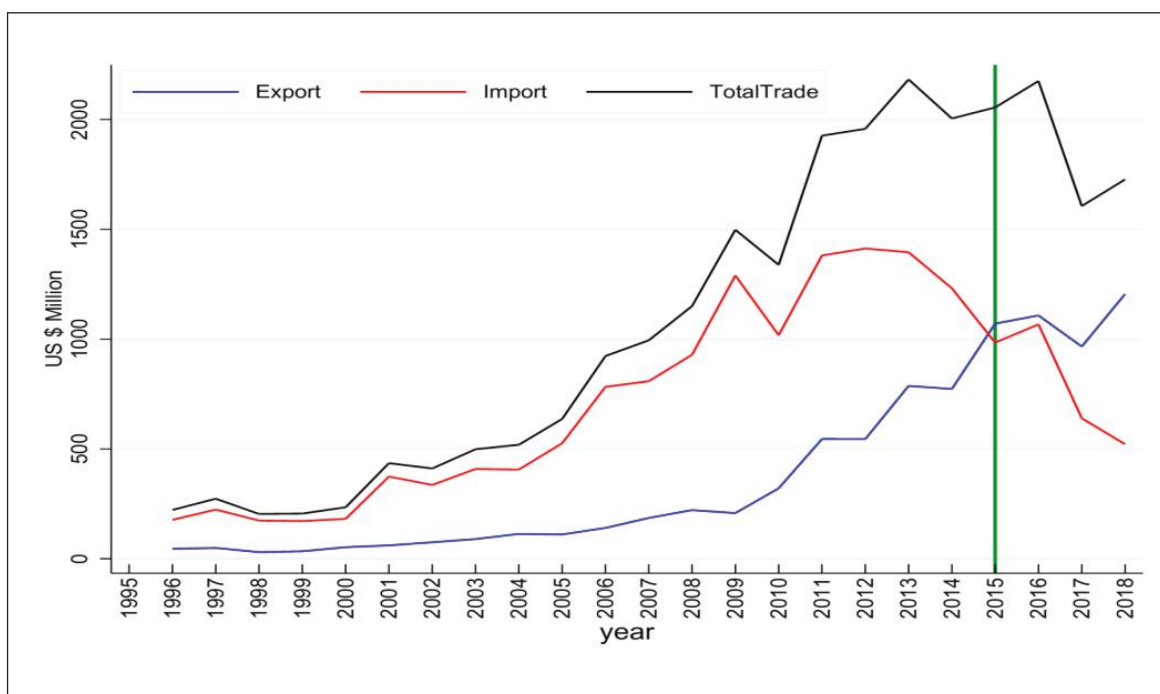


Note: • Indian-side Land Custom Station (LCS); ○ Neighbouring country-side LCS. Refer to Annexure 1 for the list of border posts.

Source: ASEAN-India Centre (AIC), RIS.

2.1 Trends in Bilateral Trade

India and Myanmar signed a trade agreement in 1970. Myanmar is India's FTA partner in ASEAN. In addition, India offers duty-free and quota-free market access to Myanmar. Bilateral trade between them has reached US\$ 1.73 billion in 2018 with a peak of US\$ 2.17 billion in 2016 (Figure 1). India's introduction of quotas on pulses imports and hikes in duty prices of about 40 per cent on imports of betel nuts from Myanmar led to a decline in India's formal imports from Myanmar from 2016 onwards. Myanmar maintained a trade surplus with India until 2015, which turned into a trade deficit thereafter.

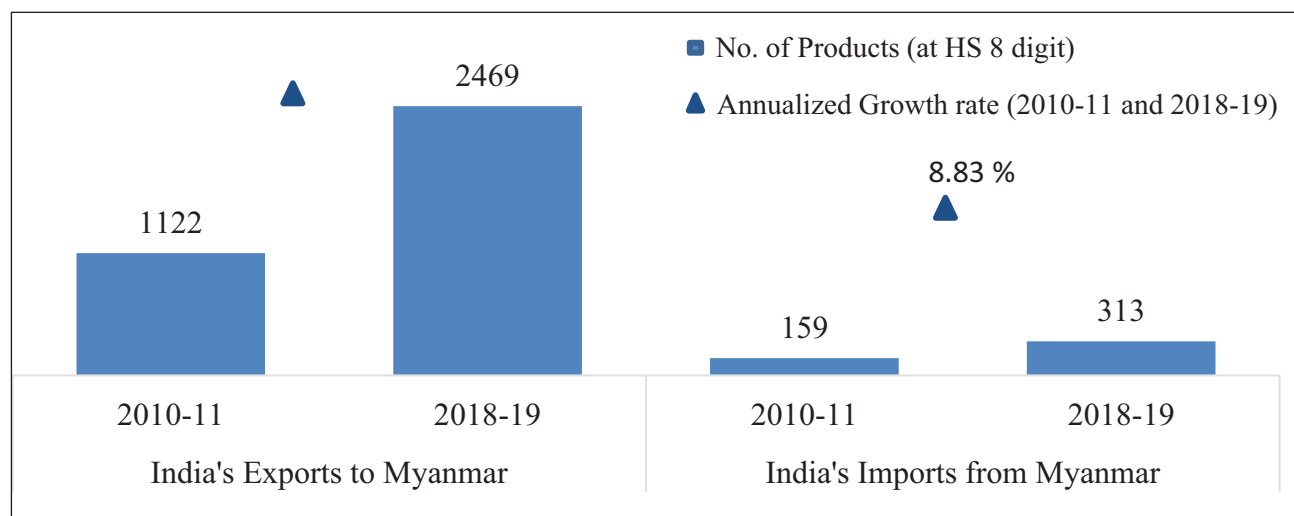
Figure 1: India's Exports to and Imports from Myanmar

Source: Export-Import Databank, Government of India.

Notwithstanding the decline of bilateral trade in recent years, both India and Myanmar have significantly increased their exchange of goods. For instance, India has significantly increased its number of products exported to Myanmar from 1,122 in 2010–11 to 2,469 in 2018–19, showing a rise of 10.63 per cent per annum between 2010–11 and 2018–19. Similarly, Myanmar has almost doubled the number of products exported to India from 159 in 2010–11 to 313 in 2018–19 (Figure 2). This suggests higher consumer confidence in the economies, thereby opening further scope for trade creation between the two countries.

The rising merchandise trade between the two countries also indicates that India's exports to Myanmar are relatively well-diversified, whereas India's imports from Myanmar are concentrated among a few products. India's exports to Myanmar at the HS 2-digit level primarily includes pharmaceuticals, iron and steel, electrical equipment, sugars and sugar confectionery, minerals, machinery and mechanical appliances, cotton, and food processing, among others, which together accounted for about 84 per cent of India's total exports to Myanmar in 2017–18 (Table 2). On the other, India's imports from Myanmar at the HS 2-digit level are edible vegetables, roots and tubers, wood and wood products, iron and steel, lead articles, coffee and tea, seafoods, medicinal seeds and plants, and rubber, among others, which together accounted for about 99 per cent of India's total imports from Myanmar in 2017–18 (Table 3). Most of the bilateral trade is, however, routed through the ocean.

Figure 2: Number of Products Traded in India's Exports to and Imports from Myanmar (at the HS 8-digit level)



Source: Export-Import Databank, Government of India.

Table 2: India's Major Commodity Exports to Myanmar (at the HS 2-digit level)

HS Code	Commodity	2018-2019 (US\$ million)	Share in 2018-19, (%)	CAGR (2010-11 to 2018-19) (%)
30	Pharmaceutical Products	199.67	16.56	15.76
27	Mineral Fuels, Mineral Oils and Products of Their Distillation; Bituminous Substances; Mineral Waxes	198.29	16.45	68.03
17	Sugars and Sugar Confectionery	126.12	10.46	25.10
2	Meat and Edible Meat Offal	124.11	10.29	7.14
87	Vehicles Other Than Railway or Tramway Rolling Stock, and Parts and Accessories Thereof	71.67	5.94	37.53
85	Electrical Machinery and Equipment and Parts Thereof; Sound Recorders and Reproducers, Television Image and Sound Recorders and Reproducers, and Parts	61.86	5.13	17.63
84	Nuclear Reactors, Boilers, Machinery and Mechanical Appliances; Parts Thereof	55.91	4.64	14.00
23	Residues and Waste from the Food Industries; Prepared Animal Fodder	46.66	3.87	13.65
52	Cotton	46.49	3.86	22.18
5	Products of Animal Origin, Not Elsewhere Specified or Included	26.94	2.23	34.54

Table 2 continued...

Table 2 continued...

72	Iron and Steel	23.95	1.99	1.21
61	Articles of Apparel and Clothing Accessories, Knitted or Crocheted	21.03	1.74	34.03
39	Plastic and Articles Thereof	16	1.33	13.31
73	Articles of Iron or Steel	15.62	1.30	8.01

Source: Export-Import Databank, Government of India.

Table 3: India's Major Commodity Imports from Myanmar (at the HS 2-digit level)

HS Code	Commodity	2018-19 (US\$ million)	Share in 2018-19 (%)	CAGR (2010-11 to 2018-19) (%)
7	Edible Vegetables and Certain Roots And Tubers	370.43	71.03	-5.26
44	Wood and Articles of Wood; Wood Charcoal	92.25	17.69	-17.24
79	Zinc and Articles Thereof	12.05	2.31	-
72	Iron and Steel	8.86	1.70	-
40	Rubber and Articles Thereof	6.07	1.16	11.40
12	Oil Seeds and Olea. Fruits; Misc. Grains, Seeds and Fruit; Industrial or Medicinal Plants; Straw and Fodder	5.76	1.10	36.79
9	Coffee, Tea, Mate, and Spices	5.23	1.00	7.47
3	Fish and Crustaceans, Molluscs and Other Aquatic Invertebrates	4.08	0.78	57.09
76	Aluminium and Articles Thereof	3.94	0.76	77.49
41	Raw Hides and Skins (Other Than Fur Skins) and Leather	2.16	0.41	-8.89
62	Articles of Apparel and Clothing Accessories, Not Knitted or Crocheted	1.45	0.28	-
61	Articles of Apparel and Clothing Accessories, Knitted or Crocheted	1.4	0.27	-
64	Footwear, Gaiters and the Like; Parts of Such Articles	1.25	0.24	-
51	Wool, Fine, or Coarse Animal Hair, Horsehair Yarn and Woven Fabric	0.96	0.18	-
26	Ores, Slag, and Ash	0.91	0.17	21.63
87	Vehicles Other Than Railway or Tramway Rolling Stock, and Parts and Accessories Thereof	0.75	0.14	49.53
84	Nuclear Reactors, Boilers, Machinery and Mechanical Appliances; Parts Thereof	0.67	0.13	35.20
96	Miscellaneous Manufactured Articles	0.52	0.10	8.05

Source: Export-Import Databank, Government of India.

Table 4: India's Exports to Myanmar and the Potential in 2018 (at the HS 6-digit level)

HS Code	Product Label	India's Actual Exports to Myanmar	India's Export Potential
		(US\$ million)	
	All products	1,234.65	1,447.1
871120	Motorcycles, incl. mopeds, with reciprocating internal combustion piston engine of a cylinder	6.23	249.5
210111	Extracts, essences and concentrates, of coffee	0.76	31.0
300450	Medicaments containing provitamins, vitamins, incl. natural concentrates and derivatives thereof	12.89	22.4
300420	Medicaments containing antibiotics, put up in measured doses, incl. those in the form of transdermal	18.96	21.3
870422	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston	0.32	19.5
730820	Towers and lattice masts, of iron or steel	6.43	19.4
840890	Compression-ignition internal combustion piston engine 'diesel or semi-diesel engine'	0.05	18.7
390210	Polypropylene, in primary forms	5.99	15.4
842959	Self-propelled mechanical shovels, excavators and shovel loaders (excluding self-propelled)	1.58	14.3
670300	Human hair, dressed, thinned, bleached or otherwise worked; wool, other animal hair or other	2.99	13.8
050100	Human hair, unworked, whether or not washed or scoured; waste of human hair	24.79	12.9
300410	Medicaments containing penicillin or derivatives thereof with a penicillanic acid structure,	10.72	11.6
840999	Parts suitable for use solely or principally with compression-ignition internal combustion	0.40	10.8
721049	Flat-rolled products of iron or non-alloy steel, of a width of ≥ 600 mm, hot-rolled or cold-rolled	0.38	10.7
850421	Liquid dielectric transformers, having a power handling capacity ≤ 650 kVA	0.22	9.3

Source: ITC.

Overall, India's total export potential was about US\$1.45 billion in 2018, compared to India's actual exports of US\$1.23 billion to Myanmar. India has export potential in sectors such as automobiles, pharmaceuticals, food processing items, mineral products, and iron and steel (Table 4). This unmet potential may offer new business opportunities, provided the barriers to trade are removed.

Comparing the major exports and imports between India and Myanmar, there are very few products that are traded through the land borders of India and Myanmar. Border trade potential between India and Myanmar is yet to be unlocked. Myanmar is the entry/exit point to and from

ASEAN. Therefore, the completion of the TH may generate new demand for trade through the land border, particularly via Moreh and Tamu.

Trade improves the social and economic conditions of the people who are directly participating in the trade. To boost exports from the NER in general and Manipur in particular, the northeastern states have to create adequate infrastructure for the promotion of export-oriented units and a business environment that facilitates cross-border linkages. For instance, some of the small and medium-sized enterprises (SMEs) located in and around Imphal city engaging in production activities such as for PVC pipes, plastics, garments, processed foods, electrical, etc. also export to Myanmar through the Moreh Integrated Check Post (ICP). Local industries may switch over to the land border for their trade with overseas partners once the TH is completed. Therefore, assessing the current profile of border trade between India and Myanmar is important in order to make an appropriate strategy-driven connectivity programme for stimulating regional development in the NER.

2.2 Trade and Movement of Passengers at the India–Myanmar Border

Border trade started operating between the two countries in 1969. From 1990 to 1992, only Indian goods were exported to Myanmar. There were no exports coming from Myanmar to India. In 1992, legal trade based on barter systems on locally produced items within the radius of 40 km on either side of the border started between the two countries and continued till 2006. The agreement initially allowed 22 items to be traded under this system in 1995 (Table 5) with the mandate that imports and exports had to be balanced by exporting/importing goods of equivalent value within six months. Both exporters and importers trading up to US\$ 20,000 had to produce an Importer Exporter Certificate from the Director General of Foreign Trade (DGFT), Guarantee Receipt (GR) formalities (required only if the value exceeded US\$ 1000) and by way of head-load cargoes or non-motorized transport system. In addition, 18 more items in 2008 and 22 items in 2012 were added to the list of tradable items for border trade (Table 5). Since 2015, formal trade based on the most-favoured-nation principle started between the two countries. Even though normal trade started at the border, no duty drawbacks or trade preferences were extended to traders at the border.

Table 5: Number of Permitted Items for Border Trade between India and Myanmar

S.No.	Old and Additional Items Permitted for Border Trade
1	A total of 22 commodities/items notified by DGFT Public Notice No. 289(PN)/92-97 dated 10 April 1995
	1. Bamboo, 2. Betel nuts and leaves, 3. Chillies, 4. Coriander seeds, 5. Food items for local consumption, 6. Fresh vegetables, 7. Fruits, 8. Garlic, 9. Ginger, 10. Katha, 11. Minor forest products (excluding teak), 12. Mustard/rapeseed, 13. Onions, 14. Pulses and beans, 15. Reed brooms, 16. Resin, 17. Roasted sunflower seeds, 18. Sesame, 19. Soya beans, 20. Spices (excluding nutmeg, mace, cloves, cassia, and cinnamon), 21. Tobacco, 22. Tomatoes.
2	A total of 18 commodities/items notified by DGFT Public Notice No. 106(RE-2008)/2004-2009 dated 7 November 2008
	1. Agarbatti, 2. Bicycle spare parts, 3. Blades, 4. Bulbs, 5. Cosmetics, 6. Cotton fabrics, 7. Fertilisers, 8. Imitation jewellery, 9. Insecticides, 10. Leather footwear, 11. Life-saving drugs, 12. Menthol, 13. Mosquito coils, 14. Paints and varnishes, 15. Spices, 16. Stainless steel utensils, 17. Sugar and tomato, salt, 18. X-ray paper and photo paper.

Table 5 continued...

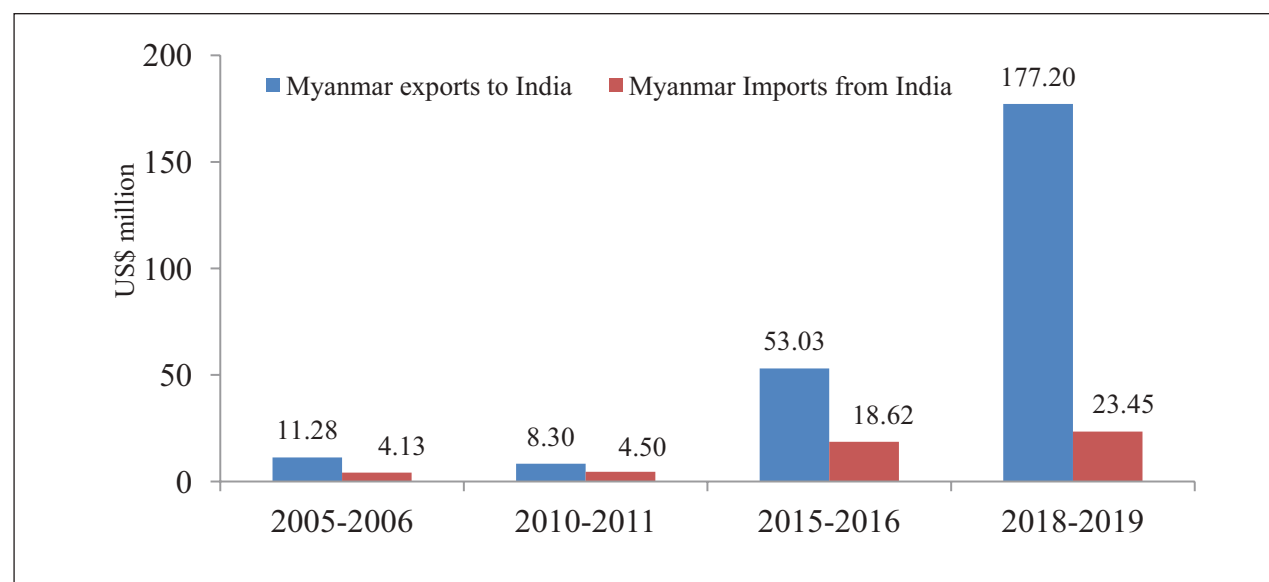
Table 5 continued...

3	A total of 22 new commodities/items added and notified by DGFT Public Notice No. 30 (RE2012)/2009-2014 dated 16 November 2012
	1. Agricultural machinery/equipment/tools, 2. Bicycles, 3. Bleaching powder, 4. Coal, 5. Edible oil, 6. Electrical and electric appliances, 7. Fabricated steel products, 8. Garments/readymade garments/cloths, 9. Handlooms and handicraft items, 10. Hardware/minor construction materials and electrical fittings, 11. Lime, 12. Medicines, 13. Milk powder, tea, edible oil, beverages, 14. Motor cycles and motor cycle spare parts, 15. Other items, such as electronic/musical instruments, stationery items, torch lights, 16. Plastic items: water tanks, buckets, chairs, plastic pipes and briefcase, 17. Rice, wheat, maize, millets and oats, 18. Scented tobacco, 19. Semi-precious stones, 20. Sewing machines, 21. Textile fabrics, 22. Two/three wheelers/cars below 100 CC.

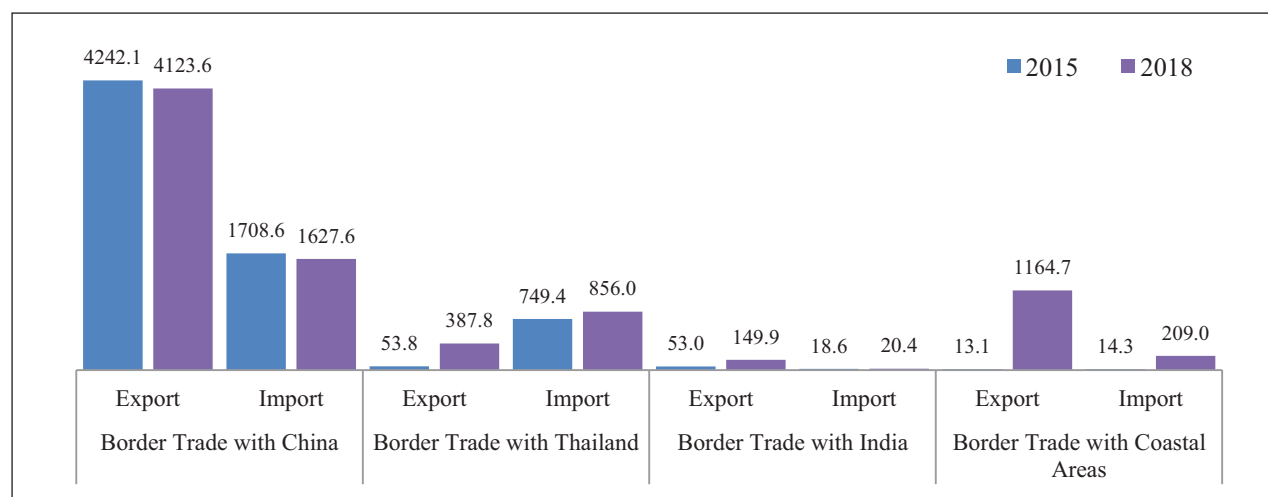
Source: Authors, based on secondary sources.

The border trade between India and Myanmar has increased significantly since 2005 (Figure 3(a)). However, the bilateral border trade volume between India and Myanmar is not substantial when compared with Myanmar's border trade with China or Thailand (see Figure 3(b)). The bilateral border trade volume may go up if we factor in the volume of informal trade between India and Myanmar. A substantial part of the bilateral trade at the Moreh–Tamu border is carried out informally. In the formal sector, Myanmar's exports to India through the Tamu border have increased from US\$ 11.28 million in 2005–06 to US\$ 177.20 million in 2018–19. Meanwhile, India's exports to Myanmar through Moreh have increased from US\$ 4 million in 2005–06 to only US\$ 23.45 million in 2018–19. India's major exports to Myanmar through Moreh are high-speed diesel, wallpaper, wheat flour, methyl bromide, and fertiliser; whereas, India's major imports from Myanmar through Moreh are betel nuts, fresh vegetables, and fruits (Table 6).

Figure 3(a): India–Myanmar Border Trade at the Moreh–Tamu Border



Source: Embassy of India, Yangon (from 2005–06 onwards) and 2018–19 data from Myanmar Customs, Ministry of Commerce, Myanmar.

Figure 3(b): Myanmar's Border Trade with Neighbouring Countries (US\$ million)

Note: China: Muse, Lwejel, Chin Shwehaw, Kanpitete, Kyaing Tong; Thailand: Tarchileik, Myawaddy, Mawtaung, Mese; India: Tamu and Rhi and Coastal Areas: Nabulae/Htee Khee, Mawtaung, Mese, Sittwe, Maung Daw.

Source: Ministry of Commerce, Government of Myanmar.

Table 6: Major Commodities Traded between India and Myanmar via the Land Border

India's Exports to Myanmar	India's Imports from Myanmar
High-speed diesel, wheat flour, wallpaper, methyl bromide, fertiliser, soya bean meal, pharmaceuticals, motorbikes, non-alloy steel, oil cakes, cotton yarn and auto parts	Betel nuts, dry ginger, green mung beans, turmeric roots, ginger, saffron, bay leaves, medicinal herbs, fresh vegetables and fruits, fishery items

Note: Data collected during January–December 2019.

Source: RIS Survey (2019).

Table 7: Indian Exports to Myanmar

Sr. No.	HS Code	Commodity	2018-19		2017-18	
			Value	Share in Total Bilateral Exports	Value	Share in Total Bilateral Export
			(US\$ million)	(%)	(US\$ million)	(%)
1	27101930	High-speed Diesel	46.210	3.833	21.000	2.173
2	38089122	Methyl bromide	0.070	0.006	-	0.000
3	48149000	Other wallpaper and wall coverings	0.010	0.001	0.020	0.002
		Total bilateral export	1,205.60		966.19	

Source: Export-Import Databank, Government of India.

Table 8: Trends in Indian Imports of Betel Nuts from Myanmar

Year	Import of Betel Nuts		Total Imports from Myanmar	Share of Betel Nut Imports in Total Imports from Myanmar
	HS 8028010 - Whole	HS 8028020 - Split		
	(US\$ million)			(%)
2018-19	-	-	457.10	
2017-18	-	-	639.64	
2016-17	0.91	5.50	1,067.25	0.006
2015-16	2.05	12.65	984.27	0.015
2014-15	2.87	4.81	1,231.54	0.006
2013-14	0.64	0.70	1,395.67	0.001
2012-13	3.93	-	1,412.69	0.003
2011-12	0.20	-	1,381.15	0.000
2010-11	0.82	-	1,017.67	0.001
2009-10	1.71	-	1,289.80	0.001
2008-09	0.12	-	928.97	0.000
2007-08	3.14	-	808.63	0.004
2006-07	0.59	-	782.65	0.001
2005-06	0.62	-	525.96	0.001
2004-05	1.00	-	405.91	0.002
2003-04	1.49	-	409.01	0.004
2002-03	2.23	0.01	336.04	0.007
2001-02	1.18	-	374.43	0.003
2000-01	1.91	0.68	181.69	0.014

Note: Data are on imports through official routes.

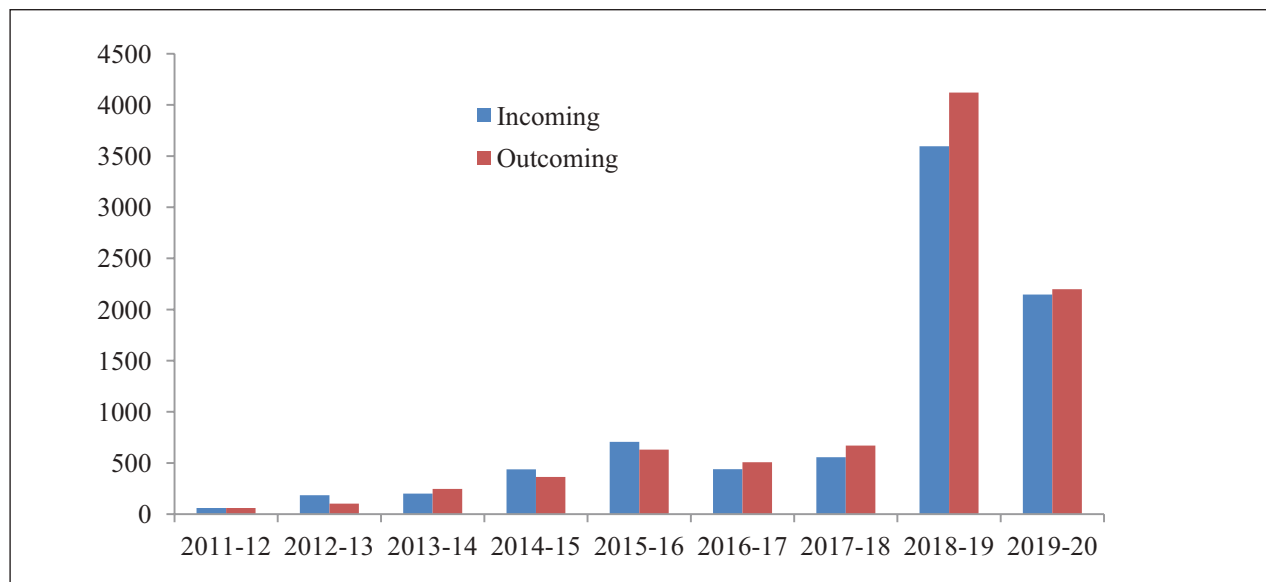
Source: Export-Import Databank, Government of India.

Myanmar's exports to India do not pay any export duty for those items that are allowed to be exported to India. However, some of Myanmar's exports pay 2 per cent duty to the Myanmar government. At present, 13 items are not allowed to be exported from Myanmar to India, and three items are not allowed to be imported from India to Myanmar. Out of the 10,000 tariff line export products, only 3,500 tariff line products need an export license. On the other hand, only 4,800 tariff line products need an import license. The rest of the products do not require any license and can be exported and imported without major documentation or compliance. The Tamu Chamber of Commerce is the nodal agency involved in facilitating Myanmar's trade with India through the Tamu border.

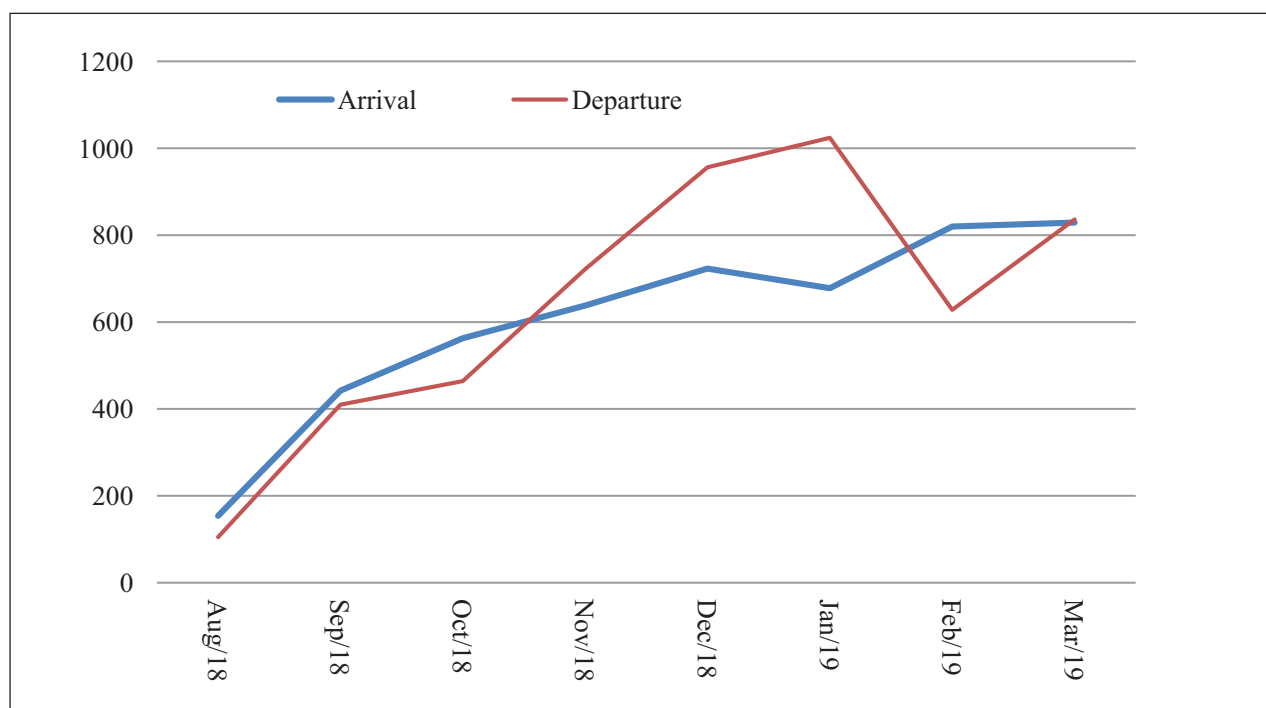
The major export item from Myanmar to India is primarily betel nuts (Table 8). Myanmar, being a least developed country (LDC), receives duty-free quota market access from India. However, India has raised the import duty on betel nuts from 0 per cent to 40 per cent. As a result, imports of betel nuts from Myanmar to India through formal channels has considerably fallen from US\$ 1067.25 million in 2016–17 to US\$ 457 million in 2018–19. However, this has encouraged the rise of informal trade of betel nuts through the land border.

Figure 4: Passenger Movement at the Moreh-Tamu Border

(a)



(b)



Source: RIS Survey based on the Land Ports Authority of India (LPAI), Government of India.

A major disadvantage to border trade is the lack of trade complementarities between India's NEER and Myanmar. Both regions share very similar economic structures, where agriculture and resource extraction dominate. Northeast India produces mainly tea, coal, limestone, fruits and vegetables, etc. and lacks the industrial capacity to produce the manufactured goods that Myanmar needs. This suggests that most of the border trade consists of informal trade (third-country goods), which brings arguably lower economic benefits to the region. Additionally, the overland route carries high transaction costs, which make it a far less desirable option compared to ocean transport.

2.3 Passenger Movement between India and Myanmar through Moreh

Passenger movement through the Tamu and Moreh border has increased considerably over the last few years (Figure 4a). The passenger movement has picked up since the border was opened for passenger movement between the two countries at Moreh and Tamu on 8 August 2018. The monthly passenger movement between Tamu and Moreh has increased significantly from about 200 in August 2018 to 800 in March 2019 (Figure 4b). Passenger movement at Moreh declined in 2019–20 compared to 2018–19. About 40–45 per cent of annual visas have been issued by the Indian Missions in Myanmar to Myanmar nationals only to travel to India through the land border. Most of the Myanmar nationals visit India for the purposes of business, tourism, pilgrimage, medical, etc. Medical tourism between the two countries has been successful (e.g. the case of Shija Hospital in Imphal). People from Manipur, on the other hand, would like to visit Myanmar for the purposes of culture, tourism, business, etc. For Myanmar nationals, travel to India via Tamu is relatively cheaper. The movement of people via the Tamu border has gone up, particularly after the opening of the ICP at Moreh.

Endnotes

1. There is plenty of literature to show the relation between trade and poverty linkages. See, for example, World Bank (2018).
2. See Kshetrimayum (2010) for more details.
3. See Annexure 2 for port trade and the growth in total trade between 2015 and 2018.
4. Exports through the ICP in 2018–2019: (i) February 2019: pesticides (methyl bromide), one cargo of 5,000 kg, US\$ 36,600; (ii) March 2019: wallpaper, one consignment of 940 kg, US\$ 37,000; and (iii) April 2019: High-speed diesel, 16.95 metric tons, US\$ 11,230
5. Indian Customs claim that betel nut consignments that enter into India through Moreh are not necessarily of Myanmar origin. While Indian Customs insist on COO for imports of betel nuts, the Myanmar authority at Tamu claims that the green betel nut variety is produced in Kalay town in Sagaing region and areas along the Chindwin River (RIS Survey, 2019).
6. See, for example, Nath (2018).
7. See, for example, Chong (2018).
8. This benefit was also extended to all other border points across Myanmar. Third-country nationals with valid visas can enter and/or exit from any land border post that has been notified by Myanmar.

References

- Chong, B. (2018) 'Pursuing Development through Connectivity: An Analysis of India's Northeast Region', Centre on Asia and Globalisation, Lee Kuan Yew School of Public Policy, National University of Singapore, Discussion Paper, accessed on 24 July 2019.
- Kshetrimayum, R. (2010) 'Border Trade between India and Myanmar through Moreh: Its Trends and Problems', *Manipur Online*, 17 October 17, accessed on 24 July 2019.
- Myanmar Times (2019) 'Flights Spur Bodhgaya Pilgrimages', 16 September. <https://www.mmmtimes.com/national-news/5931-flights-spur-bodhgaya-pilgrimages.html>
- Myanmar Times (2020) 'Myanmar, India tour companies to start Mandalay-Imphal service', 17 February 2020. <https://www.mmmtimes.com/news/myanmar-india-tour-companies-start-mandalay-imphal-service.html>
- Nath, A. (2018) "Integration with Regional Blocks Through Intra-Industry Production Networks: Boosting the Growth Prospects of Northeast India," in A. Sarma and S. Atul (eds.), *Mainstreaming the Northeast in India's Look and Act East Policy*. New Delhi: Palgrave Macmillan, pp. 190–194.
- RIS Survey (2019) "Field Survey for the Study on Trilateral Highway", ERIA Study of Trilateral Highway, New Delhi.

**Annexure 1: Major Functional Land Custom Stations (LCSs) in
North East India and Neighbouring Countries**

Sl. No.	India		Neighbouring Country	
	State	LCS	LCS	Country
1	Assam	Gauhati Steamerghat		Bangladesh
2		Dhubri Steamerghat	Rowmati	Bangladesh
3		Mankachar		Bangladesh
4		Silghat		Bangladesh
5		Karimganj Steamer Ghat	Zakiganj	Bangladesh
6		Sutarkhandi	Sheola	Bangladesh
7		Hatisar		Bhutan
8	Meghalaya	Mahendraganj	Dhanua Kamalpur	Bangladesh
9		Dalu	Nakugaon	Bangladesh
10		Baghmara	Bijoypur	Bangladesh
11		Borsora	Borosora	Bangladesh
12		Shellabazar	Sonamganj	Bangladesh
13		Dawki	Tamahil	Bangladesh
14	Tripura	Agartala	Akhaura	Bangladesh
15		Srimantapur	Bibir Bauar	Bangladesh
16		Khowaighat	Balla	Bangladesh
17		Manu	Chatlapur	Bangladesh
18	Mizoram	Demagiri	Rangamati	Bangladesh
19		Zokhawthar	Rih	Myanmar
20	Manipur	Moreh	Tarnu	Myanmar
21	Sikkim	Sherathang (Nathu La)	Renginggang	China
22	West Bengal	Petrapole (ICP)	Benapole	Bangladesh

Source: Authors based on various secondary sources.

Annexure 2: Myanmar's Border Trade with Neighbouring Countries

Station	Exports (US\$ million)		Imports (US\$ million)		Total Trade (US\$ million)		CAGR of Total Trade (%)
	2015	2018	2015	2018	2015	2018	(2015–2018)
China	4,242.12	4,123.56	1,708.56	1,627.61	5,950.68	5,751.17	-1.13
Muse	3,809.52	3,465.47	1,568.36	1,542.8	5,377.87	5,008.27	-2.35
Lwejel	64.34	143.31	12.62	12.83	76.96	156.14	26.59
Chin Shwehaw	332.99	368.36	52.79	49.41	385.78	417.77	2.69
Kanpitete	28.79	145.55	67.45	20.86	96.24	166.4	20.02
Kyaing Tong	6.48	0.88	7.35	1.72	13.83	2.6	-42.71
Thailand	53.84	387.81	749.35	856.05	803.19	1,243.86	15.70
Tarchileik	9.66	13.38	64.93	63.08	74.59	76.45	0.82
Myawaddy	43.79	97.65	682.33	675.42	726.11	773.07	2.11
Mawtaung	0.4	134.11	2.1	31.72	2.49	165.83	305.34
Mese		142.68		85.83		228.51	
India	53.03	149.85	18.62	20.43	71.65	170.28	33.45
Tamu	32.78	112.6	12.79	1.72	45.57	114.31	35.87
Rhi	20.26	37.26	5.83	18.72	26.08	55.97	28.99
Coastal Areas	13.127	1,164.747	14.34	209	27.47	1,373.74	268.42
Nabulae/Htee Khee	2.01	940.63	11.18	137.11	13.19	1,077.75	333.93
Mawtaung	0.4	9.04	2.11	7.05	2.51	16.08	85.73
Mese		1.02		0.48		1.50	
Sittwe	5.35	205.58	0.98	64.33	6.33	269.91	249.36
Maung Daw	5.37	8.48	0.07	0.03	5.44	8.51	16.09

Source: Ministry of Commerce, Government of Myanmar.

3

Border Infrastructure and Behind the Border Linkages

The distance between Moreh and Imphal, the capital of Manipur, is 110 km. Road is the only mode of transportation for goods and services. The widening of the highway linking Imphal to Moreh (NH 102) is under construction. This is the main highway that connects India with Southeast Asia and carries the trade between them.

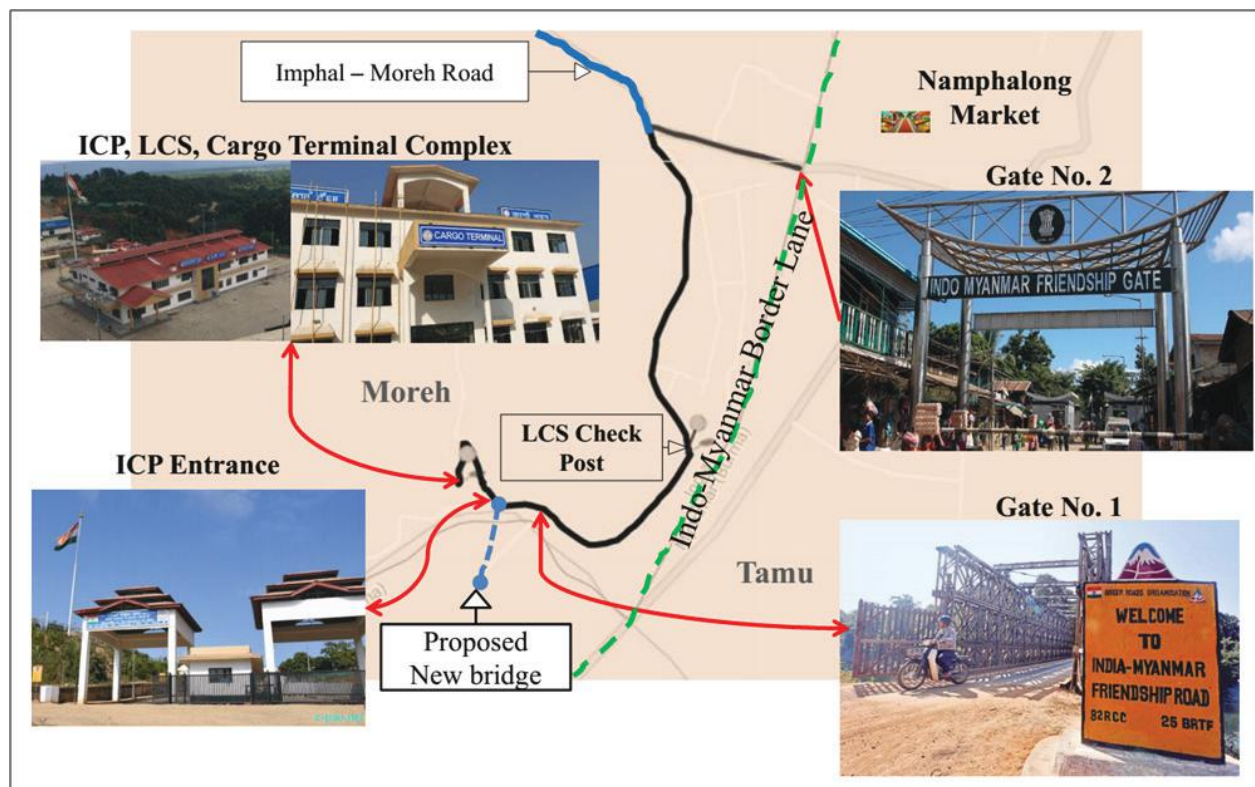
3.1 Border Infrastructure

Moreh and Tamu are two important border towns. India and Myanmar signed the Border Trade Agreement (BTA) on 21 January 1994, and the agreement came into effect on 12 April 1995. Under this agreement, border trade between the two countries is permitted for select items that attract a duty of 5 per cent to be routed through designated trading points. The cross-border trade is fully functional between India and Myanmar in two LCSs they are LCS Moreh in Manipur and Tamu in the Sagaing Division of Myanmar and LCS Zokhawthar in Mizoram and Rih (or Rhi) in the Chin State of Myanmar.

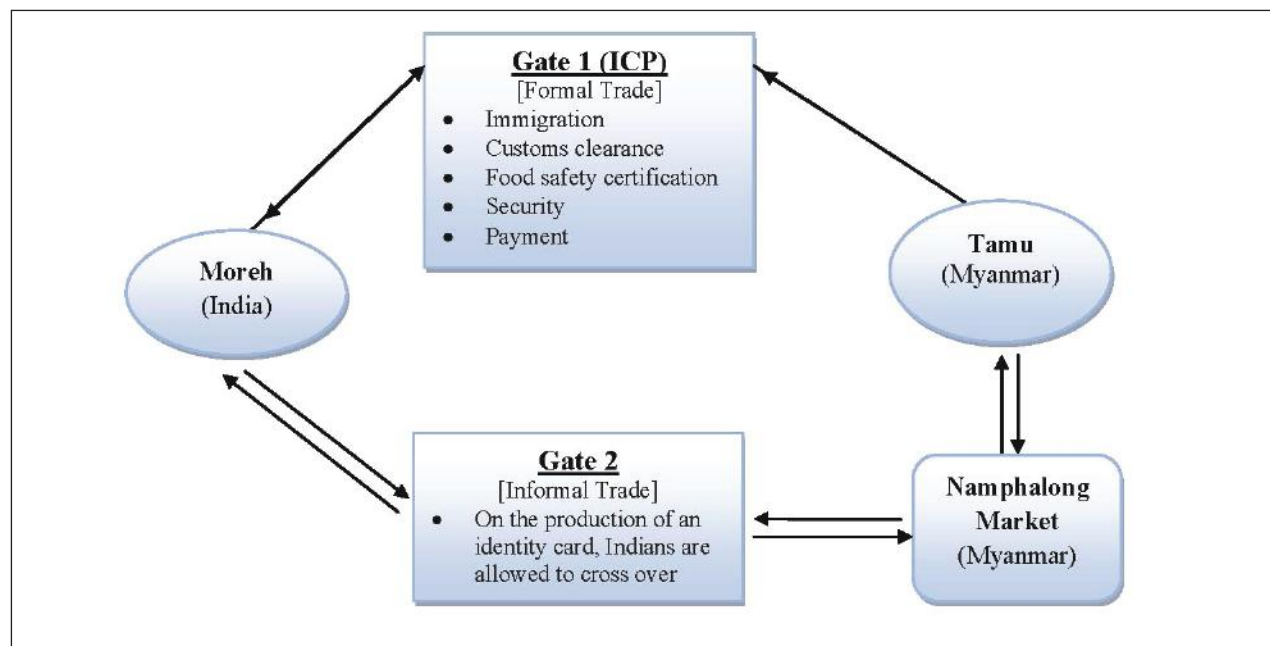
3.1.1 Moreh Market

The border town Moreh is located in the Chandel district of Manipur. It lies to the southeast of Manipur on the Indo-Myanmar border. Tamu town in the Sagaing district in Myanmar is the corresponding border town of Moreh. About 81 per cent of the local population is involved in non-agricultural activities.¹ Located on Asian Highway I, Moreh is India's entry point to Southeast Asian countries.

The cross-border trade at Moreh takes place through Gate No.1 and Gate No. 2 (Map 1). The current trade procedures are illustrated in Figure 1. Gate No.1 is the regulated trade route as per the standard operating procedure (SOP) between the two countries. LCS Moreh and ICP Moreh are located near Gate No. 1. Gate No. 2 is an entry or exit for passengers and head-load cargoes between India and Myanmar. Namphalong Market in Tamu is adjacent to Gate No. 2, and is a well-developed market. It sells not only goods from Myanmar but also goods originating from third countries, such as China, the Republic of Korea, Japan, and Thailand, among others. Namphalong market has active Indian buyers who take a permit from the gate for entry, pay for the goods purchased in Indian rupees, and return with head-loads. There is an absence of customs checks and a lack of health and safety checks of the products that are coming through Gate No. 2. Trade through Gate No. 2 is permitted for local residents who are settled within a radius of 40 km on both sides of the border of India and Myanmar. Moreh's main market, commonly known as the Morning Bazaar, is located near border Gate Number 2.

Map 1: Border Infrastructure at Moreh, Manipur

Source: RIS Survey (2019).

Figure 1: Trade Procedures at Moreh

Source: RIS Survey (2019).

3.1.2 Tamu Market

Tamu, erstwhile Kabaw Valley, is situated in Sagaing Division in northwest Myanmar. It is an important commercial town for cross-border business between the two countries. It was also a hub for smuggled goods from Thailand and China that are transported to India. It is the counterpart LCS of Moreh. On average, 30 cargo trucks come to Tamu every day with export cargoes to India.² At Tamu, the border infrastructure is relatively sufficient. However, the infrastructure at Tamu should be enhanced to meet the rising trade and passengers between the two countries in view of the operation of the TH from 2021 onwards. In Tamu, there are only eight customs officials, which are sufficient at present, but the number must be increased once the TH becomes operational. Tamu provides warehouses, cargo sheds, parking for vehicles, immigration, customs, and plant and quarantine facilities. Unlike the ICP at Moreh, Tamu does not have border infrastructures in one place. Nevertheless, both the countries need to work together for the improvement of the trading infrastructure at the border and to update the SOP to deal with the rising trade. The documents required for import are an invoice, packing list, sales contract, and company profile. Licenses for exports and imports are also needed. The items that do not need a license can go straight to customs and then can be exported to India.

3.1.3 ICP at Moreh

The Integrated Check Post (ICP) is a trade centre for the facilitation of bilateral trade between India and Myanmar as well as for the movement of passengers between the borders. The ICP started its operations from 8 August 2018. ICP Moreh is located on NH 102 on the India–Myanmar border in the Tengnoupal district, about 110 km from Imphal. The total area of the ICP is 38.34 acres. The Land Ports Authority of India (LPAI) is yet to get a formal physical possession of the ICP from the Government of Manipur. The Government of India has approved about Rs. 130 million for the development of ICP Moreh.

The operations at ICP Moreh commenced with the Passengers Terminal on 15 March 2018, and immigration facilities started functioning from 8 August 2018. Since then, Moreh ICP has started handling passengers coming to India. In 2018–19, ICP Moreh handled 1,436 incoming passengers from Myanmar and 1,620 outgoing passengers from India to Myanmar.³ The majority of the Myanmar nationals come to Manipur for medical treatment, and some of them also enter India for tourism purposes. Box 1 presents the facilities available at Moreh ICP. For example, when there is a sports festival (football), tourist flows from Myanmar to India go up. ICP Moreh is expected to generate employment, promote trade between India and Myanmar, and foster connectivity and trade facilitation with the neighbouring countries.

The construction of the ICP is almost in the completion stage and includes a passenger terminal, cargo terminal, customs processing, immigration clearance, import warehouse, electric sub-station, parking, rummaging sheds, weighbridge, security and surveillance, banks/ATMs, drivers' rest area, public conveniences, and a monumental national flag. The current status of the facilities at ICP Moreh is given in Table 1.

LCS Moreh is housed in a departmental building located near Gate No. 1 but is under consideration to be shifted to the ICP complex. Plant and quarantine facilities are available at LCS Moreh. However, the plant and quarantine facilities are yet to be used. Moreh and Tamu border posts should be kept open 24/7 for trade and tourism purposes.

Table 1: Current Status of Facilities at ICP Moreh

Sl. No.	Facilities	Present Status
1	Warehousing	Cargo terminal construction is in the completion stage, with an 800 square meter capacity storage area for dry cargo.
2	Cold Storage	Construction is ongoing with a 400 square meter capacity storage area for perishable goods.
3	Banking	Provision for a banking space is ready and rental free but not yet functional. Land Customs Station (LCS) has invited State Bank of India (SBI) and Union Bank of India (UBI) to open a branch.
4	Foreign Exchange Facility	UBI is authorised to do foreign exchange.
5	Weighing Bridge	Completed
6	Plant Quarantine	Not ready yet
7	Food Safety and Standard Authority of India (FSSAI)	Space is allotted for the laboratory of FSSAI and is yet to come. FSSAI activities are managed by the Manipur State Food Safety Department. All the laboratories under the FSSAI should be National Accreditation Board for Testing and Calibration Laboratories (NABL) certified.
8	Internet Bandwidth	The current internet speed is only 8 Mbps, which has to be enhanced further. At present, trade at Moreh through the LCS is handled on a manual basis. The LCS is planning to introduce an Electronic and Data Interchange, which requires more internet speed.
9.	Human Resources	At ICP: one regular post and 13 people are presently working on a contractual basis. At LCS: 3 inspectors, 2 havildars, and 1 superintendent
10.	Security	Four security persons deployed by Assam Rifles
11.	Electricity	Power supply is available but with occasional power cuts. In the case of a power cut, a diesel generator is available.
12.	Medical facility	Not yet ready
13.	Public Conveniences	Space for public conveniences is available and already functional
14.	Parking Space	Available

Source: RIS Survey (2019).

3.2 Financial Infrastructure

Four banks are currently operating in Moreh: State Bank of India (SBI), United Bank of India (UBI), UCO Bank, and Axis Bank. These four banks mostly cater to the demand for banking and other financial services. The four banks have one ATM each placed in different locations of Moreh town. Among the four, UBI is the officially designated foreign exchange dealer in Moreh. Banking and financial transactions are substantial, taking into account the level of economic activities in Moreh and the reported border trade taking place between the two countries through the Moreh–Tamu border.

Box 2: Facilities Available at Moreh ICP

1. Passenger Terminal Build.
2. Cargo Terminal Bldg.
3. Customs Processing
4. Immigration Clearance
5. Import Warehouse
6. Cargo Terminal Bldg.
7. Electric Sub Station
8. Parking
9. Rummaging Sheds
10. Weigh Bridge
11. Security & Surveillance
12. Banks/ATM
13. Drivers Rest Area
14. Public Conveniences
15. Monumental National Flag



Source: LPAI, New Delhi

Based on preliminary sources, the current average daily deposits of SBI and UBI are to the tune of between Rs 4–5 million and Rs 10 million, respectively. SBI has approximately 7,000 savings accounts and 300 current accounts, whereas UBI maintains 8,000 savings accounts and 300 current accounts. In the case of border trade, no special payment arrangement, including a letter of credit, exists between India and Myanmar. Although there is no provision of a letter of credit, trade-related transactions, which are mostly conducted through current accounts, constitute a substantial part of the banking business in Moreh. The RIS Survey (2019) found that around 90 per cent of the total deposit mobilisation of UBI per day (approximately Rs 9 million) is linked to border trade. Likewise, current account transactions of SBI are approximately Rs 3–4 million per day.

Banks operating in Moreh expect that local business and trade will grow once the Trilateral Highway (TH) becomes operational. While the need for more human resources is often highlighted, with technological modernisation and proper clearing and settlement mechanisms, the banks would be able to handle the possible rise in demand for financial services associated with higher border trade.

Banks also provide financing to local traders and businesses along with mandated commitments of priority sector lending and Micro Units Development and Refinance Agency (MUDRA) loans.⁴ Loans extended by SBI are approximately Rs 170 million, and about 100 SMEs are financed by the bank. Similarly, UBI has provided 300 MUDRA loans, mostly for the purpose of variety stores/shops. While the lending portfolio of UBI has grown over the years, the bank does not have any large exposure to a single borrower, thereby reducing the cumulative risk of default.

In the case of trade-linked banking services, both SBI and UBI are considering the proposal of opening extension counters at ICP Moreh, especially for foreign exchange-related services. Both SBI and UBI underscore the importance of improving the trade environment in the Imphal–Moreh region and suggest a number of policy and institutional reforms. As informal trade with Myanmar through Moreh continues to remain a challenge, banks believe in positive outcomes of incentives, like bank guarantees, letters of credit, faster payment settlement, bilateral banking arrangements, rupee trade, and so on. In particular, UBI is keen to provide bank guarantees for local traders engaged in border trade. Since foreign exchange transactions are likely to increase in the future, UBI needs proper technology for validating the foreign currency notes as the risk of fake currency circulation is high. Despite being the official dealer of foreign exchange, the bank does not sell any foreign currency to the traders. The customers and traders are only allowed to convert foreign currencies to the Indian rupee.

3.3 Summary

Four major threats at Moreh border: (i) high informal trade, insurgency and rent seeking environment, (ii) ethnic conflicts, which has been old and continuing; (iii) several non-traditional security threats such as arms smuggling, narcotics and drugs trafficking, human trafficking; and (iv) rise in fake goods and contrabands.

There are several border infrastructure challenges, including shortages of staff, lack of electricity, lack of good-quality internet, absence of accommodation for officials, and other social infrastructure. At the moment, only the passenger terminal has been opened. Moreh ICP has started accepting people coming from Myanmar to India and vice versa. The cargo terminal is not yet ready. However, construction is in the final stage. The biggest challenge is bank transfers. Trade at Moreh does not happen through bank Letter of Credit (LC). There must be a formal banking facility. Transactions between the two countries should follow the LC system.

The Government of India may extend a transport subsidy to the exporters located in Imphal and Moreh. This subsidy would help them to compete with bigger exporters who are not from the region.

The Sagaing province of Myanmar is a big market for Indian goods. Greater cooperation to promote trade and investment is needed between Manipur and Sagaing. Completion of the construction of the TH and the replacement of bridges will strengthen the trade and investment linkages between India and Myanmar.

Tourism is another potential for business and is yet to be unlocked. People from Myanmar would like to travel to Bodh Gaya. They can cross the border at Moreh and reach Imphal, then take a flight for Kolkata or Guwahati for their onward journey to Patna or Bodh Gaya. The Manipur government may also consider setting up a guest house for Buddhist travellers.

Greater linkages between SMEs in the two countries, particularly in the border areas, will pave the way for higher trade and value chains. Some potential exporters have been SMEs, which can do business between the two countries in the areas of processed foods, automobiles, steel items, textiles, and apparel, etc.

E-visas are yet to be accepted at the Moreh border by Indian Immigration. However, the border pass is pending from the Indian side, whereas the Myanmar side has already started the border pass.

An electronic mode of trade, instead of a manual system, must be introduced. India–Myanmar trade can also be conducted in the local currencies (rupee-kyat).

In view of international trade at Moreh and Tamu, food safety should be strengthened, both at the Moreh border and Imphal. Food Safety and Standard Authority of India (FSSAI) activities are managed by the Manipur State Food Safety Department. All the laboratories under the FSSAI should be National Accreditation Board for Testing and Calibration Laboratories (NABL) certified. A microbiology section of the FSSAI Lab is not yet developed. A small office opened in Moreh last December 2018 to check the chemicals in processed food items. However, this office is now closed. FSSAI Manipur office is issuing NABL certificates from time to time.

A Joint Task Force between India and Myanmar should be created, and a Joint Trade Committee could be set up to give support to trade and connectivity.

Endnotes

1. According to the 2011 census.
2. The weight of each truck is about 12–13 tons. Source: RIS Survey (2019).
3. Refer, LPAI (2020)
4. MUDRA is a refinancing Institution. MUDRA does not lend directly to micro-entrepreneurs/individuals. Mudra loans under Pradhan Mantri Mudra Yojana (PMMY) can be availed from nearby branch offices of a bank, NBFC, MFIs, etc.

References

- LPAI (2020) “Moreh ICP”, Land Ports Authority of India, Ministry of Home Affairs, Government of India, New Delhi, available www.lpai.gov.in
- RIS Survey (2019) “Field Survey for the Study on Trilateral Highway”, ERIA Study of Trilateral Highway, New Delhi.

4

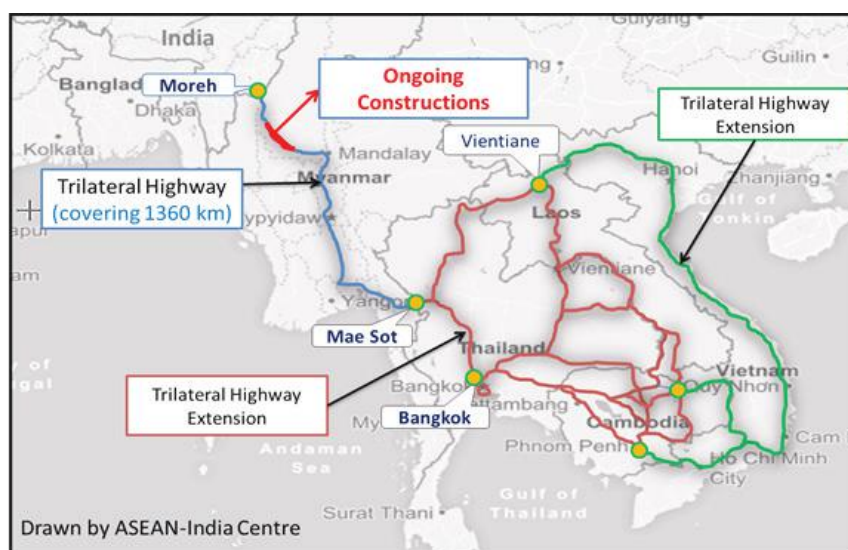
Trilateral Highway and Its Extension to Cambodia, Lao PDR and Vietnam

Enhancing connectivity between ASEAN and India is a major thrust of ASEAN's Master Plan on ASEAN Connectivity 2025 and India's Act East Policy. In order to foster regional cooperation and integration through deeper economic relations and people-to-people linkages, it is important to establish well-designed connectivity in the region by developing strategies to enhance economic, industrial, and trade relations between ASEAN and India. The current foundations of ASEAN-India connectivity are required to be updated and synced with the progress in physical connectivity within ASEAN, and between India and ASEAN. In this context, the ongoing connectivity project of the TH between India, Myanmar, and Thailand and the proposed extension of the TH towards Cambodia, the Lao PDR, and Viet Nam (CLV) would enable an increased exchange of goods, services, and the movement of people between India and ASEAN. Besides, connecting India's NER with Southeast Asia would contribute to higher trade and investment, strengthen regional value chains, create jobs, and increase people-to-people contact, among others, and the NER would further strengthen the relationship with Myanmar for enhancing ASEAN-India connectivity.

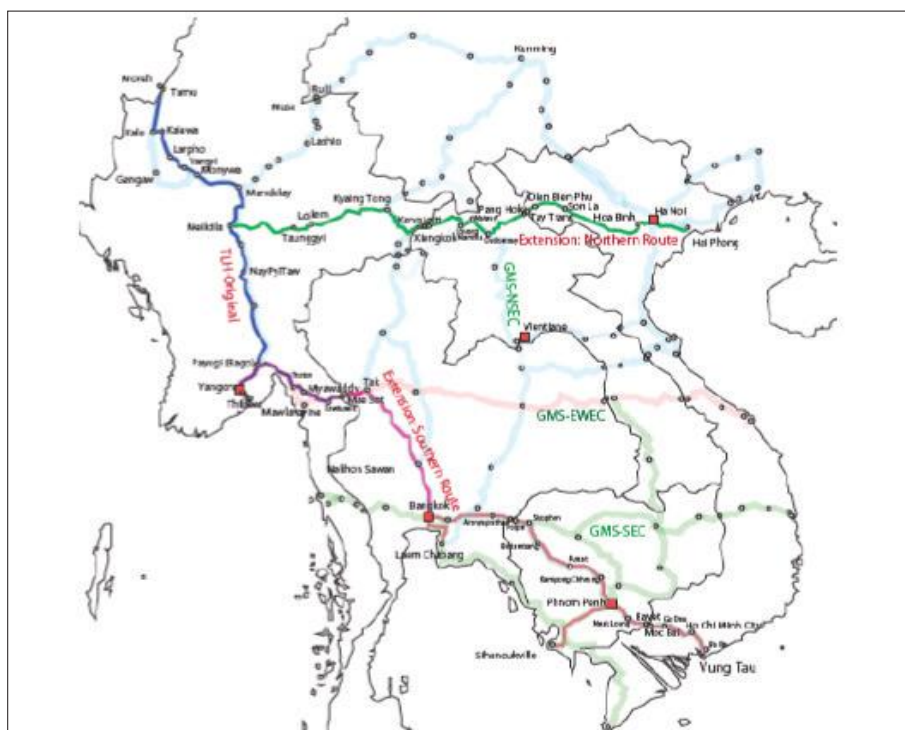
4.1 Trilateral Highway

The Trilateral Highway (TH) is aimed to build connectivity from Moreh in India to Mae Sot in Thailand via Myanmar (Map 1). The India-Myanmar-Thailand TH project involves the construction of a 1,360 km highway connecting Moreh in Manipur to Mae Sot in Thailand through Myanmar. The cost of the construction of the Trilateral Highway is estimated at US\$ 140 million. The TH road is further proposed to be extended to Cambodia, Lao PDR, and Vietnam.

ERIA conducted a study on TH and its possible eastward extension (ERIA, 2020). Map 2 illustrates the TH routes vis-à-vis existing routes such as East-West Economic Corridor, Greater Mekong Subregion, North-South Economic Corridor and Southern Economic Corridor.

Map 1: Trilateral Highway and Its Extension

Source: ASEAN-India Centre at RIS.

Map 2: Trilateral Highway and Potential Eastward Extension Routes

Notes: EVEC = East–West Economic Corridor, GMS = Greater Mekong Subregion, NSEC = North–South Economic Corridor, SEC = Southern Economic Corridor, TH = Trilateral Highway

Sources: Umezaki and Kumagai (2020) based on ADB (2018)

The agreed route of the TH runs from Moreh in India to Tamu in Myanmar, Kalewa, Monywa, Mandalay, Nay Pyi Taw, Bago, Myawaddy and Mae Sot (Thailand). The ERIA study has identified two possible routes for its eastward extension:

- Route I (northern route): Meiktila in Myanmar to Ha Noi and Hai Phong in Viet Nam via the Myanmar-Lao PDR Friendship Bridge
- Route II (Southern route): Mae Sot in Thailand to Aranyaprathet via Bangkok in Thailand to PhnomPenh/Sihanoukville – Bavet in Cambodia and Moc Bai – Ho Chi Minh City – Vung Tau in Vietnam

ERIA study argues: “Except for one small section between Xieng Kok and Luang Namtha via Muang Sing in the Lao PDR, all sections of the suggested northern route are already designated as parts of the Asian Development Bank (ADB), United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), and Master Plan on ASEAN Connectivity (MPAC) 2025 transport corridor projects. All sections of the southern route of the eastward extension overlap with the East-West Economic Corridor, North-South Economic Corridor, and the Southern Economic Corridor of ADB”¹.

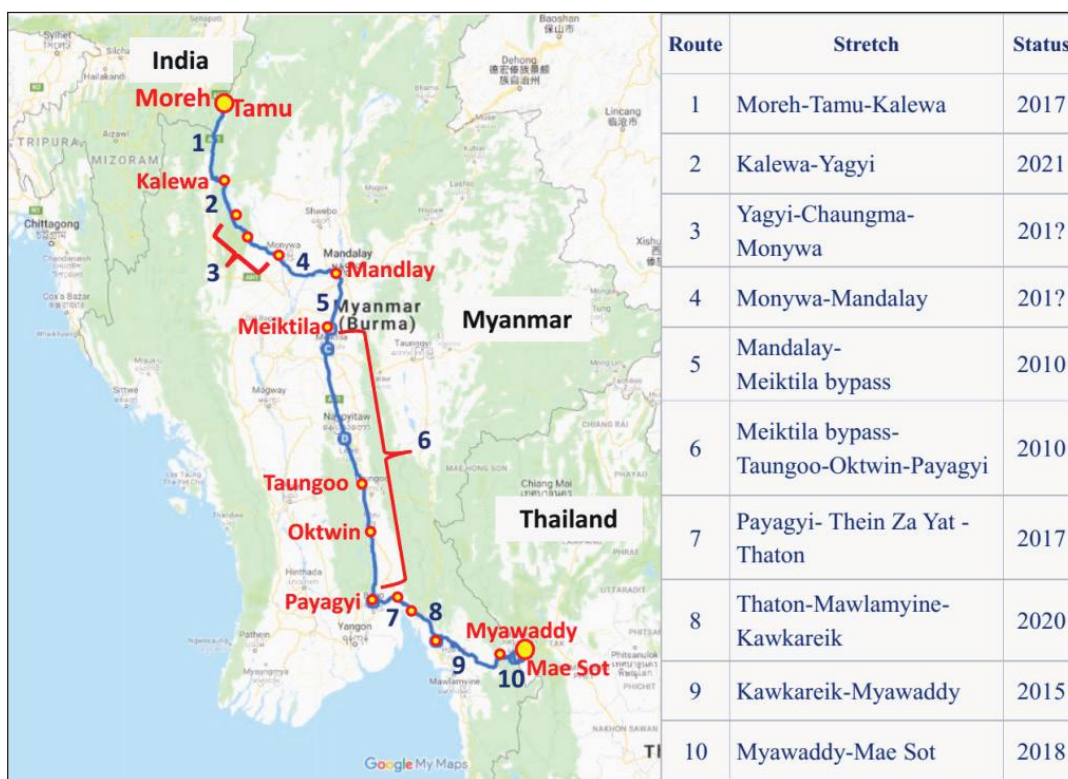
4.2 Tamu-Kalewa-Kalemyo Road

The Tamu-Kalewa-Kalemyo road, or the India-Myanmar Friendship Road, was inaugurated in 2001. The road, built entirely by India, was a gift to Myanmar and is a part of the Asian Highway. The Tamu-Kalewa-Kalemyo Friendship Road has been built by the Border Roads Organisations (BRO) and was transferred to the Government of Myanmar in 2009. The related agreements between India and Myanmar suggest that India would widen and repave the existing roads in the area, while Myanmar would upgrade the single-lane bridges along the route. Myanmar, however, was unable to carry out the upgrading work. In 2012, India agreed to repave the existing highway and upgrade all 70 weak/vintage bridges along the road, of which only one has been repaired by Myanmar till date. The remaining 69 bridges in the Tamu-Kyigone-Kalewa section (149.70 km) of the highway and upgrading the Kalewa-Yagyi section (120.74 km) are being undertaken by India. It is a part of the Trilateral Highway, which is likely to be completed by 2022. The route of the TH is as follows (Map 3): Moreh (India)- Tamu-Kalewa-Yargi-Monywa-Mandalay-Meiktila bypass-Taungoo-Oktwin-Payagyi-Theinzayat-Thaton-Hpaan-Kawkaeik-Myawaddy-Mae Sot.

On-behalf of the National Highway Authority of India (NHAI), Government of India, the Punj Lloyd and Varaha Infra joint venture have been constructing the two-lane highway between Kalewa and Yargi section of the TH. The 112 km road is estimated to cost Rs 11.20 billion. The project is funded by the Ministry of External Affairs, Government of India. Out of a total 112 km road length, about 20–25 km of road falls in the hilly terrain. The project commenced on 28 May 2018 and is expected to be completed by 2022-23. The contractors under the NHAI’s supervision would carry out the maintenance of the road until 2028. The project is primarily focused on improving the curves that would reduce the length by 50 km and also reduce the travel time by 1–2 hours from the present 6–7 hours and also increase the speed of the truck by 80 km per hour (Box 1).

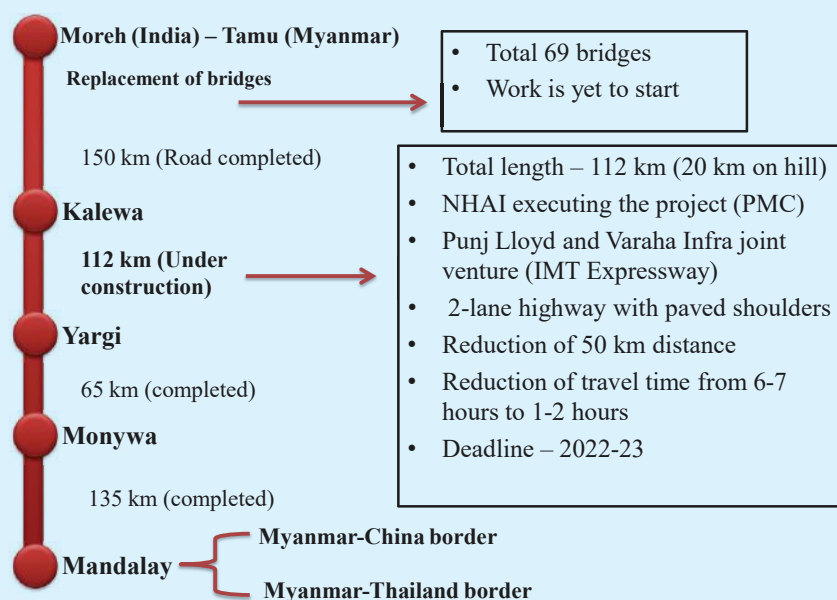
However, rehabilitation of 69 bridges should commensurate with the construction of TH, without which the task will remain incomplete. Besides, three participating countries should complete the negotiation of Trilateral Highway Motor Vehicle (TH-MVA) which would then lead to actual commencement of the TH.

Map 3: India-Myanmar-Thailand Trilateral Highway Route

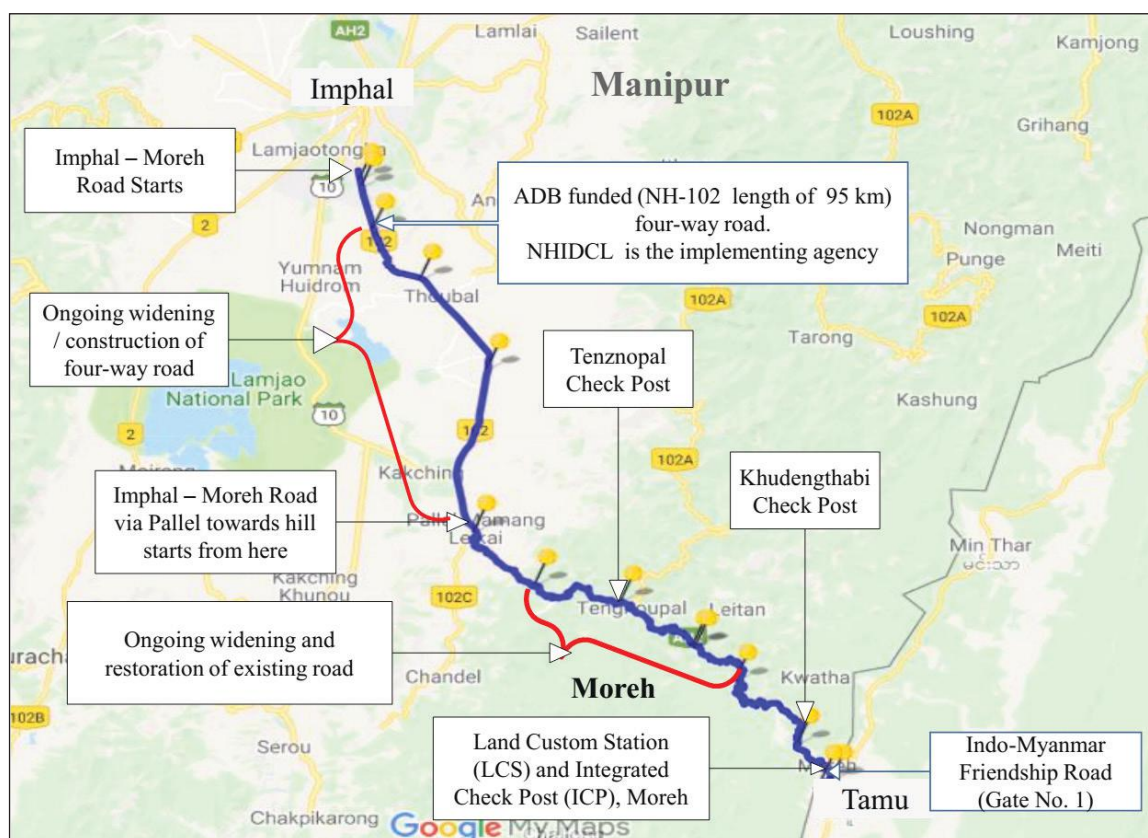


Source: AIC at RIS

Box 1: Trilateral Highway, Faster Land Connectivity Getting Ready by 2022



Source: Prabir De

Map 4: Project Status of the Imphal–Moreh Highway

Source: RIS Survey (2019)

4.3 Imphal–Moreh Highway

The Government of India and ADB signed a US\$ 125.2 million loan that has been used to upgrade the roads in northeast India. National Highway and Infrastructure Development Corporation Limited (NHIDCL) is implementing the ADB-funded highway project between Imphal and Moreh. The total estimated cost is Rs11.88 billion. About US\$ 160 million is the loan agreement amount between ADB and the Government of India. The length of the road (NH 102, which was previously known as NH31) is 110 km. Construction of the first phase (Point 330 to Point 350) is under the tendering process. Construction of the second phase (Point 350 to Point 395) is undergoing construction. For the construction of the third phase (Point 395 – Moreh Border), the loan has not yet been sanctioned. The construction of the second phase is likely to be completed by early 2022, whereas the first and third phases are likely to be completed by 2023. Gurugram-based GR Infrastructure has been awarded the construction of the second phase of the highway.

There are issues regarding the ongoing construction of the project; for example, land acquisition in some of the places between Imphal and Pallel. Another example is the old bridge (known as Lilong Bridge), which is a single lane at Lilong Bazar and is heavily congested and has to be reconstructed. Similarly, the bridge at Thoubal (Thoubal Bridge) and Wangjing is too narrow and have to be widened. The second phase of the ADB project starts from this place (Map 4). Road construction

under the ADB project from Kaching to Pallel Bazaar is ongoing. The hill starts from Pallel, and the bridge at Pallel Bazaar needs replacement. While on the hill between Pallel and Moreh there used to be seven check posts, now there are only two check posts in operation. The first vehicle check post is located at Tenguoupal, and the second check post is located at Khudengthabi. At the second check post, Assam Rifles has introduced a cargo scanner for the goods to be imported through Moreh and transported to Imphal. Under this project, there is a plan to build a bypass of 2 km in Moreh to avoid the congested part of the Moreh town. The bypass will connect NH 102 straight to the India–Myanmar Friendship Bridge. The Imphal–Moreh road connects the ICP at Moreh, which is close to the Indo–Myanmar Friendship Road at Gate No.1. The current speed of vehicles is 40 km/hour in the valley and 20 km/hour on hills. Once the project is completed, the speed will be enhanced to 100 km in the valley and 65 km on hills for passenger vehicles.

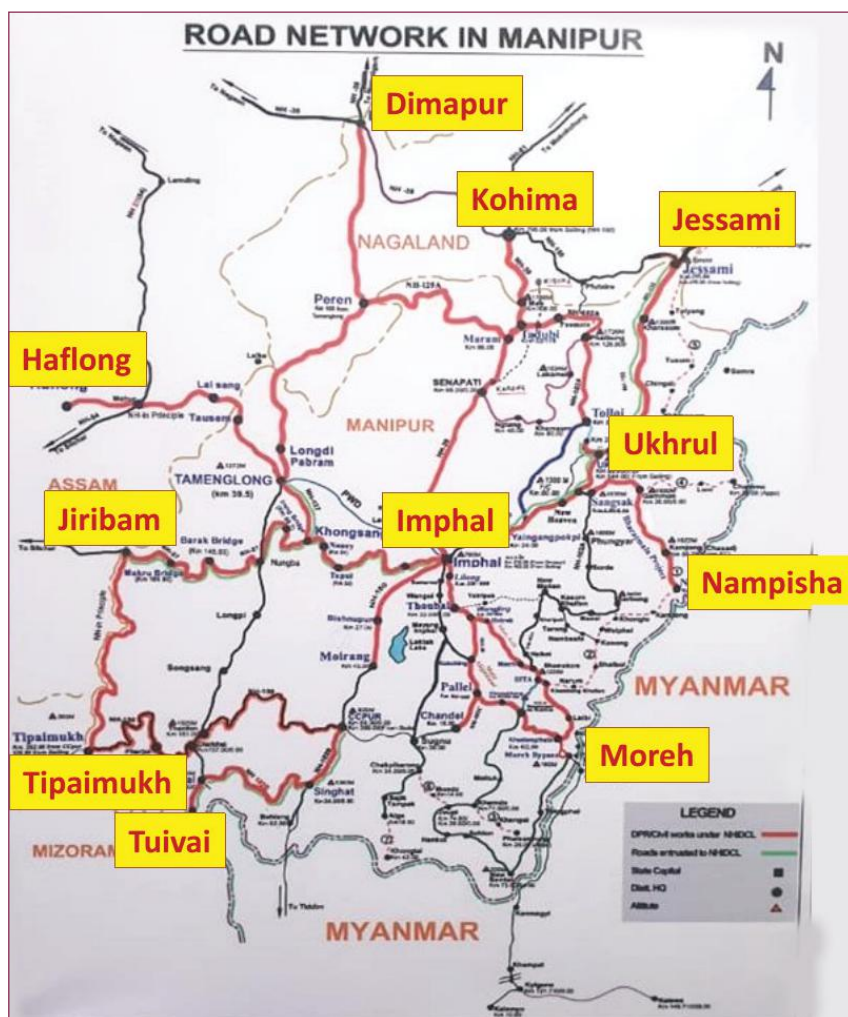
4.4 Road Networks between Imphal/Moreh to Major Growth Centres in the NER

In the last 3–4 years, several road connectivity projects have been taken up in the NER under the Bharatmala project and economic corridor schemes. Under the Bharatmala Pariyojana, a 5,300 km long road will be developed as a border road and international corridors. Of this, about 2,000 km is being implemented under Phase 1, which started in October 2017. It is expected that by 2023, almost 80 per cent–90 per cent of the road connectivity in the NER under Bharatmala Pariyojana will be completed. It is important to consider the internal connectivity of the northeast to the border town of Moreh in Manipur. Moreh is connected to Imphal by NH 39. National Highways 36, 37, and 39 connect Imphal with Guwahati, which is the main hub of the NER (Map 5). 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 have also considered. In fact, a Detailed Project Report is under preparation for road connectivity between Imphal and Dimapur. Road connectivity between Imphal and Silchar is good and the expansion of two small bridges and one large bridge is ongoing. Internal connectivity would be vital for boosting bilateral links, and considerable attention should be given to this by both the state and central governments.

The NHIDCL has been awarded to complete the construction and maintenance of the National Highways in the NER. The NHIDCL is also working to improve the roads between Imphal to Kohima and Imphal to Jiribam. In addition, the NHIDCL is implementing the Aizawl to Tuipang (NH 54) road connectivity project of about Rs 67.21 billion, which is funded by the Japan International Cooperation Agency (JICA). The project has realigned the existing 250 km and stretches for about 380 km in length. The project was approved in March 2019 and is being carried out through eight packages. So far, two packages have been signed, and the rest of the packages have been initiated for signing. The project is implemented under the Engineering Procurement Construction (EPC) mode through different contractors.² There is a possibility of connecting the TH with the Kaladan Project. Imphal can be connected with Aizawl by road via Churachandpur and Tipaimukh in Manipur.

There are many challenges: (i) land acquisition and encroachment is the main challenge for development and highways. Although the land is acquired by the NHIDCL, it requires the support of respective state governments to take over the land for the road construction project; (ii) unlawful activities of insurgent groups, particularly between Imphal and Jiribam and between Imphal and Dimapur; (iii) high replacement costs of standing structure/horticulture/ forest land; and (iv) lack of cooperation from state line departments.

Map 5: Growth Centres in the NER



Source: NHIDCL, Imphal office

4.5 Imphal–Mandalay Bus Service

The proposed bus service is expected to take 14 hours to cover 579 km distance between Imphal and Mandalay. The initial proposal for the bus service was submitted to the Ministry of Road Transport and Highways and the Ministry of Development of North Eastern Region (MDoNER) in 2009. 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 road between Imphal to Moreh is in good condition, but the route from Moreh to Yargi is not in good condition. There are three routes proposed for the bus service, of which the second route is not usable during the rainy season, whereas in the first route, there are about 70 bridges in the Yargi–Kalewa section that need repair.³ In 2014, Route 1 from the three options was finalised, and the service was expected to begin in 2019.⁴ Finally, an MoU was signed between Yangon-based Shwemandalar Express and Imphal-based Seven Sisters

Holiday on 14 February 2020 for the commencement of a bus service between the two neighbouring countries by April 2020.⁵ According to the MoU, the Shwe Mandalay Express will provide service from Mandalay to the border town of Tamu in Chin State, and Seven Sister Holidays will provide service from Tamu to Moreh and Imphal. The journey from Mandalay to Tamu will take about 11 hours, while the Tamu to Imphal journey may take about 2 hours and about an hour for security clearances at Tamu-Moreh, making a total 14-hour trip. Once the road repairs are completed in India and Myanmar, the trip from Mandalay to Imphal will take only 5 hours.⁶ Tour operators in Imphal have suggested that following Dhaka-Kolkata or Agartala-Kolkata bus services, immigration and check-in should be done on an end-to-end basis, which will drastically reduce the commuting time between the two cities.

4.6 Rail Connectivity

Establishing rail connectivity with Myanmar is important both in terms of increasing bilateral commerce and improving people-to-people contact. Rail links will significantly reduce journey times, especially for longer-distance cargoes and passengers. The study for a rail link from Jiribam in Manipur to Mandalay in Myanmar was conducted by Rail India Technical and Economic Service (RITES) limited in 2005. According to the study, the total length of rail line from Jiribam to Mandalay is 885.4 km, out of which the length of the Jiribam-Imphal-Moreh route is 219 km, and the length of Tamu-Kalay route is 127.4 km. This rail project is 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 to increasing communication and commerce. The Jiribam-Tupul-Imphal broad gauge line is expected to be completed by 2020. The route involves several minor and major bridges and tunnels, of which a special feature is the construction of Bridge No.164, which has a pier height of 141 metres and is the tallest girder rail bridge in the world.⁷ Initial survey work on a broad gauge rail link between Imphal and Moreh was already completed by the North East Frontier Railway.⁸ International bodies like the JICA and the Korea International Cooperation Agency have shown interest in improving the railway system in Myanmar.

4.7 Air Connectivity

Air connectivity between India and Myanmar needs to be improved to promote religious and medical tourism. For instance, people from Myanmar are interested in visiting Bodh Gaya. The present air connectivity is a direct flight from Kolkata to Yangon and between New Delhi to Yangon via Gaya. 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 the Buddhist pilgrimage in Myanmar.⁹ Myanmar Airlines is slated to begin a new flight on the Kolkata-Bodh Gaya-Yangon route, mainly targeting religious tourism. The Indian diaspora is concentrated mainly in Yangon and Mandalay and employed in various fields like education, trade and commerce, and civil services. Many families are engaged in trading businesses and have families in India and Myanmar. Indigo has recently started daily flights between Kolkata and Yangon.

Air connectivity will play an important role in fostering multi-modal connectivity in the region. According to an RIS Study, '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 levels of activity and the Rhi-Tiddim road gets going, flights from Aizawl to Kalembo and Mandalay would help in further promoting trade. It has already been indicated that the Myanmar government would be further strengthening the Kalembo airport.¹⁰

There are no flights between Imphal and Mandalay or Imphal and Yangon. There are nine flights between Mandalay and Yangon. It is possible to connect Imphal with Mandalay and Imphal with Yangon by air, and there was a trial run in the past. Air KBZ and KB Enterprises are likely to start Imphal to Mandalay flights. The Government of India may consider extending the E-visa to Myanmar citizens for coming to India through Moreh and Tamu. In addition, a Visa Collection Centre may be set up at Moreh and Tamu. Direct air connectivity between Imphal and Mandalay is likely to be started soon.

4.8 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, for a distance of 500 km. The 640-km-long link passes through Tamu, Kampatwa, Kyi Gone, Shwebo, Monywa, and Sagaing. The optical fibre link is a high-speed broadband link for voice and data transmission.¹¹

4.9 Trade Facilitation, Cooperation on the Trilateral Motor Vehicle Agreement (MVA), and Technical Assistance

The Trilateral MVA is crucial for the TH. In particular, the TH MVA is important for facilitating trade, economic cooperation, and people-to-people contact through enhanced regional connectivity, including through the facilitation of regional cross-border road transport. Without the MVA, the TH will be non-operational. In general, the MVA protocols allow the safe and secure movement of vehicles along the TH. Three countries have to reach consensus and reaffirm their understanding that the TH MVA safeguards the rights and obligations of all parties under other international agreements (e.g. the World Trade Organization (WTO) Trade Facilitation Agreement) and bilateral/regional agreements within the group. However, the reality is that progress in the negotiation of the MVA between India, Myanmar, and Thailand for the TH has been slow.

Table 1: World Trade Organization Trade Facilitation Agreement

Country	Ratified	Notified on					
		Category A	Per cent	Category B	Per cent	Category C	Per cent
India	22 April 2016	23 March 2016	72	23 January 2017	28	-	0
Myanmar	16 December 2015	27 February 2018	6	27 February 2018	9	27 February 2018	85
Thailand	5 October 2015	25 July 2014	92	24 May 2017	8	-	0

Notes: Developing and LDC members can request more time and capacity-building support to implement the agreement. To benefit from these flexibilities, they must designate all measures into categories A, B and/or C, which have the following implementation timings: Category A = Developing Members will implement the measure by 22 February 2017 and LDCs by 22 February 2018; Category B = Members will need additional time to implement the measure; Category C = Members will need additional time and capacity-building support to implement the measure.

Source: www.tfadatabase.org.

The objective of trade facilitation at the Moreh border should be to transform the cross-border clearance ecosystem through efficient, transparent, risk-based, coordinated, digital, seamless, and technology-driven procedures that are supported by state-of-the-art land border crossings, roads, and other logistics infrastructure; and also to bring down the overall cargo release time.¹² While India and Thailand have opted for Category A of the WTO TFA (Table 1), Myanmar selected Category C, thereby indicating that it needs additional time and capacity-building support. Given that all three TH countries have ratified the WTO TFA, they may resume the MVA negotiations at the earliest possibility and complete the negotiations before the TH comes into operation. In many areas, the WTO TFA and TH MVA are interrelated. Myanmar's progress in implementing the WTO TFA has been slow. Myanmar needs technical assistance and capacity building while implementing the WTO TFA. Both India and Thailand shall offer adequate technical assistance and capacity building to Myanmar while implementing the TH MVA. The technical assistance to Myanmar will also serve the WTO TFA obligations. To effectively implement the technical assistance, India's National Committee for Trade Facilitation may be engaged to design an appropriate strategy for technical assistance.

Map 6: Proposed Economic Zones along the TH in Myanmar



Source: Author based on The Mint

4.10 ACTS and India: TH to Connect Two Largest Markets

ASEAN Customs Transit System (ACTS) has come in effect on 30 November 2020. The prime objective of ACTS, among others, is to reduce intra-ASEAN transaction costs and time and promote trade and investment. ACTS has received endorsement from ASEAN transporters. ACTS is going to be the game-changer in the post-COVID-19 period in strengthening the trade and value chains. India being ASEAN's land and maritime neighbour should explore the possibility of joining ACTS and identify how to leverage from the ACTS (and other trade facilitation measures) to deepen the ASEAN-India trade. ACTS can play a vital role in promoting regional integration if India and ASEAN join hands to craft a visionary strategy. Effective implementation of ACTS will then strengthen the Indo-Pacific partnership. India's participation in ACTS may also facilitate seamless movement of goods over land. However, completion of TH and Trilateral MVA are essential to connect ACTS and India¹³.

4.11 Potential Industrial Zones along the TH

There are immense opportunities of setting up economic zone along the TH (industrial zone + SEZ+ warehousing zone) in Myanmar. Some of the locations of economic zones for manufacturing and services industries: (i) Tamu, (ii) Monywa, (iii) Sittwe, (iv) Myawaddy, (v) Mandalay. Map 6 illustrates such zones. Myanmar, India and Thailand may conduct a detailed feasibility study for development of these economic zones and sequencing.

4.12 Setting up Special Economic Zones and Transshipment Hub at Mae Sot-Myawaddy Border Zone

Mae Sot is the small town in the middle of the valley in Tak province. Other side is Myawaddy (Karen State of Myanmar). Thailand government has been setting up the Tak Special Economic Zone since January 2015, and planning to set up an SEZ at Mae Sot too. It seems Mae Sot is becoming a destination of foreign investors. Mae Sot-Myawaddy border crossing and infrastructure improvements (with Thailand) project already completed. Given the bilateral (Thai-Myanmar) transport agreement as part of GMS CBTA, Mae Sot-Myawaddy border zone is becoming an important transshipment hub. The transshipment hub will benefit to Indian trucks using the TH for export and import cargoes.

Endnotes

1. Refer, ERIA (2020)
2. Letter of Agreement (LoA) issued for seven phases in the EPC mode: one package for Gammon; three packages for ABCI; two packages for Bhartya; and one package for the National Project Construction and Cooperation (NPCC).
3. See, Chaudhury and Basu (2015)
4. Ibid.
5. See Myanmar Times (2020).
6. Quoted in Myanmar Times (2020).
7. See Financial Express (2018).
8. See Chaudhury and Basu (2015)
9. See Myanmar Times (2019)
10. See RIS (2014)

11. See Global Times website (www.globaltimes.com)
12. See the Vision Report, CBIC, Government of India, New Delhi
13. Refer, De (2021)

References

- Chaudhury, A. B. R. and P. Basu (2015) "India-Myanmar Connectivity: Possibilities and Challenges", Observer Research Foundation (ORF), Kolkata, accessed on 3 August 2019.
- De, P (2021) "ASEAN Customs Transit System (ACTS): Implications for ASEAN-India Trade" AIC Commentary No. 13, January 2021, ASEAN-India Centre (AIC), RIS, New Delhi, available at <http://aic.ris.org.in/sites/default/files/Basic%20page%20files/AIC%20commentary%20No%2013%20January%202021-min.pdf>
- ERIA (2020) "The India-Myanmar-Thailand Trilateral Highway and Its Possible Eastward Extension to Lao PDR, Cambodia, and Viet Nam: Challenges and Opportunities", Economic Research Institute for ASEAN and East Asia (ERIA), Jakarta
- Financial Express (2018) "World's Tallest Girder Railway Bridge Is Being Built in North-East! 10 Facts That Will Leave You Awestruck", 7 June. <https://www.financialexpress.com/infrastructure/railways/world-tallest-rail-girder-bridge-jiribam-tupul-imphal-railway-line-facts-features/1197251/>
- Global Times (2017) "Myanmar-Thai Fiber Optic Network Link Put Into Operation", June 17. <http://www.globaltimes.cn/content/437648.shtml>
- Myanmar Times (2019) "Flights Spur Bodhgaya Pilgrimages", 16 September. <https://www.mmtimes.com/national-news/5931-flights-spur-bodhgaya-pilgrimages.html>
- Myanmar Times (2020) "Myanmar, India tour companies to start Mandalay-Imphal service", 17 February 2020. <https://www.mmtimes.com/news/myanmar-india-tour-companies-start-mandalay-imphal-service.html>
- RIS (2014) "Transforming Connectivity Corridors between India and Myanmar into Development Corridors", RIS, New Delhi
- RIS Survey (2019) "Field Survey for the Study on Trilateral Highway", ERIA Study of Trilateral Highway, New Delhi.

5

Industrial Development and Value Chain Potentials in Northeastern Region of India

5.1 Introduction

India has been actively promoting greater investments in all the Northeastern states, which share international borders with China, Myanmar, Bangladesh, Nepal and Bhutan. Promoting the economic development of the NER is also the key aspect of India's Act East Policy (AEP). The AEP envisages greater trade and business engagements with Southeast Asia and East Asian countries. NER by way of its location enjoys key advantages, which opens up trade and investment opportunities. At the same time, it also faces challenges due to difficult geographical terrain and uneven infrastructure development in the region. However, there is a significant improvement in terms of growth and industrial activities in the last few years. For instance, the share of industrial activities has risen in all eight NER states, with Meghalaya, Tripura, and Arunachal Pradesh recording the highest growth. Most development indices also show a positive performance in the region when compared with other states in India. The North East Industrial Development Scheme (NEIDS) initiated on March 21, 2018, encourages micro, small, and medium enterprises (MSMEs) to set up in the northeast region. The government of India has also initiated several activities, for instance, building cross-border infrastructure to enable stronger international business and trade ties eastwards. This includes the construction of roads and international highways and providing seaport and rail access to the benefit of firms doing business and trading across India, Bangladesh, China, and ASEAN. In this context, this chapter looks into the industrial activities and value chain potentials in the NER. In particular, this chapter makes an attempt to assess how the Trilateral Highway and its extension eastward would promote industrial development and trade in the NER.

5.2 Overview of Industrial Activities in the Northeastern Region

In NER, Assam is the leading state for having a higher number of factories of about 77.5 per cent in 2017-18, followed by Tripura (10 per cent) and Manipur (3.3 per cent) (Table 1). Manipur is strategically an important state to connect Southeast Asian countries through Moreh. To promote industrial development, Manipur has introduced Industrial and Investment Policy in 2017. It aims to enhance investment and investor-friendly environment, and envisages provision for infrastructure

and institutional support. Manipur has six industrial zones, abundance of natural resources and skilled and dedicated workforce.

Table 1: Overview of Industrial Activities in NER, 2017-18 (Rs. million)

States	Assam	Sikkim	Meghalaya	Tripura	Nagaland	Arunachal Pradesh	Manipur	NER	Share of NER in All India, %
Factories (Nos.)	4538	82	133	607	186	117	191	5854	2.46
Investment	273366.6	70521.8	36197.4	4516.1	2076.4	1934.3	1592.9	390205.5	1.19
Workers (Nos.)	180489	15069	10758	23393	5227	2671	7334	244941	2.00
Wages to Workers	14272.5	2876.8	1358.6	952.8	291.7	239.3	481	20472.7	1.06
Total Output	673264.6	183603.7	56889.9	15592.9	5410.4	9999.8	4208.3	948969.6	1.18
	Share in NER (%)								
Factories	77.5	1.4	2.3	10.4	3.2	2.0	3.3	100.0	
Fixed Capital	70.1	18.1	9.3	1.2	0.5	0.5	0.4	100.0	
Employment	73.9	6.7	4.3	9.1	2.0	1.1	2.9	100.0	
Wages to Workers	69.7	14.1	6.6	4.7	1.4	1.2	2.3	100.0	
Total Output	70.9	19.3	6.0	1.6	0.6	1.1	0.4	100.0	

Source: MOSPI, Government of India

There is potential investment opportunity in NER due to the region's endowed mineral deposits, natural landscapes and forests, tea estates, and oil and natural gas, offering vast scope to scale up services, industrial, and manufacturing activities. To attract greater private investments, both central and state governments have been offering various sectors-linked and location-specific incentives and tax benefits for the investors across the NER region pver and above the PLI scheme. The major sectors in the region that have potential investment opportunities include agro-based industry, tea, food processing, crude oil and natural gas, petrochemicals, IT/ITeS, forest and mineral-based industries, engineering industry, chemicals, handicrafts and textile, tourism and hospitality industries, and horticulture. Moreover, the NER states also boast of skilled populations with strong English proficiency, creating ideal conditions for talent procurement.

Field Survey in Imphal Region

During the field visit, we have visited the industrial estates maintained by the Manipur government, mostly for small and medium entrepreneurs (SMEs) in Takyel Industrial Estate, Tera-Urak Industrial Estate and Food Park in Nila Kothi, Imphal. About 27 units have taken manufacturing sheds, but at the time of our visit, 11 units were operating at the Tera-Urak Industrial Estate. They were mostly manufacturing garments, processed foods, PVC water tanks and pipes, electrical transformers and so on. About 50 to 60 people were working in this industrial estate. Garments units are running based on power looms such as fabric, tailoring, embroidery, etc. They mostly get the raw materials

from Kolkata and Tirupur. Garment manufacturing unit in Manipur face several challenges in terms of procuring the raw materials and logistic difficulties, and incur huge transportation costs and. Similarly, PVC pipe manufacturing unit also face difficulties in procuring the raw materials and has to incur huge transportation costs for bringing raw materials from Kolkata, Delhi, Guwahati, and from other places through different modes of transportation. For example, the firm has to bring the raw materials from Delhi to Guwahati by rail and then from Guwahati to Manipur by road. They also face other common problems in terms of quality of electricity, water supply, skilled labour force, to mention a few.

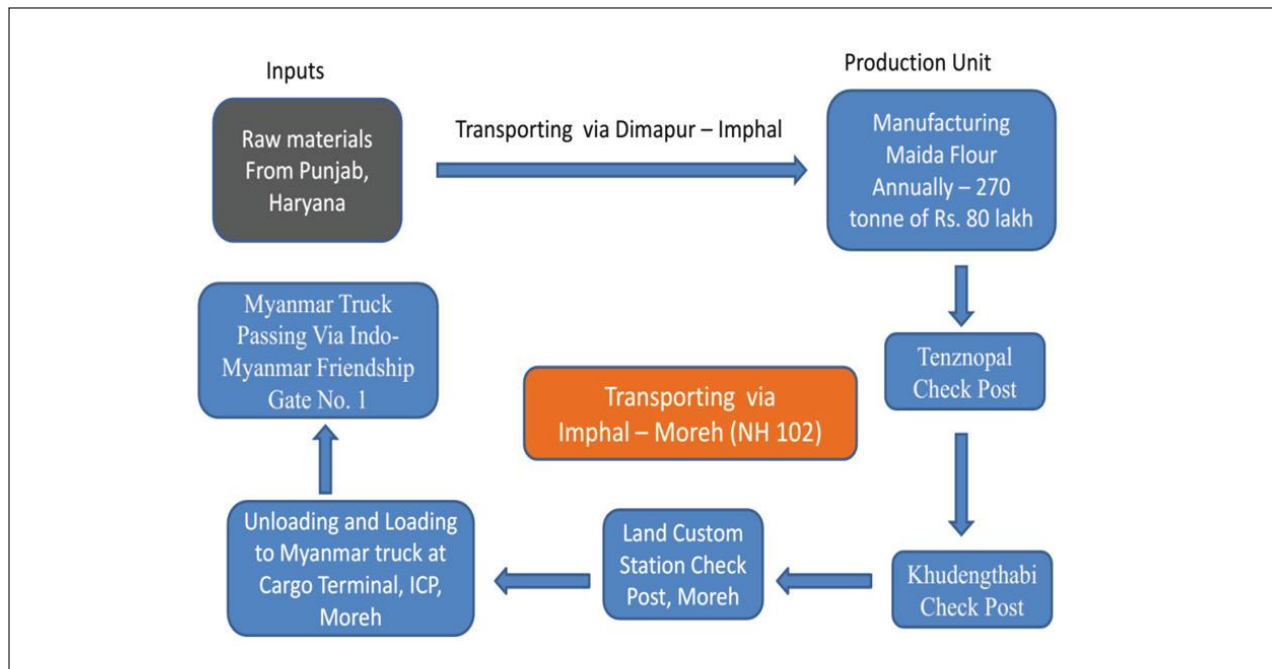
In the Takyel Industrial Estate, there are about 35 units, which are operating presently and most of the units are manufacturing plastics, handlooms, processed foods etc. For instance, the handloom unit, based on self-help groups, has trained about 100 self-help groups and benefited about 146 working women around Imphal city. This unit has been managing the production costs by training and providing financial support to self-help groups. It seems this unit has the potential to export to Myanmar. However, they have to procure the raw materials from other states, and, therefore, face uncertainties in getting the consistent quality of raw materials and higher transportation costs. Similarly, the unit that is making plastic products such as water bottles, portable water tanks, pet bottles for water, juices and plastic caps, etc. is concerned about Chinese competition, both in the domestic and also foreign markets such as Myanmar. There are several such units in the Manipur states. These firms face several challenges such as illegal imports, insurgency, informal tax, etc. These business units require government support to facilitate their exports to Myanmar and other neighbouring countries through incentives and imports restrictions from the competing countries, particularly China. At the same time, the firms expect government support for capacity building, eliminating illegal import from neighbouring countries, among others.

5.3 Value Chain Potentials in Food Processing Industry: A Case Study

There exists scope of NER's value chain linkages with Myanmar and other Southeast Asian countries. During our field trip, we have visited Food Park in Nila Kothi in Imphal. We have found that Shri Balaji Flour Mill (SBFM) has been exporting Maida (wheat flour) via the third party to Myanmar since 2017. Each year they export about 225 to 270 metric tonnes of Maida. In 2018-19, SBFM exports about 90 metric tonnes of Maida via the Moreh border. In addition to Maida, it also exports Soyabean, Mattar Dal and Besan, etc. to Myanmar via the Moreh border.

Shir Balaji Flour Mill sources the inputs of raw materials like wheat from Punjab and Haryana, and transports it to the plant located in Imphal via Dimapur. Most of its agricultural raw materials are sourced from Punjab, which is almost 2000 km. in distance. Raw materials are transported to Dimapur by rail and from Dimapur to Imphal by road. The road transportation from Dimapur to Imphal faces insurgency almost for every consignment.

The process of the wheat to manufacture maida for both local consumption and exports is illustrated in Figure 1. Figure 1 presents the supply chain of the food processing unit, SBFM. From the production plant to the Moreh-Tamu border, the truck has to pass through Tenznopal and Khudengthabi check-posts and LCS at Moreh. Once cleared by Indian customs, then goods are loading to Myanmar truck at a cargo terminal at ICP, Moreh. Myanmar trucks use Indo-Myanmar Friendship Bridge at Gate No. 1.

Figure 1: Supply Chain in Food Processing, Imphal

Source: Author's own.

Another unit named Likla Industries (LI) manufactures drinking water, fruit drinks, bread, etc. Company exports to Myanmar via a third party. The company is having two business units at this food park. It is coming up with one more unit for which the construction is going on. The main problem that the company has been facing is law and order situation. Infrastructure and connectivity have to be improved in Moreh for smooth transportation purpose. In addition, the food processing industries also require initial technical and institutional support from the government to fight against external competition in the local market. They require supports in terms of subsidies, incentives, tax concessions, etc., which would help them in exporting their products to ASEAN countries. However, the major constraints include transportation and logistics in both procuring the raw materials and exporting the finished goods to Myanmar. Value chain participation requires timely production and Just-in-Time delivery. Lack of timely delivery and increase in costs would affect the survival of exporters. Thus, infrastructure development along with industry-friendly business environment is must for industries aiming for exports to Myanmar and other ASEAN countries through land border. Completion of Trilateral Highway and border infrastructure will certainly help promote the exports of India's NER and unlock the value chains potentials between NER and ASEAN countries.

The sector that assumes great significance for the NER states is the food processing industry. The NER is known for agriculture and horticulture crops including organic farming. In recent years, the region has witnessed significant growth in the production of fruits, spices and plantation crops. Among the NER states, Assam and Tripura have more units in food processing than other states in NER. There are several challenges that the food processing units face in the NER, which include lack of transportation, inadequate cold storage facilities, lack of post-harvest technologies and processing of farm produce, lack of market access and other factors.

The central and state governments have implemented several schemes for the promotion and development of food processing industries in the NER. The schemes cover an entire spectrum

of issues such as food parks, cold chains, value addition and preservation infrastructure, food testing laboratories, research and development, and modernization of food processing industries. The number of projects sanctioned under the two schemes notably the National Mission on Food Processing and Technology Upgradation/ Modernization of Food Processing Industries schemes are higher than other schemes. For instance, there are hardly one or a few projects under the Mega Food Parks scheme, Integrated Cold Chain, Value Addition and Preservation Infrastructure and Research and Development for all the Northeastern states except for 19 projects for Assam under the Research & Development scheme.

5.4 Tourism Industry in the NER

The geographical location of the NER states, surrounded by the Himalayas and vast natural flora and fauna, makes the region attractive to both domestic and foreign tourists. All NER states own numerous tourist locations. Some of the major tourist attractions in the region are listed in Table 2. Tourism is also a key income-generating activity in the region, which offers employment and people-to-people linkages. Completion of the Trilateral Highway and strengthening of air connectivity with neighbouring countries will certainly expand tourism in Manipur and other neighbouring NER states. In the case of Imphal, Classic Hotels has 126 rooms, out of 527 rooms of other 10 prominent hotels in Imphal. Manipur does not have 5-Star Hotel as yet.

Manipur has rich cultural traditions. In 2018, about 1,16, 032 domestic and 5247 foreign tourists arrived. Most of the foreign tourists in Manipur are from Japan and the UK. Manipur has high tourism prospects in the medium to high range. But, not enough tourism activities have been witnessed in Manipur. Some constraints are lack of comprehensive marketing and promotion, law and order situation, negative travel advisories, bandh and blockades, a low image in the market, to mention a few. Among the factors that are likely to accelerate tourist flows, the ease of travel between the border towns of both India and Myanmar would open greater people-to-people interactions and attract tourists from Thailand, Vietnam, Cambodia and Lao PDR, particularly in post-COVID-19 period.

Table 2: Major Tourist Attractions in NER

State	Major Tourist Places
Arunachal Pradesh	Tawang, Dirang, Bomdila, Tipi, Itanagar, Malinithan, Likabali, Pasighat, Along, Tezu, Miao, Roing, Daporijo, Namdapha, Bhismanagar Kund and Khonsa
Assam	Kamakhya Temple, Umananda, Navagraha, Basisth Ashram, Dolgobinda, Gandhi Mandap, State Zoo, State Museum, Sukreswar Temple, in Guwahati, Kaziranga National Park, Manas, Orang, Sivasagar, Tezpur, Bhalukpong, Hajo, Batadrava
Manipur	Imphal, Bishnupur, Loktak Lake, Sirori Hills, Keibul Lamjao National Park
Meghalaya	Shillong, Jowai, Cherrapunji
Mizoram	Aizawl, Champhai, Tamdil, Thenzawl
Nagaland	Kohima, Dimapur, Khonoma, Dzukou Valley, Dzulekie, Japfu Peak, Tseminyu, Longkhum, Ungmaveda Peak, Shilloi Lake Mount Tostu
Sikkim	Gangtok, Bakhim, Yamthang, Dubdi, Dzongri, Varsey, Tashiding
Tripura	Agartala, Old Agartala, Tripura Sundari Temple

Source: NEDFi Databank

The operationalisation of TH and its extension to Cambodia, Lao PDR and Vietnam would yield promising results for Indian tourism. Besides TH, the remarkable progress in road and rail connectivity as a result of the successful completion of road projects under the *Bharatmala* economic corridor programme and the railway projects connecting the state capitals in NER. In addition, the Ministry of Tourism, Government of India has introduced two new schemes in 2014-15 called PRASAD (Pilgrimage Rejuvenation and Spiritual Augmentation Drive) and Swadesh Darshan i.e. Integrated Development of Theme-Based Tourist Circuits. *Kamakhya* in Assam has been identified as a project under the PRASAD scheme. Likewise, the North-East India Circuit is one of the 12 thematic circuits that have been identified under the *Swadesh Darshan* scheme. The Government of India also offers certain incentives to promote tourism in the NER. It includes the provision of complimentary space to the NER states in India Pavilions, set up at major International Travel Fairs and Exhibitions, 100 per cent financial assistance to organizing fairs and festivals, and special campaigns on the NER on TV channels to promote tourism in the region.

Two tourist circuits that link Manipur with other states in the NER are Guwahati-Kaziranga-Kohima-Imphal-Moreh-Guwahati and Kolkata-Imphal-Moreh-Kolkata. Manipur is likely to gain from the initial effects of TH, and subsequently, other tourist circuits in the NER would either strengthen feeder tourists to Manipur for the India-Southeast Asia route via Moreh or would increase the movement of Southeast Asian tourists to NER and other parts of India through the Moreh-Tamu border. The National Highways and Infrastructure Development Corporation (NHIDCL) has been improving the roads between Imphal to Kohima and Imphal to Jiribam, thereby leading to connect different places in NER.

In the context of TH, several steps are warranted to address the connectivity challenges to promote tourism.

- Trilateral Motor Vehicle Agreement (T-MVA) between India, Myanmar and Thailand should be signed at the earliest.
- India may consider providing an on-arrival visa at Moreh, which could facilitate tourism between India and Myanmar, and between India and Southeast Asian countries.
- Visa collection centres may be set up at Moreh (India) and Tamu (Myanmar).
- Completion of TH will strengthen the people to people linkages. There has been a strong historical and cultural linkage between Manipur and the Sagaing province of Myanmar. Both sides share a geographical border, and the people of Sagaing province visit Manipur for health care, tourism, trade and vice versa. People from Myanmar also participate in sports festivals on the Manipur side every year.
- India and Myanmar should start the regular bus services between Imphal and Mandalay. Although private bus services have started from Tamu to Mandalay, Yangon and Naypyidaw in Myanmar, it would pick up the demand once the TH is completed. Completion of TH will also resume point-to-point bus services between the two countries such as Imphal and Mandalay or Yangon and Imphal via the Moreh border.
- In particular, people from the Sagaing region can travel to Bodh Gaya via Imphal. Further travel to Kolkata and Patna is possible either by road or by air. Therefore, Buddhist pilgrimage will receive a fillip with the completion of TH and the MVA between the three countries.

Despite the good number of initiatives taken by the governments, there are several challenges to promote tourism activities in the NER. Among others, lack of proper infrastructure, lack of roadside

amenities, lack of comprehensive marketing and promotion, uncertain law and order situation due to insurgency, negative travel advisories, blockades, etc. affect tourism in the NER.

5.4.1 Health Tourism

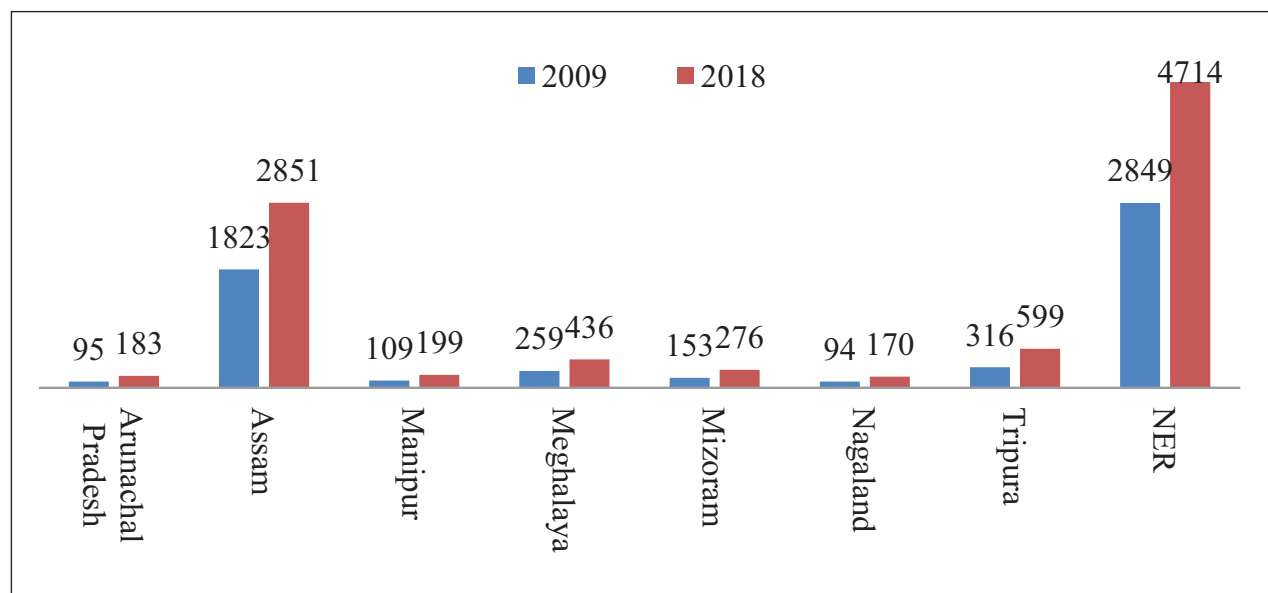
Medical tourism between India and Myanmar is another services sector that offers immense trade and investment opportunities. Today, a good number of patients from Myanmar visit Imphal for the treatment of health ailments. In the case of health tourism, about 600 patients from Myanmar were treated in Imphal's Shija Hospitals and Research Institute (SHRI) in the last few years. SHRI has been receiving patients from Mandalay and several parts of Myanmar. Besides, it has conducted health missions in Myanmar. In addition, it jointly with Monywa General Hospital in Myanmar has conducted several health-related surgeries in the past. Through this mission, several surgeons and nurses were also trained.

Healthcare facilities should also be developed at Moreh, which will not only stop patients coming all the way to Imphal but also offer better healthcare to the patients at the border. Facilities can be developed under PPP mode. Tamu General Hospital in Myanmar provides basic health care facilities. A super-speciality hospital in Moreh will serve well to people of Myanmar and India. If this is done, patients are not needed to go to Imphal for operations such as cardiac treatment, etc. The area where there is high demand is cataract operation in Myanmar. SHRI can fill up this gap.

Therefore, health tourism provides high business opportunities between the two countries. Medical tourism will expand further once the TH comes into operation. In addition, there should be international flights between Imphal and Mandalay or Imphal and Yangon. E-visa should be given to Myanmar citizens for entering through Moreh and Tamu border posts. Visa collection centre should be set up at Moreh and Tamu. Multiple check-posts by Assam Rifles may be rationalised appropriately. Often entry and exit gates are closed at Myanmar and Indian sides of the borders, which should be kept open 24x7 for trade and tourism purposes once the COVID-19 related restrictions are removed. The immigration office should be computerized in Moreh and Tamu. Bank transfer between the two countries through Moreh-Tamu border should be allowed for genuine travellers and investors.

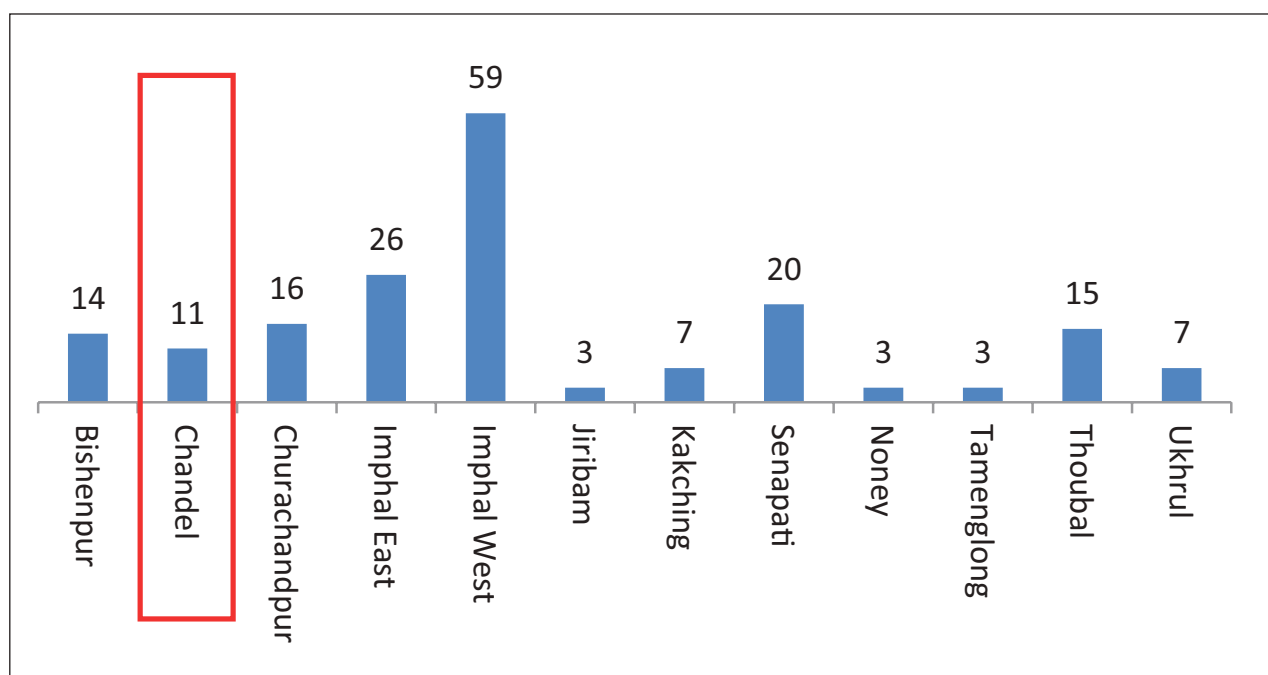
5.5 Access to Finance to Promote Industrial Activities in NER

Financial services are an integral part of industry and trade activities in terms of accessing financial services for transactions and acquiring loans for starting or expanding business expansion. Particularly financial services help to facilitate trade through smooth functioning for monetary transactions between India and Myanmar through letters of credit (LOCs). Financial services are also an indicator of economic activities in an economy. There is a considerable expansion in the number of bank branches in NER, both nationalised and private banks from 2849 in 2009 to 4714 in 2018. About 40 per cent increase in the number of bank branches. Assam has more than 50 per cent of bank branches in 2018 and the rest of the NER has less than 10 per cent of the bank branches. In the case of Manipur, there was about 100 per cent increase in the bank branches from 109 in 2009 to 199 in 2018 (Figure 2). Moreh situated in Chandel district has 11 bank branches including public and private banks (Figure 3), under which Moreh has three nationalised bank branches, namely, SBI, UBI and UCO, and one private bank branch, AXIS Bank.

Figure 2: Number of Bank Branches in NER

Note: Bank branches include Nationalised banks, Private sector banks, regional rural banks

Source: RBI

Figure 3: District-wise Number of Bank Branches in Manipur, 2018

Note: Bank branches include government banks, private sector banks, regional rural banks, etc.

Source: RBI

In our field trip, we have visited SBI and UBI bank branches in Moreh to know the financial activities related to the local economy and trade. On average, per day average deposit in both SBI and UBI was about Rs. 1.5 crore, of which about 90 per cent deposit for trade transactions. The combined current account holders in both the banks are about 350 and more than 8000 saving account holders. Both the banks are also financing SMEs through various loan schemes such as Mudra loan for SMEs. Only UBI is licensed to handle the foreign exchange, but due to inadequate infrastructure, UBI does not handle foreign exchange. All four Moreh bank branches do not involve in trade through LOCs.

Several Indian banks have established their presence in Myanmar over the last few years. The United Bank of India (UBI), Bank of India (BOI) and State Bank of India (SBI) have already set up their establishments in Myanmar. The other Indian nationalised banks such as UCO Bank, Punjab National Bank (PNB), Bank of Baroda (BOB) and Canara Bank are considering opening bank branches in Myanmar. Indian banks expect that as Indian investments in Myanmar increase and more companies begin operating in the country, which may require Indian banks for financial services.

State Bank of India (SBI) was granted a commercial banking license by the Government of Myanmar in March 2016 and has started its operations in October 2016. In addition to its Yangon Branch, SBI has opened facilities such as ATM, Forex and duty payment at its branches in Moreh and Zowkhatar for border trade. United Bank of India has signed a number of banking agreements with both private and state banks in Myanmar to facilitate trade transactions between the two countries. It has been present in Yangon since November 2012. The UBI has signed MoU with MFTB, MICB and Myanmar Economic Bank (all three are state-owned banks) for correspondent banking relations. The RBI has approved UBI for opening a US\$ Vostro account by Myanmar Economic Bank in UBI Moreh branch.

5.6 Conclusions and Policy Recommendations

In terms of potential for industrial development, NER is well-endowed with natural resources. In particular, the rich mineral resources of the NER states can be harnessed properly through a proper planning of industrial development in the region. The mineral resources in NER include coal, limestone, petroleum, natural gas, chromite, zinc, lead, copper, iron ore, and others. In view of a possible spurt in economic activity post-implementation of TH extension, a number of steps can be taken up to promote industrial development in the NER. Manipur state may like to develop Special Economic Zones (SEZs) for timber, food processing and other sectors. For the ease of payments and settlement in bilateral trade, normal banking facilities between Myanmar and Manipur should be opened. Some of the sectors having high business potentials in Manipur are health care, education, tourism, infrastructure development, construction and food processing.

The business opportunities are likely to trickle down to the entire NER if the region establishes better connectivity and business marketing. There is a possibility of connecting the Trilateral Highway with the Kaladan project and Imphal with Aizawl by road via Churachandpur and Tipaimukh in Manipur. This would perhaps boost industrial development in the neighbouring states such as Mizoram, Assam and Tripura. In addition, the industrial units in and around Imphal have witnessed significant growth and have the potential to grow further. The industrial units broadly cover the sectors such as garments making including fabric, tailoring, embroidery, PVC pipe manufacturing, electrical transformer manufacturing, plastics products, drinking water, bread, and so on. Although the industries department in Manipur has provided industrial sheds in the designated industrial estates, the local firms face a number of challenges in expanding their businesses, which include lack

of on-time availability of working capital, uncertainty in the delivery of raw materials and finished goods, power supply interruptions, logistics problems and insurgency.

Some of the recommendations suggested by the local stakeholders are as follows.

(i) Improvement of Border Infrastructure

There are several challenges associated with Moreh LCS and the newly opened ICP, and some of them include shortage of staff, lack of electricity on 24x7, absence of good quality internet, absence of accommodation of officials and other social infrastructure. During the time of the field survey, the cargo terminal of Moreh ICP was not operational. Friendship Bridge near to Gate 1 at Moreh-Tamu border has to be redeveloped so that cargo vehicles use the bridge and direct shipment through Moreh ICP. Increase in the number of good hotels and homestay facilities at the Moreh border. India may consider building a Guest House for Buddhist travellers at Moreh.

The full-body cargo scanner should be introduced at the Moreh ICP for export and import consignments. Besides, the Moreh border requires facilities such as border fencing, additional warehousing facilities for refrigerated goods, cargo vehicle yards, warehouse for seized items, plant and quarantine facility, controlling office of drugs and narcotics, etc.

(ii) Ease of Travelling between Moreh and Imphal

After the clearance of immigration at Moreh ICP, in-coming nationals (mostly from Myanmar) face multiple security checks between Moreh and Imphal causing time delay and costs. The travel of foreign nationals should be made comfortable. Some of the people, particularly business people, should not face such trouble, and they should be handled nicely. There should be adequate transport between Moreh and Imphal to promote industrial activity.

(iii) Safety and Security and Smart Border

With the opening of TH, there are concerns with issues of illegal immigration, informal trade and terrorism. Therefore, both India and Myanmar should introduce more scrutiny at the Moreh-Tamu border as well as other borders connecting both countries. There is no denying that the border dispute between India and Myanmar has been forcing illicit trade and transportation to happen, which needs to be resolved before TH becomes operational. The border at Moreh should be fenced with watchtowers, night-vision cameras, and radar cameras so that the trade can take place with sufficient security and safety. Completion of Imphal-Moreh road will help better tracking the safety and security of vehicles with the help of digital technology such as RFID. This will ensure the safety and security of the traders to trade across the borders.

(iv) Removing the Informality in Trade at Border

Border agencies should assure that importing from third-country products through Moreh should not take place. Once a formal payment system is introduced, the current arrangement of informal payment at the border will disappear. In parallel, all illegal trade routes at the border have to be closed such as through fencing of the border and introducing border passes with the help of new technologies. Government's support is needed for promoting and capacity building, who will then be deployed to check the illegal payment and trade. Large informal trade (from neighbouring countries) has been negating the growth of industrial activities in Manipur and other parts of NER. Stopping informal trade is crucial for promoting industrialisation in NER.

(v) Supporting SMEs at Border

Trade is mostly handled at Moreh by SMEs. Supporting the SMEs will then lead to involve local youth and ethnic communities. Innovative measures such as Mudra loans of about US\$ 7,000 per individual that are currently extended to SMEs should be continued to help expand activity in the local markets. The Government of India may also consider extending transport subsidies to the exporters located in Imphal and Moreh, which would help them to compete with the foreign market.

(vi) Food Testing Laboratory at Moreh

At present, the food testing (FSSAI) activities are managed by the Manipur State Food Safety Department. All the laboratories in NER under FSSAI should be NABL certified, which does not exist in Imphal so far. A micro-biology section is not yet developed at the food testing laboratory in Imphal. A small office was opened in Moreh last December 2018 to check chemicals in processed food items but closed down later. In view of international trade at Moreh and Tamu, food safety must be strengthened and the food testing laboratory should be reopened with adequate capacity and human resources. This will promote food processing industries to utilise the facilities and could effectively cut costs and time.

Endnotes

1. Refer, for example, UNESCAP (2018).
2. Based on NEC (2019)
3. Refer, Rais *et al.* (2014), World Bank (2019)
4. Based on NEC (2019)
5. See, PIB (2015)
6. Based on the discussion had with Shija Hospitals and Research Institute (SHRI) in Imphal
7. There was a trial run in the past. Air KBZ and KB Enterprises are likely to start Imphal to Mandalay flight in August 2019.
8. Refer, ERIA (2020)

References

- AIC-RIS (2017) *ASEAN-India Air Connectivity Report*, ASEAN India Centre (AIC) and Research and Information System for Developing Countries (RIS), New Delhi.
- AIC-RIS (2017) *Mekong-Ganga Cooperation: Breaking Barriers and Scaling New Heights*, ASEAN India Centre (AIC) and Research and Information System for Developing Countries (RIS), New Delhi.
- AIC-RIS (2020) *ASEAN-India Development and Cooperation Report (AIDCR) 2021: Avenues for Cooperation in the Indo-Pacific*, ASEAN India Centre (AIC) and Research and Information System for Developing Countries (RIS), New Delhi.
- De, P. (2011) "ASEAN-India Connectivity: An Indian Perspective", in *ASEAN-India Connectivity: The Comprehensive Asia Development Plan Phase II*, edited by F. Kimura and S. Umezaki. Jakarta, Indonesia: ERIA.
- De, P., S. Ghatak, and D. Kumarasamy (2019) "Assessing Economic Impacts of Connectivity Corridors in India: An Empirical Investigation", *Economic and Political Weekly*, vol. 54, no. 11.
- ERIA (2019) "Study on the Trilateral Highway: Current Status, Challenges, Opportunities including Possible Extension to Cambodia, Lao PDR and Vietnam" Economic Research Institute for ASEAN and East Asia (ERIA), Jakarta
- Kimura, F. and S. Umezaki (eds.) (2011) *ASEAN-India Connectivity: The Comprehensive Asia Development Plan, Phase II*, ERIA Research Project Report 2010-7. Jakarta: ERIA.

- Kumagai, S. and I. Isono (2011) "ASEAN-India Connectivity: Simulation Results from IDE/ERIA-GSM", in F. Kimura and S. Umezaki (eds.), *ASEAN-India Connectivity: The Comprehensive Asia Development Plan Phase II*, ERIA Research Project Report 2010-7, pp. 243-307.
- PIB (2015) Ministry of Tourism is developing 15 thematic circuits in the country for the development of tourism – Shri Prahlad Singh Patel, 3 February 2020, available at <https://pib.gov.in/PressReleasePage.aspx?PRID=1601785>
- Rais, M., S. Acharya, and G. W. Vanloon (2014) "Food processing Industry: Opportunities in North East region of India", *The NEHU Journal*, XII(1), January-June: 37-51.
- RIS (2012a) *Expansion of North East India's Trade and Investment with Bangladesh and Myanmar: An Assessment of the Opportunities and Constraints*, RIS, New Delhi
- RIS (2012b) *ASEAN-India Connectivity Report: India Country Study*, RIS, New Delhi
- RIS (2014) *Transforming Connectivity Corridors between India and Myanmar into Development Corridors*, RIS, New Delhi

6

Northeast India in the Context of Trilateral Highway and Development: Perspective of Manipur

6.1 The Context

Extending the TH economic corridor to Lao PDR, Vietnam and Cambodia will be a landmark strategic initiative of ASEAN in its constant search for economic integration of South East Asia as well as ASEAN integration with the rest of East and South Asia. This initiative is expected to give further thrust to the fast growing economies of Lao PDR, Vietnam, Cambodia and Myanmar by interlinking them to the larger and more vibrant economies of Thailand and India through trade and development cooperation.

Sea route trade between ASEAN and India is on a high growth path as mutually gainful trade, investment and development initiatives are beginning to bear fruits. However, in spite of India and Myanmar bilateral initiatives linked to land based trade, land-based trade in general, investment and development initiatives are yet to get a shape between ASEAN and India. The missing link seems to be the Northeast Region of India, which is yet to emerge as the efficient, productive and facilitating land-bridge to South Asia and South East Asia. If the full implication, purpose and impact of the TH and its further extension are to be realized, the Northeast Region of India has to become a functional link in the value chain within the grand design of the TH as an economic corridor.

The Northeast Region of India

Northeast India is a region of the Tibeto-Burman racial stock of South East Asian origin, over two hundred ethnic tribes call this region their home. Three successful Monarchies in the plains of the States of Assam, Manipur and Tripura emerged as Nation-States with some international political space. Rest of the vast hilly regions had 'Village Republics' all over, until they were organized into the other five States of Meghalaya, Nagaland, Mizoram, Arunachal Pradesh and Sikkim, on ethnic lines, after India's independence.

Tea, timber and security threats from Burma brought the British Empire and modern State structures into the region in the eighteenth century, along with cultures of resource extraction for private profits rather than common community welfare, a core South East Asian value. Five of the Tribal and Hilly States still have issues of common property rights rather than private property rights. In the rest of the States of Assam, Manipur and Tripura, tribal areas still have common property regimes.

Labour shortage during the colonial era, partition of India and birth of Bangladesh created huge migration waves into the region, specially into the plains of Assam, creating political scares, and social tensions.

Post-Cold War peace and post liberalization massive injection of Central development funds into infrastructure, health, education and the social sectors have brought the Northeast Region on even keel and the region is ready to move forward. India's Act East Policy is fundamentally anchored on the concept of the Northeast Region being the land-bridge with South East Asia that will, in the long run, truly integrate South East Asia and South Asia economies. How the region transforms in the near future is likely to determine much of how really connected South Asia is with South East Asia. The sea connects artificially, while land connects physically, and naturally, Northeast India is the missing link between South East Asia and South Asia.

Table 1: Selective Development Indicators of NE States

State	Population Density ¹	literacy rate ²	Sex ratio ³	Poverty ⁴	per capita NSDP ⁵	Infant mortality rate ⁶	Road Density ⁷	Electricity ⁸	Pc of Net Irrigated Area to the total net sown area ⁹	No of Scheduled Commercial Bank Office for every 10000 persons ¹⁰	Ease of Doing Business Rank (2017)
Arunachal Pradesh	17	66.95	920	34.7	85356	30	36.65	570.7	24.89	1.11	34
Assam	398	73.18	954	32	50642	49	420.10	281.7	10.47	0.76	17
Manipur	115	79.85	987	36.9	46389	11	110.97	303.8	18.02	0.62	32
Meghalaya	132	75.48	986	11.9	56039	46	96.87	523.3	28.32	1.16	34
Mizoram	52	91.58	975	20.4	91845	32	38.46	447.3	11.03	1.73	30
Nagaland	119	80.11	931	18.9	60663	14	217.83	389.3	25.26	0.81	28
Sikkim	86	82.2	889	8.2	195066	19	116.16	798.1	15.58	NA	33
Tripura	350	87.75	961	14	64173	21	375.41	695.2	30.98	1.24	25
North East	174	74.57	956	NA	59962	NA	190.15	NA	15.41	0.84	
India	382	74.04	940	21.9	81874	39	143.08	978.1	48.80	1.17	

Notes: 1, 2 and 3: Census 2011; 4. Poverty Figure as per Tendulkar Estimate in per cent, 2011-12 figure; 5. Per Capita Net State Domestic Product at Factor Cost (Constant Prices), 2015-16 figure; 6. Infant Mortality Rate, 2013 figure; 7. Figure in Per 100 sq. km. of area and data is for 2016; 8. Figure for 2017-18 and in Per Capita Consumption (kWh); 9. Refer 2014-15 data; 10. Refer 2018 data

Source: Handbook of Statistics on Indian States, Reserve Bank of India 2019

6.2 Socio-Economic Profile

The Northeast Region of India has a population of 45.59 million and area of 26.2 thousand sq. km., about 8 per cent of area and 4 per cent of population of India. The region has a lower density of population at 174 per 100 sq km as compared to 382 of India. The region has a higher sex ratio of 956 as against 940 of India and a much lower infant mortality rate in six of the eight States as compared to that of the India average of 39. Infant mortality rate is as low as 11 in Manipur and 14 in Nagaland. Sex ratios and IMR reflect the largely egalitarian, gender sensitive and healthy social settings of the region.

The region is generally perceived as a tribal region as the four hill states of Nagaland, Meghalaya, Arunachal Pradesh, and Mizoram are of Tribal majority, the hill States of Tripura and Sikkim having only recently turned into tribal minority states due to migration from Nepal and Bangladesh and the non-tribal majority States of Assam and Manipur having large tribal populations. The tribal population in the region is, however, 48 per cent, whereas the non-tribal population is 52 per cent. The tribals are mostly Christians, whereas Hindus and Muslims mainly reside in the plain regions of Assam, Tripura and Manipur. In terms of ethnicity, religion and racial affiliation and cultures, the region is a veritable mosaic of South and South East Asian people and society.

In terms of economic wellbeing, the region shows some contrasting features. The per capita NSDP of the region in 2016-17 at constant prices was Rs 59,962 as against Rs 81,874 for India. The three states of Sikkim, Arunachal Pradesh and Mizoram had higher per capita income than that of India, while the rest of the five states had lower per capita income as compared to India. Poverty in five of the eight states was lower than the India average of 21.9 per cent, with only 8.2 per cent in Sikkim, 11.9 per cent in Meghalaya and 14 per cent in Tripura. However, poverty in the key states of Assam at 32 per cent, 36.9 per cent in Manipur and 34.7 per cent in Arunachal Pradesh is higher. Poverty and equity in the tribal and hilly areas of the region are, therefore, broadly much lower than the plain areas of Northeast India.

Soft and hard infrastructure deficits in the Northeast Region are the principal impediment that has put brakes on economic growth and production diversification. Power availability per capita for the region stands at 360 kw hour as against 978.1 kw hour for India. Soft infrastructures are also yet to reach national levels. Scheduled bank density is 0.84 per 10,000 persons in the region against 1.17 for India. Tele-density is 89.98 per 100 persons in Assam circle and 66.97 in Northeast circle I, as against 93 per 100 persons in India. Road density for the region is 190.15 km per 100 sq. km. as against 143.08 km for India. However, this belies the topographical character of the region, where, outside the Brahmaputra valley of Assam, remote and far flung villages have to be connected by longer individual roads rather than a single road providing connectivity to a number of villages. There are hundreds of villages that are still only connected by foot paths and dirt roads. As such road connectivity is not yet fully developed. Rail connectivity in the region is also highly skewed as almost the entire railway network serves the Assam plains, barely touching Nagaland for 15 km and with 151 km in Tripura. Rest of the five states in the region are going to have functional railways as the Government of India is planning for fast track railway linkages to these states. For example, the vital missing link from Silchar in Assam to the Moreh on the India-Myanmar border of Manipur, where the TH begins, is stated to be completed in the very near future. Assam has a railway density of 3.13 km per sq. km., compared to 1.96 km per sq. km. in India. There are some 2627 km of rail tracks in the region, which is 4 per cent of India's total. The existing railway networks in the Brahmaputra and Barak valley, once linked to the hilly states around is likely to transform the entire region, as its natural resources are productively linked to economic activities and manufacture.

6.3 Natural Resource Base

The Northeast Region is veritably sitting on mountains of mineral, forest, water and land resources that await sustainable extraction, utilization and harnessing. Mineral resources like, coal, oil and gas, limestone, uranium, silliminite, graphite, quartz, nickel, cobalt, copper, chromium, zinc, sulphur, clay, granite, glass sand etc., await investments, domestic and international, for a rise in mineral based industries linked to domestic as well as international markets.

The Region has 143,360 sq km of forests (representing 20 per cent of India total), with vast potentials of timber, bamboo, medicinal, herbal and aromatic plants, spices, industrial flora and fauna as well as plantation crops. The region has 60 per cent of India's bamboo wealth and over 500 of the 925 varieties of orchids in India. India is the third largest producer of rubber after Thailand and Malaysia, and the Northeast region is the second largest producer of rubber in India. The region is also the home of India's global tea market.

Table 2: Sector wise Contribution to NSDP at Current Prices; Base: 2011-12 (%)

Sector	Region	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Agriculture	NER	16.07	17.58	17.20	17.46	16.79	15.17
	India	13.83	13.84	14.12	12.80	11.98	12.44
Industry	NER	32.44	30.39	30.02	29.66	32.10	32.07
	India	33.92	32.70	31.83	31.25	31.49	30.79
Services	NER	51.49	52.03	52.78	52.88	51.11	52.76
	India	52.26	53.46	54.05	55.94	56.53	56.76

Source: Handbook of Statistics on Indian States, Reserve Bank of India 2019

The region with 8 per cent of India's land mass has unique physiography with varying climatic regions ranging from the Tropical, Sub-tropical, temperate, etc., giving rise to a bio-diverse ecosystem and hot spot. Eco-tourism, adventure sports and cultural tourism are some niche areas that stares the region in the near future.

The rich water resources of the region has potentials of generating 63,257 mw of power, of which only 8 per cent has been utilized, that will fuel future industrial development. Above all, the human resource pool of the region that is fanning out outside the region and globally, due to unavailability of suitable employment, would be a big cost effective and advantageous capital to bank upon for any investment ventures in the region.

6.4 Transforming Economic Structure

The sectoral shares in NSDP for the region during 2016-17 was 15.17 per cent for agriculture, 32.02 per cent for industry and 52.76 per cent for services, as against 12.44 per cent, 30.79 per cent and 56.76 per cent for India, respectively. The region is getting rapidly tertiarised as massive development funds injection in the region is fuelling nominal income, consumption and service demands. Rise in consumption demand is leading to rapid growth of extra- and intra- regional trade and commerce, opening up the economies of even the remotest villages in the mountainous regions. These opening-ups have been followed and induced by rapid rise of banking and telecommunication infrastructures and services and rise in transportation networks. The share of the services sector rose as high as

52.88 per cent in 2014-15 as compared to 55.94 per cent for India. Rapid growth of the service sector is leading to falls in costs of transaction, rise in manufacturing and high value agricultural production growths. The positive impacts of developmental interventions both by the federal and state governments are visible in NSDP growth patterns. During the period 2011-12 and 2016-17, the region's Compound Annual Growth Rate stood at 6.3 per cent as against 5.96 per cent of India. In agriculture, the growth rate was a commendable 4.14 per cent as against the negative growth rate of -1 per cent for India. In industry, the growth rate for the region was 8.64 per cent as against 5.82 for India. Services sector growth was higher in India at 7.67 per cent against 5.43 per cent for the Northeast.

Table 3: Contribution of Manufacturing to NSDP at Constant Prices; Base: 2011-12 (%)

State	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Arunachal Pradesh	1.23	1.32	1.62	5.58	3.88	4.49
Assam	11.17	10.23	11.81	12.21	14.09	15.43
Manipur	3.22	1.99	2.94	2.57	3.31	3.75
Meghalaya	26.88	26.22	20.88	17.94	7.28	7.56
Mizoram	0.85	0.84	0.80	0.77	1.05	1.09
Nagaland	1.27	1.47	0.94	1.06	1.61	1.74
Sikkim	44.20	43.26	44.34	46.20	47.58	48.71
Tripura	4.12	6.39	5.52	7.11	6.43	NA
NE	11.93	11.28	11.72	12.04	12.57	14.22
India	17.34	17.41	17.30	17.20	18.57	18.99

Source: Handbook of Statistics on Indian States, Reserve Bank of India 2019

Sectoral shares in Industry also exhibit distinct growth in manufacture and construction booms. The share of manufacture for the region increased from 11.19 per cent in 2011 to 14.72 per cent in 2016-17, as compared to 17.34 per cent and 18.99 per cent respectively for India, suggesting an over 3 per cent rise as compared to an over 1 per cent rise for India. The overall share of industry for the region was 36.85 per cent as compared to 33.61 per cent for India. This inordinate share of industrial sector is mainly because of rising public investment in infrastructure and booms in the private construction.

Some structural transformations in the region can be highlighted as under:

- Services sector growth in the region is nearing the national level, leading to rapid growth of extra- and intra- regional trade and commerce, thereby opening up the region to the markets.
- As road connectivity, telecommunication and financial and banking services are fast growing, transaction costs are coming down and giving rise to manufacturing and high value agricultural growths.
- Agricultural growth during 2011-12 and 2016-17 has been robust at 4.14 per cent as against negative growth in India.
- Shares of manufacturing in NSDP have gone up by 3 per cent as against 1 per cent in India.
- The region's share of factories in India has risen from 1.46 per cent to 2.31 per cent in the last decade and a half.

- The region's employment share in India has risen from 0.69 per cent 1987-88 to 3.08 per cent in 2006.

The region's structural transformation in recent times suggests that the region is on the threshold of productive and rapid transformation

Agriculture

Though transforming rapidly towards the services and manufacturing sectors, the region is still an agrarian economy. Agriculture accounts for barely 15.17 per cent of NSDP, but employment in agriculture ranges from 55.5 per cent to 68 per cent in six states as against India's 48.9 per cent. Only Manipur and Tripura have lower figures than India at 39.6 per cent and 27.1 per cent. High level of dependence on agriculture and non-generation of sufficient employment in the Tertiary and secondary sectors has been a silver lining for agriculture in the region. Though agricultural involution and low productivity of labour are quite apparent in vast swaths of the region's agricultural scene, as evident from the falling average size of land holdings, there is an overall structural movement towards non-cereal high value crops, fruits and vegetables, fisheries and animal husbandry. Taking advantage of higher per capita availability of land, search for survival autonomies within agriculture is leading to high rates of area expansion, crop diversification into high value crops and rise in production and productivity.

Livestock farming and fisheries are the weakest areas of agriculture in the Northeast Region as a whole in spite of vast opportunities for aqua-culture offered by the flood plains of the river basins and innumerable wet lands and the opportunities of livestock farming in the hilly areas of the region.

Agriculture in the region suffers from technological lags, market access, infrastructure deficits and investment shortages. Technological innovations and adoptions are yet to reach many areas of the region, especially in the hilly states. Above all the region has lacked the directional and policy initiatives required for small, mountainous, land locked, isolated and limited home market economies that constitute most of the region outside of the state of Assam in the river valley of the Brahmaputra and the Barak river systems.

Some of the progressive changes that have taken place in the region in recent times can be highlighted as under:

- Concerns for survival autonomies and inadequate, uncertain and risky off-farm economic activities and employment are pushing the rural areas back to agriculture.
- Cereal based agriculture is fast diversifying into high value cash crops, horticulture, livestock and aqua-culture.
- Plantation crops like rubber, tea, coffee, silk and spices are receiving new impetus as market access is on the rise and State supports are firming up.
- High growth rates in vegetable production, in conjunction with heightened connectivity, have led to rising intra-state as well as highland lowland trade and commerce.
- High value fruit production in the mountain regions is on the rise as the food and fruit processing industry demand is on the rise and unprocessed fruit market access is rising.
- Livestock, poultry and fisheries are fast growing farming ventures rapidly replacing imports.
- Niche production ventures in medicinal and aromatic plants, herbals, floricultures, and organic products are attracting capital investments and educated entrepreneurs in the farm sector.

- All regional Governments have concrete plans and facilitation measures towards linking the agrarian base to industry and trade.
- Market gluts in fruits and vegetables are often experienced as storage, organized markets and value chains are in their nascent stage of development.
- Common property rights regime in the tribal area is holding back private investments.

The most significant growth in the region has been that of fruits and vegetables. The region has a fruits surplus of 52.92 per cent and the vegetable deficit has been reduced to 0.88 per cent. However there is a huge pulse deficit of 81 per cent in the region.

6.5 Regional Government Initiatives

Agriculture

All regional governments have given prime strategic focus to agriculture in their development visions and outlook. Converting a consumptive and subsistence agriculture into a commercial and exporting-agriculture based on specialisation in comparative advantage crops marks the region's goals in the agriculture sector. Cluster based approach along with crop zoning and export potential product identification is the main strategic initiative.

The State of Meghalaya has targeted horticultural crops like ginger and pineapple based on revealed production advantage indicated by Regional Index of Specialization and National Specialization Index. The State exports orange, citrus, ginger, tamarind and bamboo to Bangladesh. The State also exports orchids to the Netherland and European Union through contract farming for a mainland Indian firm. As livestock to population ratio is 1.7 for Meghalaya as against 0.9 for India, the state sees livestock farming specialization as a priority sub-sector.

The State of Nagaland has a ten years strategic focus for crop specialization and achieving commercial scale production through agglomeration. The State has adopted the Intensive, Integrated and Inclusive Agricultural Development Clusters (IIIAC) model to be mainly located on the highways along with active participation of the Village Development Boards. Ten new clusters with per unit investment of Rs 10 crores has been initiated with an aim to agglomerate existing crops as well as accelerate production of high value venture crops like Coffee, and MAPs products. The State seeks to consolidate its advantageous production of Honey, Bamboo, and livestock and is aiming for export production of Certified Organic and MAPs Products. The State is a pioneer in honey production. Given the potential of 22 lakh bee colonies with a foraging area of 10,942 Sq km and production potential of 10,000 MT, honey is a prime international trade target. The State has also initiated moves for sustainable Agro-Forestry by integrating trees with MAPs. Cardamom in the Mon District and Rubber plantations in the foot hills are on the anvil. The State imports Rs 200 crore meats annually and focusing on livestock production is a major strategic initiative.

The state of Tripura is rapidly becoming one of the lead State in agriculture in the region. The state is fast moving from food security to income security and from agriculture to agribusiness systems. Given surplus rice production, the state sees horticulture as its 'Pathfinder' and is also a surplus vegetable producer. The state has a 14 cold storage chain with 35,000 MT capacity which facilitates marketing of its surplus fruits, vegetable and potato. The state has distinct advantages in the production of pineapple, orange, banana and jackfruit. The state has surplus production of HYV of rice and True Potato Seeds (TPS) besides having surplus in fish seed production and commercial

scale production of prawn seeds through its 'Blue Growth Initiative'. It has set up 55 input storages. Tripura is the second largest producer of rubber in India and India is the third largest producer of rubber in the world after Thailand and Malaysia. India is also an importer of rubber. The Tripura Forest Development and Plantation Corporation plans to achieve its 1 lakh hectare potential soon from its present area of 85,094 hectares. The State is also fast expanding its bamboo and tea plantations.

The state of Sikkim's forte in agriculture lies in floriculture, medicinal plants, vineyards and spices. Dubbed as the 'Flower Kingdom' with over 5000 flowing plants, 515 varieties of orchids and 36 varieties of rhododendrons, the state is the leading cut flower producer in India. The state also produces 80 per cent of India's large cardamom output, which are exported to Pakistan, Singapore and the Middle East. State's floriculture and cut flower enterprises have technical collaborations with Thailand and the Netherlands.

The agro-climatic, soil profiles, ecological settings and abundance of rainfall and water resources in the Northeast Region of India favours an agriculture led growth in the region. The region's comparative advantages in high value horticulture, medicinal and aromatic plants, spices, plantation crops and agro-forestry, aqua-culture and livestock farming and their high levels of concentration within a vast and compact area is distinct in India. The vast alluvial plains of the Brahmaputra and Barak rivers in Assam are yet to be substantially harnessed to agriculture. As cropping intensities rise in Assam and the rest of Northeast, the region can emerge as a major food grain exporter of India. Region's sustained agricultural development and exports potential will however be determined by the growth of agri-business and agro-industries.

Industry

The Northeast Region of India is industrially backward. Large scale industries in oil and gas, petrochemicals, fertilizer, paper and cement set root in the region as Government of India undertakings in the state of Assam. In recent times however large scale private and multinational industries have set foot in the states of Assam, Sikkim and Meghalaya, in industries like minerals, cement, pharmaceuticals, brewery, winery, cosmetics, electrical, steel, building materials and consumer's goods.

The bulk of manufacturing growth has been marked by proliferation of MSMEs mostly in the fabrication and servicing industries related to the booming construction, housing, and transport sectors, and in the food sector where processing of local agricultural products is giving rise to agro-based industries, even at the household levels. Industries linked to the mineral, plantation and high value agriculture products are few, of small scale and high production costs, thereby stunting their export potentials and global competitiveness. The handloom and handicrafts sector, a niche industry of the region, considered by many as a 'Sun set industry', is getting a new lease of life as technological and fashion design inputs are getting slowly absorbed. The main focus of the existing manufacturing units is local markets, few with exports to other States and fewer with pan Indian or global market export objectives. Many have reached market ceilings. The most defining characteristics of manufacturing growths in the region has been dubbed as the 'Herd Mentality', whereby small scale successful enterprises are merely replicated, the size of the cake remaining the same and inefficient firms shutting down.

Salient features of recent changes in industrialization of the Northeast Region are as under:

- Large scale industries have begun to enter the region that are based either on the resources of the region or locationally market advantageous, in states that are peaceful and offer credible incentives.

- Capital accumulation within the region is finding investments in small and medium industries, both in the agro and non-agro sectors.
- Marked proliferation of MSMEs are regional market oriented, inefficient and finding market ceilings.
- High logistics and transport costs are preventing industries in the region to rise to the next level.
- The idea of value chains is yet to find roots in the region.

Assam is perceptibly turning into a regional hub for industrial growth and development, because of its locational, logistics, transport and communication, soft infrastructure and market advantages. The state lists some 110 large scale industries based on oil and gas, petro-chemicals, minerals, metals, forestry, agro-products, pharmaceuticals, cosmetics, building materials, and consumer's goods, including breweries and fruit processing industries.

Multinationals like Hindustan Lever, Godrej, Emami, Britannia, ITC, Pedilite, etc. have ventured into the state. The private sector both local and mainland have established large scale industries in steel, roofing and construction materials, for the booming construction and housing sector, in electrical and brewery besides some food and non-food consumer products.

In order to facilitate industrial growth the state has set up industrial estates, growth centres, food parks and export processing park together numbering facilities where 763 manufacturing units are functioning. The Export Processing Industrial Park and the Northeast Mega Food Park have world class facilities.

Sikkim is becoming an exceptional state in the region in industrial growth and attracting FDIs. A pro-active and facilitating government has been able to attract FDIs of US\$ 5.53 billion into its economy during 2000 to 2019. The smallest state of the region has 22 large scale industries in pharma and distillery. Some 14 major pharma companies, including multinationals, like CIPLA, Cadila, Alchem, Unichem, Sun Pharma, Alembic, etc. produce in the state. Breweries and vineyards like Sula produce 70 per cent of India's wine. Food processing, eco-tourism, hotels and cosmetics are the latest high growth areas. Sikkim has the highest per capita income in the region and manufacturing contributes 48.71 per cent of its NSDP.

Tripura's industrial forte lies in tea, rubber and bamboo. The state has 21 tea processing units and is the 5th largest of India's 16 tea producing states. The state is the second largest producer of rubber in India, but processing units are able to use only 25-30 per cent of its rubber produce, a rubber park has been set up. The first Bamboo Industrial Park/Zone in India and also the largest bamboo cluster, with high-tech units producing flooring tiles, round sticks, briquette, furniture etc. has been set up. The state's food parks are also seeking to specialise in processing industries like pineapple, cashew, soya, spices and groundnuts.

The state of Meghalaya is also comparatively industrially developed in the region. The state has some 116 medium and large industries. Cement constitutes 11 units and steel constitutes 48 units. The state has 12 food processing medium industries and 4 IMFL units and 4 limestone mining and crushing plants.

The state of Nagaland is one of the most industrially backward States of the region, but in terms of vision the state has a better vision than any of the other states. A public sector paper mill and sugar mill have failed and closed up. Some 65 per cent of its industry is in wood and furniture, with 5.7 per cent in steel fabrication and 14.17 per cent in coke and refined petroleum product and non-

metallic mineral product. Manufacture's contribution to NSDP was 7 per cent in the 1990s, which has slumped to around 1 per cent since the late 1990s. This has been attributed to the Supreme Court of India ruling against the felling of trees in 1997 and the subsequent closing down of timber based industries. Since then, state's Vision 2030 document notes, in the last two decades, manufactures' contribution has remained stuck at around 1 per cent, and thus the state needs to seek new directions in the light of ground realities and opportunities emerging in recent times, including the new opportunity in India's Act East Policy.

Nagaland plans for industries to take off as agriculture is consolidated in a ten years framework. Honey, MAPs, silk, bamboo and floriculture are target agro-industries. Large scale industries based on its yet unexploited rich deposits of oil, coal and limestone are foreseen. Canned agro-products, coal, limestone, hardware and pharma based industries are foreseen as export oriented. Industrialization in fifteen years is targeted with an action plan of 14 handloom and handicrafts clusters, 14 agro-industry clusters base on contract farming, 5 industrial zones and 5 border trade centres.

Nagaland plans for land banks and SEZs on National Highways pending the much needed land reforms towards privatization of land. The State Vision 2030 document firmly believes that the future of industrialization in the State would much depend on producing exportable tradable goods that can take advantage of India's Act East Policy. The Kohima-Moreh national highway must be therefore be of 4 lanes and the railway line from Dimapur to Zubza be further extended.

The Northeast region is fast coming to terms with the changing national economy, policies and priorities and the need to get away from the post-colonial dependency syndrome and localized collective mind-set. India's Act East Policy for the Northeast and sustained infrastructure and connectivity development policies for the region has been the catalyst for the region to look ahead.

6.6 Government of India Initiatives

The Ministry of Development of Northeast Region (MDONER) and the North East Council (NEC) look after the special need of the Northeast. Ten per cent of all central ministry funds had been sunk into a non-lapsable pool of central resources for the development of the region. The national think-tank and policy institution, the NITI Aayog, has opened a special forum for the Northeast, the specific purpose being to build capacities of the States in policy, projectisation and project implementation on a regional integrated framework. Over and above this overarching macroeconomic hand holding and support, the Government of India has initiated a range of heavy investments in all sectors of the Northeast region.

The North East Special Infrastructure Development Scheme looks after the special need of power, connectivity, water supply, health, education and tourism. The North East Road Sector Development Scheme led by the National Highway Infrastructure Development Corporation Limited is implementing 14 major road projects. Under the Special Accelerated Road Development Program for Northeast, 2319 km of roads are to be built and the Ministry of Road Transport and Highways is looking after the improvement of 3528 kms of roads in the Region. Besides, targeted road development schemes like the 1559 km trance Arunachal Highway under the Special Accelerated Road Development Program and the 1300 km Express Highway along the Bramhaputra River are on the anvil. The Indian Railways is presently building 5055 km of rail networks, of which 1870 km are new tracks, under 37 projects including the Capital Connectivity Rail Project. Under the Regional Connectivity Scheme, 22 airports and helipads are coming up. The Indian government is highly focused on connectivity for the Northeast.

For agriculture, organic value chains and cold storages with 16,330 MT capacities for North East are coming up in the states of Nagaland, Manipur, Mizoram, Arunachal Pradesh and Assam. The National Bamboo Mission looks after the development of bamboo enterprises in the North East, which has 60 per cent of India's bamboo wealth.

For the industrial development of the region, the North East Industrial Development Scheme was launched in 2017 with an initial fund of Rs. 3000 crores up to 2020 with special focus on MSMEs. Subsidies and various incentives are offered up to a cap of Rs 200 crores. Digital North East Vision 2022 aims at bring the region on par with the rest of the country. The Hydro-carbon Vision 2030 has laid the roadmap for development of the region's hydro-carbon resources.

Besides the Northeast specific investment and development programs, the region gets its share of all country wide centrally sponsored and central schemes in all sectors.

Government of India's programmes are giving good impetus to growth but it will need larger and organized private investments, domestic and foreign, that can take advantage of a highly favourable and growing productive base with high market potentials in the domestic and international markets. The MDONER, NEC and NITI Aayog have to evolve a regional plan that efficiently utilises the regional resources and productive base. Such a regional plan should take into account the following considerations.

Recommendations

- A Northeast Regional Plan should envision regional market and economic integration based on State specific specialisation.
- Regional plans have to factor in hill-valley geography duality as well as complementarity.
- State specific crop plans and prioritised investment for each State has to be made so that comparative advantage agro-industries can function efficiently throughout the region.
- Strategies for industrial agglomeration in the hilly and industrial land scarce States have to be chalked out and land banks created.
- Growth centres, industrial parks, industrial zones and food parks must have directed compositions and locations so as to achieve scale and agglomeration economies.
- Innovative land reforms measures have to be undertaken to by-pass common property regimes in the tribal areas to attract private investments in agriculture and industry.
- Road and rail connectivity projects have to be prioritised to meet the regional market and economic integration requirements rather than thinly spreading of resources.
- Efficient value chains for surplus agro-horti-forest products in the hilly regions have to be created that directs surpluses to markets and agro-industries across the region.

6.7 Value Chains, Market Integration and TH

The Northeast Region of India has a historical burden of 'Embedded Localised Economies', 'Insular Cultural Cores', and low levels of international trade cultures. Late emergence of the Nation States in the mountain region and fragmented ethnic and tribal loyalties, are epic hurdles that has to be crossed in order to bring about a plural, regional or national consciousness, that can bring about commercialised and integrated trading economies. The challenge before the Northeast is to open up isolated economies, build trading cultures and ensure market access and vent for surplus.

Soft and hard infrastructures related to connectivity, logistics and trade facilitations are yet to be adequately in place to handle the emerging surplus production in different sectors of agriculture, horticulture and forestry, leading to supply gluts and stunting of growth. High value spices like ginger and fruits like oranges and banana rot in the hill orchards. Spurts in commercial production of vegetables like cabbages, beans, potatoes and chillies regress the next year on seasonal market gluts the previous year, especially in hill agriculture because of lack of storage facilitation, high costs of transportation, unorganized trade, and other efficient service links. Rapidly rising non-agricultural productions also suffer from the same set of infrastructural and other regulatory burdens, on the slightest rise in output. Niche high value handloom, handicrafts and textile products are not able to meet high volume and regular export demands as petty producers are not organized enough to agglomerate, supply or market export demands efficiently, timely and at competitive prices. Supply side constraints in the Northeast consists of both inability to reach excess supplies to the market as well as inadequacy in enhancing supplies of tradable good that are in excess demand.

The region is yet to integrate into a common market and economy that efficiently distributes its surplus production regionally, nationally or globally and pave the way to capital accumulation, productive investments and export led growth.

The region is yet to be productively linked within itself. Value chains and product fragmentation has to be strengthened within each state first. The North East Vision 2020 and the CSIR has identified State specific comparative advantage crops for production thrust and growth of agro-based industries in the Northeast. CSIR ensures skill development, technological inputs and facilitation, besides facilitating capital requirements. The North East Vision 2020 has also identified comparative advantage non-agricultural manufacture for each State. Agro-based industrialisation has been identified as a strategic thrust for development of the region but States in the region are yet to seriously push forward facilitating measures for viable value chains in agriculture and forestry.

Linking India's Act East Policy to the productive base of the region and creation of value chains on the TH can take off only when the Northeast Region itself has efficient value chains and industrial cultures that can take advantage of the TH as an economic corridor. State specific 'Vision' documents are essentially insular in outlook and lack actionable master plans that take into consideration regional, national and international markets. The political will just seems to be lacking. The states of Assam, Meghalaya and Tripura, bordering Bangladesh, have concerns for trade and value chains with that country, but as far as India's Act East Policy with ASEAN and beyond is concerned, only the states of Manipur and Mizoram, actively, and the state of Nagaland passively, have actionable concerns. India's Act East Policy is yet to fire the imagination of the regional governments of the region as a whole. Unless the region acts as one, the Act East Policy and its possible positive fall outs are unlikely to be on the fast track, in spite of the Government of India's stated objectives.

The Ministry of DONER of the Government of India and the North Eastern Council (NEC) is yet to take the lead role in bringing together the individual aspirations and visions of the States of the Northeast in an overarching regional framework and master plan that fore sees a sustainable, efficient and competitive utilisation of resources cutting across States. The stepping in of the NITI Aayog, could be the right step. The restructuring of the NEC, with the Home Minister as Chairman and the Minister of State for DONER as Vice-Chairman is an institutional initiative towards marshalling economic integration and cohesive ground level processes that generates regional production surpluses as well as vents for surpluses, national and international.

The plain of Assam, in the middle of the Northeast, is where the hilly States of the Northeast, descend, converge and integrate. Assam has now acquired the economic and political characteristics of a regional hub that is capable of handling the demands of international trade, economic corridors and South and South East Asian economic integration that takes into account the intra-regional concerns, national concerns as well as cross border concerns. Government of India's priority investments in the State in terms of infrastructure, logistics and institutions has to keep in mind a 'clearing house' mandate and responsibility that takes care of the needs of the surrounding States for industrialisation, regional and international trade and value chains.

The Government of India's long term vision, planning and strategic stance for the Northeast Region has begun to show results in enhancing the productive base of the region. Further literacy rates in the region is above the national average, with only the two States of Assam (distress migrant, national and cross border, dominant) and Arunachal Pradesh (extreme physical and economic isolation) being below the national average. Literacy rates are as high as 91 per cent in Mizoram and 87 per cent in Tripura. The region has 6.6 per cent of Universities of India which is much higher than the population proportion of about 4 per cent in the Northeast Region. The region has some of the top notch central medical, engineering and management institutions like IITs, IIMs and AIMS. In many ways the region produces some of the best skilled professional who could man at the top levels the growth of modern manufacturing, services and trade growths in the near future. With further skilling at the lower levels the region will be ready to handle the demands of an efficient modern economic hub that has the responsibility of handling India's Act East Policy and the very purpose of the TH trans-Asian design.

Building of intra-regional value chains would require inter-state planning and coordination in flows of agricultural and non-agricultural surpluses to the most efficient markets as well as industrial centres. These regional markets and industrial hubs when linked to the TH by feeder roads and other logistics, can transform the TH into an economic corridor serving the entire region. Similarly, transforming the northern region of Myanmar can pave the way to cross border international value chains on the TH. This will require cross border co-operation and logistics support and coordination between India and Myanmar.

Regional governments of the Northeast and the North Eastern Council have to actively engage with ASEAN and its member nations to mutually and collectively turn the TH into an economic corridor from that of a transport corridor. The immediate task therefore is to take stock of the structure, content, composition and dynamics of the current existing trade at the Indo-Myanmar borders and the sea route, so that the TH becomes a functional economic corridor.

The TH becoming an economic corridor will have its immediate impact on Northeast India and Northern Myanmar, the two most backward regions of the two countries. These are the two vital missing links in the grand design of the TH. The Mae Sot-Myawaddy region on the Myanmar-Thailand borders is already reaping the gains of value chains and economic integration. As the TH reaches Lao PDR, Vietnam and Cambodia, the gains from trade are likely to multiply manifold for ASEAN. Progress is likely to come to a halt at the Indo-Myanmar borders if trade through the Moreh-Tamu LCSs on the TH becomes non-functional and the visualised TH economic corridor does not extend into the Northeast of India and Northern Myanmar. ASEAN, Myanmar and India have high responsibilities in extending the economic corridor of the TH into these regions.

The Government of India and the responsible Ministry of DONER and NEC have to chalk out a pragmatic and implementable roadmap for integrating the economy of the Northeast, creating value chains, linking the productive base of the region to national and international trade and facilitating the conversion of the TH into an economic corridor. The regional Governments have to wake up to the opportunities of the TH and the facilitating measures of the Government of India rather than wait for things to happen.

The TH project and achievements of its economic and other dimensions will however depend on multilateral cooperation and accommodations that balances country specific interest as well as multi-country interests. The TH project and its success, at the ground level, will ultimately hinge upon what happens or should happen at the border crossing/trading posts and how neighbouring countries respond.

For a viable and efficient value chain to take shape in the Northeast, connectivity, logistics and basic institutional and physical infrastructures gaps have to be prioritised and managed first, if the private sector is to venture forth in value chains for agro-based industrialisation. A basic needs gap filling program has to start with the following requirements.

Recommendations

- Organised and regulated markets for agricultural products have to be put in place in the State for efficient supply agglomeration. Only Assam has functional regulated markets for agriculture.
- Institutional mechanisms for crop insurance and enforcement of contracts in contract farming arrangements in processing industries have to be put in place.
- Cold storage chains in the hilly States should be a State priority for the private sector to supplement later on, given the central Government cold storage capacity enhancement program.
- Abundant bulky products like timber, bamboo, cane, livestock and fruits and vegetables and high value organic products concentrated in the interiors should be prime targets for value chains.
- In the hill regions, agricultural and forest products can have primary processing units that supplies inputs to industrial zones for value addition.
- Flows of agricultural and non-agricultural surpluses to the most efficient markets and industrial centres have to be ensured through inter-state planning and coordination.
- The Government of India has to chalk out a pragmatic and implementable roadmap for integrating the economy of the Northeast through the Ministry of DONER and NEC.
- Governments of the Northeastern states and the North East Council have to actively engage with ASEAN member countries in the matter of land based value chains.

6.8 Sagaing-Manipur Hub and Extension of TH

Value and production chain integration, cross border labour mobility, RCEP of ASEAN, are clearly happening on the TH at the Mae Sot-Myawaddy border hub of Thailand and Myanmar. Brisk trade of goods, even from the far-east, multi-country investments in trade and production infrastructures, futuristic levels of connectivity and a political commitment to make things happen, marks the projected success of this vital hub between Thailand and Myanmar in the TH design as an economic corridor. When such well-planned and coordinated economic hubs emerge on the TH, at the borders of Lao PDR, Cambodia, Vietnam and India, the TH has the potential of transforming into an economic corridor of immense dimensions as intra-country hubs are consciously planned

and developed. This can well turn out to be a model of economic integration of ASEAN and its neighbours given their many complementarities and strategic requirement of bringing in India into the architecture of land based RCEP.

Building an economic hub on the TH at the Moreh-Tamu, Sagaing-Manipur region can kick-start a land based economic cooperation and integration between India and Myanmar that will have far reaching long term strategic dividend in addressing pressing, economic, security and political concerns of the two countries in their Northeast and Northern regions. Shared economic welfare and development, inclusion and participation through the 'Economic Corridor' conception of the TH, is a strategic opportunity that India and Myanmar can hardly ignore.

The Northeast Region of India and the Northern Region of Myanmar are two regions that the two countries are at extreme unease in their efforts to integrate, mainstream and develop, because of historical circumstances and inapt handling, in the post-colonial. Ethnicity, identity politics, subordinate freedoms and ideological upheavals that played havoc with the lives of the common man in these regions are perceptibly on the wane as boundaries crumble with new meanings, ideologies converge around the democratic, humane and universal, in search of just and fair entitlements in a globalising world. Productive participation and rewards, efficiency through competition, building institutions that limit and at the same time complement the market, are some global values that have greatly touched the consciousness of the two greatly deprived regions. In these distant and backward regions of India and Myanmar, values are changing, aspirations growing and impatience building up, a veritable wake-up call.

All stakeholders, Governments, Insurgents, the political class and the people themselves are ready to engage, negotiate and find new undisruptive directions where the economic, livelihoods and justice are beginning to dictate the shaping of new political economies. Moving forward is the new ideology, the wake-up call, a metaphor that the TH uncannily identifies with.

Mandalay and Sagaing Regions represents the new Myanmar in its Northern region. An East-West Economic Corridor is taking shape in this area that connects Yunnan and Thailand to Manipur. Flow of Chinese, Thai and Myanmar merchandise from Mandalay, agricultural and aqua products from the hinterlands of the highway from Mandalay to Tamu/Moreh trading post on the Indo-Myanmar border town, have led to developments in transport services, rise in trading activities, recreational and medical tourism, Public and private investments in logistics, industrial parks and commercial ports on the Irrawady and Chindwin rivers. Private, domestic and international capital flows are obvious in the corridor to reap future trade and industrial growth on the TH. The trend is nascent but the direction is obvious.

The trading township of Tamu on the Myanmar side is fast developing as incomes have risen through trade with India but it is in Kalay on the Chindwin River that the economic impact is concentrated, Tamu being yet only a cross-border exchange hub. Electricity for the town is provided from Manipur in India.

On the Indian side of the border and more so in the Northeast Region, there is a certain ambivalence on the side of regional governments and a 'watch and see' resignation on the part of the Indian Government. Left to themselves, private sector entrepreneurs and prospective investors are severely constrained. The Act East Policy on land based trade and trans-border economic integration is yet to take off.

The border trade post and LCS of Moreh has not changed its functioning face since the opening of formal border trade in 1996, except for the near completion of a modern Integrated Check-post and the rise of a three star hotel. What has changed in Moreh is a massive rise in migrant population, rise in mobile petty traders who commute daily and a rise in volume of informal trade, trucking and transport. The town remains a transit station with very little local participation in trading activities and thus remains a shanty town where not many want to invest in permanent structures, trade related or residential. A temporal mind set seems to pervade the entire eco-system in this town. The main reason lies in the fact that formal trade is yet to take roots with its demands for formal long term institutional and physical infrastructures. What pro-active role the Governments of India and Myanmar plays in formalising trade at the Moreh-Tamu LCS will determine how fast a 'missing link' on the TH is fixed.

6.9 Basic Infrastructure Stock and India-Myanmar Dilemma on the Border LCSs

There are many reasons why the Moreh-Tamu LCS has not developed into an economic hub and modern international trading station based on normal trade.

In the first place both India and Myanmar have just begun to visualise the Moreh-Tamu zone as an economic zone that becomes a vital value chain link on the TH. Information gathered from Tamu suggests that a master plan for the town is being broadly developed and exists. Land for an ICP has been earmarked opposite to the Indian ICP and are to be linked by a bridge across the river separating them. The ICP at Tamu is to be built by India, as informed. Land for a Trade Zone of 150 acres has been approved by the Myanmar parliament. A Business Zone of 50 acres for Sagaing and Northeast India is also planned. The master plan visualizes Tamu as a tourist, business and industrial hub for Northern Myanmar and Northeast India. On the other hand, Moreh does not have a master plan. A master plan for Moreh was commissioned by the State Government of Manipur and a conceptual design was presented for public hearing. The design included a new township with an industrial zone and business centre. However the project has been abandoned and no master plan exist as of present. Except for the modern ICP, Moreh is not prepared for an economic, trading and business hub.

In the absence of an ICP, Tamu land customs has rudimentary warehouses, weigh bridge, food testing, plant and animal quarantine labs. The labs send most samples to be tested to Yangon or Naypyitaw. The Myanmar Economic Bank, KBZ Bank and Ayawaddi Bank function at Tamu but LC facilities are yet to improve as telecom facilities are rudimentary. Almost all money exchange transactions take place in the private outside the banks. Electricity at Tamu is provided by India but the shortfalls are large. Tamu has only one low standard hotel and is not prepared for large accommodation for tourists or business conclaves. With a population of 1,00,000, civic amenities are inadequate.

Moreh is functionally a trade transit town. Though the ICP has been completed, banks, food testing labs, plant and animal quarantines, telecom station for EDI facilities, and most amenities providers are yet to function. The ICP has handled only three consignments each during the last two years and mainly handles immigration formalities. The ICP however will have the capacity to handle trade growths in the middle term and has sufficient land for future expansion.

Table 4: Basic Infrastructure Capacity at Moreh ICP

Sl. No	Infrastructure	Capacity
1	Warehouse	1200 sq. ft.
2	Cold Storage	400 sq. Metre
3	Parking Bay	50 Containers
4	Bus Bay	60 buses
5	Weigh Bridge	80 tonnes

Source: Moreh LCS

Moreh is not prepared to handle tertiary demands of international business and trade outside of the ICP complex. Warehousing, passenger and cargo transport, corporate housing and office accommodation, banking and finance are still at the primitive and rudimentary levels. The State Bank of India, United Bank of India and Axis Bank function at Moreh without currency exchange or LC facilities. However the State Bank of India has been newly designated as the EXIM agency with EDI facilities and is in the process of opening a facility within the ICP. The township does not have an independent Municipality or Corporation to specifically look into the needs of a commercial and trading township, resulting in uncoordinated, uncontrolled and unplanned development by various Government agencies. Moreh however has good power supplies

Secondly, the Indo-Myanmar border trade agreement of 1995 was mainly to facilitate regional and localised trade at Head Load and Barter levels at concessional duty rates of 5 per cent rather than to create a trans-Asian trading and economic hub. There was a provision for Normal Trade but failed to take off as banking and other institutional mechanisms were not put in place and the duty rate under barter mechanism was far below that of normal trade duties. Barter trade also failed to reach its potentials because of limited items permitted and the stringent requirement of balancing exports and imports by the same trader. Traders took advantage of and misused 'Head Load' trade, which required no formal paper work. Bulk of the trade at the LCS turned into informal Head Load trade, unrecorded, being treated as illegal in transit and great loss of customs revenue to both countries. More importantly, higher order international traders failed to emerge and vested interests in informal trade on both sides of the border encouraged informal and illegal trade in all sorts of third country goods. This led to India abrogating the Border Trade Agreement unilaterally and introducing only Normal Trade under most favoured nation regimes where no Normal Trade had ever existed. Everything had to start from the scratch.

Thirdly, ethnic clashes in Manipur, displacement and migration into Moreh, severely disturbed the demographic balance in the township, migration from Myanmar compounding the problem. Ethnic insurgent interests have stakes in how the town grows, how trade is conducted as well as taxed. While damage control measures have been put in, Myanmar and India have to do a lot more to bring forth a trading environment that is free of law and order issues and conducive to lowering transaction costs and seamless international trade.

Fourthly, Myanmar and India are yet to resolve problems of third country goods transit, rules of origin, MVA and sanitary and phyto-sanitary regimes. The result has been that Myanmar records and accounts all goods flowing into India as legal as due procedures have been complied with on their side. On the other hand, as these goods do not pass through the Moreh ICP and LCS, India treats these imports as informal and does not record them. This is why there is an extreme mismatch between volume of border trade content and data published by the two countries.

Myanmar and India face a triple dilemma in constructing the Moreh/Tamu LCS into a trading hub and regional economic zone on the TH.

- In the first place, India could abruptly put an end to informal trade at Gate No. 2 where head loads by the thousands pass daily (formal on the Myanmar side) under the very nose of Indian customs officials. Head loads passing daily through the unfenced part of the border could be also stopped any time. This would kill all existing trade as formal trade at the ICP has reached near zero levels. This is not a situation which the two countries want, though the balance of actual ground level trade is heavily weighed in favour of Myanmar.
- Secondly, traders on the Myanmar side prefer direct cash transaction and at most bank cash transfers instead of LOC as the banking infrastructure is not up to the mark in Myanmar. Huge amounts of open and informal currency exchange are carried out daily on the Tamu side, by passing all banking and currency exchange formalities. Rest of the existing trade is financed through bank transfers. If these forms of transfers are regulated trade is likely to suffer immediately.
- Thirdly, both the countries are not able to handle the insurgent related law and order situation with iron hands as the political ramifications could be costly.

Apparently both countries do not want an immediate halt to informal trade and at the same time are not investing enough to fast track formal normal trade. Under the prevailing political economy, the idea of an economic zone is still a secondary consideration for both the countries.

6.10 Trends in Border Trade

The Moreh-Tamu trade corridor was one of the secondary routes of the ancient Southern Silk Route. Trading markets emerged at the two towns after the World War II and by the 1970s, informal trade in Chinese, Thailand and Indian products had fully turned the towns into trading and local tourist spots. Border Trade Agreement between India and Myanmar only formalised and attempted to regulate what was already there.

Table 5: Indo-Myanmar Border Trade at Moreh-Tamu LCS (US\$ million)

Year	India's Export to Myanmar	India's Import from Myanmar	Total Trade	Trade Balance
1995-96	10.45	5.39	15.84	5.06
1996-97	31.71	15.18	46.89	16.53
1997-98	22.45	35.08	57.53	(-)12.63
1998-99	5.06	3.74	8.8	1.32
1999-00	3.26	3.68	6.94	(-) 0.42
2000-01	5.29	0.19	5.48	5.1
2001-02	1.25	8.3	9.55	(-) 07.05
2002-03	3.66	12.15	15.81	(-) 08.49
2003-04	8.74	8.3	16.8	0.68
2004-05	5.64	5.01	10.65	0.63
2005-06	4.09	3.3	3.34	7.39

Table 5 continued...

Table 5 continued...

2006-07	62.13	1.78	63.91	60.35
2007-08	6.01	16.29	22.31	(-)10.28
2008-09	1.6	0.76	2.36	0.84
2009-10	21.5	8.31	29.81	13.19
2010-11	0.26	3.8	4.16	(-) 03.54
2011-12	1.49	1.36	2.85	0.13
2012-13	27.24	20.55	47.79	6.69
2013-14	14.52	48.47	62.99	(-) 33.95
2014-15	5.22	15.91	21.13	(-) 10.69

Source: Land Custom Station (LCS), Moreh (2016).

During the Border Trade regime of 1996-2015, total formal trade exceeded US\$ 40 million in only five years period and was below US\$ 10 million in eight years. The peak was US\$ 63.91 million in 2006-07 and the trough was US\$ 2.36 million in 2008-09. In twelve of the twenty years, India had favourable trade balance as compared to eight years for Myanmar. India's total export to Myanmar was US\$ 221.57 million as compared to total import of US\$ 217.75 million during the twenty years of border trade regime.

Formal exports from India during the barter trade regime mainly consisted of cumin seeds, soya bean meals, wheat flour, cotton yarn, auto parts, and pharmaceuticals. Imports mainly consisted of betel nut, dry ginger, beans, turmeric roots, resin, and medicinal herbs.

Commodities under informal head load trade were varied and diverse. Exports included processed and unprocessed agricultural commodities, household groceries, textiles, cosmetic and toiletries, pharmaceuticals, construction materials, hardware, transport vehicles and spares. Imports included cereals, fruits, vegetables, aqua products, spices, packaged agri-horticulture products, timber and furniture, clothes and footwear, electronics and utensils. Broadly, clothes and footwear consisted of 56 per cent, agriculture 14 per cent, grocery 13 per cent and electronics 10 per cent according to a survey of 2011.

Table 6: Normal Trade Trends 2015 onwards (US\$ million)

Year	India's Export to Myanmar	India's Import from Myanmar	Total	Trade Balance
2015-16	2.91	15.85	18.76	(-) 12.94
2016-17	0.083	16.95	17.03	(-) 16.87
2017-18	0.062	0	0.062	(+) 0.062
2018-19	0.43	0.00	0.43	(+) 0.43

Source: Land Custom Station (LCS), Moreh (2018).

With the end of barter trade and the introduction of only Normal Trade, there was an initial enthusiasm and trades of US\$ 18.76 and US\$ 17.03 million in the first two years has simply fizzled out mainly because India raised the duty on betel nut, the main traded item, to 40 per cent from 5 per cent. Formal trade slumped to US\$ 0.43 million in 2018-19.

The items of exports from India are lead batteries, sulphur and paraffin wax, HSD oil, pesticides, decorative wall paper and sports shoes, besides a machinery transfer for road construction of an Indian company. In the last three years only fourteen consignments were exported to Myanmar. Only betel nut was imported through normal trade. Meanwhile informal trade continues as before and are said to be growing. Trade data from Myanmar gives a different picture of trade between the two countries.

Table 7: Myanmar's Volume of Border Trade with India: 2015-2018 (US\$ million)

Period	Export	Import	Volume of Trade	Trade Balance
1-4-2015 to 17-3-2016	49.65	16.35	66	+33.29
1-4-2016 to 17-3-2017	59.98	23.09	83.07	+36.89
1-4-2017 to 16-3-2018	65.43	19.52	84.94	+45.91
1-4-2018 to 16-11-2018	100.49	11.94	112.44	+88.55

Source: Ministry of Commerce, Myanmar

Myanmar records all items that pass through Tamu and Moreh as official except petty agricultural items traded by individual petty vendors in Tamu and Moreh markets. Myanmar charges a 5 per cent commercial tax (export duty) on third country goods along with an income tax (transit tax) of 2.5 per cent. Goods exported from Myanmar have COO papers obtained by respective traders from designated authorities, one of which is the Border Trade Chamber of Commerce, Tamu. All goods fulfilling these conditions are permitted to be formally exported from Myanmar. All imports by Myanmar traders are also treated as official and recorded. As the Indian authorities do not object to or refuse transit, Myanmar consider these trades as Formal or Legal as far as they are concerned.

Myanmar trade data shows that formal border trade with India at Tamu and Rhi has grown by 58.69 per cent during 2015 to 2016 and 2018. Trade rose from US\$ 66 million to US\$ 112.44 during the period with a trade surplus for Myanmar of 78.75 per cent in 2018.

Table 8: Myanmar's Exports to India through Border Trade, 2015-2018 (US\$ million)

	Tamu	Rhi	NE Total	Total Myanmar's Border Trade	NE as % of Myanmar's Border Trade
1-4-2015 to 17-3-2016	30.222	19.425	49.647	4350.522	1.14
1-4-2016 to 17-3-2017	36.628	23.349	59.977	4287.286	1.4
1-4-2017 to 16-3-2018	39.859	25.566	65.425	5159.261	1.27
1-4-2018 to 16-11-2018	88.527	11.964	100.491	3448.791	2.91

Source: Ministry of Commerce, The Republic of the Union of Myanmar

Table 9: Myanmar's Imports from India through Border Trade, 2015-2018 (US\$ million)

	Tamu	Rhi	NE Total	Total Myanmar's Border Trade	NE as % of Myanmar's Border Trade
1-4-2015 to 17-3-2016	10.873	5.481	16.354	2454.743	0.67
1-4-2016 to 17-3-2017	9.713	13.375	23.088	2630.396	0.88
1-4-2017 to 16-3-2018	3.262	16.255	19.517	2783.54	0.7
1-4-2018 to 16-11-2018	1.39	10.554	11.944	2274.122	0.53

Source: Ministry of Commerce, Myanmar

At the Tamu LCS, exports from Myanmar have gone up from US\$ 30.222 million to US\$ 88.527 million during 2015-16 and 2018, whereas imports have drastically gone down from US\$ 10.873 million to US\$ 1.39 million. Total trade has increased from US\$ 41.09 million to US\$ 89.917 million.

The broad group of traded goods viz. clothes and footwear, agricultural products, groceries, electronics, electrical and utensils under Barter Trade Regime are therefore still being exported from Myanmar and are continuing to grow. Myanmar agricultural products that are heavily demanded on the Indian side include pulses, peas, mango, chilli, apple, betel nut, coconut, garlic, maize, ginger, canned fish, dry and fermented fish, rice and seasonal vegetables.

Imports from India include fertilizer, raw materials, motor bikes, cotton and textiles, consumer goods, plastic products like water storage tanks, kitchen ware like pressure cookers and casserole, slippers, towels, lunggis, liquid soap, dry ginger, milk powder, ginseng etc. these are but some of the items officially recorded.

Table 10: Differing Trade Data (in US\$ million)

Year	Tamu LCS	Moreh LCS
2015-16	41.095	18.76
2016-17	46.341	17.03
2017-18	43.121	0.06
2018-19	89.917	0.43

Sources: Land Custom Station (LCS), Moreh (2019) and Ministry of Commerce, Myanmar

The differing and wide gaps in volume of trade accounted for by Myanmar and India has reached extreme levels as Myanmar records US\$ 89.971 million in 2018-19, where India records it as US\$ 0.43 million. This reflects the huge potential for trade between the two countries and at the same time underscores the need for rationalization of trading parameters and tariff and non-tariff barriers that take into account both the consumers demands and national economic interests.

6.11 Formalising Merchandise Trade at Moreh-Tamu LCS

Merchandise trade at the Moreh-Tamu corridor on the TH at the informal level consists of not only Indian and Myanmar goods but also consists of huge proportions of Chinese and Thailand goods besides goods from other ASEAN nations, Korea and Japan. India and Myanmar have not been able to regulate and convert these 'real trade' into formal, mutually beneficial and productive

trade. The result has been absolute in-formalisation of trade. India is concerned of dumping of cheap low quality goods while the positive benefits of better quality Indian goods counter flow into Myanmar is under-played. Myanmar on the other hand is yet to put in standard international trading practices and institutional infrastructures that are acceptable to India while it is peeved with India's trade regimes on inflows of third country goods. Traders on the ground are concerned with net profits from land-based trade as compared with sea based trade. The success of the TH design as an economic corridor will depend on how countries on the transnational highway attune themselves to the advantages of land based trade and evolve necessary physical and institutional infrastructures and facilitate traders. The following recommendations can be considered by India and Myanmar to formalise merchandise trade at Moreh-Tamu LCS.

Recommendations

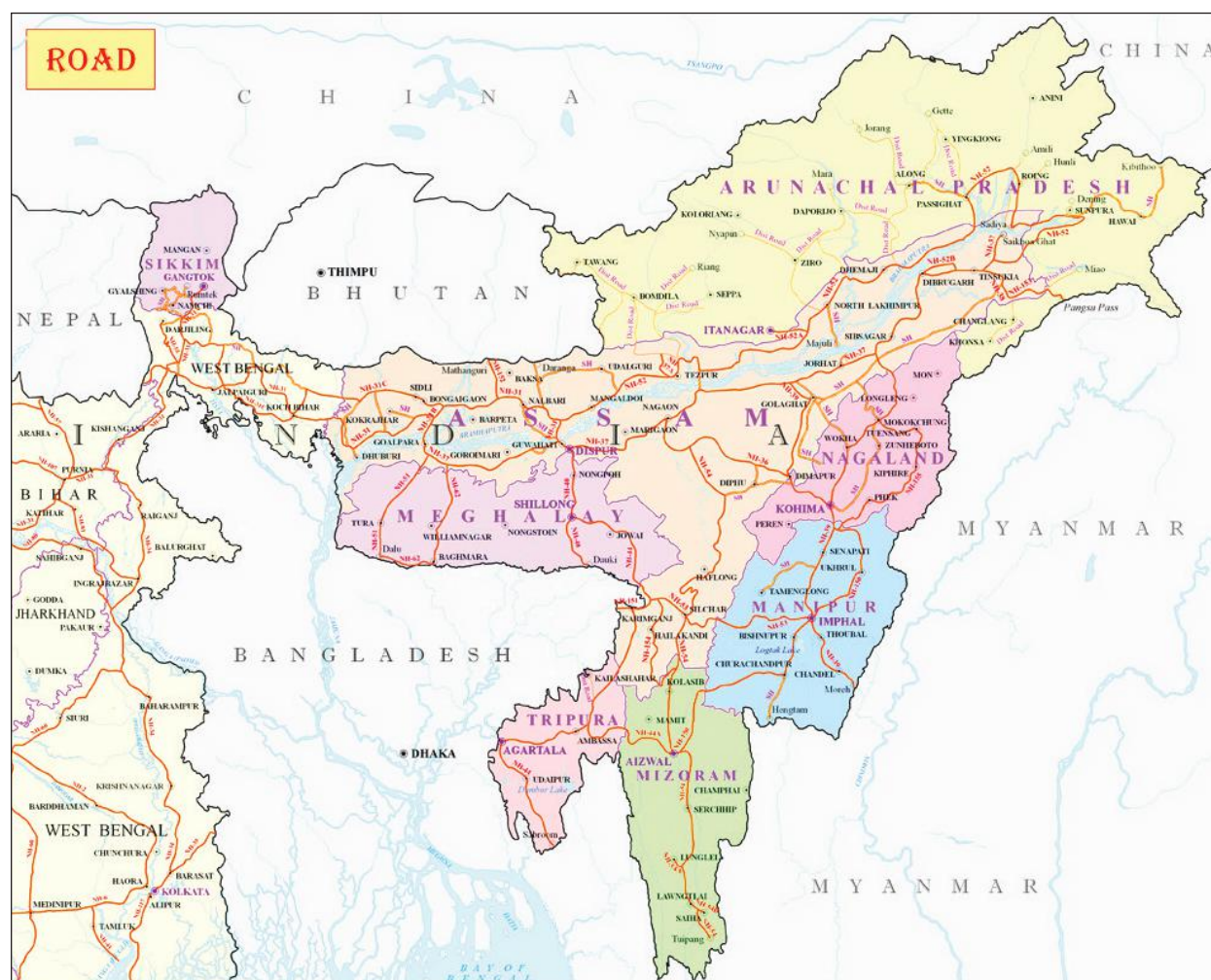
- India and Myanmar have to formalise the ROO regime so that Myanmar can formally export its existing products as well as encourage import based manufacture for the large Indian market.
- India and Myanmar have to prepare an agreed list of third country final or capital goods that can transit Myanmar through its LCS that are beneficial to value chain production and land based international merchandise trade on an extended TH.
- India, Thailand and China have to sign agreements on transit trade through Myanmar.
- India has to restructure its duty concessions in the DFTPS positive list so that tradable goods of LDCs are marketable in Northeast India as final goods or intermediate goods.
- Myanmar has to rationalise its non-tariff barriers of income tax and commercial tax on third country goods so that cross border trade on the TH is less costly.
- To facilitate trade in food, agricultural, livestock and aqua products, India and Myanmar has to put in place standard food testing, plant and animal quarantine facilities on agreed international regimes.
- Telecommunication and digital infrastructures have to be improved to meet the requirements of smooth and efficient business transactions.
- Fully functional ICP at Moreh and Tamu are essential as the first concrete step towards formalisation of trade, enforcing trade regimes and facilitating trade.
- Organised and regulated major cargo and passenger transporters have to establish agencies at Moreh and Tamu for smooth and cheaper flows of goods and people.
- Private and public warehouses have to be setup to facilitate petty and small time traders on both sides of the border for pre and post ICP clearance.
- Banking and financial facilitation must ensure both trade and currency transaction and trade credit so that high costs of informal currency exchange and credit are lowered and discouraged.
- Trade Bodies and government agencies in conjunction have to disseminate information on trade policies, regimes and duty structures to fill up wide gaps in information about new opportunities.
- Moreh and Tamu have to develop physical and social infrastructure of a trading town providing adequate stay facilities, efficient municipal services in sanitation, drinking water, health, transport and recreation, under a master plan.

Impediments to trade however go far beyond the institutional and physical infrastructure deficits at the two townships of Moreh and Tamu. The most critical deficit is the connectivity deficits.

6.12. Connectivity Deficits on the Indian Side and Trade

High costs of transport and connectivity on the Indian side of the TH is perhaps the biggest hurdle in the growth of trade in goods, services and investment through the Moreh-Tamu corridor. The vital road links of AH I (NH 53) and AH 2 (NH 39) in Manipur, leading to Bramhaputra valley in central Assam and the Surma valley of southern Assam and linking the TH to the east-west national highway corridor of Northeast India is the weakest connectivity link that is throttling trade on the TH.

Map 1: Highway Network in North East India



Source: Public Works Department, Government of Manipur, Imphal

Manipur has eleven National Highway of 1745.7 km. These national highways are built and maintained by the Central Government with central funding and central agencies. The quality and completion of these highways are expected to improve rapidly.

National Highway 53 connecting Imphal, the State capital, to the East-West corridor in the Surma Valley in Assam and beyond to Bangladesh is completed and is under central maintenance. This section is part of AH I on the TH and is Manipur's second life line to the plains of Assam and the national economy. National Highway 39 connects Moreh to the Bramhaputra Valley of Assam and

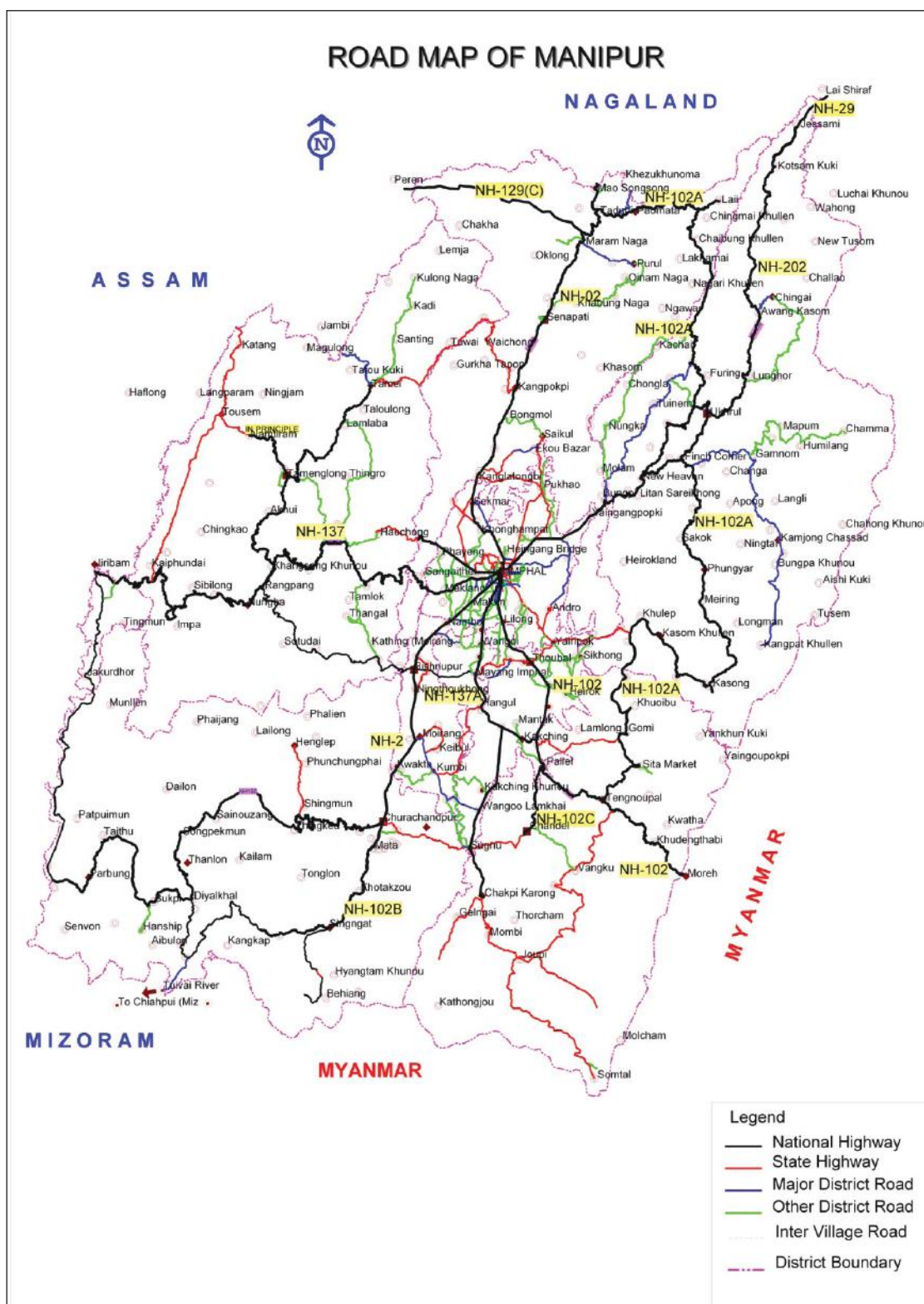
the East-West corridor and the economies of the Northeast. This is the first life line of Manipur and it is on this route that the bulk of the traded goods at Moreh-Tamu pass to the Northeast and the rest of India. The section from Moreh to Imphal is being built by NHIDCL with ADB funding. The first section of 46 kms from Imphal to Khongkhang is nearing completion and preliminary widening and realignment of the rest of the section up to Moreh is underway. This section has two lanes with paved shoulders. The section of this highway from Imphal to Mao on the Nagaland border has become the most controversial in terms of maintenance, quality and frequent cut-offs, even though the highway was first opened by the British during the fag end of the 18th century. National Highway 150 connecting Imphal to Mizoram is a critical route as it connects Rhi LCS in Myanmar through Mizoram and beyond to Sittwe port and the Kaladan Project. This highway will be the future gateway to the seas for Manipur and Nagaland. Rest of the highways are under various stages of construction and after completion, Manipur will be fully connected internally as well as externally with multiple transit options for trade flows from Myanmar as well as into Myanmar.

Table 11: Highways in Manipur

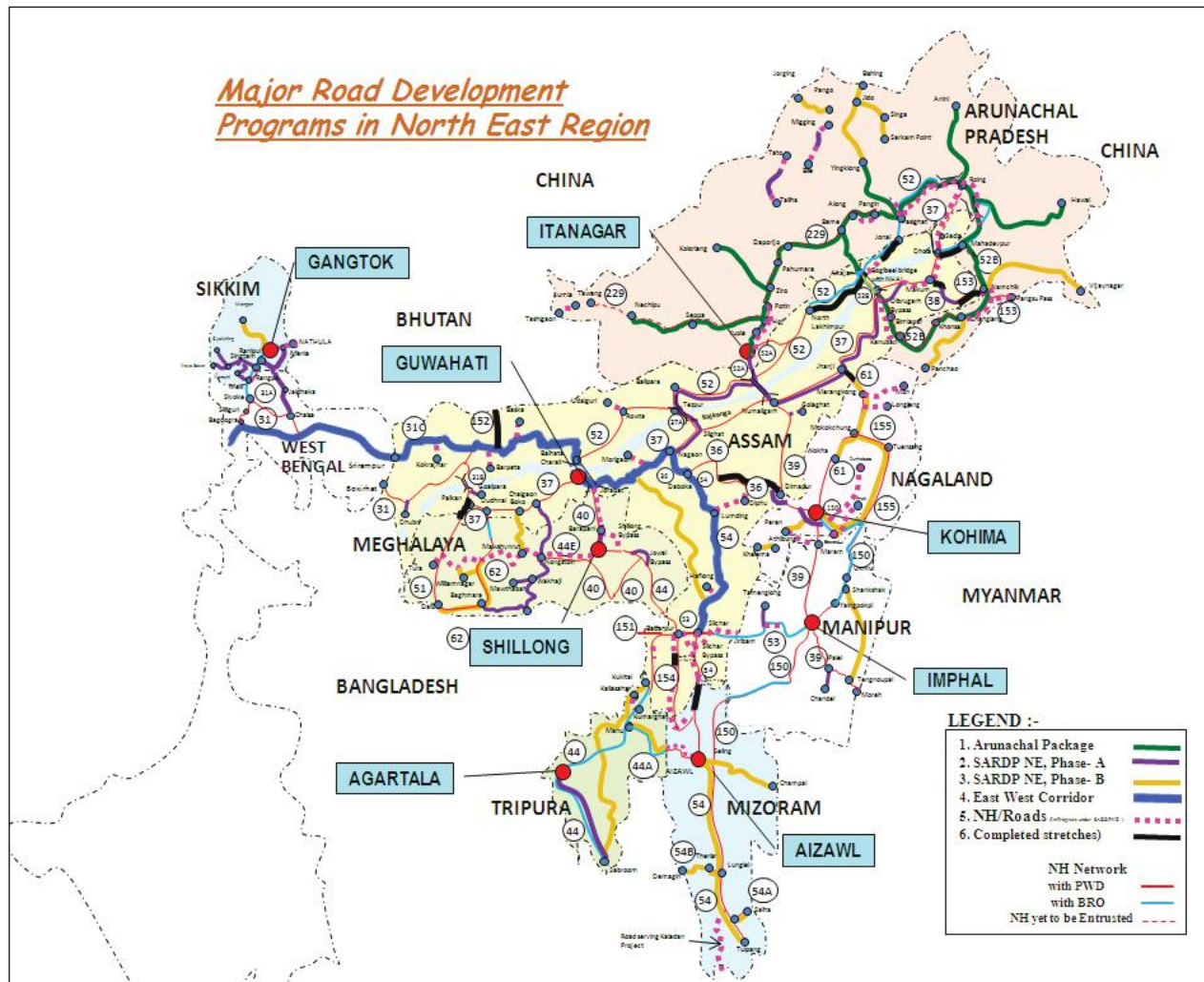
Sl. No.	NH No.	Route	Length (km)
1	39	Nagaland Border - Maosongsang - Maram - Karong - Kangpokpi - Imphal - Thoubal - Wangling - Palel - Sibong - Moreh - Indo/ Myanmar Border.	242.6
2	53	Assam Border - Oinamlong - Nungba - Imphal	221.1
3	150	Mizoramborder - Parbung - Thanlon - Phaiphengmum - Churachandpur - Moirang - Bishnupur - Imphal - Humpum - Ukhrul - Kuiri - Nagaland Border	532
4	155	Jassami - Nagaland border	5
5	102A New	From Tadubion N.H2 - Paomata, Ukhrul, Finchcorner, Phungyar Kasom Khullen, Kampang - junction with NH-102 near Thengnoupal	321
6	102B New	Churachandpur on N.H-2 - Singhat, Sinzawl, Tuivai Road - Myanmar Road	183
7	137 New	Rengpang on N.H-37, Khongsang -Tamenglong (Tenglong)	65
8	129A New	Maram (NH-2) - Nagaland Border	108
9	702A New	Nagaland Border- Jessam (new NH No. 29)	2
10	102C New	Palel (new NH No. 102)- Chandel	20
11	137A New	Wahengbam Leikai (Junction of Imphal - Mayang Imphal Road & NH No.37) - Hiyangthang - Wangol - MayangImphal - Wabagai - Kakching - junction with new NH no. 102 at Kakching Lamkhai	46
		Total	1,745.70

Source: Ministry of Road Transport & Highways, Government of India

Map 2: Road Map of Manipur and National Highways



Source: Public Works Department, Government of Manipur, Imphal

Map 3: Major Road Development Programs in Northeast India and East-West Corridor

Source: Public Works Department, Government of Manipur, Imphal

National Highway 39/ AH 2, section from Moreh to Dimapur in Nagaland has become the biggest impediment to merchandise trade flows and passenger traffic between India and Myanmar on account of excessive travel time, illegal taxes and extortions and unpredictable cut offs due to landslides and frequent bunds and blockades. The 314 km route involves a travel time of anywhere between 12 and 14 hours. Unless transition and transaction costs are drastically lowered on this vital route, seamless cargo and passenger flows cannot happen of the TH. More importantly, formalisation of informal trade at Moreh-Tamu LCSs and initiation of an economic corridor on the TH is likely to be a distant future if this highway and its related problems are taken care of.

Table 12: Comparative Costs of Cargo Transit

Sl. No.	Route	Km Distance	Travel Time	Cost Per Kg
1	Gauhati - Delhi	1932	33 hs	Rs 6
2	Gauhati - Imphal	489	14 hrs	Rs 7
3	Moreh - Imphal	110	3.30 hrs	Rs 6
4	Mandalay - Tamu	471	12 hrs	Rs 4
5	Myawaddy - Tamu	1266	24 hrs	Rs 6
6	Calcutta - Gauhati	1032	24 hrs	Rs 6
7	Guangzhou - Tamu	1930	8 Days	Rs 18000 per cubic metre

Source: Author based on traders at Moreh and Imphal

Cost of cargo transport from Moreh to Imphal of 110 km is equivalent to costs of carriage from Gauhati to Delhi of 1932 km. High land transport cost and unsettled third country goods transit are encouraging sea transport from Yangon and Guangzhou to Kolkata port. From Kolkata containers reach Guwahati ICP for further transport to Imphal. However bulk of the traded goods at Moreh-Tamu LCS transit by land from Guangzhou in China and Myawaddy in Thailand. Traders feel that if transit transport agreements are in place between China, Thailand, India and Myanmar, the TH will become a major trading route between ASEAN and South Asia.

Air connectivity between Myanmar and Northeast India has begun as a Nok Air flight was recently inaugurated from Guwahati to Bangkok. A KBZ flight between Imphal and Mandalay is in the final stages of take off. Air travel from Northeast India to Myanmar involves three stops via Bangkok or two stops via Kolkata. The vital business nodes of Mandalay and Yangon need direct connectivity with the Northeast Region of India if the TH is to achieve its potentials as an economic corridor.

Rail connectivity has just begun to touch the hilly states of the Northeast, outside of the Assam valley. Rail connectivity between Moreh in Manipur and Silchar in Assam when completed is likely to open up the Northeast Region to value chains on the TH, besides drastically reducing transit costs of merchandise trade.

Recommendations

- The Government of India has to prioritise the completion of AH I and AH II so that immediate trade and economic corridor need are met.
- Development of NH 150 is necessary to provide a much shorter sea route to Nagaland and Manipur through Mizoram.
- The Government of India has to prioritise the completion of the rail link from Silchar to Moreh/Tamu so that cargo transit and transactions costs are drastically reduced.
- Air connectivity between Northeast India and Myanmar has to be enhanced for business, trade and tourism growth.
- The Government of India has to ensure that the TH on the Indian side does not involve extra-legal transaction costs to cargo and passenger transit.

6.13 Emerging Value Chains in Manipur and Prospects for Northeast India and TH

Manipur, Sagaing and Mandalay share a pre-colonial history of ethnic migration and counter migration, conquests and counter conquests, technological exchanges and trade on the present TH. The Kuki tribes of Manipur find their brethren deep into Sagaing, starting from the border town of Tamu. Nepali migrants from Manipur have substantial settlements in Sagaing. Ethnic Meitei villages are also settled across Sagaing and Mandalay. On the other hand, many Tamils, Marwaris and Punjabis of mainland India had migrated to Moreh on their exodus from Myanmar in the post-colonial. It is these ethnicities, now citizens in Manipur and Myanmar, who have created the flourishing trade between the two countries on the TH through the Moreh-Tamu corridor. With the growth of trade and the non-farm sector on both sides of the border, some nascent value chains have already emerged since the 1990s.

The most visible value chain is that of timber and related industries. Since the 1990s massive flows of cheap teak and other hardwood timber has been feeding the rise of wood-based industries and construction in Manipur as the local supplies of timber had almost run dry. Myanmar supplies sawn timber, semi-finished furniture, doors and windows and other wood works. The semi-finished products are exported to Manipur in breakdown conditions and finished by more efficient firms and individual carpenters in Manipur. Better quality products come from Mandalay and cheaper ones from industries in Tamu and its vicinity. Timber industry is the only industry that has emerged in Moreh town where value addition is made in terms of customer specific modification and expert carvings done by daily migrant craftsmen from Sagaing. Cheap labour from Myanmar is also known to work in the larger firms in Manipur as illegal migrant workers. This timber value chain is now firmly rooted across Manipur as imported products from Myanmar reach the districts directly from Moreh. The high demand of niche teak furniture and products in India at substantially higher prices is a huge market that is yet to be linked to this value chain. Following this timber chain, skilled workers of Myanmar are finding employment in the construction sector in Manipur.

Livestock, poultry and fisheries industry are the latest boom sector in Manipur, having large supply deficits. However, as feed are imported at high costs from mainland India, growth has been stunted. Recently poultry feed imports from Myanmar has partly given a big thrust to the poultry industries leading to a price crash in the local markets. Poultry meat is being sold at Rs 140 a kg as compared to near Rs 200 in most Northeast region of India. The highly unorganised and household based livestock industry in Manipur could receive a boost if cheap feeds from Myanmar reach this industry and high value pork meat imports of Myanmar are exported from Manipur and latter on from Northeast India where the industry is most visible. Myanmar traders also feel that the large fish surpluses of Sagaing and neighbouring regions could easily substitute the fish imports of Manipur from far off sources in mainland India. Product differentiation in terms of demands in variety and size does not bring about mutual competition in the market. Large consignments of fish are imported into Manipur from Myanmar. The emerging value chain in the livestock and fish meat has much to gain for both countries as trading parameters and are settled and the right infrastructures put in place.

Food and fruit processing industries are fast emerging in Manipur and the rest of the Northeast. However, most of the industries cater to the local market as local inputs are not adequate. Oranges and pineapple are two fruits that have high supply shortages. The largest fruit processor in Manipur imports processed orange pulp from far away Nagpur in the State of Maharashtra on the Arabian

Sea. These are fruits abundantly produced in the Shan State of Myanmar and Thailand. A fruit processing value chain on the TH is a distinct prospect.

Sagaing has rich deposits of limestone and coal and trade bodies and investors strongly feel that value chain of cement production similar to that at the Assam-Bangladesh border could easily come up if India and Myanmar chalk out modalities acceptable to both countries and prospective investors. A value chain in gems and semi-precious stone value chain between Northeast India and Northern Myanmar, immediately between Manipur and Sagaing has been suggested by trade interests in Sagaing as Manipur already has a gems and jewellery industry.

Supply chain networks at the private levels from Mandalay and Myawaddy are emerging fast and value chains are already in place, though at the informal level. In fact collaboration among traders of Manipur and Myanmar have already started putting up mutual logistics support systems in transport and warehousing, connecting Guangzhou in China and Mae Sot in Thailand to Moreh in Manipur.

Trade in services in the health sector is one value chain prospect that Myanmar and Manipur has been exploring for quite some time. During the last year, over a thousand patients from Myanmar have been treated in hospitals in Manipur, not only because of cheaper costs but also because of the state of the art treatment expertise and infrastructure available in Manipur. Patients from Thailand have begun to arrive in Imphal. The Sagaing government has offered land for the construction of hospitals and all supports. Language problems and various uncertainties in Myanmar have kept a health value chain developing on the TH. Various alternatives are now being looked into. "It is understandable that without significantly developing all the states in the North East, realising the vision of the act east policy from all dimensions remain to be a difficult proposition. Prime Minister in a whirlwind tour covering Assam, Nagaland, Manipur and Tripura, coined a new acronym for the region: NEZ, or Natural Economic Zone, and called for the region to be developed through economic corridors to South East Asia". Limits to prospects of value chain production and trade on the TH are limits that countries themselves have set. As India, Thailand and Myanmar decide on the types of value chain production and border trade, beneficial to all, the TH can become an important economic corridor.

Recommendations

- Manipur and Sagaing have to develop a mutually beneficial regional plan for value chains for approval by respective governments.
- Timber, livestock, and intermediate agricultural inputs should be the first target followed by mineral based inputs and industries.

6.14 Conclusions

The Future Outlook: Recommendations

- Trade liberalisation and formalisation at the Moreh-Tamu LCS has to be first step towards turning the TH into an economic corridor.
- The Governments of India and Myanmar have to formulate a long term policy and due agreement on border trade mechanisms that ensures seamless trade flows and development of value chains along the TH.
- Policy frameworks and directions have to emerge with due consideration of recommendations of high level India-Myanmar trade body dialogue and joint academic research outputs of universities and academia on both sides of the borders.

- Provincial governments of Northeast India and Northern Myanmar have to constitute appropriate forums for focused and coordinated planning and outcomes from border trade and the development of an economic corridor on the TH.

ASEAN and India have to initiate border trade specific dialogues that facilitate economic corridors and trade between Southeast Asia and South Asia.

Growing development cooperation between India and ASEAN foresees the economic integration of Southeast Asia and South Asia. The TH and its extension to Lao PDR, Cambodia and Vietnam, and the Northeast Region of India, will serve a vital purpose of connecting two underdeveloped regions of ASEAN and India to the growth engines of South Asia and Southeast Asia. In this grand design, Myanmar and Manipur are the missing links. However Myanmar has far more tangible international attention and investments on its border trade stations than the Northeast region of India. The Northeast region of India has, however, a greater tangible attention and investments from the Government of India for future border trade growth with Myanmar than Myanmar has for its border trade growth with Northeast India. The conception of turning the TH into a pan-Asian economic corridor has to take into account these developmental imbalances in Northeast India as well as Northern Myanmar that are most likely to stop on its tracks, any serious push for trade, value chains, economic integration or economic corridors. As an ancient saying goes, one cannot clap with one hand. ASEAN and India have to find out ways to connect the missing links on the TH at the Indo-Myanmar border regions that will facilitate a seamless economic corridor on the TH. Border trade regimes have to be revised and restructured, logistics and connectivity remodelled or enhanced on an intra-country need based platform, bilateral or multilateral institutional road blocks like ROO, MVA, transit trade or non-tariff barriers negotiated. The roadblocks are many and yet these need to be addressed head on. The point of starting has to be at the LCSs towns of Moreh and Tamu from where the necessary forward and backward linkages have to emerge. The rich resources of Northeast India and Northern Myanmar await to be productively linked to industry, trade and regional development. The TH as an economic corridor offers an opportunity not only to India and Myanmar but also to the larger Asian community.

Endnotes

1. The Northeast of India emerged as a distinct region in the medieval period and its regional character and political form was shaped by the British Empire during the 19th century. See, Guha (2016).
2. Post-colonial reorganisation of Northeast India into States, mainly based on ethnic lines is at the root of insurgency and politics of development. An insightful narrative is found in Barua (2005).
3. India's Act East Policy takes the Northeast Region as a strategic land bridge to Southeast Asia because of its historical, cultural as well as ethnic ties with Southeast Asia. Southeast Asian communities have core values of mutual help, income and work sharing for generating subsistence to all members and 'economic rationality in terms of individual profit and utility maximisation does not operate'. India's policy for economic integration and economic corridors on the TH has to factor in such subtle cultural nuances for better fit. See, Hayami and Godo (2005).
4. Northeast India does not have the type of social hierarchies of caste and social segregation as in mainland India. Clan base egalitarian tribal social structures and values of the indigenous people have percolations among latter mainland Indian migrants. The Govt. of India Census 1931, found it expedient to categorize the indigenous Hindus of the region as 'Exterior Hindus', quite removed from 'Hindus' of mainland India. See, Chapter on 'Castes, Tribes or Race', pp 201-208, Census of India 1931, Vol. III, Part I, Report.

5. The social dynamics of the peasantry adjusting to State failures in agricultural development and crop diversification in high value agriculture is evident in the peasantry's progressive search for survival autonomies in a progressive agricultural sector. See Singh and Sharma, (2013)
6. Insular mind sets, protectionist developmental outlooks, fear of exogenous capital and agencies carting away gains from resource exploitation and undue fear of mainstream industrialization are psychic features of the political economy of Northeast India. Since the liberalisation of the Indian economy in the 1990s, a fast change in mind sets has fuelled recent accelerated growths in Northeast India. See, Verghese (2004).
7. India's AEP is a major policy shift from the earlier LEP. AEP centralises NE in the new policy and 'the AEP is the only major policy initiative available to the region for development of tangible trade and commerce with neighbouring countries'. See Chaturvedy (2018)
8. The Government of India has signed a Framework Agreement with the NSCN (IM), the most powerful insurgent group in Northeast India in 2015 and the final agreement with his group is expected soon. The Government of India expects the rest of the other insurgent groups to fall in line, once the NSCN(IM) issue is resolved
9. Moreh town was formerly a Municipal township. On the introduction of Autonomous District Councils in the hill regions of Manipur, the Municipality has been abolished. This has resulted in unplanned growth in the township.
10. The structure, composition and dynamics of Border Trade at the Moreh-Tamu LCSs can be found in 'Border Trade in Manipur: Ground Level Survey and Status Report', 2011, Department of Commerce and Industries, Government of Manipur. The report had pointed out the many flows in the Indo-Myanmar Trade Agreement and why Indo-Myanmar normal trade was unlikely to flourish.
11. Ethnic Naga-Kuki conflicts in the early 1990s led to Kuki settlement and Naga exodus from the town. The than Meitei majority town has turned into a Kuki majority town. The implication of their demographic shifts and its impact has been crippling to organised trade growth at the Moreh-Tamu LCS. See 'Border Trade in Manipur: Ground Level Survey and Status Report', 2011, Department of Commerce and Industries, Government of Manipur, pp 110-130.
12. The ancient Southern Silk Route had linked the productive base of NE India to China, Southeast Asia, Tibet and the Bay of Bengal, internationalising the NE economy. See Ray (2005).
13. The NE region becoming a mere trade transit route rather than a value chain link on the TH has been a heated debate in the political and civil society platforms. The preparedness of the region for opening up to heightened trade has been also a major concern; give historical experiences of carting away of resources and profits without much gain to the productive bases of the economy. However the inevitability of the TH, growing connectivity, industrial growth and economic integration in the NE is building up a general consensus of gains from trade and the advantages of the NE. See Sharma (2018) and Sharma and Choudhury (2018).
14. Central agencies like the National Highway Infrastructure Development Corporation Ltd and Border Road Organization and the Public Works Department of the Government of Manipur implement National Highway development. Public outcry against low quality and sloppy construction has resulted in frequent changes of agencies on the same highways. Besides quality, experts point out that the geometrics of the highway are incorrect in many stretches of the mountainous routes. There is an urgent need to have an independent third party monitoring agency to ensure quality and timely completion of projects.
15. According to author, an illegal extortion of Rs 20000-25000 per trip is charged between Imphal and Dimapur in Nagaland on NH 39.
16. Refer, Bhattacharjee (2016)

References

- Barua, Sanjib (2005) *Durable Disorder: Understanding the politics of Northeast India*. OUP, New Delhi.
- Bhattacharjee, Dhrubajyoti (2016) "India's versions on Act East Policy". National Seminar on India's Act East Policy: Problems and Prospects in North East India, 28-29 January, Imphal.
- Government of Assam (2016). *Vision Assam: 2030*, Guwahati.
- Government of India (1931). "Castes, Tribes or Race" Census of India 1931, Vol III, Part I, Report, New Delhi
- Government of India (1997). Report of the Shukla Committee on Transforming the North East. Planning Commission, New Delhi
- Government of India (2008). *NER Vision 2020*, NEC, Shillong.
- Government of India (2008) *Sikkim Development Report*, Academic Foundation, New Delhi.
- Government of India (2019) *Handbook of Statistics on Indian States*, Reserve Bank of India, Mumbai.
- Government of Manipur (2011) *Border Trade in Manipur: Ground Level Survey and Status Report*, Department of Commerce and Industries, Imphal.
- Government of Manipur (2019) *Manipur Vision 2032*. Planning Department, Imphal.
- Government of Meghalaya (2013) *A Vision Document for the State of Meghalaya 2030*. National Institute of Public Finance and Policy, New Delhi.
- Government of Nagaland (2016) *Nagaland Vision 2030*, Kohima
- Government of Tripura (2018) *Draft Vision – 2030 & 7 Year strategy Documents Tripura*, Agartala
- Guha, Amaledu (2016) *Planter's Raj to Swaraj*, Anwesha Publications, Guwahati
- Hayami, Yujiro and Yoshihisa Godo (2005) *Development Economics*, Oxford University Press, New Delhi.
- Loitongbam, Bishwanjit Singh (2018) "Development of North East India: The Potential of Participation in Global Value Chains" *Economic and Political Weekly* Vol. 53, No. 39
- Planning Commission (2009) *Arunachal Pradesh Development Report*. Academic Foundation, New Delhi.
- Ranjan Chaturvedy, Rajeev (2018) "Interpreting India's Act East Policy", ISAS Working Paper No. 284, National University of Singapore, Singapore
- Ray H. (2005) "The Silk Route from North East India to China and Bay of Bengal: Some New Lights", pp 43-45 in Barua (ed.), *Northeast India Development Issues in a Historical Perspective*, Manohar New Delhi.
- Roy, A. et al. (2015) "Food Security in North-East Region of India – A State Wise Analysis". *Agricultural Economics Research Review*, Vol. 28 (Conference Number), pp 259 – 266.
- Scott, James C. (2010) *The Art of Not Being Governed*, Orient BlackSwan, New Delhi.
- Sharma, Atul (2018) "Integrating Northeast with South East Asia: Great Expectations and Ground Realities", pp 25-43, in Atul Sharma and Saswati Choudhury (ed.). *Mainstreaming the Northeast in India's Look East and Act East Policy*. Palgrave Macmillan, Springer Nature, Singapore.
- Sharma, Atul and Saswati Choudhury (2018) *Mainstreaming the Northeast in India's Look and Act East Policy*, Palgrave Macmillan, Singapore.
- Singh, Ch. Priyoranjan and H. Isworchandra Sharma (2013) "Peasants of Manipur: Agrarian Change, Land Tenure and Emerging Patters of Re-peasantization in India", *Agrarian South: Journal of Political Economy*, Volume 2, Issue: 3, pp. 291-314.
- Verghese, B.G. (2004) *India's Northeast Resurgent: Ethnicity, Insurgency, Governance, Development*, Konark Publishers New Delhi.

7

Trilateral Highway: Trade and Development Implications for Mizoram

7.1 Introduction

The India-Myanmar-Thailand Trilateral Highway (IMTTH), once completed and made operational, will have a significant impact on the economic growth and development of landlocked North Eastern Region (NER) in general and the four hilly states of Arunachal Pradesh, Manipur, Mizoram and Nagaland that share international border with Myanmar in particular. Except Manipur, all these three states were created not on the basis of their economic viability but to accommodate the political aspirations of the ethnic communities residing in them. In fact, these economically unviable states were created as part of India's federal solution to quell the local ethnic insurgent movements against the centre's "integration through Assam" policy for them and geo-political move against post-1962 China-Pakistan-USA axis that played active role in dismembering India along ethnic lines (Das, 2012). A long spell of conflict situation in Manipur, Mizoram, and Nagaland coupled with strong 'border effects', heightened feeling of insecurity, and poor resource-base had stood on the way of transformation of the local economies from tradition to modernity. As a result when the state-driven phase of development (1950s-80s), characterized by the superimposition of state-structure on the systems of traditional governance and consequent creation of limited consumption-oriented urban growth due to the expansion of three-tier state administration, gave away to market-driven phase of development (1990s onwards), due to extremely weak productive structures of the local economies, lack of modern skill formation among the working force and weak communication network, the forces of market have bypassed these bordering states leaving them to operate at sub-optimal levels.

This is why NER was hardly in a position to place her in India's Look East Policy (LEP) in spite of the fact that the region is the bridgehead of the country's continental route to South East Asia. Besides weak productive structure, two other factors stand out in this regards. First, India's trade with ASEAN and other South East Asian countries flow through the maritime route as the exporting and importing entities are located in the mainland in general and coastal states in particular. As a result, relocation of India's export destinations and import sources from the west to east, following LEP, has hugely benefited the coastal regions rather than NER. Second, as the continental route that connects NER with the East Asian countries is not yet ready and has not been opened yet for large-scale trading, the region could not avail the benefits of LEP in terms of engaging ASEAN and other South East Asian countries across the border for trade and investment.

However, it does not mean that no trade flows across the border between NER and Myanmar. In fact, presently bilateral trade, both formal and informal, between India and Myanmar through the border trade points in NER does take place at a smaller scale and we shall turn to this dimension next. The point we intend to make is that once the IMT Trilateral Highway comes into operation, it is likely to scale up this cross-border trade manifold. Needless to say that this opening up of NER will have different impact on the economies of the bordering states depending upon their easiness of access to the IMTTH, resource-base, productive capacity, level of skill formation, degree of cross-border market integration and above all the keenness of the local political and business elites to respond to the opportunities arising out of this connectivity initiative. The objective of this chapter is to analyse this impact for the state of Mizoram which is proposed to be looped in the IMTTH.

7.2 Status of Indo-Myanmar Cross-Border Trade through NER: The Case of Mizoram

Cross-border trade has been a rule rather than exception across NER-Myanmar border due to strong trans-border ethnic affinity rooted in common culture. Kukies residing in the vicinity of the border town of Moreh in Tengnoupal district and adjacent Chandel districts of Manipur used to trade with their counterparts across the border in Myanmar from time immemorial. Similarly many of the Naga clans residing in Eastern districts of Mon, Tuensang, Kiphire, Noklak and Phek maintain a strong kinship based ties with their brethren across the border in Myanmar and used to conduct cross-border trade through ages. Although the India-Myanmar international border runs through many of the bordering villages, people in these divided villages are usually governed by the ethnic-based traditional institutions like the chiefs. As a result, cross-border movement of the people residing both sides of the international divide is viewed as the traditional rights. Innumerable unpaved roads across the hills and dales connect the villages in both sides. For example Lungwa, a border village in Mon district of Nagaland, is connected by road to Loji village in Myanmar's Sagaing Division which provides further access to Lahe and Yengjong townships in Myanmar.

Like the Nagas, Mizos in Mizoram and the Chins residing in the Chin Hills of Myanmar maintain strong ethnic ties as both these composite identities belong to a larger Zo or Zomi ethnic identity. In spite of existence of some Virtual Check Points--the cognitive markers to distinguish the other (Chin) from the insider (Mizo)--members of both the communities easily interact and intermingle across the India-Myanmar border (McConnachie, 2018). In fact, there is a sizeable Chin population in Mizoram, who migrated here at different points in time to escape from onslaughts of state atrocities launched by the Tatmadaw, the military rulers of Myanmar. Although there is no official figure on the size of the immigrant Chin population, it is estimated to be between 50 thousand (Kaasik, 2004) to 1 lakh (McConnachie, 2018) and mostly spread over in the border districts of Champhai, Saiha, Serchhip and Lunglei along with Lawngtlai and capital town of Aizawl (HRLN:2005). This economically depressed Chins, most of whom survive on petty jobs, shuttle across the border and play a dominant role as the foot soldiers of cross-border trade in Mizoram-Myanmar sector.

Likewise, tribal communities like Tangsas, Noctes, Singphos and Lisus residing in the bordering district of Changlang in Arunachal Pradesh used to trade with their counterparts in Myanmar across the Patkai Hills for centuries. The traditional trade route that connects people across the border was later developed as Stilwell Road during the time of World War II. It begins at Ledo in Assam and

then passes through Nampong in Arunachal Pradesh and enters into Myanmar through Pangsu Pass. From there, it then goes to Chinese City of Kunming in Yunan Province passing through through Myitkyina and Bhamo in Myanmar. Although, in earlier days, tribal traders from Indian side used to travel upto Myitkyina and Bhamo for trade, this occasional long distance trade has given way to regular short distance trade following the growth of multiple townships and trading centres in nearby areas. A market complex has been established at Pangsu Pass, where the traders from both sides conduct informal trade.

In view of the strong cross-border ethno-cultural ties, a unique border management policy viz., Free Movement Regime (FMR) - a special understanding between India and Myanmar -has been instituted which permits people residing along the international border to move across freely to the other side of the border up to a limit of 16 km without any passport and visa. As per the original notification issued on June 29, 1950, this limit was 40 km which has been reduced to 16 km as per the notification issued on July 21, 2010. Provisions made in July 21, 2010, notification were later regularized in the Land Border Crossing Agreement that has been signed between India and Myanmar in May 11, 2018 (Singh, 2019). Thus, this FMR provides for a space for informal trading across the border between the two countries and it is extremely difficult to account the size and volume of this trade that goes unrecorded. An account of the present status of the formal trade along with the ground feeling of cross-border exchanges will, to some extent, provide a measure of this informal trade.

India-Myanmar Formal Cross-Border Trade through NER

The share of NER in India's average annual trade with Myanmar for the period 2014/15-2018/19 is less than 1 per cent (0.73 per cent, to be specific). While 88 per cent of NER's Myanmar trade flows through Moreh (Manipur)-Tamu (Myanmar) route, the rest 12 per cent moves through Zokhawthar (Mizoram)-Rih (Myanmar) route. In spite of the fact that Nampong (Arunachal Pradesh) has a customs office, no formal trade is reported through Nampong-Tennai (Myanmar) route that goes through Pangsu Pass (Table 1).

A look at the structure of NER-Myanmar trade shows that it is essentially a transit trade. While traders exports goods like wheat flour, chemicals, bleaching powder, gas oil, paraffin wax, decorative wall paper, methyl bromide and laboratory materials through Moreh, which are procured from the other parts of the country, they import only areca nuts. But this account does not reflect the ground realities as the real dynamics of cross-border Manipur-Myanmar trade is rooted in informal trade, while the formal trade acts only as a smokescreen. Businesses in Manipur informally import all sorts of third country origin (China, South Korea, Thailand) goods like electrical and electronic gadgets, textiles, food items, readymade garments, crockeries and other kitchen wares and numerous other consumer goods. If one visits the markets in Imphal, one gets baffled by seeing the range of foreign goods available with the shopkeepers. Several studies have noted this preponderance trait and come out with different guestimates (IIFT, 1995; Rao et al., 2004; Das, 2000; Egreteau, 2003; Singh: 2007). According to one study, "...over 300 shops at Namphalong sell goods worth over Rs. 2 crore to Indian buyers daily ... (while) Myanmarrese buy roughly Rs.50 lakh worth goods from India" (Bose, 2018). As per this guestimate, the size of the informal trade at Moreh is likely to be Rs 1000 crores annually (Bose, 2018), which is about 1000 times of the volume of formal trade.

Table 1: NER's Myanmar Trade (2014/15-2018-19 upto February 2018) (Rs Lakh)

State/LCS	Average Annual Imports	Average Annual Exports	Average Annual Total Trade	Share of State in NER's Trade
Arunachal Pradesh/ Namphong	-	-	-	-
Manipur/Moreh	6736.44	1337.56	8074.00	88.17
Mizoram/Zokhawthar	1083.64	0.00	1083.64	11.83
NER Total	7820.08	1337.56	9157.64	100.00

Source: Commissioner of Customs, Shillong

Table 2: Cross-Border Trade between Mizoram and Myanmar (Zokhawthar-Rih Route): 2014/15-2018/19

Year	Bill of Entry	Quantity (mt)	Value (Rs Lakh)	Mode of Transport	Commodity
2014-15	66	584	815.05	Headload	Areca Nut
2015-16	134	1132.5	1674.14	Headload	do
2016-17	67	1500	2724.66	Headload	do
2017-18	9	83.6	204.36	Headload	do
2018-19 (upto February 2019)	-	-	-	-	nil

Source: Commissioner of Customs, Shillong

The same is also true for Mizoram. While formal trade through Zokhawthar-Rih route registers only import of areca nut, the feel one gets while visiting the markets in Aizawl as well as border towns like Champhai, Saiha and Serchhip is completely different. Consumer goods ranging from cigarettes to household electronic gadgets of foreign origins, mainly from China, Korea and Thailand, are on display for anyone wish to pick. These are all imported informally from across the Myanmar border. As no records are available for them, it is extremely difficult to have a reliable measure of such imports. Alongside formal imports of areca nuts, a huge quantity of the same of Thailand and Indonesia origin is also imported informally through Zokhawthar-Rih route by an international network of operators which are then claimed to be the produce of Mizoram for issuance of transit permit by the Mizoram Agricultural Marketing Corporation. These dried areca nuts are then sent to gutka factories located in different parts of India like Uttar Pradesh, Rajasthan, Gujarat, New Delhi and Haryana (MP, 2019a). As the price per kilogram of dried areca nut at source in Indonesia ranges from Rs 14-20 and the same costs in India anywhere between Rs 200-300, cross-border informal import is highly profitable.

Besides consumer goods, Mizoram is fast emerging as one of the South Asian hubs for contraband trade particularly drugs. Methamphetamine, an ecstasy drug, produced in Wa and Kong areas of Myanmar is smuggled into Mizoram in large quantities. In one of the recent drug haul incidents, which is a tip of the iceberg, Rs. 6 lakhs of methamphetamine tablets, worth of Rs 20 crores, were seized in Sailulak village, bordering Myanmar, of Serchhip District on July 17, 2019 (MP, 2019b). Drug lords in Myanmar procure a large quantity of fertilizer particularly urea, which is subsidised

in India for the poor farmers, from Mizoram and use it for the production of different varieties of ecstasy drugs (MP, 2019a). Besides heroin, opium, ganja, and hashish, a large varieties of ecstasy tablets like methamphetamine, ephedrine, nitrazepam, diazepam, alprazolam, clonazepam, spasmo proxyvon and pseudoephedrine are smuggled in Mizoram from across the border with Myanmar. This has created a huge drug addiction problem among the youths. The gravity of the problem might be gauged from the quantum of seizure and drug related deaths in Mizoram over last two and half decades presented in Table 3. This scenario for a little more than 1 million people (Census 2011) is truly catastrophic which resulted into a strong non-state anti-drug movement since 2005 under the Young Mizo Association (YMA), a civil society organization, which enjoys backing from the church (87 per cent of the population are Christian), political parties and administration alike. It is estimated that about 25-30 thousand people (IE, 2019) are addict in the state and 38 drop-in-centres (Santoshini, 2018), mostly run by various faith-based groups, are working to combat this opioid epidemic. There are several factors behind the emergence of such a catastrophic situation in Mizoram. Apart from easy availability of narcotic substances due to the existence of open and porous border with Myanmar (Lalramhmachhuana, 2017) and prevalence of FMR which has made border surveillance difficult, the dire economic condition of the state compels many to go into the drug trade. In spite of having a high literacy rate (91.33), third highest in the country, Kerala (94) and Lakshadweep (91.85) being first and second (Census 2011), employment opportunity is almost negligible in Mizoram, due to very weak productive base, where central grants constitute more than 91 per cent of the budgetary support (CAG, 2015). In fact, while, on the one hand, the absence of gainful opportunities creates a widespread frustration particularly among the educated youths, many of whom seek solace in ecstasy drugs that provide them artificial stimulus to carry on, it pushes some others in drug peddling business on the other.

Therefore, so far, Mizoram could not utilize the advantage of its open border and FMR with Myanmar by way of expanding trade that would have boosted its economic growth and create employment opportunities for the people. Instead, the existing border management has led to the growth of informal and illicit trade benefiting a few at the cost of the Mizo society at large.

Table 3: Drug Seizure (Tablet and Capsule only) and Drug Related Deaths in Mizoram

Decades	Seizure of Drugs in Tablets and Capsules* (in number)	Annual Average Seizure	No of Drug Related Death**	Annual Average of Drug Related Death
1995-2004	3089949	308994.9	948	94.8
2005-2014	63712187	6371219	280	28
2015-2019 (upto June 15, 2019)	4176885	835377	187 (up to August 9, 2018)	46.75

*Notes:**<https://excise.mizoram.gov.in/uploads/attachments/5b9f7cb0a9c909a9a29686f3ab68a0a7/achievement-of-excise-yearwise-calendar-year-upto-15th-june-2019.pdf> (accessed on August 8, 2019)

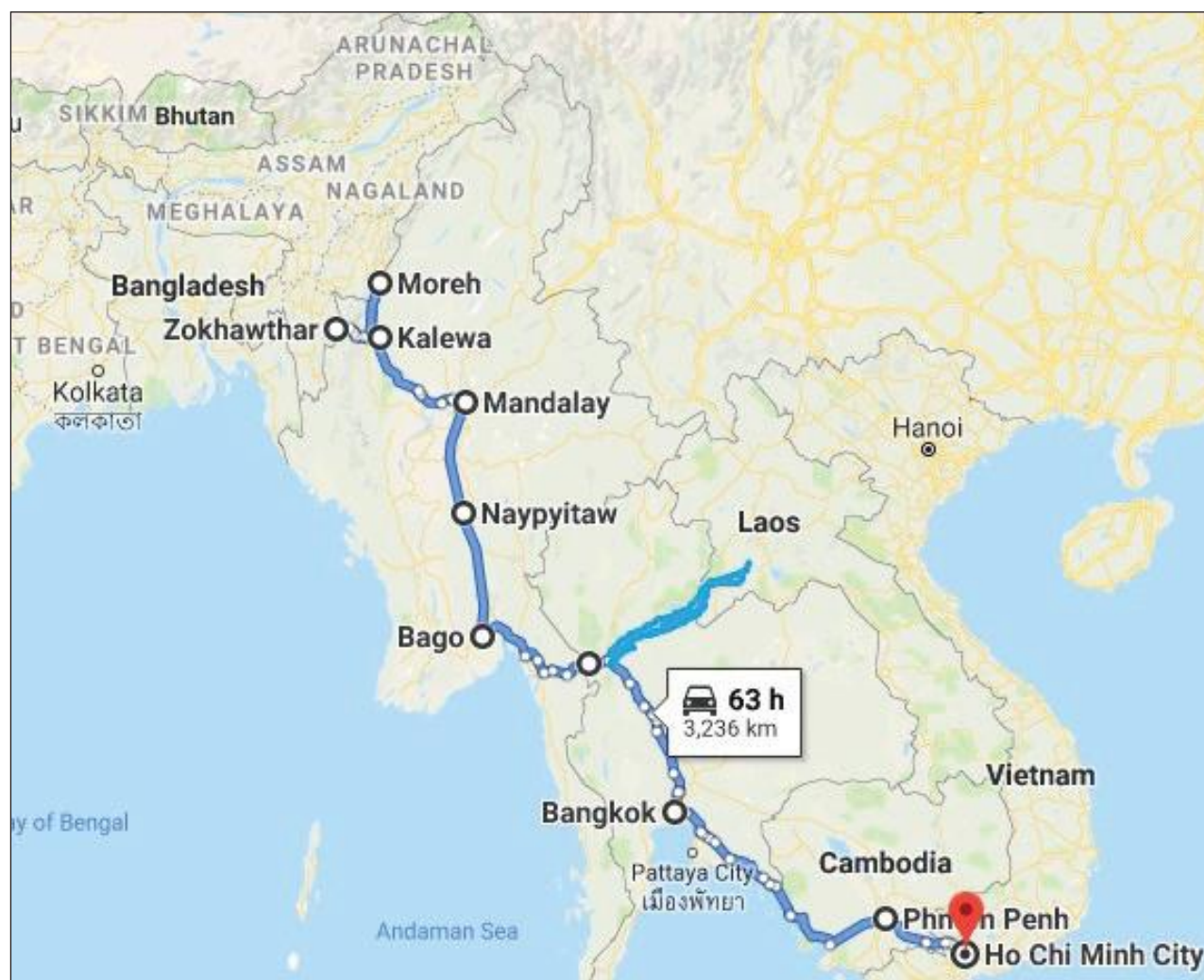
**<https://excise.mizoram.gov.in/uploads/attachments/c5051c01acdb2cdfa787a26f83475b99/pages-9-drug-related-deathyear-wise-upto-9th-august-2018.pdf> (accessed on August 9, 2019)

Source: Mizoram Excise & Narcotics Department, Govt. of Mizoram

7.3 Connectivity Projects and Mizoram: New Vistas for Trade and Economic Development

The opening up of IMT Trilateral Highway (IMTTH) and provision for its linking with Mizoram is likely to bring a radical change by way of ushering new opportunities for trade not only with Myanmar but also with other ASEAN member countries particularly Thailand and other CLMV countries of Cambodia, Laos and Vietnam. The idea of IMTTH, which is originally planned to connect Moreh in Manipur with Maye shot in Thailand through Kalemmyo, Mandalay, Naypyidaw and Bago in Myanmar, has been widened to extend it further to connect Vietnam, Laos and Cambodia on the one hand and redesigned to have a Mizoram connector on the other (Map 1). In spite of slow progress and missing the target date of completion several times, the new deadline is set by December 2019 (FE, 2018).

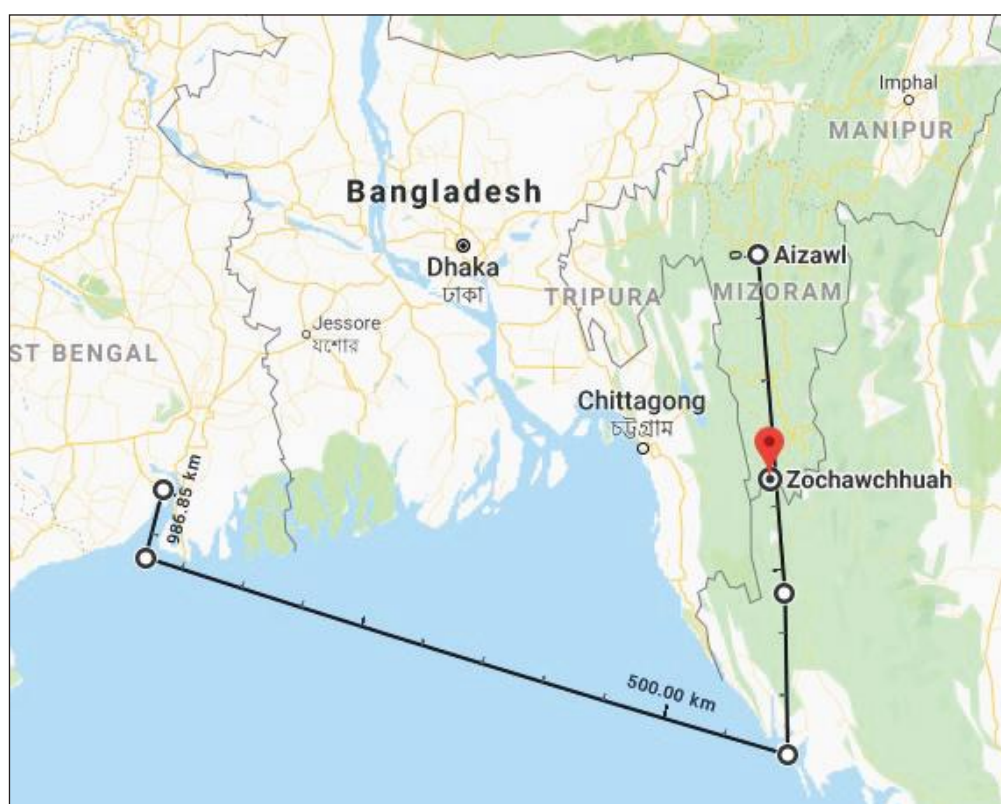
Map 1: IMT Trilateral Highway with Proposed Mizoram Connector and Extension to Cambodia, Lao PDR and Vietnam (Sketch)



Source: Created in Google map by author

Mizoram connector starts at Zokhwathar, the border trading point, and connects IMTTH at Kalemayo through Tedim in Myanmar. India has already committed to develop Rih-Tedim road in order to provide road connectivity to Mizoram to reach out to IMTTH for accessing the markets in ASEAN countries. In fact the Mizoram connector has at least four distinct advantages over Manipur connector. First, it will be shorter compared to Manipur (Moreh) connector. Second, the Mizoram connector to IMTTH will bypass the troubled northern part of the Sagaing division of Myanmar. Third, it will also bypass insurgent infested areas in Manipur and Nagaland for vehicles bound to mainland India (Bose, 2015). Fourth, unlike Manipur, Mizoram has tradable surplus in a number of horticultural goods which have a good demand in South East Asian countries.

Map 2: Kaladan Multimodal Transit Transport Project (Sktech)



Source: Created in Google map by author

Besides IMTTH, another connectivity project viz., Kaladan Multi-Modal Transit Transport Project (KMMTTP), which is also supposed to be completed by 2019/20, will provide a significant boost to Mizoram economy. KMMTTP is designed to connect the seaport of Kolkata with Sittwe seaport in Rakhine State of Myanmar across the Bay of Bengal. From Sittwe port, the boat route along the upstream of Kaladana River will connect Paletwa, about 158 km away, in Chin State. From there road connectivity is being developed to connect Zochawchhuah, border village in Lawngtlai district of Mizoram, which is about 63 km away from Paletwa (Map 2). The capital city of Aizawl is about 157 km from Zochawchhuah. This Kolkata-Aizawl KMMTTP connector will be roughly 600 km shorter than the existing Kolkata-Aizawl road via Chicken's Neck.

Thus, these two projects are likely to revolutionize the connectivity of Mizoram. The land locked state will be land linked with both the mainland India and South East Asia which, in turn, transform the local economy from tradition to modernity by way of strengthening access to both home and foreign markets. Moreover, as India is building the Sittwe Special Economic Zone at Ponnagyun town which is 60 kms north from Sittwe upstream of Kaladana River and also planning to construct a road to connect Paletwa with the Asian Highway 1, the underdeveloped southern Mizoram will transform itself as the connectivity gateway not only with the mainland India but also with the countries in South East Asia.

7.4 Road Connectivity, Resource-Trade Linkages and Economic Development

Road connectivity is viewed to be the arteries of economic development. Besides the reduction in transportation costs, connectivity in general and road connectivity in particular has tremendous intrinsic value in promoting development. By way of reducing distance between people and facilitating them to get connected and enabling people to easily access various vital services like healthcare, education, etc. roads contribute to the social wellbeing. What is most important is the fact that construction of road in an area where it was not there earlier adds economic value to local resources and induces people to produce marketable surplus. In case of Mizoram, the cross-border connectivity projects will not only break the isolation of the state but also reduce the distance of the both national and South East Asian markets. While IMTTH is likely to boost export of marketable surplus, Kaladan multi-modal transit transport project is expected to ease out import of agricultural inputs from the main land India. This will lead to generation of higher farm gate prices which, in turn, will boost up the farm income. This will then encourage the local farmers to expand the area of land under cultivation as well as diversify from traditional crops, which they used to produce for subsistence, to cash crops for which there is demand in the market (WB, 2002). In order to comprehend the impact of IMTTH on the economic development of Mizoram primarily through resource-trade linkages, it is important to analyse the resource-base of the state and its potential to promote cross-border trade with the South East Asian economies.

Resource-base and Production Structure of Mizoram

Although the economy of Mizoram is currently growing at more than 8 per cent (2013-16) and it is considered to be one of the high growth states in India besides Gujarat, Jarkhand, and Tripura (GoM, 2018), the fact remains that the state is overwhelmingly agrarian where more than 70 per cent of the people eke out their livelihood from works relating to agriculture and allied activities which contributes about 32 per cent of Gross State Value Added (GSVA) (2016-17). The manufacturing base of the state economy is extremely weak. In fact, the contribution of manufacturing activities to GSVA is negligible (0.55 per cent) for the same reference period. Although the service sector is the largest contributor to GSVA (43.49 per cent), much of it comes from public administration which is nothing but returns for services provided by the public authorities in the state. Thus, unlike Gujarat, the high rate of growth in case of Mizoram appears to be due to low base level of Gross State Domestic Product (GSDP).

However, there are two sub-sectors in land abundant Mizoram economy where the state has some distinct advantages: forestry and horticulture. With 86.27 per cent of total geographical area under forest cover, which is more than four times the national average (21.54), it occupies the second position among the Indian states after the Union Territory of Lakshadweep (FSI, 2017). Of the 32

per cent of GSVA by the primary sector in Mizoram economy during 2016-17, about 19 per cent (18.78 per cent to be precise) has come from forestry and logging activities alone (GoM, 2018). What is important to note is the bamboo bearing area in Mizoram forests. Bamboo is considered to be an important forest resource as it can be harvested easily due to its fast natural regeneration cycle. Unlike timber, bamboo cultivation involves shorter gestation period. Around 57 per cent of the geographical area of Mizoram is under Bamboo cover found at heights ranging from 400m – 1500m above mean sea level. Bamboo forests are found mainly along the river banks and abandoned jhum land as a dominant secondary vegetation. There is an estimated growing stock of 25.26 million metric tonnes of 35 varieties of bamboo in the state. It offers immense potential for commercial exploitation of this natural resource for export-oriented industries (GoM, 2018). However, the India State of Forest Report (ISFR) has estimated that compared to 2011, Mizoram has experienced a depletion of 5978 sq km of bamboo cover in 2017, the highest in the country followed by Arunachal Pradesh while at the national level it has rather increased by 17289 sq km (FSI, 2017). This is, no doubt, a matter of concern, which indicates a serious shortcoming in the areas of resource management where the rate of harvesting is far higher than the rate of plantation and regeneration which might jeopardise the state's resource-based industrialization as envisioned in its New Economic Development Policy (NEDP) adopted in 2016 (GOM, nd).

Besides forestry, the other prospective sub-sector having growth bearing implications is horticulture. While the paucity of plain land deters the expansion of wet rice cultivation (WRC) making the state perpetually in food deficit – only 34 per cent of requirement of rice is locally produced and 66 per cent is imported from outside – expansion of horticulture holds the key for the development of the local economy (GoM, 2018). Of the estimated area of about 11.56 lakh hectares, which constitutes about 55 per cent of the total geographical area of the state, having potential for the development of horticulture, only 1.36 lakhs hectares, about 12 per cent, is currently under use for the production of fruits (46.30 per cent), vegetables (33.53 per cent), spices (20.02 per cent) and flowers (0.15 per cent) (GoM, nd2). Although emphasis has been given to widen the horticultural sector as a strategy to transform the state's agri-sector from subsistence cultivation to market-driven cultivation under New Land Utilization Policy (GoM, nd1) and several schemes and programmes are being implemented since 2011 to bring more and more areas under it, the state stands out in the production of two spice crops: ginger and turmeric.

In fact, Mizoram is the fifth largest producer of ginger in India. According to Spice Board India estimated figures for 2017-18, total production of ginger in Mizoram amounts to 62740 tons which constitutes about 6 per cent of the total production in the country. Similarly, the state ranks ninth in the production of turmeric. With 29820 tons, it contributes 2.69 per cent of the total turmeric production in the country (SBI, website). There is a good potential to develop small scale processing industries in and around the ginger and turmeric producing areas in Mizoram replicating the model of the Multi-farming Cooperative Society at Reiek which is processing and marketing turmeric and organic turmeric powder in the state.

Besides these two spice crops, there are several other horticultural and plantation crops like chilli, squash, banana, and areca nut which grow in Mizoram in plenty and hold the promise for small scale processing units. The state also has potential in the area of floriculture. As noted in the website of the Department of Horticulture, the production of anthurium has been a success evidenced from its

countrywide demand. Similarly, the state also produces world class quality of roses for which there is a rising demand outside. Once the current problem of accessing regional and national markets is resolved, this sector is likely to drive the economic growth in the state.

7.5 IMTTH and Resource-Trade Linkage

Once the IMTTH is made functional, it will, no doubt, facilitate in forging resource-trade linkages in Mizoram. In the short and medium term, there is a likelihood that these linkages will manifest in case of surplus horticultural and forest goods. As has already been mentioned, Mizoram is one of the leading producer of ginger. Currently it is being exported to Bangladesh via the nearest border trade points at Sutarkandi and Karimganj Steamer Ghat and Ferry Ghat located in bordering district of Karimganj in South Assam region. It is important to note that Bangladesh was the biggest importer of Indian ginger during 2017-18 in terms of quantity, but it paid the lowest value per ton compared to other importing countries. According to Spice Board of India data, out of a total of 21607.49 tons of export, 8404.44 tons, i.e., 38.90 per cent, went to Bangladesh. The other major export destinations of Indian ginger are Morocco, USA, UK, UAE, Spain, Saudi Arabia, Australia, Germany and Netherlands. While the maximum value is fetched from Germany, Rs 3.06 lakhs per ton, the minimum value has come from Bangladesh, Rs 21 thousand per ton.

It may be pointed out that Bangladesh has an advantage in ginger trade vis-à-vis India's Northeast which produces about 33.63 per cent of total production in the country (2017-18). As the major ginger export business is concentrated in the state of Kerala, growers and intermediaries find it uneconomic to send their produce there due to high transportation cost. Local traders find it easier to export to Bangladesh through the numerous land border trading points across Assam and Meghalaya. Ginger growers in Mizoram get lesser firm gate price due to low price offered by the importers of Bangladesh.

This situation is likely to change once the IMTTH becomes operational and the ginger growers in Mizoram might be hugely benefitted. IMTTH will open up new markets for Mizoram ginger by way of connecting the state with Thailand. As Japan is the top leading importer of ginger in the world, 17 per cent of global import in 2016 as per the FAO data and 21 per cent of Japan's total import comes from Thailand, an integration of ginger market of Mizoram with that of Thailand will act as a bulwark for the welfare of the ginger farmers in the Northeastern region in general and Mizoram in particular.

While the IMTTH is expected to establish resource (ginger)-trade linkage in the short and medium term, it might lead to resource (ginger)-industry linkage in the long term by way of encouraging investment in ginger-processing industry in the state. Apart from its wide use in many Asian cuisines, many products can also be manufactured from ginger like dehydrated ginger, ginger candy, ginger powder, ginger oil, oleoresins, juice and soft drinks. It is also widely used for flavouring many food products like tomato sauce or ketchup, salad dressings, meat sausages, and pickles. Ginger based products have wide range of applications in many industries like food processing, pharmaceutical, meat canning, confectionary, tobacco processing and soap making. Once this resource (ginger)-industry linkage grows, the IMTTH will provide a new leaf where Mizoram can be a part of the regional value chain in food processing industry.

Besides ginger, Mizoram, with 29820 tons that accounts to 2.69 per cent of total production (2017-18), is the ninth largest turmeric producer in India. Like ginger, main turmeric export markets are located in the states of Kerala, Tamil Nadu, Andhra Pradesh and Maharashtra. As a result,

local traders find it easier to export Mizoram turmeric mainly to Bangladesh market. While the average international price for the year 2017-18 for Indian turmeric was Rs 97 thousand per ton, in Bangladesh market it was Rs 74 thousand per ton. As a result, turmeric growers in Assam and Mizoram get lesser firm gate price. Although Indian turmeric fetches better price from markets in USA, Germany, Japan, Netherlands, UK and South Africa, traders in land locked Mizoram hardly can access them. Once the IMTTTH and KMMTTP are made functional, new export routes will be opened up to the spice traders in Northeast India in general and Mizoram in particular. Instead of exporting to Bangladesh, traders in Mizoram will be in a position to export them in Japan where per ton turmeric fetches Rs 1.20 lakhs. A synchronization of turmeric trade of Mizoram with that of Myanmar, Thailand and Vietnam to reach out to market in Japan, which sourced about 73 per cent of its total import from India, according to UN Comtrade database will provide an alternative vent for the surplus produced in the state.

Like ginger, besides resource-trade linkages, turmeric also has the potential to lead to resource-industry linkages in the local economy of Mizoram in the long term as it is used in manufacturing of verities of products like turmeric powder, turmeric oil, oleoresins and Ayurvedic medicines. It is also widely used by the fast moving consumer goods (FMCG) sector in manufacturing various face creams, pharmaceutical sector for producing antiseptic creams, confectionery industries for making different food products, dye manufacturing firms for dyeing of clothes. In fact, the demand for turmeric extracts are growing both in foreign and domestic markets. India's turmeric extract exports have tripled over the past 3 years from Rs 150 crores in 2015 to Rs 500 crores in 2018 as noted by finetrain, a consultancy firm. Both the IMTTTH and KMMTTP by way of integrating the markets in Mizoram to that of South East Asia and mainland India will promote the cause of resource-industry-trade linkages within the state in the long run.

Besides ginger and turmeric, bamboo is the other significant resource of Mizoram having immense significance for the growth and development of the local economy. With the opening of IMTTTH, traders in Mizoram will be able to export bamboo shoots which is a popular food item of the people of South East Asian countries. It is reported that bamboo shoot is not only cancer preventive but also helps in the reduction of blood pressure and cholesterol. It is considered to be a heart protective vegetable. It can be exported as fresh or processed.

Apart from being edible, bamboo is also put to various industrial uses which can lead to the growth of resource-industry linkages in the local economy of Mizoram in the long term. Use of bamboo in pulp and paper industry is well known. As India is a leading producer of paper, pulp processing industry has a bright future in Mizoram. Further, bamboo textile is increasingly becoming popular with rising awareness about the superiority of bamboo fibres compared to cotton and synthetic fibres as it is not only cost effective but also free of pesticides, fertilizers and other chemicals. It can block 91 per cent of UVA and 98 per cent of UVB rays. Bamboo fibres produce textiles are soft, smooth and luxuriously comfortable (Stevens, 2012).

Moreover, due to a high, about 57 per cent, oil content in its biomass, low ash content and alkali index, bamboo is considered to be a good source of bio fuel. In order to fulfil the Kyoto Protocol commitments, countries all over the world, in their bid to reduce greenhouse gas emissions, are investing huge amounts to find alternative bio fuels that can supplement the conventional fuels. Oil companies are heavily investing in the bio fuel sector. Already, first-of-its-kind in India, a US\$ 200 million joint venture between Numaligarh Refinery Ltd. (NRL) and Finnish technology firm Chempolis Oy has started which seeks to crush bamboo of Arunachal Pradesh to produce 60

million litres of ethanol every year in Assam (Chakraborty and Pandya, 2018). A memorandum of understanding (MoU) has been signed between the Government of Arunachal Pradesh and NRL for sourcing three lakh tonnes of bamboo per year (IE, 2019a). For the interest of the bamboo growers, a system of procurement, free from middlemen, is being devised in line with that of the experience of Amul, the dairy firm in Gujarat, where small bamboo processing units will be set up in cluster of villages run by the local youths from which NRL will collect processed bamboo for its bio fuel plant.

Like Arunachal Pradesh, bamboo economy has the potential to change the fate of Mizoram. As per the UNComtrade data, the major export destinations of Indian bamboo in terms of value in 2016 are Bhutan (23.02 per cent), Germany (10.07 per cent), the UAE (7.38 per cent), France (6.57 per cent), Denmark (6.23 per cent), Sri Lanka (5.88 per cent), Japan (0.37 per cent) and Thailand (0.09 per cent). Although Japan (14 per cent) is the second largest bamboo importer in the world in 2016 after the USA (22 per cent), Indian export to Japan is not that significant. As Japan mainly imports bamboo from China, Thailand, Vietnam, Indonesia and Philippines, Mizoram's access to IMTTH can boost processed bamboo products to South East Asian countries.

7.6 Conclusions

Besides land-based renewable resources, Mizoram is also rich in landscape and climatic resources as well as human resources. In spite of being the second highest literate state in the country after Kerala, except communication, the level of technical skill formation among the Mizo youths has been a major concern due to the weak STEM (science, technology, engineering, and mathematics) based academic curricula. However, excellent English communication skill, polished behaviour and strong social bond in which Mizo youths are groomed make them a good host for the nature lover tourists as the state is endowed with magnificent physical landscape and climatic resources. As the IMTTH becomes functional, it will open up a tremendous scope for the tourism sector to grow in Mizoram.

Therefore, the IMTTH along with KMMTTP holds a promise for the Northeastern region in general and Mizoram in particular towards accelerating economic growth and development in both the short and long terms. However, the speed of adjustment with which the local economy will be able to reap the dividends of these new connectivity opportunities largely depends on how the local elites play out the trade-off between identity and development. As the tribal states in Northeastern region often prefer identity over development and steer an identity mediated development path, the speed of development gets slower as the skill formations without the external (read non-tribal) agents usually takes a long time. Factor markets – particularly land and labour – are highly rigid in these states as the non-tribals, any business entity is considered as non-tribal by default, cannot buy land due to legal prohibition, nor can they freely move into the territorial space of these states due to the existence of “inner line permit” system. Thus, the issue of identity, which is no doubt extremely important as the numerically smaller tribal groups fear of getting over swayed by the mainstream majority and consequently get extinct in their own land, stand on the way of speedy development due to factor markets rigidities. A judicious balance needs to be struck to speed up development in such societies. Political elites in the tribal states in Northeast in general and Mizoram in particular have to find a way out if they wish to steer development following the opportunities opened up before them once IMTTH and KMMTTP become functional.

7.7 Policy Recommendations

- **Resolution of identity and development dilemma:** The concern for identity preservation of the Mizos is reflected in all the Industrial Policy documents of 1989, 2000 and 2012. While the tiny, village and small scale industries are reserved only for the locals, medium and large scale industries are allowed under joint ventures between the outside actors and their local counterparts. Unskilled jobs under joint venture enterprises are vowed to be exclusively reserved for the local indigenous people of Mizoram. Such policies severely restrict the freedom of the industrial enterprises. Industrialists and businesses are sceptic about these conditions which have been laid out in the Industrial Policy statements by the Government of Mizoram.
 - » In order to encourage the outside entrepreneurs, a better balance between identity and development could be achieved if the concept of economic zone is adopted without any scale and local content restrictions and thereby giving a free hand to the businesses to conduct their operations. It is important to keep such economic zones beyond identity box and a separate set of laws be enacted for them which will empower the businesses and entrepreneurs to run their operations within the larger arrangement a la national legal framework.
- **Making use of industrial infrastructure:** Whatever industrial infrastructure is created in Mizoram in the form of Industrial Estate (Aizawl, Bairabi, Kolasib and Hmunhmeltha), Industrial Growth Centres (Luangmual), Integrated Industrial Development Centre (Pukpui and Zote), Export Promotion Industrial Park (Lengte) and Bamboo Technology Park (Sairang) has remained underutilized. Some of them are yet to be completed and made functional. Like other states in NER, these infrastructure assets have been created out of the central grants and the primary motive behind their creation appears to be getting central fund rather than their need based requirements. Moreover, these facilities are poorly administered by the people who are more interested in government jobs rather than the promoters of industrial growth in the state.
 - » In order to better utilize these industrial infrastructure, chambers of commerce and industries in Mizoram needs to be made a partner in their day to day functioning and designing the structure of such future projects.
- **Infusing corporate culture in PSEs:** A number of public sector enterprises have been created in Mizoram over time in order to promote industrial development and marketing. However, in view of their perennial underperformance and loss making, government of Mizoram is contemplating to close down Zoram Handloom and Handicraft Development Corporation (ZOHANDCO), Electronics Development Corporation (ZENICS) and Mizoram Agriculture Marketing Corporation (MAMCO) besides privatising Mizoram Food and Allied Industries Development Corporation (MIFCO) and restructuring Zoram Industrial Development Corporation (ZIDCO).
 - » In view of the fact that Mizoram can hardly expect any private sector big player to step into these areas anytime soon, it is better to find ways and means to instil corporate culture in them instead of their outright closure. Involvement of the stakeholders in their day to day functioning and linking target oriented outcome based performance as job incentives might turn them to desired growth path.
- **Product specific programmes:** While broad guidelines are laid out in industrial policy statements, product specific programmes need to be chalked out in conformity with them. It is here where much needs to be done. Be it ginger, turmeric, or bamboo--product specific feasibility studies, value chain analysis, ancillarisation plan, producers-processors linkage, marketing network, quality management, warehousing facilities and transport – all need to be synchronised. Instead of making efforts in multiple directions, scarce public resources might be better used if directed towards specific product oriented programmes within an achievable time-frame.

Endnotes

1. Refer, <https://horticulture.mizoram.gov.in>
2. Refer, <http://indianspices.com/#>
3. See, <http://www.fao.org/faostat/en/#data>
4. Refer, <http://indianspices.com/#>
5. *ibid*
6. <https://comtrade.un.org/>
7. Refer, <http://finetrain.com/business-opportunity-in-turmeric-processing/>
8. Refer, <https://yourstory.com/2017/06/assam-biofuel-bamboo>

References

- Bose, Pratim Ranjan, 2015, "Open border and thriving informal trade: Problems and prospects of promoting India-Myanmar trade through Mizoram", Viewpoint, Tuesday, November 3, <https://pratimview.blogspot.com/2015/11/open-border-and-thriving-informal-trade.html>
- Bose, Pratim Ranjan, 2018, "At Moreh, trade with Myanmar borders on informal", in The Hindu Business Line, November 12, <https://www.thehindubusinessline.com/news/at-moreh-trade-with-myanmar-borders-on-informal/article25478894.ece#>
- Chakraborty, Debjit and Dhvani Pandya, 2018, "Bamboo to ethanol, India's biofuel industry to explode into a \$15 bn market", *Business Standard*, April 3, https://www.business-standard.com/article/companies/bamboo-to-ethanol-india-s-biofuel-industry-to-explode-into-a-15-bn-market-118040300588_1.html
- Comptroller and Auditor General (CAG), 2015, *Report on State Finances, 2014*, Govt of Mizoram, https://cag.gov.in/sites/default/files/audit_report_files/Mizoram_State_Finance_Report_2015.pdf
- Das, Gurudas, 2000, "Trade Between the North Eastern Region and Neighbouring Countries: Structures and Implications for Development", in Gurudas Das and R.K. Purkayastha, (eds), *Border Trade: North East & Neighbouring Countries*, Akansha Publishing House, New Delhi
- Das, Gurudas, 2012, *Security and Development in India's Northeast*, OUP, New Delhi
- Egretau, Renaud, 2003, *Wooing the Generals: India's New Burma Policy*, Authors Press, Delhi
- Forest Survey of India (FSI), 2017, *India State of Forest Report 2017*, Forest Survey of India, Ministry of Environment & Forests, <http://fsi.nic.in/forest-report-2017>
- Government of Mizoram (GoM), nd, *New Economic Development Policy: Comprehensive Growth Strategy for Mizoram*, Planning & Programme Implementation Department, Mizoram State Planning Board, Government of Mizoram, <https://planning.mizoram.gov.in/uploads/attachments/288b1038294e96de117e720b57ebc742/new-economic-development-policy-nedp.pdf>
- Government of Mizoram (GoM), 2018, *Economic Survey 2017-18*, Planning & Programme Implementation Department (Research & Development Branch), Government of Mizoram <https://planning.mizoram.gov.in/uploads/attachments/e0cb711b1289b16c55c6d4273c3d003c/economic-survey-2017-18.pdf>
- Government of Mizoram (GoM), nd1, *New Land Use Policy for Better Mizoram*, <https://nlup.mizoram.gov.in/>
- Government of Mizoram (GoM), nd2, *Important Achievements During 2016-2017 In Respect Of Horticulture Department: An e-book publication*, <https://horticulture.mizoram.gov.in/uploads/attachments/41e4bb26d2545f2b8b32358c58c3341d/e-book-2016-17.pdf>
- Government of Mizoram, *Industrial Policy 1989*, <http://dcmsme.gov.in/policies/state/mizoram/pstmz02x.htm>
- Government of Mizoram, *New Industrial Policy of Mizoram 2000*, <https://www.nedfi.com/sites/default/files/files/Mizoram.pdf>

- Government of Mizoram, Industrial Policy 2012, <https://invest-india-revamp-static-files.s3.ap-south-1.amazonaws.com/Industrial%20Policy%202012.pdf>
- Human Rights Law Network (HRLN), 2005, "Chins of Myanmar in Mizoram A Fact-Finding Report, 2005", https://www.hrln.org/admin/issue/subpdf/Chins_of_Myanmar_in_Mizoram_1.pdf
- Indian Institute of Foreign Trade (IIFT), 1995, *Study on Promotion of Border Trade between India and Myanmar*, IIFT, New Delhi
- Kaasik, Karin, 2004, "The Chin and Mizo: Ex-brothers?", *The Irrawaddy*, APRIL, Volume 12 No 4
- Lalramhmachhuanai, William, 2017, "A Case Study on Drug Addiction Among The Mizo Youth", *International Journal of Current Humanities and Social Science Researches (IJCHSSR)*, [S.I.], v. 1, n. 2, June, <http://www.indiancommunities.org/journal/index.php/ijchssr/article/view/26/11>
- McConnachie, Kirsten 2018. Boundaries and Belonging in the Indo-Myanmar Borderlands: Chin Refugees in Mizoram", 2018, *Journal of Refugee Studies* Vol. 31, No. 3
- Rao, V L, Srinath Baruah and Ram Upendra Das, 1997, *India's Border Trade with Select Neighbouring Countries*, RIS, New Delhi
- Santoshini, Sarita 2018, "India's Hill Country Is the First Stop on Heroin's Deadly Route: In the nation's northeast, Christians and activists struggle over the future of addicts", *Foreign Policy*, October, <https://foreignpolicy.com/2018/10/02/indias-hill-country-is-the-first-stop-on-heroins-deadly-route/>
- Singh, K.P, 2019, "Free Move Regime: Provisions, Applicability and Impact", in Assam Rifles, (ed), *Compendium of Indo-Myanmar Border Management*, EBH Publishers, Guwahati
- Singh, Thiyam Bharat, 2007, "India's Border Trade with Its Neighbouring Countries with Special Reference to Myanmar", *The Journal of Applied Economic Research*, 1: 4,
- Spice Board India (SBI), Ministry of Commerce and Industry, Government of India http://indianspices.com/sites/default/files/Major%20spice%20state%20wise%20area%20production%20web%203072018_1.pdf
- Stevens, Eric, 2012, "Bringing Bamboo Industry to the United States", <https://www.slideshare.net/ericnstevens/bringing-bamboo-industry-to-the-united-states>
- The Indian Express, 2019, "Behind Mizoram's recent drug busts, a remarkable community effort", August 9, <https://indianexpress.com/article/explained/behind-mizorams-recent-drug-busts-a-remarkable-community-effort/> (accessed on August 9, 2019).
- The Indian Express, 2019a, "Dharmendra Pradhan assures support to tap bamboo resources of Arunachal Pradesh", August 25, <https://indianexpress.com/article/india/dharmendra-pradhan-assures-support-to-tap-bamboo-resources-of-arunachal-pradesh-4687012/> (retrieved on August 24, 2019).
- The Financial Express, 2018, "India-Myanmar-Thailand Trilateral Highway by 2019, says Union minister Nitin Gadkari", January 23, <https://www.financialexpress.com/infrastructure/roadways/india-myanmar-thailand-trilateral-highway-by-2019-says-union-minister-nitin-gadkari/1027327/>
- The Mizoram Post (MP), 2019, " Mizoram is biggest hub of drugs, gold and arms smuggling in South Asia", July 23, <http://themizorampost.net/index.php?archive=23.07.2019>
- The Mizoram Post (MP), 2019, " Biggest drug haul: 6 held with Meth tablets worth Rs 20 cr", July 19, <http://themizorampost.net/index.php?archive=19.07.2019>
- World Bank, 2002, *Socioeconomic Impact Assessment of Rural Roads: Methodology and Questionnaires*, World Bank, http://siteresources.worldbank.org/INTISPMA/Resources/383704-1153333441931/11274_Cgrootaert-Impact-Rural_Roads%5d.pdf (accessed on August 14, 2019)

8

Developmental Impacts of the Trilateral Highway on Northeast India

8.1 Benefiting from Trade–Development Linkages

The extension of the Trilateral Highway (TH) to Cambodia, the Lao PDR, and Viet Nam may further strengthen road connectivity between the NER states and Southeast Asian countries. The operationalisation of the TH will have an immediate impact on businesses and commercial activities in the Moreh–Tamu area at the India–Myanmar border as a spin-off of the improved connectivity, and, hence, faster transportation of goods between Moreh and Imphal on the Indian side of the border and subsequently to the Myanmar side. As a result of the reduced cost of transportation and faster processing of documents at the ICP Moreh, Indian exports to Myanmar, Thailand, and other countries are likely to increase. Increased trade between India and the Southeast Asian countries would propel economic activities along the TH. The trade-induced rise in business in Moreh–Imphal has the strong potential to generate a centripetal force around Imphal and attract exports from other parts of the NER, which is possible because of notable progress in rail connectivity in the NER connecting all the capitals of the NER states. This spurt in commercial activity would then require improved supply chains and the strengthening of existing corridors in the region. Moreh could become a critical node in the growth corridor that has been emerging with the TH and its possible extension to Mekong countries.

8.2 Leveraging the Growth Corridor Advantage

The larger developmental gains from the TH and its extension to the Mekong subregion can be visualised from the growth corridor perspective. In a growth corridor, connectivity facilitates the integration of urban centres/growth centres/nodes with the hinterland/less-developed areas. Connectivity-led integration in the form of a growth corridor has the potential to expand economic activities along the Moreh–Imphal zone. Very often, local industrialisation, especially SMEs, is affected due to a lack of technical know-how, uncertainty of markets, and lack of scale. Rural markets in most cases are fragmented and thereby offer little scope for the growth and diversification of local businesses. Therefore, improved and faster connectivity may unleash new dynamism in the rural economy in the NER. It may generate wider economic benefits through new enterprises, jobs, and greater inclusion. However, to gain such welfare, countries have to invest in transport, agriculture, tourism, energy, urban development, and other multi-sector/border zone development.

8.3 Gaining from the Trade-Industry Linkages

The most immediate impact anticipated from the operationalisation of the TH is the rise in bilateral trade among the partner countries. Once export possibilities increase, it would be cost-effective for the exporters in Manipur and other states in the NER to use the land corridor to trade with Myanmar and other Southeast Asian countries. Sagaing Province of Myanmar is a big market for Indian goods. Along with higher exports, the TH may generate a conducive business environment for the growth of industries in the NER. This is based on the logic that local firms in the NER would not only be able to export to Southeast Asian countries and beyond without the hassle of transporting goods to ports and waiting long for meeting formalities and customs clearances but also to source raw materials and intermediates from the neighbouring countries at cheaper prices. In view of such a scenario, a strong case for trade-induced industrialisation is being visualised in the NER. Box 1 presents a scenario of Northeast as an economic hotspot. To assess the potential of the industrialisation that could be attributed to the TH, it is imperative to examine the trends and patterns in industrialisation in the NER states.

Box 1: Converting Northeast to an Economic Hotspot

- Northeast can become an economic hotspot - a bridge-head between South and Southeast Asia with its location and resources
- TH could generate huge economic gains for NER, but NER states and centre have to work in sync dealing with NTSTs
- FDI flow in NER will go up after completion of TH
- Next steps: stop insurgency, introduce modern cargo handling arrangements (smart border), etc.
- Invest on youth – training and capacity building, a.o.
- Huge trade opportunities and value chains potentials
- Development of backend infrastructure in Manipur is must
- Set-up a regional centre in NER to guide the regional development programme

8.4 Sectors Offering Business Opportunities

The sector that is significant for the NER states is the food processing industry. The NER is known for agriculture and horticulture crops, including organic farming. In recent years, the region has witnessed significant growth in the production of fruits, spices, and plantation crops. Among the NER states, Assam and Tripura have more units in food processing than other states.¹ There are several challenges that food processing industries face in the NER, including a lack of transportation, inadequate cold storage facilities, lack of post-harvest technologies and processing of farm produce, lack of market access, and other factors.²

The central and state governments have implemented several schemes for the promotion and development of food processing industries in the NER. The schemes cover an entire spectrum of issues, such as food parks, cold chain, value addition and preservation infrastructure, food testing laboratories, research and development, and the modernisation of food processing industries. The number of projects sanctioned under two schemes, the National Mission on Food Processing and Technology Upgradation and Modernization of Food Processing Industries schemes are higher

than other schemes. For instance, there are only one or a few projects under the Mega Food Parks scheme, Integrated Cold Chain, Value Addition & Preservation Infrastructure and Research & Development for all the northeastern states, except for 19 projects for Assam under the Research & Development scheme.³

In terms of the potential for industrial development, the NER is well-endowed with natural resources. In particular, the rich mineral resources of the northeastern states can be harnessed properly for planned industrial development in the region. The mineral resources in the NER include coal, limestone, petroleum, natural gas, chromite, zinc, lead, copper, iron ore, and others.

In view of a possible spurt in economic activity post-implementation of the TH extension, a number of steps can be taken to promote industrial development in the NER. Manipur State could develop Special Economic Zones (SEZs) for timber, food processing, and other sectors. For the ease of payments and settlements in bilateral trade, normal banking facilities between Myanmar and Manipur should be opened. Some of the sectors having high business potential in Manipur are health care, education, tourism, infrastructure development, construction, and food processing.

The business opportunities are likely to trickle down to the entire NER through better connectivity and business marketing. There is a possibility of connecting the TH with the Kaladan Project and Imphal with Aizawl by road via Churachandpur and Tipaimukh in Manipur. This would perhaps boost industrial development in the neighbouring states, such as Mizoram, Assam, and Tripura.

In addition, the industrial units in and around Imphal have witnessed significant growth and have the potential to grow further. The industrial units broadly cover sectors such as garment making, including fabric, tailoring, embroidery, papad making, PVC pipe manufacturing, electrical transformer manufacturing, plastics products, drinking water, bread, and so on. Although the industries' department in Manipur has provided industrial sheds in the designated industrial estates, local firms face a number of challenges in expanding their businesses, which including a lack of on-time availability of working capital, uncertainty in the delivery of raw materials and finished goods, power supply interruptions, logistics problems, and insurgency.

Table 1: Major Tourist Attractions in the NER

State	Major Tourist Places
Arunachal Pradesh	Tawang, Dirang, Bomdila, Tipi, Itanagar, Malinithan, Likabali, Pasighat, Along, Tezu, Miao, Roing, Daporijo, Namdapha, Bhismaknagar Kund and Khonsa
Assam	Kamakhya Temple, Umananda, Navagraha, Basisth Ashram, Dolgobinda, Gandhi Mandap, State Zoo, State Museum, Sukreswar Temple, in Guwahati, Kaziranga National Park, Manas, Orang, Sivasagar, Tezpur, Bhalukpong, Hajo, Batadrava
Manipur	Imphal, Bishnupur, Loktak Lake, Sirori Hills, Keibul Lamjao National Park
Meghalaya	Shillong, Jowai, Cherrapunji
Mizoram	Aizawl, Champhai, Tamdil, Thenzawl
Nagaland	Kohima, Dimapur, Khonoma, Dzukou Valley, Dzulekie, Japfu Peak, Tseminyu, Longkhum, Ungmaveda Peak, Shilloi Lake, Mount Tostu
Sikkim	Gangtok, Bakhim, Yamthang, Dubdi, Dzongri, Varsey, Tashiding
Tripura	Agartala, Old Agartala, Tripura Sundari Temple

Source: NEDFi Databank.

8.5 Tourism Opportunities

The geographical location of the NER states, surrounded by the Himalayas and vast natural flora and fauna, makes the region attractive to tourists, both for the domestic and foreign visitors. There are numerous tourist locations spread over the eight different states in the NER. Some of the major tourist attractions in the region are listed in Table 12. Tourism is also a key income-generating activity in the region, which offers employment and people-to-people linkages. Completion of the TH and the strengthening of air connectivity with neighbouring countries will certainly expand tourism in Manipur and other neighbouring states in the NER. Among the factors that are likely to accelerate tourist flows, the ease of travel between the border towns of both India and Myanmar would open greater people-to-people interactions and attract tourists from Thailand, Viet Nam, Cambodia, and the Lao PDR.

The operationalisation of the TH and its extension to Cambodia, the Lao PDR, and Viet Nam would yield promising results for Indian tourism. In addition to the TH is the remarkable progress in road and rail connectivity as a result of the successful completion of road projects under the *Bharatmala* economic corridor programme and the railway projects connecting the state capitals in the NER. The Ministry of Tourism, Government of India, introduced two new schemes in 2014–15 called Pilgrimage Rejuvenation and Spiritual Augmentation Drive (PRASAD) and Swadesh Darshan, i.e. Integrated Development of Theme-Based Tourist Circuits. Kamakhya in Assam has been identified as a project under the PRASAD scheme. Likewise, the North-East India Circuit is one of the 15 thematic circuits that have been identified under the Swadesh Darshan scheme.⁴ The Government of India also offers certain incentives to promote tourism in the NER. These include the provision of complimentary space for the northeastern states in India Pavilions to set up at major international travel fairs and exhibitions, 100 per cent financial assistance to organising fairs and festivals, and special campaigns on the NER on TV channels to promote tourism in the region. Two tourist circuits that link Manipur with other states in the NER are Guwahati–Kaziranga–Kohima–Imphal–Moreh–Guwahati and Kolkata–Imphal–Moreh–Kolkata. The initial effects of the TH would be generated in Manipur and, subsequently, other tourist circuits in the region would either strengthen feeder tourists to Manipur from other parts of the region for the India–Southeast Asia route via Moreh or would increase the movement of Southeast Asian tourists to the NER and other parts of India through the Moreh–Tamu border. The National Highways and Infrastructure Development Corporation (NHIDCL) have been improving the roads from Imphal to Kohima and Imphal to Jiribam that would connect different places in the NER.

In the context of the TH, several steps are warranted to address the connectivity challenges with an aim to promote tourism. A Motor Vehicle Agreement (MVA) between India, Myanmar, and Thailand should be signed at the earliest. India may consider providing on-arrival visas at Moreh, which could facilitate tourism between India and Myanmar, and between India and Southeast Asian countries. Visa Collection Centres may be set up at Moreh (India) and Tamu (Myanmar). There have been strong historical and cultural linkages between Manipur and the Sagaing province of Myanmar. Both sides share a geographical border, and people of Sagaing province visit Manipur for health care, tourism, and trade, and vice versa. People from Myanmar also participate in sports festivals on the Manipur side every year. Regular bus services (private) have started from Tamu to Mandalay, Yangon and Naypyidaw in Myanmar, which will pick up the demand once the TH is completed. Completion of the TH will also resume point-to-point bus services between the two countries, such as Imphal and Mandalay or Yangon and Imphal through the Moreh border. In particular, people

from the Sagaing region can travel to Bodh Gaya via Imphal. Further travel to Kolkata and Patna is possible either by road or by air. Therefore, Buddhist pilgrimages will receive a fillip with the completion of the TH and the MVA between the three countries.

Medical tourism between India and Myanmar is another services sector that offers immense business opportunities in the NER. Today, a good number of patients from Myanmar visit Imphal for the treatment of health ailments. For instance, about 600 patients from Myanmar have been treated at the Shija Hospital in Imphal in the past few years.⁵ Medical tourism will expand further once the TH comes into operation.

Despite a good number of initiatives taken by the governments, there are several challenges to promoting tourism activities in the NER. Among others, a lack of proper infrastructure, lack of road-side amenities, lack of comprehensive marketing and promotion, uncertain law and order situation due to insurgency, negative travel advisories, and blockades affect tourism in the NER.

8.6 Employment Generation

The creation of adequate employment opportunities, including self-employment as well as wage-employment, is being viewed as the most tangible and desirable output of the TH and related projects. As argued above, trade at the India-Myanmar border at Moreh would act as a regional gateway for higher trade, investment, and other forms of economic engagement between the NER states and Southeast Asia. The growth corridor impact of the TH in the NER is likely to yield positive results drawing on the success stories of economic corridors in the Greater Mekong Sub-region (GMS), SASEC and CAREC countries, the Indonesia-Malaysia-Thailand Growth Triangle, and others. Although the size of the employment impact cannot be measured at this stage, the historical trends in employment in the NER may shed more light on the likely impact of the TH-inspired rise in economic activities and/or the nature of government intervention required to activate the regional value chains for job creation.

8.7 Education and Skill Development

The TH will certainly raise the demand for higher education and better-skilled resources. The issues of industrialisation, trade, and development in the NER require a comprehensive approach to addressing education and skill development. Skilling is a big challenge in the NER. The short-term response to the opening of the TH would be mostly demand-side measures. For instance, given the current and envisaged trade liberalisation, any possibility of an export rise can be met with higher production utilising existing industrial capacity and human resources. However, in the long-run, the supply side measures would matter most. Two important areas need special attention in this regard. Formal education, especially technical and vocational education, would ensure the sustained flow of a trained workforce in different industrial fields. At the same time, focus on skilling, both for fresh candidates and for the augmentation of the existing workforce, is vital.

Skill development may exclusively focus on food processing, garment manufacturing, small and village industries, tourism, trading of goods and services, and construction activities, among others. Women self-help groups can be suitably employed in the mission of skilling and contributing to income-generating activities. As part of long-term entrepreneurship development, technical and management graduates from the northeastern states may be offered technical guidance and credit support to explore the establishment of SMEs.

Endnotes

1. Based on NEC (2019)
2. See Rais *et al.* (2014) and Kathuria and Mathur (2019)
3. Based on NEC (2019)
4. See PIB (2020)
5. Based on discussions had with Shija Hospital in Imphal

References

- Kathuria, Sanjay; Mathur, Priya (2019), *Playing to Strengths: A Policy Framework for Mainstreaming Northeast India (English)*. Washington, D.C. : World Bank Group.
- NEC (2019) "NER Databank", North East Council (NEC), Shillong
- PIB (2020) Ministry of Tourism is developing 15 thematic circuits in the country for the development of tourism - Shri Prahlad Singh Patel, 3 February 2020. <https://pib.gov.in/PressReleasePage.aspx?PRID=1601785>
- Rais, M., S. Acharya, and G. W. Vanloon (2014), 'Food processing Industry: Opportunities in North East region of India', *The NEHU Journal*, XII(1), January-June: 37-51.

9

Challenges and Recommendations

9.1 Improvement of the Road Infrastructure, Completion of the TH and the Replacement of 69 Bridges

The road between Imphal and Moreh should be made into a six-lane road. In particular, the Moreh–Pallel section of the road has to be improved. Widening of the road in Monwya–Yargi section in Myanmar should be carried out to make it a four-lane road. Road conditions in Manipur, particularly those connecting neighbouring countries, should be made higher quality. Timely completion of the TH and the replacement of 69 bridges is critical to the NER’s linkages with Southeast Asia and vice versa. At present, the 112 km road of the TH is under construction under the supervision of the NHAI. The project was commenced on 28 May 2018 and is expected to be completed by 2022–23. The replacement of 69 weak/vintage bridges along the Tamu–Kyigone–Kalewa Road section of the TH was suspended due to a legal case at the Manipur High Court. The Government of India won the case in October 2019, and the work for the rehabilitation of the bridges is likely to start soon. Without the completion of the bridges, the TH cannot be made operational for cargo vehicles and passenger bus services between India and Myanmar.

9.2 Completion of the Negotiation of the Trilateral Motor Vehicle Agreement

Progress in the negotiation of the Motor Vehicle Agreement (MVA) between India, Myanmar, and Thailand for the TH has been slow. Given that all the three countries have ratified the WTO Trade Facilitation Agreement (TFA), TH countries may resume the MVA negotiations at the earliest time and complete the negotiations before the TH comes into operation. In many areas, the WTO TFA and TH MVA are interrelated. Myanmar’s progress in implementing the WTO TFA has been slow. Myanmar needs technical assistance and capacity building while implementing the WTO FTA. Both India and Thailand may offer adequate technical assistance and capacity building to Myanmar while implementing the TH MVA.

9.3 Promotion of Tourism

Myanmar and Manipur have strong cultural and civilizational links. The people of Myanmar, particularly from the Sagaing region, would like to travel to Bodh Gaya via Imphal. They can come

in groups by road to Imphal and then fly to Bodh Gaya via Kolkata or Patna. Once the bus service between Mandalay to Imphal is started, tourism will expand drastically.

In the case of health tourism, about 600 patients from Myanmar were treated in Imphal's Shija Hospital in the last few years. Shija Hospital has been receiving patients from Mandalay and several parts of Myanmar. Shija Hospital has conducted health missions in Myanmar. Jointly with Monywa General Hospital in Myanmar, it has conducted 179 operations. Through this mission, several surgeons and nurses were also trained. Health care facilities may also be developed at Moreh. Tamu General Hospital in Myanmar provides basic health care facilities. Therefore, the development of a super-speciality hospital in Moreh will promote health services between the two countries. In this case, patients would not need to go to Imphal for treatment. At the moment, visa collection takes 10–15 days. To facilitate the health services, the E-visa at the Moreh border shall be extended to Myanmar citizens for entering through the Moreh and Tamu border.

More hotel rooms will be added as tourism is promoted. At the moment, Manipur does not have any five-star hotels, whereas Manipur has high tourism prospects in the medium-to-high range. Most of the foreign tourists in Manipur are from Japan and the United Kingdom.

Manipur does not have any economic zones. Manipur State may consider developing a Special Economic Zone (SEZ) for health and education, etc. There are many challenges, such as bad road conditions and a lack of infrastructure, particularly roadside amenities, which are very poor in quality and limited in number. In addition, a lack of comprehensive marketing and promotion, the law and order situation, negative travel advisories, *bandh* and blockades, and the low image in the market are also negatively affecting tourism activities. These are vital challenges that must be addressed while promoting tourism in the NER.

The Manipur government is planning to set up an empowered team for the facilitation of trade, people-to-people contact, and economic interactions between the Manipur and Myanmar governments under the overall guidance of the Government of India under its Act East Policy.

9.4 Improvement of Border Infrastructure

There are several challenges associated with the Moreh LCS and the newly opened ICP. These include a shortage of staff, lack of constant electricity, absence of good quality internet, and the absence of accommodation for officials and other social infrastructure. During the time of the field survey, the cargo terminal of Moreh ICP was not operational. The Friendship Bridge near Gate 1 at the Moreh–Tamu border has to be redeveloped so that cargo vehicles use the bridge and for direct shipments through Moreh ICP. Number of good hotels and homestay facilities at the Moreh border has to be increased. India may consider building a guest house for Buddhist travellers at Moreh.

Passengers and traders face harassment at the border, which must be stopped. A full-body cargo scanner (for containers) shall be introduced at the Moreh ICP for export and import consignments. At the moment, there has been no container movement at the Moreh–Tamu border between the two countries. In addition, the Moreh border requires facilities, such as border fencing, additional warehousing facilities for refrigerated goods, cargo vehicle yards, warehouses for seized items, plant and quarantine facilities, and a controlling office for drugs and narcotics, etc.

Land acquisition and encroachment have been major challenges to the development and construction of highways. Meanwhile, local businesses and people face unlawful activities from insurgent groups, particularly between Imphal and Jiribam and between Imphal and Dimapur.

9.5 Ease of Travel between Moreh and Imphal

The Myanmar government has allowed third-country nationals to move through the Tamu border, which has led to the facilitation of passengers' movement between the two countries through the Moreh and Tamu borders. After the clearance of immigration at Moreh ICP, in-coming nationals (mostly from Myanmar) face multiple security checks between Moreh and Imphal, causing time delays and costs. The travel of foreign nationals should be made comfortable. Some of the people, particularly business people, should not face such trouble, and they should be handled nicely. Besides hotels and other amenities at Moreh, there should be adequate transportation facilities between Moreh and Imphal.

9.6 Safety and Security and Smart Border

With the opening of the TH, there are concerns with issues of illegal immigration, informal trade, and terrorism. Therefore, both India and Myanmar should introduce more scrutiny at the Moreh–Tamu border as well as other borders connecting both the countries. There is no denying that the border dispute between India and Myanmar has been forcing illicit trade and transportation to happen, which needs to be resolved before the TH becomes operational. The border at Moreh should be fenced with watchtowers, night-vision cameras, and radar cameras so that trade can take place with sufficient security and safety. Completion of the Imphal–Moreh road will help improve the tracking of the safety and security of vehicles with the help of digital technology, such as radio-frequency identification (RFID). An Electronic Data Interchange should also be introduced at Moreh customs, and human resources should be scaled up at Moreh ICP.

9.7 Removing Informal Trade at the Border

Border agencies should assure that imports passing through Moreh or Tamu illegally do not take place. Once a formal payment system is introduced, the current arrangement of informal payments at the borders will disappear. In parallel, all illegal trade routes at the border have to be closed, such as through fencing of the border and introducing border passes with the help of new technologies. The government's support is needed for promoting and building the capacity of the human resources who will be deployed to check the illegal payment and trade. Large informal trade (from neighbouring countries) has been negating the growth of industrial activities in Manipur and other parts of the NER. Formal trade at the Moreh–Tamu border is crucial for promoting industrialisation in the NER.

9.8 Supporting SMEs

Trade is mostly handled at Moreh by SMEs. Supporting these SMEs will then lead to involving the local youth and ethnic communities. Innovative measures, such as Mudra loans of about US\$7,000 per individual that are currently extended to SMEs, should be continued to help expand activity in the local markets. The Government of India may also consider extending transport subsidy to the exporters located in Imphal and Moreh, which would help them to compete with bigger exporters who are not from the region.

9.9 Opening of International Flights from Imphal and Guwahati

There are no flights between Imphal and Mandalay or Imphal and Yangon, whereas there are several flights between Mandalay and Yangon. Connecting Imphal with Mandalay and Imphal with Yangon will pave the way to enhance tourism and trade. Myanmar's Air KBZ and Imphal-based KB Enterprise are considering opening a direct flight between Imphal and Mandalay. If air connectivity is allowed, we need to make sure that flights from Imphal go straight to Mandalay and not via Aizawl. Besides, Imphal may also be connected with Bodh Gaya by direct flight. The airport in Imphal has to be upgraded to accommodate international flights.

9.10 Streamlining Banking Facilities

Normal banking facilities between Myanmar and Manipur should be opened. Presently, there are only cash transactions between Indian and Myanmar traders. Both countries need to move from informal payments to formal payments through bank transfers. India can implement special incentives and training programmes on formal trade procedures for local traders and youths.

9.11 Maintaining Law and Order

Law and order is a critical issue for peace and prosperity in the region. The problems faced by local traders and the problems faced by manufacturers are different. Trade and violence cannot go together. The movement of vehicles between Moreh and Dimapur and Moreh and Silchar with high security is very much needed. Moreh town and Imphal city should be protected from the occurrence of *bandhs* (general strikes), theft, violence, and disturbances of the peace.

9.12 Branding

Massive image building and awareness campaigns are needed. Manipur being at the border of Myanmar, and in view of the rising flow of Myanmar nationals to Manipur, the Government of Myanmar may like to open a consul office in Imphal. Both the state and central governments must invest in promotion, publicity, and the marketing of the NER states abroad. In addition, roadshows, online and electronic advertisements, participation in international trade fairs, and travel meets, etc. are required. NER states may appoint brand ambassadors and consider targeted approaches for domestic and international tourists.

9.13 Food Testing Laboratory at Moreh

All the laboratories in the NER under the FSSAI should be NABL certified, which is not the case in Imphal so far. At present, the food testing (FSSAI) activities are managed by the Manipur State Food Safety Department. A micro-biology section is not yet developed at the food testing laboratory in Imphal. A small office was opened in Moreh since last December 2018 to check the chemicals in processed food items, but it has since closed down. In view of the international trade at Moreh and Tamu, food safety must be strengthened, and food testing laboratories should be reopened with adequate capacity and human resources.

9.14 Narrowing the Infrastructure Gap between Moreh and Tamu

Moreh has set up an ICP, and several border improvement projects, both behind and at the border, are ongoing or proposed. The trade infrastructure at Moreh has witnessed drastic improvements in recent years, but the same improvements in Tamu are missing. Annexure 1 presents a comparison of the facilities at the two border posts. The current infrastructure at Moreh and Tamu is not adequately equipped to handle the future trade that we envisage when the TH comes in operation. To meet such a target, the priority should be to narrow down the infrastructure gap between Moreh and Tamu. Some of the projects worth considering are ratifying an SOP for the handling of goods and passengers, the interoperability of customs EDI systems, and the handling of container cargoes, etc. at the border.

Box 1: Way Forward

- TH to add further momentum to the ASEAN-India regional integration process
- Completion of TH and MVA should be done on fast-track basis
- Ample opportunities of setting up economic zones along the TH (industrial zone + SEZ+ warehousing zone) in Myanmar
- Setting up transshipment hub in Myawaddy – Mae Sot cross-border economic zone worth merits
- TH to bring enormous economic benefits to India's Northeast
- Several environmental and social risks as well and cautious and careful planning must.

9.15 Building Partnership between NER and Myanmar

There has been a strong and steady economic linkage between Manipur and Myanmar's Sagaing province. Not only do they share borders but people from Sagaing province visit Manipur for health care, tourism, and trade. Some of the sectors offer high business potential, such as the health care, tourism, education, infrastructure development, construction, and food processing sectors. Similarly, the NER's Mizoram, Nagaland, Tripura, and West Bengal states have cultural and economic linkages with Myanmar. Strengthening the NER-Myanmar partnership will then not only reinforce the bilateral foundation but also scale the relations to new heights. A new study may be conducted on the state-province level partnership between India, Thailand, and Myanmar.

Endnote

1. In 2018, 5,247 foreign tourists arrived (Manipur Chamber of Commerce). As present, Classic Hotels in Imphal (two hotels) has only 527 rooms.

Annexure 1: Comparison of Border Infrastructure Facilities at Moreh and Tamu

Sl. No.	Facilities	Moreh	Tamu
1	Warehousing	Yes, ongoing capacity of 800 square metres	Yes, two warehouses with capacities of 855 square metres and 485 square metres, respectively*
2	Cold storage	Yes*	No
3	Bank	Yes	Yes
4	Foreign exchange facility	No	Yes
5	Weighing bridge	Yes	Yes
6	Plant quarantine	Yes*	Yes*
7	Food testing lab	Yes*	No
8	Internet bandwidth	Moderate	Moderate
9	Human resources	<ul style="list-style-type: none"> At ICP, one regular post and 13 people are presently working on a contractual basis. At LCS, three inspectors, two havildars, and one superintendant 	<ul style="list-style-type: none"> Eight custom officials and one supervisor
10	Security	Yes	Yes
11	Electricity	Yes	Yes
12	Medical facility	No	Yes
13	Public conveniences	Yes	Yes
14	Parking Space	Yes	Yes
15	Weighbridge	Yes	Yes
16	Containers handling yard	Yes*	No
17	Hotel	Yes	No
18	Immigration	Yes	Yes
19	Customs EDI	Yes (SWIFT)	Yes (MACS)

* Not in operation at the time of field survey.

Source: RIS Survey (2019).

10

Conclusions

Trade has special significance for the economies of the NER states. However, transport and logistics bottlenecks have long been identified as serious constraints to the growth of the NER. The growth potential is considerably high in the NER when one considers its geographical proximity to the growing Southeast Asia and East Asian markets. Given its geographical location, enhanced engagement with ASEAN under India's Act East Policy could generate new economic opportunities, thereby fuelling growth in the NER, *ceteris paribus*.

The NER's value chain potential can be unlocked if the border infrastructure and transportation networks, in particular, are improved. To strengthen the connectivity between India and ASEAN, the TH between India, Myanmar, and Thailand is being developed with a proposed extension to Cambodia, Lao PDR, and Vietnam. Completion of the TH is likely to facilitate the faster movement of goods and people between India and ASEAN and add growth impetus to the NER.

The NER's connectivity with ASEAN has seen good progress with the construction of the TH. Since the NER is at the forefront of the TH on the Indian side, this study presents the status of the economic linkages of the NER, identifies the constraints behind and at the India-Myanmar border, and recommends policy measures to augment the linkages between NER and Southeast Asia.

Imphal and Moreh are strategic locations. Moreh should be developed as a centre for trade and business. Development must be achieved at the border zones, otherwise there is only transit trade.

The study has also reviewed the institutional arrangements and identifies key elements that may hinder the movement of goods and people across the India-Myanmar border along the Trilateral Highway. Building infrastructure networks, such as the TH and its potential extension to Cambodia, Lao PDR and Vietnam, will strengthen integration between India and ASEAN. At the same time, synergy between connectivity programmes may enable ASEAN and India to realise the benefits of economic integration and generate new growth potential for the Northeast India.

This study concludes that the NER will gain enormously if these challenges are taken care of and the needed mitigation measures are implemented throughout the region.

Transport and logistics bottlenecks have long been identified as serious constraints to the growth of the North Eastern Region of India (NER). To strengthen the connectivity between India and Association of South East Asian Nations (ASEAN), the Trilateral Highway (TH) between India, Myanmar, and Thailand is being developed, and there is a plan to extend the TH to Cambodia, Lao PDR, and Vietnam. Completion of the TH is likely to facilitate faster movement of goods and people between India and ASEAN and add growth impetus to the NER. Therefore, the TH and its extension may promote better quality economic integration and facilitate economic welfare of the people of the ASEAN-India region including the NER. This Report titled “Trilateral Highway and Its Extension to Cambodia, Lao PDR and Vietnam: Development Implications for North East India” sheds light on the economic principles underlying the NER market and to offer new ideas on how its potential can be better exploited in view of the TH development. As the NER will be at the forefront of the TH on the Indian side, this study assesses the status of the economic linkages of the NER, identify the constraints behind and at the India-Myanmar border, and recommend policy measures to augment the linkages between the NER and Southeast Asia. This study also reviews the institutional arrangements and identifies key elements that may hinder the movement of goods and people across the India-Myanmar border along the TH. It also analyses the development impacts of the TH on India’s NER. This Report serves as a valuable literature for policymakers, academics and practitioners.



RIS

Research and Information System
for Developing Countries

विकासशील देशों की अनुसंधान एवं सूचना प्रणाली

AIC

ASEAN-India Centre at RIS

Zone IV B, 4th Floor, India Habitat Centre
Lodhi Road, New Delhi 110 003, India
Tel.: +91-11-24682177-80; Fax: +91-11-24682173-74
E-mail: aic@ris.org.in; dgoffice@ris.org.in
Website: www.ris.org.in; <http://aic.ris.org.in>