

# ISAS Insights

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## Prospects for Border Trade in Mizoram

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In his recent budget speech, India's Finance Minister P Chidambaram said: "Combining the Look East Policy and the interest of the Northeastern states, I propose to seek the assistance of the World Bank and the Asian Development Bank to build roads in the Northeastern states and connect them to Myanmar".<sup>2</sup> Prior to this, New Delhi had expressed interest in building the India-Myanmar-Thailand highway, which would go a long way in the economic integration of India's Northeast with Southeast and East Asia. This may, however, be a while in the making; and the benefits that would accrue to India's Northeast from such projects are yet to be articulated. If implemented, Mr Chidambaram's plan could have a significant impact on the border regions of the Northeast, particularly in areas where border trade flourishes.

Almost 4,500 kilometres, or 98 per cent of the boundaries of the Northeast states constitute India's international borders with China and Bhutan in the north, Myanmar in the east and Bangladesh in the south and west. India's border trade with Myanmar takes place mainly through

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<sup>2</sup> 'To 'Look East', Chidambaram Takes N-E Route to Myanmar' (2013, March 01), *Hindustan Times*. <<http://www.hindustantimes.com/India-Budget-2013/Chunk-HT-UI-IndiaBudget2013-Politics/To-Look-East-Chidambaram-takes-N-E-route-to-Myanmar/SP-Article1-1019266.aspx>>. Accessed 01 July 2013

Moreh in Manipur and to a lesser degree Zokhawthar in Mizoram. With Bangladesh, the Indian states of Tripura, Meghalaya, Mizoram and Assam share a 1,880-km border; but much of the cross-border trade takes place through Assam, Meghalaya and Tripura.

Mizoram, which benefits as a peaceful state and as the only Northeast state to border both Bangladesh and Myanmar, has been unable to capitalise on such an advantage of location that it enjoys. Having signed a Peace Accord in 1986, the state saw an end to over two decades of insurgency. This frees it from the concerns of political violence, road blockades, strikes, kidnap and ransom by insurgent groups that are often cited<sup>3</sup> as some of the main impediments to the development of trade in Northeast India. Despite historical, cultural and economic links across the border, the stumbling block that prevents trade from taking off in Mizoram continues to be the lack of soft and hard infrastructure that is crucial to the development of border trade.

As such, cross-regional studies of border trade highlight its importance to border areas, which are often least-developed. Studies<sup>4</sup> reveal that border trade positively impacts the lives and incomes of traders, strengthens local production, and fosters service-provision such as storage facilities, transportation and ancillary services in the local bazaars. In the remote regions, where employment is scarce and salaries are low, border trade has the potential to generate income for a whole household and is more profitable than most available economic activities.

Cross-border trade lowers the import-process hassles and enables exporters to benefit from the higher value-add factors. Furthermore, by strengthening commercial ties, promoting cultural understanding and deepening community relationships, border trade helps to nurture amicable relationship among neighbouring countries. Some studies<sup>5</sup> have also observed that border trade has a gender dimension – women are more actively involved in border trading activities such as selling goods in bazaars as well as moving goods through the border-crossing points.

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<sup>3</sup> Prabir De. 'Challenges to India-Myanmar Trade and Connectivity', Presentation at Brainstorming Session on India-Myanmar Strategic Partnership, 04 February 2013. RIS, New Delhi. <[http://ris.org.in/images/RIS\\_images/pdf/India-Myanmar%20Meeting%204%20feb%202013%20PPT/PrabirDe.pdf](http://ris.org.in/images/RIS_images/pdf/India-Myanmar%20Meeting%204%20feb%202013%20PPT/PrabirDe.pdf)>. Accessed 01 July 2013.

<sup>4</sup> See Alejandro Figueroa, Erik Lee and Rick Van Schoik, 'Realizing the Full Value of Crossborder Trade With Mexico', North American Center for Transborder Studies, Arizona State University/New Policy Institute & 'Cross Border Trade within the Central Asia Regional Economic Cooperation' prepared by the World Bank (2007), CAREC Program.

<sup>5</sup> See 'Cross Border Trade within the Central Asia Regional Economic Cooperation' prepared by the World Bank (2007), CAREC Program & 'Unleashing the Potential of Women Informal Cross Border Traders to Transform Intra-African Trade' (2010), UN Women.

Yet, cross-border trade is vulnerable to government policies, and the lack of infrastructure can determine the extent of its success. Mr Chidambaram's task is made easier because the Asian Development Bank (ADB)<sup>6</sup>, one of his choice funding partners, assigns high importance to the development of infrastructure that will facilitate cross-border trade. The ADB is keen to develop infrastructure as an important determinant of productivity, development and poverty reduction within international borders and across them. Increases in income and overall national growth create new and greater demands for better infrastructure-based services, such as transport, telecommunications, energy, and water supply and sanitation, all of which are important services for fuelling and sustaining growth. In turn, it is argued that national and regional growth can contribute to regional security and economic development.<sup>7</sup>

The challenges of bridging the infrastructure gap in Asia include high investment costs, uneven distribution of benefit (and the related issue of who should pay for the infrastructure), financing constraints and varying regulatory responses, which make coordination very difficult. These are also relevant in the case of Northeast India.

The visit by India's Prime Minister Manmohan Singh to Myanmar in 2012 was a welcome initiative that brought the development of the border areas into sharp focus. The visit saw the signing of several Memorandums of Understanding (MoUs), which included a MoU on India-Myanmar Border Area Development and a MoU on Establishing Border Haats (markets). In October 1999, the Federation of Bangladesh Chamber and Industries signed a MoU with the Mizoram Chamber of Commerce and Industry. This was followed up, with a trade delegation, under the Government of Mizoram, visiting Bangladesh (Dhaka, Chittagong, Sylhet and Rangamati) to explore the viability and marketability of local Mizoram products such as ginger and chillies.

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<sup>6</sup> 'Cross-Border Infrastructure Development Way to Boost Trade, Poverty Reduction' (2006, May 05). *Asian Development Bank*. <<http://www.adb.org/news/cross-border-infrastructure-development-way-boost-trade-poverty-reduction>>. Accessed 28 June 2013.

<sup>7</sup> Ibid

The first Indo-Bangladesh 'Border Haat' came up in 2011 at Kalaichar in Meghalaya's West Garo Hills district, and the two countries agreed to set up eight more border 'haats' in Tripura, Meghalaya and Mizoram.<sup>8</sup>

The Government of Mizoram, mainly with the help of India's Union Ministry of Commerce, has made some progress to promote border trade with both Myanmar and Bangladesh.

## **Bangladesh Border**

In December 2011, a Border Trade Facilitation Centre was jointly inaugurated at the Mizoram-Bangladesh border town of Tlabung (in south Mizoram's Lunglei district) by Bangladesh's State Minister for Chittagong Hill Tracts, Dipankar Talukdar, and Mizoram's Trade and Commerce Minister, Lalrinliana Sailo. The two ministers also unveiled the India-Bangladesh Shared Vision of Peace, Prosperity and Partnership stone at Kawrpuichhuah, the proposed border trade centre for Indo-Bangladesh trade.<sup>9</sup> While the setting up of an integrated check post (ICP) at Kawrpuichhuah began with a survey by RITES Ltd. in 2005, there has been a delay in its completion mainly due to the pending approvals from India's Ministry of Home Affairs.

Four locations have been identified along the Mizoram-Bangladesh border where 'haats' are to be developed. These are at Marpara and Tuipuibari in Mamit District, Sillsury and Nunsuri in Lunglei District.<sup>10</sup> The opening of these 'haats' is expected to generate bilateral trade worth US\$ 20 million.<sup>11</sup>

The opening of the border 'haats' will allow for the exchange of agricultural and horticultural products, small agricultural and household goods, for example spices, minor forest products (excluding timber), fresh and dry fish, dairy and poultry products, cottage industry items,

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<sup>8</sup> 'Border Trade Talks Put Off With Bangladesh Due to 'Mahasen'' (2013, May 16). *Zee News*. <[http://zeenews.india.com/news/north-east/border-trade-talks-put-off-with-bangladesh-due-to-mahasen\\_849028.html](http://zeenews.india.com/news/north-east/border-trade-talks-put-off-with-bangladesh-due-to-mahasen_849028.html)>

<sup>9</sup> 'Bangladesh and Mizoram Ministers Inaugurate Trade Centre' (2011, December 11). *Money Control*. <[http://www.moneycontrol.com/news/wire-news/bangladeshmizoram-minister-inaugurate-trade-centre\\_631941.html](http://www.moneycontrol.com/news/wire-news/bangladeshmizoram-minister-inaugurate-trade-centre_631941.html)>. Accessed 01 July 2013.

<sup>10</sup> Border Haats in NER. Website of Ministry of Development of North Eastern Region, Government of India. <<http://www.mdoner.gov.in/content/proposed-border-haats>>. Accessed 28 June 2013

<sup>11</sup> 'India's North-East: Diversifying Growth Opportunities' (2013). Report by PwC for Indian Chamber of Commerce (ICC). <[http://www.pwc.in/en\\_IN/in/assets/pdfs/publications/2013/north-east\\_summit-2013.pdf](http://www.pwc.in/en_IN/in/assets/pdfs/publications/2013/north-east_summit-2013.pdf)>. Accessed 02 July 2013.

wooden furniture, handloom and handicraft items, etc.<sup>12</sup> For Mizoram, border 'haats' will boost exports of agricultural, horticultural, sericulture items and floricultural goods besides forest-based products. There is also a high demand in Bangladesh for quarry stones from Mizoram. The current proposal is that there will be no imposition of local taxes, and the Indian as well as Bangladeshi currencies will be accepted.

Currently, the Government of Mizoram is keen to supply bamboo, either in raw or semi-processed form, to Karnaphuli Paper Mill of Bangladesh. Mizoram is also keen to export ginger, chillies, *chow-chow* (squash), passion fruit, grape, anthurium, oranges, sesame, bananas, cotton, papaya and pumpkin to Bangladesh. In turn, Mizoram looks at the opportunity to import crockery, cement, iron and steel, meat on hooves, poultry items, cosmetics and toiletries, garments, gas, jute, rubber, shoes, ceramic, fish etc.

On the back of these developments, the argument for greater trade between Northeast India and Bangladesh is that the latter needs the Northeast India market to sell its products, while the former needs investments. This is also an opportunity for Bangladesh to rectify its trade imbalance with India while Northeast India can capitalise on this and bargain for investments in lieu of opening its markets to Bangladesh. Another argument is that importing goods from Bangladesh will be cheaper than products which are brought into the region from other parts of India, as the cost of transportation will be reduced.

While there is much to be done in the Mizoram-Bangladesh border trade sector, the Government of Mizoram has requested the Governments of India and Bangladesh to look at ways to open up the traditional river route from Tlabung to Chittagong. An alternative suggested by the state government was to develop a land corridor between Tlabung and Kaptai Dam in Bangladesh. The opening of Karnapauli river route between South Mizoram and Rangamati can also have positive economic impact. Further, requests have been made to Bangladesh to reactivate the Land Custom Station at Thegamukh.

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<sup>12</sup> *ibid*

## Myanmar Border

According to the Myanmar Department of Border Trade, the border trade turnover between India and Myanmar has ranged from US\$10 million to US\$ 22 million, though it is probably higher if the huge unaccounted informal trade is also taken into account. Major imports from Myanmar include betel nut, dried ginger, green *moong* beans, black *matpe*, turmeric roots, resin and medicinal herbs. Major exports into Myanmar include cotton yarn, auto parts, soya bean meal and pharmaceuticals.

**Table 1: Trends of India-Myanmar Bilateral Border Trade (in million US\$)**

Year	Myanmar exports	Myanmar Imports	Total trade	Balance of Trade
2005-2006	11.28	4.13	15.41	7.14
2006-2007	11.02	4.75	15.77	6.27
2007-2008	10.91	3.92	14.83	6.99
2008-2009	5.49	4.43	9.82	1.05
2009-2010	7.79	5.95	13.73	1.84
2010-2011	8.30	4.50	12.80	3.80
2011-2012	8.87	6.54	15.41	2.33
2012-2013	25.09	10.57	35.66	14.52

*Source: Department of Border Trade, Ministry of Commerce, Myanmar*

To facilitate a limited movement of the people residing along the Indo-Myanmar border, the Governments of India and Myanmar have permitted the entry of persons residing within 16 km from the international border on the basis of permits but not visa with certain terms and conditions. Local nationals of both sides can stay in the other country for three days within 16 km from the border on either side.

Of the four Land Custom Stations along the India-Myanmar border, most of the trade takes place at Moreh in Manipur while a much smaller quantum of trade takes place through Zokhawthar in Mizoram and a negligible amount through Nampong in Arunachal Pradesh and Avakhung in Nagaland. The current infrastructure in place at Zokhawthar includes the main building of the LCS, a State Bank of India outlet which opens three days a week, a weighbridge and a plant-quarantine building. Border 'haats' along the Mizoram-Myanmar border would be located in Hnahlan and Vaphai in Champhai District, Hruitezawl in Lawgtlai District and Chakhang in Saiha District. Besides these, three other locations have been identified in Manipur and four each in Arunachal Pradesh and Nagaland.

Even as the government speeded up the completion of LCS infrastructure in Zokhawthar, the 28-km road between the LCS complex and the nearest district headquarters, Champhai, however continues to be in a very poor condition and needs substantial upgrading. The road connecting Zokhawthar from the Myanmar side is in a poorer condition. The road from Zokhawthar to Kalemryo via Tiddim-Falam is a poor-grade single-lane *kutch*a road where the transportation of tradable commodities, in bulk quantity, is not possible. A project for the improvement of the Rih-Kalemryo road via Tiddim-Falam was proposed and a survey conducted by the Border Road Organisation. The total cost of this road was estimated at Rs 711.47 crores and has been approved by the Government of India, but actual work is yet to commence. This road is expected to have an enormous impact in facilitating trade across the Mizoram-Myanmar border.

There is also a proposal to open a Land Custom Station at Zorinpui in Lawngtlai District on the India-Myanmar border, where traditional, informal trade-transactions have been carried out for generations. Zorinpui LCS will be the main border post for goods that come through the Kaladan Multi Modal Transport Project once it is up and running. The Kaladan Project is also anticipated to provide access to the Southeast Asian countries and shorten the distance between Kolkata and Northeast India. The multi-modal transport infrastructure will connect Aizawl in Mizoram to Sittwe port in Myanmar via Lawngtlai, Zorinpui, Kaletwa and Paletwa. Work on the segments on the Indian side on National Highway 54 is targeted to be completed by September 2014. The corresponding work, however, needs to pick up pace on the Myanmar side. Zorinpui LCS to

Kaletwa and Paletwa is 129 km by road, and the distance from Paletwa to Sittwe port is 158 km by the inland water transportation system on the Kaladan river.

## **Ready for Take-off?**

The development of border trade is crucial to the success of the grand plans that will link Mizoram and India's entire Northeast region to Bangladesh and Southeast Asia through a web of transportation and communication infrastructure. Accrual of benefits to the communities residing in the border regions – often the most neglected and underdeveloped areas – has the potential to create a mindset that is open to greater trade and economic activities. The buy-ins, which are created over time, will help foster an environment conducive to the development of infrastructure and greater economic activities. For Mizoram, this is an opportunity to position itself at the heart of a sub-regional trading bloc in which it can benefit from the trade of its high-in-demand exportable consumer goods at lower prices. The development of logistics and related services can also enable it to benefit from transit trade in the future.

Yet, the challenges are enormous. The continued dependence on funding from the central government means delay in projects, especially those that need clearances and financial sanctioning from the central government. Security agencies, particularly the Ministry of Home Affairs, continue to hold the key to the pace of development of the border-trade infrastructure. Interestingly, a recent media report<sup>13</sup> suggested that insurgent groups are already taking advantage of the relative peace in Mizoram to conduct meetings and transfer arms from Myanmar to Bangladesh. The working out of security modalities and delays in the grant of security clearances, often requiring the visit by a team from New Delhi, can hold up progress inordinately.

For India, the management of complex relations with two important neighbours, Bangladesh and Myanmar, places the role of the Ministry of External Affairs at the centre of developing trade with them. Then, there are questions about the state government's capacity to capitalise on the

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<sup>13</sup> 'Delhi Asks NIA to Probe Weapons Haul in Mizoram' (2013, June 11), *The Telegraph*. <[http://www.telegraphindia.com/1130612/jsp/frontpage/story\\_16997445.jsp#.UdOpuJzz2X1](http://www.telegraphindia.com/1130612/jsp/frontpage/story_16997445.jsp#.UdOpuJzz2X1)>. Accessed 02 July 2013.



infrastructure that is being developed as well as its ability to ensure a corresponding planning of its agro-processing sectors, industries and value-added services that will bring in the much-needed revenue to traders and the government.

A comprehensive stocktaking of some of the current challenges and working towards a solution of those issues that can be solved quickly, is one of the ways to move forward. For instance, until now, the nearest food testing laboratory located in Guwahati was a hindrance for traders at the border, as the bulk of the traded goods consists of perishable consumer items such as fruits, vegetables, pickles etc. While the border-trade infrastructure – hard and soft, including customs procedure streamlining – comes under the purview of the central government, there is much that the state can do. In the short-to-medium term, the state government can strengthen its agricultural production capacity in terms of both quality as well as quantity, while assessing the sectors in which it can develop a comparative advantage over time. For the long-term, a composite augmentation of its agro-processing along with industries and services that would generate employment with higher value-add component, would be crucial for the development of the state. Mizoram must seize the opportunity presented by its location and the peaceful environment that it enjoys, and New Delhi needs to understand that any success on this front will have an impact on changing the mindset in the entire Northeast towards the building of infrastructure that will facilitate greater economic integration of this region with Southeast Asia.

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