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**Moreh-Namphalong
Borders Trade**

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MOREH-NAMPHALONG BORDER TRADE

Marchang Reimeingam*

Abstract

Level of border trade (BT) taking place at Moreh-Namphalong markets along Indo-Myanmar border is low but significant. BT is immensely linked with the third economies like China which actually supply goods. Moreh BT accounts to two percent of the total India-Myanmar trade. It is affected by the bandh and strikes, insurgency, unstable currency exchange rate and smuggling that led to an economic lost for traders and economy at large. India experiences a negative BT balance as the potential export items are not produced in Moreh. Opening of BT at Moreh has benefited the local border people in terms of employment, infrastructural development and also improves trade and other relationship between India and Myanmar. Myanmar is critical for India not only for BT partner but also for India's Look East Policy (LEP) for developing strategic and economic relations with East and South East Asian countries.

Introduction

Indo-Myanmar border trade (BT) is largely taking place through Moreh a small border town in Manipur in India and Namphalong in Sagaing Division of Myanmar. The opening of it at Moreh was an important achievement during India's Eighth Plan period. Moreh is the major border trading hub in the North Eastern Region (NER). The region is considered as the gateway to South, South East Asian and ASEAN economies. It has an immense potential for international trade and commerce through its borders thereby developing the local economy and people living at the borders. BT is functional between India and its neighbouring countries such as Myanmar after signing an agreement for it. It is an overland trade by way of exchange of commodities from a bilaterally agreed list by people living along both sides of the international border. It is taking place through the specified Land Customs Stations (LCSs). To facilitate a fast movement of goods the Integrated Check Post (ICP) are developed.

BT in Moreh was implemented in 1995 to trade a specific item of goods; later in 2008, it was upgraded to a normal trade. The paper, based on available literature and secondary data, analyse the nature of BT practices and prospective by linking Moreh market with its counterpart Namphalong market and established that BT is immensely linked with the third economies like China, Thailand, Korea, etc. The paper begins by discussing the situation of BT and development of LCS and ICP in the region that is followed by examining the two commercial hubs namely Moreh and Namphalong markets, extent of Moreh BT and factors affecting the BT such as bandh and strikes, limited exportable items, poor infrastructure, etc. It also briefly examines an illegal BT that is difficult to monitor as borders are largely porous. Subsequently, the Indo-Myanmar BT linkages with China are discussed. Further, the prospective beyond BT by stretching Myanmar as a critical country for India for achieving the goals of India's Look East Policy (LEP) is discussed. The paper ended by making some concluding remarks.

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BT, LCS and ICP in NER

NER, the gateway to South-East Asia, shares international borders with Bangladesh, Bhutan, China, Myanmar and Nepal. It constituted about eight percent of India's total geographical areas with a population of over 45 million constituting 3.76 per cent of country's population of over 1.21 billion in 2011. Government of India (GoI) has agreements with the above mentioned countries for overland trade or BT through the LCSs. BT is an overland trade and exchange of commodities by the residents along the border (DOC, July 2006). It is performed by way of exchange of commodities from a bilaterally agreed list by people living along both sides of the international border. There is a Free Trade Agreement between India and Bangladesh and Bhutan for BT through concerned LCSs. BT at Nathu La Pass, Sikkim with China is of duty free. It suggested that the region has an immense prospective for international trade and commerce through its borders.¹

The Governments of India and Myanmar signed in Delhi in January 1994 the first BT agreement in order to exchange goods produced locally by people living along 25 kilometres both sides of the border (Roy, 2010; and Alam, 2012). Subsequently, in April 1995 the first cross BT agreement was implemented with the opening of a trade route from Moreh to Tamu. BT between India and Myanmar has been operational for over 17 years now. Moreh-Tamu BT covers three types such as BT under barter system, free exchange of goods without export and import (EXIM) licence and trade under free convertible currencies (Singh, 2004). Both the governments had agreed to open four checkpoints which will help in checking BT and making it official, curb the illegal trade of goods and monitor the activities of various insurgent groups between these two countries (Alam, 2012). At present four LCS namely Nampong, Zokhawthar, Moreh and Avangkhu are existed in India for Indo-Myanmar BT. In Myanmar only two LCS as a counterpart are in operation to check the illegal trade between the countries. The issue of illegal trade continue to persist because a large part of this 1643 kms long Indo-Myanmar international border is porous located in the mountainous areas which are sparsely inhabited.

India and Myanmar signed a BT agreement in 1994 and have two operational BT points namely Moreh (India)-Tamu (Myanmar) and Zowkhathar (Champai, Mizoram, India)-Rih (Myanmar) on Indo-Myanmar border (MEA, 2013). Since January 2004 a bilateral BT is being carried out through the designated border points of Zowkhathar-Rhi (DOC, May 2006). A third BT point is proposed to be opened at Avakhung-Pansat/Somra. The estimated BT amounts to US\$ 12.8 million in 2010/11.²

As per the Central Board of Excise and Customs (CBEC), GoI, there are 38 LCSs spreading along the border of India as in April 2012. Of which 30 are along the Bangladesh border, three with Bhutan, one with China, three with Myanmar and one for all the countries as export extension counter in Guwahati, Assam. And there are two LCS yet to be notified though bilaterally agreed spreading in the region. Out of the 40 LCS in the North East only Nampong, Zokhawthar, Moreh and Avangkhu are at the Indo-Myanmar border. However, only two LCS in Moreh and Zokhawthar are in functional. Presently, most of the Indo-Myanmar BT takes place only through the Moreh LCS (MDONER, 2013). Moreh is the busiest LCS in NER by handling almost 99 per cent of the NER's trade with Myanmar (RIS, 2011). It is because at present the nearest town in Myanmar which is functioning as LCS called Tiddim (not Rih) is located at far distant that is approximately 75 kms away from the border village of Zokhawthar for Zokhawthar-Rih international BT. The far distance between the LCSs in Mizoram and

Myanmar acted as the stumbling block of BT development. Rih should be properly established as LCS to facilitate a proper functioning of the Zokhawthar-Rih BT. All LCSs need to be strengthened and made functional to ascertain all the trade potential.

ICP at Moreh, located adjacent to international boundary within LCS in Moreh, is one of the five ICPs in NER of India developed through a plan scheme in the 11th Five Year Plan.³ The five ICPs in NER are Akhaura in Tripura (at the border of India-Bangladesh), Moreh in Manipur (India-Myanmar), Dawki in Meghalaya (India-Bangladesh), Sutarkhandi in Assam (India-Bangladesh) and Kawarpuchiah in Mizoram (India-Bangladesh). ICP, as per the MDONER, is set up for the overall strategy for improved border management. It is an integrated complex of three main border related functions such as customs, immigration and border security for adequate dealing of flow of goods and people involving in trade business and others. It is also one of the measures of the government to promote trade link with South East Asia. It will not only facilitate a quick movement of goods but also enable to develop the India's LEP to connect the South East Asian economies.

BT through Moreh in particular is beneficial for people living in the border areas in terms of employment by engaging in trade activities, promotes development and improves Indo-Myanmar trade relations. It is often disrupted by bandh and strikes resulting to economic loss for traders and economy at large. Goods traded in Moreh market originated largely from the third countries like China or Thailand. According to the DOC, the Indo-Myanmar BT is quite limited trading value worth about US\$ one million per year on an average. At present 62 items of goods are tradable at Moreh (Indo-Myanmar) BT with five percent duty.

Moreh Market

Moreh, the international border town, is located in Tengnoupal sub-division of Chandel district of Manipur, the erstwhile princely kingdom. It lies in the Southeast of Manipur on the Indo-Myanmar border. It is often referred to as India's gateway to South-East Asia. Moreh is the only urban area in Chandel district with a geographical area of one sq km inhabited mostly by Kuki, Meitei, Tamil, Nepali and Muslim. Minority people like Bengalis, Biharis, Marwaris, Punjabis, etc. also exist in Moreh (Singh, 2004). The population of Moreh has grown from 14,962 in 2001 to 16,847 in 2011 growing at the rate of 1.19 per cent per annum during this period. In Moreh in 2011, over 56 per cent of the population were Scheduled Tribes largely Thadou Kuki and related tribes and the rest were others like Meiteis, Meitei Pangal (Muslims), Tamils, Marwari, Punjabi, Nepali, etc. Tamils and Punjabis are the refugees from Myanmar. Majority of the people living in Moreh are mostly traders. Moreh, being a business hub, people are mostly engaged in non-agricultural activities. For example, more than 83 per cent of its workers were engaged in it in 2011.

The distance between Moreh and Imphal the capital of Manipur is 110 km (ESM, 2009). Road is the only means for transportation of goods and services. A new road linking Imphal to Moreh is being constructed to facilitate trade with South East Asian countries in view of the India's LEP (PTI, 2012). Further, the new Imphal to Moreh road would shorten the distance by about 15 to 20 km lying in the National Highway 39. Moreh in India and Tamu in Myanmar are the two commercial hubs with a larger prospective for future development into a big city particularly the Moreh in the near future. Myanmar

and Manipur have traditional linkages with historical evidences in trading and sharing the culture and tradition. Manipur had a territorial issue with Myanmar over Tamu, erstwhile Kabaw valley. Trading with Myanmar is not a new phenomenon. Trade agreement for formalising the tradable items and terms and condition for trading between the two countries is a new phenomenon. Besides BT with limited items through Moreh, there is a larger perspective as India envisages developing to facilitate trade and other concerns such as security of India with the entire South East Asian countries. The need to develop Moreh town arises with the India's ambitious LEP to establish Moreh the gateway to South East Asia for trade and other relationship. The construction of roads and infrastructure in the border town, which is funded by the GoI, is to facilitate trade with South East Asian countries. In November 2009, an inter-ministerial team comprising representatives of DOC, MDONER and Department of Road Transport and Highways visited Indo-Myanmar BT points at Moreh and Zokhawthar (Mizoram) and reviewed various components associated with the infrastructure relating to the BT points with a view to strengthen them (MHA, 2009).

It was envisage that the development of BT will enhance the social and economic conditions of the people who are directly participating in the trade business. Development has to boost up the export potential of India in general and Manipur in particular by creating adequate infrastructure for promotion of export oriented industrial units. It is also suggested to develop Moreh town a special economic zone for promoting exportable goods. Two trade centres have been constructed each at Moreh and Imphal in order to facilitate and regulate Indo-Myanmar BT. Manipur has expressed to GoI to provide adequate infrastructural facilities like telecommunication, export-import information cell, show room-cum-sales counters, conference hall, boarding and lodging facilities, guest-room and restaurants, bank and other relevant government extension counters to facilitate the trades or business in creating a business like congenial atmosphere (ESM, 2009).

Tamu-Namphalong Market

Tamu⁴, erstwhile Kabaw valley, is situated in Sagaing division in northwest Myanmar near the Moreh town in the border of Manipur. It is an important commercial town for cross border business benefiting the Moreh town till mid 1990s. It was also a hub for smuggled goods from Thailand and China which are transported to India. It is the counterpart LCS of Moreh. The LCS in Tamu is functional. After signing the Moreh-Tamu BT agreement between India and Myanmar in 1994, the GoI set up LCS adjacent to Gate Number 1. All formal trade, except informal headload transportation of goods, is supposed to take place through Gate Number 1. This gate is not a very popular transit point because infrequently a truck carrying betel nuts enters through it from Myanmar (Nag, 2010). Few years later after the establishment of Moreh LCS, the Myanmar government established a super market in Namphalong that lies adjacent to Gate Number 2. These two gates are located in the Moreh border in Manipur. Thus, the BT at Moreh is regulated through Gate Number 1 and 2. Gate Number 1 regulates trade as per the trade rules of the government and Gate Number 2 regulates the unofficial trade (Lokendra, 2004). Trade through Gate Number 2 are permitted for the local residents but settled within a radius of 40 kms on both sides of the border of India and Myanmar.

Tamu, the counterpart market of Moreh, was a major trade point until 1995. In 1996 the market was shifted to Namphalong which is about five km from Tamu (Myint, 2003). Namphalong market, started functioning in April 1997, is located at the proximity of about 300 meters from the Moreh market. Moreh's main market, commonly known as the Morning Bazaar, is located near the border Gate Number 2. Namphalong market, unlike in Moreh market, is free of militants threat in the form of illegal tax and extortion.

Namphalong market is available with all varieties of foreign goods originated from the third country like China, Korea, Thailand and South East Asian countries supplying the chain of markets in India through Moreh. It sells items like electronic goods, blankets, shoes, jeans, shirts, jackets, decorative pieces, chinaware, crockery, cosmetics, eatable items, etc. Myanmarese made goods particularly the eatable items such as roasted sunflower seeds, tin fish, etc are widely sold in this market. These goods, which are popular in Manipur, are elegant in look and are sold at a very attractive, cheap and affordable price but it does not guarantee its durability or expiry.

Moreh market is popular because of Namphalong market. Goods from Namphalong market are imported in Moreh. Over 90 per cent of Namphalong market's customers are Indians (TNN, 2013). Most of the traders and buyers in Namphalong market are Indians; while no traders and buyers from Myanmar enter Moreh to buy Indian goods (Singh, 2004). It indicates that India's imports are much greater than its exports through Moreh. Every business day thousands of people enter into Namphalong market from India because goods are relatively cheaper at Namphalong as compared to Moreh market. Goods available in Moreh are dearer due to the imposition of illegal tax by insurgents and bribery by Indian customs and security officials (Burmaliibrary, 1997). Nag (2010) writes that the setting up of Namphalong market has altered the shop owner businessmen in Moreh market to a middleman between Myanmarese trader and the businessman from outside Moreh market in India. However, it has reduced the overall activity level of Indian middlemen traders by dealing directly to the Indian traders coming from outside Moreh. There are many shops along the streets of Namphalong market which sells Indian made goods such as clothes, cosmetics, snacks, aluminium utensils, etc that are greatly demanded in Myanmar. Namphalong market and Gate Number 2 function as a major gateway for Indo-Myanmar BT of cheap Chinese, Thai, Singapore, etc made goods. Both Moreh and Namphalong market are selling a mixture of goods produced in their respective countries and third countries. Most importantly the market in Namphalong is flourishing, as the result of Indo-Myanmar BT agreement; however, Moreh market is trailing. India needs to establish export based industries in Moreh by setting up a special economic zone to produce cheaper without compromising the quality to compete with the cheap products made in China or Thailand that dominates Namphalong market.

Extent of Moreh Border Trade

At present, 62 items are traded at the Moreh-Tamu bilateral exchanges of commodities (DGFT, 2012). Out of these, 22 items such as mustard/rape seeds, pulses and beans, fresh vegetables, fruits, garlic, onion, chillies, spices (excluding nut-meg, mace, cloves and cassia), bamboo, minor forest produce (excluding teak), etc have been traded at the Indo-Myanmar border since the implementation of the trade agreement in 1995. In November 2008, 18 items such as bicycle's spare parts, life saving drugs,

fertilizers, insecticides, cotton fabrics, stainless steel utensils, etc were added in the list. In November 2012, DGFT, GoI, has revised the list of BT items for import/export at Indo-Myanmar Border to 62 items by adding 22 new items such as agricultural machinery/equipments/tools, bicycle, bleaching powder, coal, edible oil, electrical & electric appliances, rice, etc.

The main items of exports includes wheat flour, bleaching powder, fenugreek seeds, cumin seeds, soyabari, dry chillies, agarbati, suman rose powder, pea, garlic, etc.; while the main import items covers betel nuts, turmeric, red kidney bean, gram, resin, reed-brooms, dry ginger etc (ESM, 2009). Items which are not listed in the list of 62 items tradable at Indo-Myanmar BT are also traded because of the upgradation of the Moreh BT to a normal trade to facilitate more items of trade. GoI permitted, subject to payment of custom duties as applicable on international trade with any other country of the world, a normal trade in all other commodities in addition to the items listed in the BT agreement between the two countries through LCS at Moreh. BT is carried out at a concessional duty of five percent on the identified items. It means that the scope and prospect of BT at Moreh is as large and wide as the normal trade between the countries provided all legitimate conditions, such as custom duties, are fulfilled.

Moreh LCS is the only properly operational LCS for Indo-Myanmar BT. The extent of goods traded here are of immense value that contributes a significant share in the overall Indo-Myanmar trade. There is wider scope and prospect of expanding the BT between the two countries. Nevertheless, the Indo-Myanmar normal trade remained at a low level. RIS (2011) specified that the top items exported from Moreh LCS includes soyabari, sumon rose powder and cumin seeds in 2001; however, in 2007, soyabari, soya grid and cumin seeds formed the top exported items. Betel nut, garlic and pulses formed the top items of imports from Myanmar in 2001; however, in 2007, ginger, betel nut and pulses were mostly imported through the Moreh LCS.

Moreh-Tamu BT is accounted to a multimillion-dollar trade business by transacting huge sum of US dollar every business day, when not disturb by law and order situation. Since the implementation of Moreh BT there is a mutual benefit for both the people living in an around the border areas in terms of monetary gain through trade activities as well as social interaction through mutual visit and contact among same ethnic groups living in the Indo-Myanmar border areas. The detail value of EXIM of BT at Moreh and also the overall trade between India and Myanmar along with the share of Moreh BT in the overall trade between these countries is presented in Table 1. During April 1995-March 1996, about US\$ 1.80 million value worth goods were traded at the Moreh LCS. Out of US\$ 1.80 million, only US\$ 0.14 million worth goods were exported against the import value of US\$ 1.66 million that resulted to a BT balance of negative US\$ 1.52 million. In the following period of 1996/97, the value of trade increases considerably, with the rise in popularity of the Moreh BT, to a tune of US\$ 8.41 million as export and to a level of US\$ 4.56 million as import value which resulted to a trade balance of close to US\$ 3.85 million. In the subsequent periods till 2002/03, BT balance remains negative in a varying level due to the greater import of goods than the export, which affects the balance of payment.

With the improvement in the border export over its import the BT balance become favourable and positive in 2003/04. In the following period the trade balance further improves at a tune of US\$ 0.24 million due to the greater export than imports. It happens despite the decline in the value of

export-import from US\$ 3.92 million in 2003/04 to US\$ 2.62 million in 2004/05. Export continues to fall in 2005/06 resulting to a negative trade balance. Interestingly in the following period export rose sharply with a record high at US\$ 13.52 million and import slipped to US\$ 0.59 million resulting to a huge BT surplus. After 2007/08, the EXIM value has gradually improved, despite the BT deficit. Import continues to be a larger component of BT. Indo-Myanmar BT through Moreh has improved touching US\$ 15.41 million in 2011/12. The deficit BT is not favourable for furthering the trade relationship; however, export can be improved by identifying and developing tradable items in the proximity of the LCS besides improving infrastructure such as transportation system, banking system, etc and creating an amicable socio, economic and political environment. Export remains lower than the import due to the very high road transportation cost and "little export from Manipur" (ESM, 2009). The total value of BT is low and fluctuated frequently. In an average, every year over US\$ six million worth goods (possibly including normal trade goods) have been exported and imported at Moreh LCS since the beginning of BT in 1995/96. This is against the average value of total trade (export plus import) between India and Myanmar at US\$ 588.31 million per year during 1996/97 to 2011/12.

Table 1: Moreh BT, All Trade and Share (%) of BT to All Trade, Indo-Myanmar

Year	Moreh (LCS) BT (US\$m)				Indo-Myanmar Trade (US\$m)				Moreh BT % Indo-Myanmar Trade		
	EX	IM	EXIM	BTB	IEM	IIM	EXIM	TB	EX	IM	EXIM
1995/96	0.14	1.66	1.80	-1.52	--	--	--	--	--	--	--
1996/97	8.41	4.56	12.97	3.85	29.17	114.37	143.55	-85.20	28.83	3.99	9.04
1997/98	6.93	10.24	17.17	-3.31	33.32	151.37	184.69	-118.05	20.80	6.76	9.30
1998/99	1.22	1.50	2.72	-0.28	23.04	132.91	155.95	-109.87	5.30	1.13	1.74
1999/00	0.77	1.55	2.32	-0.78	26.87	135.19	162.06	-108.33	2.87	1.15	1.43
2000/01	1.23	2.75	3.98	-1.52	43.78	150.92	194.70	-107.13	2.81	1.82	2.04
2001/02	0.26	1.61	1.87	-1.35	52.80	324.68	377.48	-271.88	0.49	0.50	0.50
2002/03	1.03	2.43	3.46	-1.40	66.06	295.69	361.75	-229.63	1.56	0.82	0.96
2003/04	2.02	1.90	3.92	0.12	74.90	341.72	416.62	-266.83	2.70	0.56	0.94
2004/05	1.43	1.19	2.62	0.24	92.47	331.61	424.08	-239.13	1.55	0.36	0.62
2005/06	0.88	1.18	2.06	-0.30	89.11	423.39	512.50	-334.28	0.99	0.28	0.40
2006/07	13.52	0.59	14.11	12.93	115.23	643.81	759.03	-528.58	11.73	0.09	1.86
2007/08	0.75	3.26	4.01	-2.51	135.67	592.60	728.27	-456.93	0.55	0.55	0.55
2008/09	1.06	1.79	2.85	-0.73	185.05	771.05	956.10	-586.00	0.57	0.23	0.30
2009/10	1.47	2.12	3.59	-0.65	179.04	1110.54	1289.58	-931.49	0.82	0.19	0.28
2010/11	4.50	8.30	12.80	-3.80	265.28	845.66	1110.94	-580.39	1.70	0.98	1.15
2011-12	6.54	8.87	15.41	-2.33	480.82	1154.93	1635.75	-674.11	1.36	0.77	0.94
Average	3.07	3.26	6.33	-0.20	118.29	470.03	588.31	-351.74	5.29	1.26	2.00

Notes: Figures given in column 6 and 7 for export and import are converted in US\$ million from rupees (Rs.55=US\$1). BTB – Border Trade Balance; EX – export; IM – import; EXIM – export-import; IEM – India's Export to Myanmar; IIM – India's Import from Myanmar; TB – Trade Balance; m – Million; -- not available.

Sources: Author's calculation based on Moreh Border Trade figures up to 2009/10 from "Indian Customs" given in RIS (2011) and after 2010-11 from RIS (2013); and Indo-Myanmar EXIM figures from Export-Import Data Bank.

Unlike the pattern of BT, the EXIM value of Indo-Myanmar has almost systematically increased. The trade balance also follows the similar pattern with negative values. However, trade balances steadily worsen from mere negative US\$ 85.20 million during 1996/97 to as high as negative US\$ 674.11 million during 2011/12. It is because the value of India's import of goods from Myanmar was exceedingly higher than the value of India's export of it. Major Indian exports to Myanmar are primary and semi-finished steel, steel bars and rods, pharmaceuticals, cotton yarn, auto parts & transport equipment, motorcycles, electrical machinery, engineering goods, soybean meal, meat and meat products, cement, and chemicals and allied products.

Interestingly, Moreh BT contributed a significant share in the total volume of Indo-Myanmar trade. During 1996/97, about 29 per cent of the export from India to Myanmar comes from Moreh LCS BT. In the subsequent periods, the share of border export declines with a varying proportion to as low as below one percent. It is prevailing at 1.36 per cent during 2011/12. In an average annually 5.29 per cent of the export to Myanmar is contributed by Moreh LCS.

The share of Moreh border import in the India's total import from Myanmar were lower to the share of border export in the India's total export to Myanmar almost throughout the periods since the operation of Moreh BT. The share of border import was about four percent during 1996/97; however, it rose to close to seven percent in the following period. Later till 2000/01, it hovers just above one percent. In the subsequent periods, it prevailed at below one percent. Noticeably, during 2006/07, the share of border import was negligible at 0.09 per cent, against the share of border export of close to 12 per cent; and in absolute term the value of border import was at minimal at US\$ 0.59 million, lowest in the history of Moreh border LCS import trade. It could be possible that the border import goes unrecorded at Moreh LCS or the channel and production of tradable items in Myanmar was low. In an average, border import contributes only 1.26 per cent in the total imports from Myanmar per year.

Moreover, an average share of Moreh LCS BT in India's total trade with Myanmar was just two percent per year. BT is contributing to some extent significantly which helps people living in an around the border areas in terms of economic upliftment and social integration whom are divided by the international borders.

Besides the formal BT, an informal BT has been growing. However, it is very difficult to know the exact volume of informal trade. RIS (2011) observed that the total volume of trade at Moreh is certainly more than official trade of US\$ 2.73 million. Also, the total volume of formal and informal trade is estimated at about US\$ 50.91 million.

Factors Affecting Border Trade

BT in Moreh is often disrupted by bandh and strike called in protest against the social unrest arises due to killing, insurgency problem, kidnapping, extortion, bomb explosion and similar factors. For example, in January 2013 a bandh was called in protest against a grenade attack to the president of the Hill Tribal Council (TNN, 2013). Similarly, in July 2011 a bandh was called against the arrest of Tamil leader, the president of the two organisations namely the Boarder Trade and Chamber of Commerce and Tamil Sangam in connection with the alleged murder of his business associate and cocaine smuggling (TNN,

2011). In January 2006, the Indo-Myanmar border was sealed when a twin improvised explosive devices exploded in Moreh and at Namphalong border market of Tamu town (PTI, 2006). Also, Indo-Myanmar BT was severely affected as vehicles stopped plying between Imphal and Moreh due to the demand for heavy tax from the vehicle owners by the insurgent NSCN (IM) (PTI, 2002). Traders made a payment unofficially to the insurgents in the form of tax and even to the Indian security forces in the form of bribery. Amount of tax varies depending on the negotiation skills of the trader. This payment goes unaccounted in the income of the economy. Such above mentioned bandh affects the Indo-Myanmar trading losing a large financial transaction. Bandh in Moreh usually affects the cross-border business in Namphalong market in Myanmar as most of its customers are Indian.

Further, the lack of any memorandum of understanding between the designated banks on both the countries, restriction imposed on exports as well as on items in barter trade, and cross-border insurgency affects the cross-BT (Alam, 2012). Meanwhile, in June 2008, an agreement was signed between the United Bank of India and the Myanmar Economic Bank for providing the banking arrangement for the implementation of the BT agreement between the two governments that takes place at Moreh (DOC, June 2008). Moreover, the highly overvalued exchange rate of kyat creates the problem in transaction. There is no fix exchange value of kyat and rupees (Singh, 2004). Exchange of currency between India and Myanmar was decided on the basis of the volumes of trade between Indian and Myamarese trades. Importantly, the trade centre in Moreh, which was set up for enhancing BT activities at Indo-Myanmar border, is not properly utilised (RIS, 2011); probably due to low volume of trade.

Illegal Border Trade

BT in Moreh, like in other borders of the world, involves illegal trade of goods and services. Smuggling of goods such as drugs, cocaine, alcohol, medicine, endangered wild life species and also illegal migration are common at Indo-Myanmar border. This resulted not only to huge unaccounted financial transactions affecting the national income; but also raises the issues on environment, livelihood and national security. Smugglers include both the common people and high ranking government officials and politicians. For example, an army colonel in Manipur was arrested in connection with the contraband drug smuggling case in February 2013 (Kalita, 2013) and officer in charge and other officers of the Moreh unit commando were arrested regarding the May 2013 Pallel drug smuggling case (IFP, 2013).⁵

Moreh is the main transit point of drug trafficking. Drugs originating from Myanmar are supplied to various parts of India through Moreh. Drugs are produced in the Golden Triangle that is a mountainous region in Southeast Asia covering areas of Thailand, Myanmar, Laos and Vietnam. Drugs, ganja, Chinese made weapons, ammunition and even spare parts of weapons and timber worth millions are smuggled illegally from Myanmar to India through Moreh (Kalita, 2013). According to Kurlantzick (2002) Myanmar military regime allowed the United Wa State Army (UWSA), an ethnic militia that operates virtually unfettered in North Eastern Myanmar, to expand its methamphetamine production. UWSA is the largest armed and narcotic trafficking organization in the world.

From India various items are smuggled to Myanmar such as tablets for manufacturing contraband in Myanmar, urea for use as the refining agent in the opium industry, bicycles and motorbike engines. People smuggled goods due to its cheaper prices and their availability which generates huge profit. It is envisage expanding BT legal items and the quantities in its trade agreement to tap the unaccounted income. Besides this, endangered wild life species like tokay geckos which has a high medicinal value are frequently smuggled through Moreh.

Many items are illegally traded which are often confiscated by the custom officials. Electronic equipments (VCD, inverters, battery, mobile phone, etc), precious stones, narcotic drugs (amphetamine tablets, ephedrine, heroine powder, etc), blanket, cloth carpet, detergents, soap, readymade garments, shoes, slippers, edibles and kyat are mainly confiscated. Every year customs department seize millions of rupees worth above mentioned items at Moreh. For example, the customs seizure of goods at Moreh border market was worth US\$ 0.65 million and US\$ 0.73 million during the financial year 1999/2000 and 2001/02 respectively (DCI, 2013).

China and the Indo-Myanmar Border Trade

Myanmar shares a common international boundary of 2185 km with China. Kudo (2010) noted that Myanmar BT with China has drastically increased since the legitimizing, formalizing and opening of BT to the neighbouring countries in 1988. Later, Myanmar government also signed BT agreements with neighbouring countries like India, Bangladesh and China in 1994, Thailand in 1996 and Laos in 2000. BT posts in Myanmar located along the China border are Muse 105 mile, Lweje, Kwanlong (Chin Shwe Haw), Liza and Kampiketi. The last two border posts were closed in 2006. In January 1998, the Muse (105 mile) office was expanded and started functioning fully as a one stop border gate service. It was gradually upgraded to the BT zone to deal with the increasing volume of trade. Kubo and Lwin (2010) writes that prior to the opening of the border post in Myanmar with China the BT were all illicit.

The border areas of Myanmar are mostly inhabited by ethnic minorities and the control of central government over these areas has been relatively weak. In Myanmar ethnic minorities consisted of about one third of its population. Guo (2007) mentioned that many ethnic groups living along the Myanmar-China border areas are related such as the Shan of Myanmar are of the same stock as the Dai in Yunnan Province of China or the Kachin of Myanmar are the same as Jingpo in Yunnan. Kubo and Lwin (2010) established that Myanmar government has tolerated smuggling in the border areas despite border posts are opened to legalise cross BT between Myanmar and China. Ethnic minorities have not always engaged in smuggling. They have established their own border posts to impose pseudo taxes on smugglers. There are about 20 border posts in Myanmar-China border areas; however, only one Customs House is operated by the central government. Myanmar imports goods from China via land ports amounting to US\$ 422 million in 2007-08. The land ports in China are all located in Yunnan Province the landlocked. Goods exported to or imported from Myanmar through Kunming (capital of Yunnan Province) Customs Office were mostly transported by road through Muse or Lweji. These goods, that were recorded and cleared at the Kunming customs office, were treated as BT transaction. Its functioning is indifferent with a normal trade in broad sense. Kudo (2010) writes that BT with China accounted for about 70 percent of Myanmar's total BT. The main route of BT in Myanmar is the 460 km

long road connecting Muse on the Chinese border, which is located opposite to Shweli (Ruili) in Yunnan Province, and Mandalay which is the second largest town in central Myanmar. The border gate between Muse (105 mile) in Myanmar and Shweli (Ruili) of China traded the largest volume of goods of 65 percent of the total (China, Thailand, Bangladesh and India) BT in 2006 (Table 2). BT of Tamu in Myanmar and India accounted for about one percent in the total volume of BT in the same year.

Table 2: Border Trade by Border Posts in Fiscal Year 2006 (US\$ million)

Border Posts in Myanmar	Counterpart Country	Export	Import	Total	Share (%)
Muse (105 mile)	China	433.0	281.1	714.1	65.3
Myawaddy	Thailand	61.0	95.1	156.1	14.3
Kawthaung	Thailand	35.7	42.5	78.2	7.2
Myeik (FOB)	Thailand	44.9	0.1	45.0	4.1
Lweje	China	17.6	15.2	32.8	3.0
Sittwe	Bangladesh	21.3	1.0	22.3	2.0
Tachileik	Thailand	16.0	5.0	21.0	1.9
Tamu	India	6.8	2.8	9.6	0.9
Reed	India	4.2	2.0	6.2	0.6
Maungtaw	Bangladesh	4.2	0.4	4.6	0.4
Chin Shwe Haw	China	2.5	0.4	2.9	0.3
Total		647.2	445.6	1092.8	100.0

Source: Central Statistical Organisation and Department of Border Trade-Ministry of Commerce, Myanmar Government, as cited in Kudo (2010).

Myanmar operates BT with China, Thailand, India and Bangladesh. Myanmar's BT with China takes place in four zones namely Muse, Lweje, Chin Shwe Haw and Kan Pite Tee. In 2011, as reported in Eleven (2013), the largest volume of BT of Myanmar takes place at this four trading zones along the border with China. The least BT occurs along the Indo-Myanmar border. BT with China crossed US\$ 7.8 billion in the four years to fiscal year 2011, while BT with India reached only about US\$ 66 million.

China indirectly partakes in the Moreh BT as most of the good available in Moreh are originated from China through Muse border post of Myanmar. China made a largest contribution in BT through the northern Myanmar. Most strikingly, Myanmar conducts a considerable share of trade with China. According to 2005 IMF data Myanmar and Vietnam conduct more than 10 percent of their total trade with China (Glosny, 2007).

Numerous items of Chinese made good such as electronic equipments, clothing, blankets, chinaware, etc are channelled through Myanmar to Moreh. Chinese made goods available in Moreh are attractive and cheap but it does not guarantee its durability. Chinese goods are affordable even for the poor. In Manipur many household are equipped with Chinese made goods to some extent. It has emerged that in northern Myanmar, Chinese migrants are occupying large share of local markets trading Chinese made goods. Myanmar shows a concern about the demographic changes besides a concern about defence and trade agreement with China. EPW (2000) writes that between 1990 and

2000 several illegal Chinese immigrants have taken over local business in northern Myanmar. It causes resistance with the local population of Northern Myanmar. Asia Report (2009) highlighted that it is estimated that 60 percent of Myanmar's economy is in Chinese hands, including both the ethnic Burmese-Chinese and recent immigrants.

Chinese made goods are often smuggled into Myanmar. Goods which are traded illicitly and unauthorised are often term as smuggled goods. Thokchom (2012) writes that a large number of China-made motorcycles are regularly smuggled into Myanmar across Myanmar's northern Shan state border with China's Yunnan province.

Beyond Border Trade

The opening of BT has benefited economically in terms of employment by engaging in trade activities that reduces unemployment problems and income generation and socially through interaction for harmonious relationship among the ethnic groups inhabiting across the border. Opening of border facilitates citizens from Myanmar to come to Moreh to eke out their livelihood as a worker in crafting industries legally with proper documents and some illegally without required documents. For instance, a large number of legal artisans mostly youth skilled wood carvers from Myanmar enter Moreh between 7 am to 4 pm during the day and have a lucrative job opportunity earning Rs.400 to Rs.700 per day depending on the work done at the border town of Moreh (Sharma, 2012). Opening of BT also helps in expanding the prospects of social and economic horizons by not only exchanging the goods and services but also integrating the local economies to a stronger economy of South Asian countries. Trade activities across India and Myanmar border is not only the affairs between these two countries but stretch to an Asian regional cooperation. In the 1990s, India launched LEP as a part of the economic liberalisation policy for developing strategic and economic relations with East and South East Asian countries and ASEAN⁶ members. Myanmar is being touted as the gateway to India's LEP (Alam, 2012). Egreteau (2010) writes that LEP was launched in 1991 to help gain increased economic and strategic influences in the region. India is making all concerted efforts to strengthen its relationship with Myanmar to achieve its stated objective. The relationship between India and Myanmar has improved in the area of bilateral trade, opening of economies to the South Asian countries and national security measure. GoI is making an effort to frame a policy for development of trade with South East Asian countries under India's LEP. Myanmar, which became a member of ASEAN in 1997, is the gateway to ASEAN for India because it shares a land and maritime boundary with India. It is strategically linked with the East and South East Asian countries. This induces India to develop and promote a cordial relationship with Myanmar.

Myanmar, the only country connected strategically between India and ASEAN, can serve as a central hub for exchange of goods, services and technology. Building of infrastructure will enhance greater economic interaction, connectivity, expand economic opportunities and trade between India and ASEAN. Greater regional interconnectivity across the countries will create their economy more dynamic and prospective. In terms of volume of trade, ASEAN is India's fourth largest trading partner after European Union, United States of America and China (Htun et al, 2011). India-ASEAN trade (EXIM) constituted 7.6 per cent of global trade of India in the early 1990s, the outset of liberalisation of Indian

economy. It remains at the similar level at 7.67 per cent with a value of US\$ 7.13 billion in 2000 (Table 3). It gradually rose to close to ten per cent in 2009. In 2011, the value of trade between India and ASEAN stood at US\$ 68.43 billion that constituted 13.32 per cent in the global trade of India of about US\$ 514 billion. India-ASEAN trade grows almost systematically with a compound annual growth rate (CAGR) of 22.85 per cent, more than the world's trade, during 2000/2011. Kimura, Kudo and Umezaki (2011) observed that computer parts and accessories and electric integrated circuits are the top two goods which India imports from the ASEAN. These two goods comprises of above ten per cent that major ASEAN exporters like Singapore, Malaysia and Thailand exported to India. Meanwhile India is increasingly exporting mobile phones to ASEAN countries.

Table 3: India's Trade (EXIM) with ASEAN and World (US\$ billion)

Year	IA	IA%IW	IW
2000	7.13	7.67	92.96
2001	10.04	9.60	104.58
2002	9.29	8.49	109.43
2003	12.38	9.16	135.21
2004	15.91	9.08	175.22
2005	20.36	8.55	238.10
2006	28.36	9.54	297.23
2007	36.96	9.51	388.80
2008	43.26	9.42	459.17
2009	41.32	9.77	422.87
2011	68.43	13.32	513.89 [*]
CAGR (%), 2000/11	22.85	--	16.84

Notes: Figure in rupees is converted to US\$ billion (Rs.55=US\$1). CAGR is calculated by the author.

IA – India-ASEAN; IW – India-World.

Sources: Data up to 2009 from De (2011); and 2011 from ASEAN Statistics and Export-Import Data Bank.

As a gesture of infrastructural investment and for bilateral relationship the Gol has built an India-Myanmar Friendship Road which would eventually benefit India for trade and other uses. The 160 km long Friendship Road project that was conceived in March 1993 connecting Tamu-Kalewa-Kalemmyo road close to Myanmar's western border with India linking Moreh aimed at promoting the vast potential available for cross-BT between India and Myanmar as well as contributing to the overall socio-economic development of the region (Baruah, 2001). The construction of the road was started in November 1997 and completed in 2000; later in February 2001 it was opened. India invested in Myanmar to strengthen infrastructure due to Myanmar's strategic geo-political position in the ASEAN countries. India considers Myanmar a crucial component of LEP due to Myanmar's potential in trade and economic opportunities. Egreteau (2010) elaborates that as a part of the LEP, India initiated the project called Bangladesh-India-Myanmar-Sri Lanka-Thailand Economic Cooperation (BIMSTEC) in 1997 and Mekong-Ganga

Cooperation (MGC) in 2000 to enhance trade and investment especially through infrastructure construction programmes such as Trans-Asia Highway project. The India-Myanmar-Thailand trilateral highway project, under the MGC, road with a length of 1360 km long Moreh-Bagan-Mae Sot highway was started in 2005 to improve border connectivity between India and Myanmar (Htun, 2011). This trilateral highway project was later incorporated into the transport sector of BIMSTEC; however, it has not yet executed.

Concluding Remarks

Border trade in NER especially through the Moreh LCS has an enormous prospective as India and Myanmar has upgraded to normal trade with certain conditions on custom duty and developed transport infrastructures for fast shipment of goods. An ICP in Moreh is developed for smooth and adequate functioning of customs, immigration and security. Moreh market, which depends on Namphalong market, needs to develop at par with Namphalong market by developing special economic zone in Moreh. Namphalong market is more popular in trading mostly cheap goods originated from third countries like China. The flourishing Namphalong market has benefited Myanmar in terms of revenue generation while India trails and loses it. Prices of goods in Namphalong are relatively lower than in Moreh market. India and Myanmar traded goods worth over six million US dollar in an average annually through Moreh LCS since the functioning of Moreh BT. BT balance remains negative due to the excess of imports over export in most of the years. India experiences a negative border trade balance as the potential export items are not produced in Moreh area that necessitates the establishment of special economic zone in Moreh for producing exportable goods apart from improving transportation and connectivity. In an average, the BT at Moreh LCS contributed two percent of India's total trade with Myanmar annually. However, in most of the years, the share of Moreh BT was below one percent in the total Indo-Myanmar trade. It is low but significant. Trade in Moreh is affected by bandh, strikes, insurgency, unstable currency exchange rate and smuggling resulting to an economic lost for traders and economy at large. Illegal items like drugs and contraband are traded through the border. Checking and monitoring of such illegal trading is difficult due to porous nature of borders. Establishment of border trade has improved employment opportunities for people living at Indo-Myanmar border. It also benefited them through infrastructural development and social relationship across the borders.

China's contribution at the Moreh-Namphalong border trade is immense. Many cheap items like electronic goods or blankets which are sold at Namphalong market originated from Shweli in Yunnan Province in China. Meanwhile, Myanmar is critical for India not only for BT activity but also for fulfilling the objectives of LEP that is an integral part of the economic liberalisation policy for developing strategic and economic relations with East and South East Asian countries. LEP envisages transforming NER into a dynamic and integrated economic centre besides promoting economic growth and development. Moreover, the growth of BT depends on the political stability, security, infrastructural development including transport and communication, legal provisions and institutional provisions. India's trade linkages beyond Myanmar would improve trade, investment and other relations with South East Asian or ASEAN countries.

Notes

- ¹ Some LCSs have been developed as ICP by the Department of Border Management, MHA. The conduct of BT varies from border to border. For example, the trade timing starts from 7 am to 4 pm during the day throughout the year in Moreh (Manipur) BT. However, BT between India and China, since its opening formally in July 6, 2006, through Nathu La Pass in Sikkim starts from 7.30 am to 3.30 pm at Indian Standard Time (10 am to 6 pm Chinese Time) restricting for four days in a week from Monday to Thursday for four months during 1st June to 30th September every year. Nonetheless, in 2012, it was set to open from 1st May to 30th November [PTI (2012a), "Border Trade at Nathula Resumes", *The Indian Express*, 1 May]. Nathu La Pass border market is functional only for few months in a year, possibly, due to the unfavourable climatic situation during winter snowfall. Often opening of BT at Nathu La Pass is delayed by bad weather.
- ² An agreement was made in the Third India Myanmar Joint Trade Committee meeting in October 2008 to upgrade the BT at the existing points to a normal trade in order to promote bilateral trade between the two countries. In this meeting the United Bank of India signed a MoU with three Myanmar national banks namely Myanma Foreign Trade Bank, Myanma Economic Bank and Myanmar Investment and Commercial Bank to facilitate mostly BT.
- ³ In connection with the BT, the then Union Minister of State of India visited Imphal and Moreh on September 29, 2006 and announced for development of Moreh Town by creating an ICP. Manipur government was entrusted the task of acquiring land measuring 45.50 acres at the cost of about US\$ 22.73 million. *Assuming the exchange rate at Rs.55 per one US\$*. In December 2011, acquisition of 38.34 acres of land for Moreh ICP is complete and possession has been taken over by the Assam Rifles on behalf of the MHA. The sanctioned amount for the project of ICP at Moreh was costing US\$ 24.73 million including cost of land, construction, scanners and other miscellaneous expenditure. Compensation amount of US\$ 3.90 million has already been paid to the affected landowners of this project.
- ⁴ Tamu is inhabited by the Chin, Burmese, Gurkha, Shan and Kachin (Myat, 2007). Anal, Chin-Thadou (Kuki in India) and Zo (Zou in India) also inhabit in Tamu (Ethnologue, 2013) besides Tangkhul Nagas and others.
- ⁵ The fate of the smugglers is determined by the connection and capability to fulfil the demand of money by the corrupt customs and security officials for illegal transit. It is also determined by the sincerity of the officials to their duties and corruption free among such officials.
- ⁶ ASEAN, formed in 1967, is a geo-political and economic organization of ten countries namely Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Myanmar, Cambodia, Laos and Vietnam. India entered a Free Trade Agreement with ASEAN in 2010.

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