



Delhi Policy Group

Advancing India's Rise as a Leading Power



DPG POLICY BRIEF

Moving Trade and Development Relations Forward with Myanmar

Author

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Indian Chief of the Army Staff Gen. MM Naravane and Foreign Secretary Harsh Vardhan Shringla with State Counsellor Daw Aung San Suu Kyi in Nay Pyi Taw, October 5, 2020. Source: Twitter/@IndiainMyanmar

Myanmar State Counsellor Daw Aung San Suu Kyi and Yang Jiechi, a Politburo member of the Chinese Communist Party in Nay Pyi Taw, September 1, 2020. Source: The Irrawaddy/ State Counsellor's Office

The Myanmar Institute of Information Technology (MIIT), Mandalay, Myanmar, another development co-operation project between India and Myanmar. Source: MIIT Website

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Moving Trade and Development Relations Forward with Myanmar

by
V.S.Seshadri

Foreign Secretary Harsh Shringla and Army Chief General M.M. Naravane are two senior figures in the government who know Myanmar better than most. Shringla headed the territorial division dealing with Myanmar in the Ministry of External Affairs for a good length of time. General Naravane served as India's military attaché in Myanmar when the armed forces there were still fully in charge.



Indian Chief of the Army Staff Gen. MM Naravane and Foreign Secretary Harsh Vardhan Shringla with State Counsellor Daw Aung San Suu Kyi in Nay Pyi Taw, October 5, 2020. Source: Twitter/@IndiainMyanmar

Their joint visit to Myanmar was to take place earlier in September, but was deferred because of developments in Ladakh and finally materialised early this month. That it happened despite the Covid-19 precautions in place signifies the importance attached to it by both sides. It also followed immediately after Foreign office consultations held online by the two Foreign Secretaries, during which they reviewed the full spectrum of bilateral relations.

The visit was an opportunity to showcase India's support to Myanmar when it is heading for elections in what is an evolving democracy that is still a work in progress. It could also be regarded as showing support for Myanmar's security and autonomous development at a time when there have been jockeying pressures for strategic projects. The Chinese Politburo member and Director of the Central Foreign Affairs Commission of the Chinese Communist Party, Yang Jiechi, led a delegation to China in early September pushing for progress on the China Myanmar Economic Corridor and other projects that were taken up when Chinese President Xi Jin Ping visited Myanmar in January this year¹.



Myanmar State Counsellor Daw Aung San Suu Kyi and Yang Jiechi, a Politburo member of the Chinese Communist Party in Nay Pyi Taw, September 1, 2020. Source: The Irrawaddy/ State Counsellor's Office

China uses its veto power in the UNSC to shield Myanmar internationally, while cashing in bilaterally for the services rendered. China's toolkit also includes keeping the ethnic problem simmering by offering support, including weapons assistance, for some of the armed ethnic groups in Myanmar, even as

¹ An assessment of that visit by this author may be seen at https://www.delhipolicygroup.org/uploads_dpg/publication_file/china-rises-further-in-myanmar-1236.pdf

it publicly professes 'pauk phaw' relations (literally 'sibling') with Myanmar and inveigles itself in peace process activities in the country.

Myanmar is not unaware of this double-faced approach of its powerful northern neighbour, but has shown a distinctive mix of realism, nationalism and measured accommodation in dealing with it. In recent years, it has also expanded economic ties with several other Asian countries, both within ASEAN as well as with Japan and South Korea, all of which are making substantial investments in the country. It is noteworthy the Japanese Foreign Minister Toshimitsu Motegi was the other high level visitor to Myanmar in recent weeks.

The attacks by the Arakan Army (AA) rebel group in the Rakhine and Chin states of Myanmar against the Myanmar army are the most recent of such instances of violence in the ethnic areas. Earlier, they took place only in the eastern part of Myanmar, closer to the China border. These being close to India's borders should be a matter of grave concern to us not least because some personnel working on the bilateral Kaladan project were also abducted². The Myanmar army has already alleged that a foreign power was assisting AA with weaponry, even as the reference was clearly interpreted to mean China³. There can be little headway in the implementation of the Kaladan project if such threats continue.

This brief is more about bilateral trade and development cooperation, which was extensively discussed during the recent joint visit, and not so much about political or security issues. But the political and security backdrop also needs appreciation and factoring in if there has to be a degree of urgency and strategising in enhancing bilateral economic ties. Discussing trade and related issues also assumes immediate relevance since the Joint Ministerial Committee on trade is to hold its next session on October 20, 2020. There is much that the Joint Committee can do to energise bilateral trade and investment levels that have long remained subdued and below potential.

Bilateral Trade and Investment

India ranks fourth in Myanmar's imports with a share of 5.12% in 2018. On Myanmar's exports, India's share has been varying annually and it has figured among the first seven or eight partners. In 2018, as per WITS data, it ranked

² <https://nenow.in/top-news/arakan-army-abducts-workers-of-paletwa-mizoram-road-project-confirms-myanmar-army.html>

³ See for example the newsitem " Myanmar calls out China for arming terror groups; asks world to help" by Shishir Gupta, 2nd July 2020, Hindustan Times

fourth with a share of 3.44%⁴. These figures have fluctuated since India's demand for their principal item of export, pulses, has varied depending on our own domestic production each year. What, however, also needs underlining is that India's exports to Myanmar have remained at around US\$ 1 billion since 2015-16, despite an overall rise in Myanmar's imports during this period.

India's trade with Myanmar in US\$ million

	2011-12	2015-16	2016-17	2017-18	2018-19	2019-20
India's exports to Myanmar	545.35	1070.65	1107.89	966.19	1205.60	973.89
India's imports from Myanmar	1381.15	984.27	1067.25	639.64	521.49	547.25
Bilateral trade balance	-835.77	86.38	40.64	326.55	684.11	426.64
Total bilateral trade	1926.53	2054.92	2175.14	1605.84	1727.10	1521.14

Source: DGCIS

In comparison with India's level of exports to Myanmar at the beginning of this decade, however, current export levels are higher. Moreover, the exports have also diversified and include pharmaceuticals, buffalo meat, cotton yarn, machinery, electrical machinery, vehicles including tractors and parts, certain steel items and soya bean meal. In certain years, significant levels of sugar and refined petroleum products have also been exported, depending on demand.

An encouraging outlook for the future is the number of Indian companies that have set up offices in Myanmar in recent years, including some of India's large business groups and also the formation of an India Myanmar Chamber of Commerce in 2017. CII has also been active and hosted an Enterprise India show in Yangon in December 2018. A branch of the State Bank of India was established in Yangon in 2016 and has added strength. It is also understood that payment options for goods traded have widened to include letters of credit being allowed to be opened (following an agreement between Myanmar

⁴ In Myanmar's overall imports China (32%), Singapore (19%) and Thailand (13.4%) ranked above India. In respect of Myanmar's exports, their destination to China (33%), Thailand (18.3%) and Japan (8.32%) were higher.

Economic Bank and the Union Bank of India that also has a representative office in Myanmar), rather than payments having to be routed only through Singapore based banks which was the case when sanctions against Myanmar were in place.

But certain aspects need to change if India's exports to Myanmar are to show greater dynamism.

a) Need for more investment-led exports

First, at its current stage of development, Myanmar is looking for increased level of foreign investments. Certain SEZs have also sprung up. India has figured low (18th in rank) in making investments⁵ into Myanmar in recent years, contributing only US\$ 39 million during the last four years⁶ as against an overall permitted inflow of around US\$ 25 bn into that country during this period. Greater Indian investments can help spur more trade. A recent EXIM Bank study⁷ has identified a number of products with potential to export based on India's export strengths and Myanmar's import demand. It has also pointed to potential areas for investments like pharmaceuticals, FMCG manufacturing, garments, infrastructure development etc., each of which could also spur bilateral trade.

b) Need for securing construction and other projects

Secondly, India has also not received any major commercial projects for implementation in Myanmar in recent years. India taking up the proposal for a substantial upgrade of the Thanlyin refinery by an Indian public sector company amounting to US\$ 6 bn, which appears to have been also reiterated during the recent joint visit⁸, could be important in this regard. Even where private sector participation from India is on the cards for other construction

⁵ Leading investors during this period when its permitted inflows totalled US\$ 25 bn. are Singapore (46%), China (14%), Hong Kong (10%), Vietnam (6.4%), Japan (5.84%) and Thailand (3.83%). Deatails can be seen at https://www.dica.gov.mm/sites/dica.gov.mm/files/document-files/fdi_4.pdf

⁶ Indian investments during the years prior to 2016 were significantly higher. As per Embassy of India in Myanmar the total approved investments by 30 Indian enterprises so far have been US\$ 764 m making India the eleventh largest. These have been mainly in the petroleum, financial services and wood sectors

⁷ EXIM Bank of India working paper No.90 on India-Myanmar Trade and Investment: Prospects and Way Forward that can be seen at <https://www.eximbankindia.in/Assets/Dynamic/PDF/Publication-Resources/ResearchPapers/110file.pdf>

⁸ See the newsitem <https://timesofindia.indiatimes.com/india/india-looks-to-build-6-billion-refinery-in-energy-rich-myanmar/articleshow/78499837.cms>

projects, a degree of governmental push, including from India's mission in Myanmar, could be important for a favourable decision.

c) Direct shipping from India to Myanmar

Third, the Joint Trade Committee could also consider whether coastal shipping between India and Myanmar could become a regular feature. With Sittwe port (the new berth set up by India as part of the Kaladan project) moving towards operationalisation in the Rakhine State in the first quarter of 2021, such a service could touch both Sittwe and Yangon and some of the Indian ports on the Bay of Bengal, depending on cargo availability. If passenger service becomes workable, this could facilitate pilgrimage and health tourism as well.

d) A total revamp of border trade mechanisms with Myanmar

This is perhaps the most crucial need. What passes for border trade today at the two land border customs stations at Moreh in Manipur (Tamu on Myanmar side) and Zhokawthar in Mizoram (Rhi on Myanmar side) does not do much credit to either side. What goes on is substantially informal unrecorded trade that is several times the actual recorded trade. If India does plan to expand border trade between the two countries, and this is one of the objectives behind the construction of the trilateral highway between India-Myanmar-Thailand, then the present arrangement is simply unsustainable.

India-Myanmar border trade in US\$m

	Myanmar's exports to India through Rhi/Zhokowhar	Myanmar's imports from India through Rhi/Zhokowhar	Myanmar's exports to India through Tamu/Moreh	Myanmar's imports from India through Tamu/Moreh
2017-18 (1st Oct-30 Sept.)	82.114	22.466	21.538	21.718
2018-19 (1st Oct-30 Sept.)	95.386	1.278	82.118	22.465
2019-20 (1st Oct-30 Sept.)	40.551	1.038	48.860	2.027

Source: Ministry of Commerce, Myanmar

Even in terms of border trade figures, there appears to be a very wide variation between the figures maintained by the two sides. India's border trade figures, that are first of all not so easily available, indicate very low levels. India's exports

to Myanmar through Moreh for the year 2017-18, for example, is indicated as less than even a million dollars, which is quite different from the Myanmar figures given in the adjoining table.

While the insurgency prevailing in the area is a constraining factor, such unrecorded and unregulated trade itself serves as a source of enrichment for the insurgent outfits⁹. It further acts as a conduit for contraband and third country goods coming into the country. A glance at the variety of goods available at the Moreh market in Imphal or in Guwahati (or for that matter in some of the Myanmar border towns) clearly indicates the leakage level. While this is also an internal matter to be sorted out by the central government in India with the concerned state governments, a more formal border trade arrangement can open up many avenues for local employment that should form a key element in a political solution to the insurgency issue.

With Myanmar, therefore, India will not only need to get assurances of continued support for preventing some of the Indian insurgent groups taking shelter across the border¹⁰, but Myanmar will also need to be politically persuaded that moving to a well-regulated formal trade mechanism will multiply trade in both directions to mutual benefit, lest they view the present largely one sided border trade, even if at a relatively low level, works to their benefit.

Rectifying the system will also require getting the integrated customs post at Moreh fully operational quickly and the customs post at Zhoukothar to be substantially upgraded with all the required infrastructure and manpower necessary. Where necessary, support could be extended by India in setting up the infrastructure on their side. Easy payment and currency arrangements will need to be put in place and origin forms will have to be devised for suitable handling of third country goods.

There is no reason why this cannot be done on the India-Myanmar border trade points at Moreh and Zhoukothar, when Myanmar has established more efficient border trade arrangements at Muse with China and at Myawaddy in

⁹ See for example the section on 'Informal payments' in the recent ICRIER which at page 20 notes how the various militant groups have come to view the Moreh-Imphal route as a lucrative source of collecting funds for their 'cause'. See link at https://icrier.org/pdf/Working_Paper_378.pdf

¹⁰ Indeed one of the purposes of the joint visit by the Foreign Secretary and the Army chief was to thank Myanmar for handing over to us 22 cadres of Indian insurgent groups caught in their territory in May 2020. https://www.mea.gov.in/press-releases.htm?dtl/33092/Visit_of_Chief_of_Army_Staff_and_Foreign_Secretary_to_Myanmar_October_45_2020

Thailand¹¹ as indeed at several of their border crossings. There are also a number of studies by Indian think tanks¹² which have made very useful suggestions on how the border trade at the land border points with Myanmar can be systematically organised, including recent comprehensive studies by ICRIER¹³ and EXIM Bank¹⁴.

Development Cooperation

India has a substantial development cooperation programme with Myanmar, with completed projects worth around US\$ 1.4 bn. These have covered training and technical assistance, infrastructure development and capacity building in a range of areas apart from cultural restoration. India and Myanmar can indeed be proud that the first batch of around 90 BE (Hons) students from the Myanmar Institute of Information Technology will be passing out early in 2021, after undergoing a five-year programme in a full-fledged university set up as a Centre of Excellence in Mandalay with India's assistance¹⁵. Similarly, an advanced centre for agricultural research, offering masters and doctoral research programmes, has been set up in Yezin in Myanmar under the bilateral development cooperation programme. This was inaugurated by President Ramnath Kovind when he visited Myanmar in December 2018.

There have certainly been some delays in the implementation of the trilateral highway and the Kaladan projects for different reasons. It is hoped that with the Supreme Court of India recently clearing the way¹⁶ for moving forward with the tendering process for the 69 bridges on the trilateral highway, this will be

¹¹ The two way border trade at Muse at the China-Myanmar land border in 2018-19 exceeded US\$ 4700 mn and at Myawaddy at the Myanmar-Thailand border point exceeded US\$ 950 mn as per Government of Myanmar statistics.

¹² This writer himself had written a report 'Transforming connectivity corridors in Myanmar into development corridors'. See the link at http://ris.org.in/images/RIS_images/pdf/Trans%20Report.pdf

¹³ https://icrier.org/pdf/Working_Paper_378.pdf

¹⁴ <https://www.eximbankindia.in/Assets/Dynamic/PDF/Publication-Resources/ResearchPapers/110file.pdf>

¹⁵ At its website MIIT explains why is it so special: 'MIIT is quite unlike any of the existing universities and educational institutions in Myanmar. Its educational programmes, curriculum, educational methodologies, infrastructure, and delivery are designed to be of world-class quality, based on the highly successful model of the International Institute of Information Technology, Bangalore, India (IIIT-B)'. Presently offering bacheoler's programmes in Computer Science & Engineering (CSE) and Electronics & Communication Engineering (ECE), masters and doctoral programmes are also on the anvil and its student strength is around 550.

¹⁶ See the link at <https://www.hindustantimes.com/india-news/supreme-court-clears-hurdle-in-highway-connecting-india-thailand/story-m4KcK0PypzswHb4xNanEAP.html>

quickly progressed. India's Foreign Secretary reportedly said as much¹⁷ during the recent Foreign Office consultations.



Advanced Centre for Agricultural Research and Education (ACARE), Yezin, Myanmar. An India-Myanmar Friendship Project. Source: Facebook/ACARE

But the purpose of dwelling on development cooperation in this brief is to flag two key points. First, even as India moves forward on construction of the trilateral highway and the Kaladan projects, it is critical that it uses this time to develop adequate internal road and rail infrastructure in both Manipur and Mizoram states, and all the way leading upto these two states from Guwahati in Assam, to be able to fully benefit from the two projects across the border. Otherwise, it will be a case of putting the cart before the horse. Furthermore, as stated earlier, it will also be essential to have functional and modern border trade arrangements, both in terms of soft and hard infrastructure, in place at the two transit points. The Joint Trade Committee meeting may be a good opportunity to initiate a time bound action in this regard.

The second point relates to what has been mentioned in the Press Release after the recent joint visit that the two sides have exchanged views on "measures to provide long term sustainability to projects such as the Myanmar Institute of

¹⁷ See the link <https://www.hindustantimes.com/india-news/india-myanmar-working-to-operationalise-sittwe-port-in-early-2021/story-JdJWJeb4nL6Gtw9PAFx11M.html>

Information Technology”¹⁸. This may be very important at a time when the university is also moving forward to establish masters and doctoral programmes. On the one hand, Indian assistance to the institution, that currently extends to mentoring and conducting its academic programmes, will have to move on at one stage or another, giving way to a Myanmar faculty to take over. A phased programme for such a transition will need to be worked out, without in any manner upsetting the gains made already. Myanmar will also need to quickly develop a dedicated faculty that grows with this centre of excellence and helps maintain its standing, rather than being transferred after a gap of a few years from elsewhere like routine government employment.



The Myanmar Institute of Information Technology (MIIT), Mandalay, Myanmar, another development co-operation project between India and Myanmar. Source: MIIT Website

What needs also examination by some of the Indian IT companies is whether this may not be the right time for them for setting up a business presence in Myanmar, when they will have ready access to IT engineers trained by MIIT who can be absorbed by them for building a local talent pool. At a time when Myanmar is making economic progress and as its IT needs will grow, this could be a good business opportunity. In such a case, the sustenance of MIIT could get reinforcement from the private sector as well.

¹⁸ See the text of the Press Release at https://www.mea.gov.in/press-releases.htm?dtl/33092/Visit_of_Chief_of_Army_Staff_and_Foreign_Secretary_to_Myanmar_October_45_2020

Conclusion

At times such as the present, when attempts are being made by third countries to put a spoke in the wheel of India-Myanmar cooperation moving forward, it is essential that trade and economic matters are not looked at by India in silos. They require a well coordinated effort that evaluates the political, security and economic challenges and opportunities in an integrated manner before coming up with a time bound implementable plan. Engagement with Myanmar will also have to be undertaken in a similar co-ordinated fashion. The very well conceived recent joint visit makes for a good precedent. There is much that a well devised modern border trade mechanism can render in moving the agenda forward with Myanmar for mutual benefit, which could be discussed productively at the forthcoming Joint Trade Ministerial meeting. Similarly, dovetailing the development cooperation programme with trade and business enhancement would make both elements mutually reinforcing.



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