THE CURRENT CONUNDRUMS IN INDIA-MYANMAR BILATERAL TRADE

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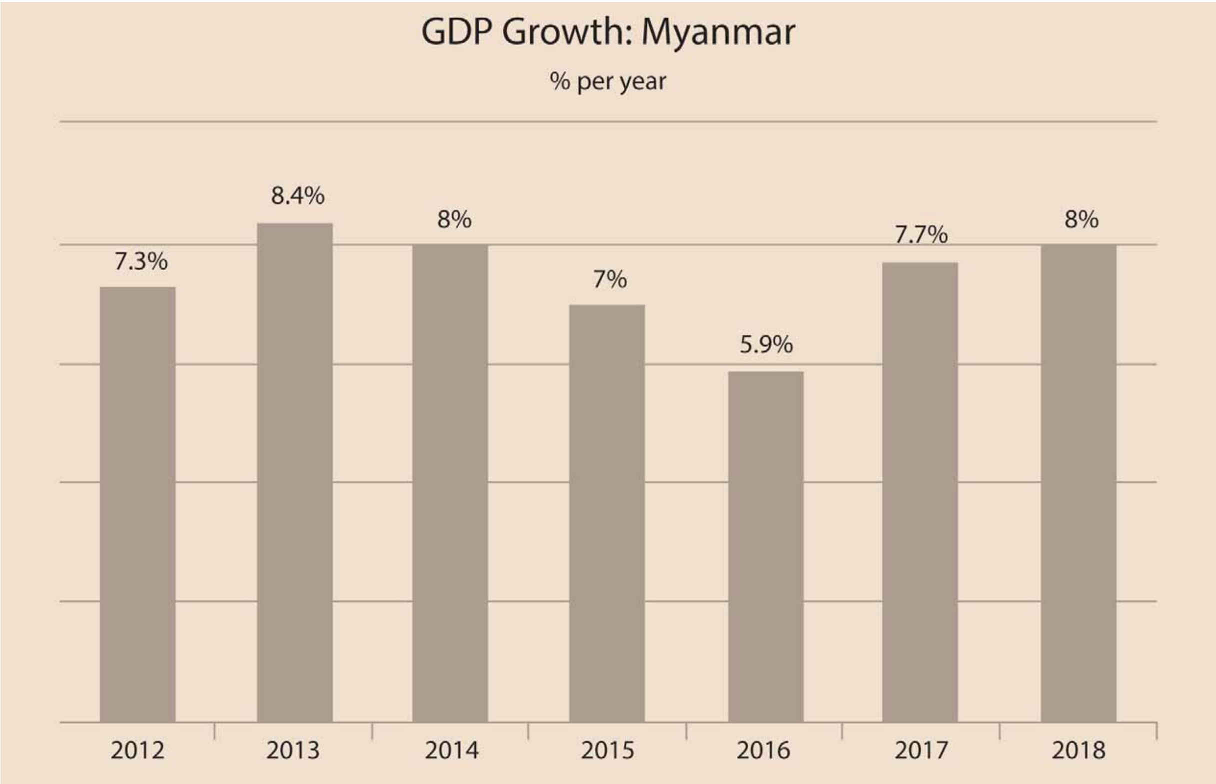
The figures in bilateral trade and investments between India and Myanmar reveal that despite being a next door neighbour and having committed to work in tandem with Look/Act East Policy, India still has to walk several miles to achieve a concrete and significant partnership with Myanmar. India-Myanmar bilateral trade saw a small growth from $2.05 billion in 2015-16 to $2.18 billion in 2016-17.[1] This figure portrays that India still lags far behind in Myanmar in terms of bilateral trade between Nay Pyi Taw and its other neighbours like China and Thailand. In 2015, Myanmar's two-way trade with China stood at $9.6 billion and with Thailand, it was $5.7 billion.[2] The Union of Myanmar Federation of Chambers of Commerce and Industry expected that India-Myanmar bilateral trade may reach $10 billion by the end of 2020, as expressed during the Joint Trade and Investment Forum, concluded in Yangon in February 2015.[3] As 2020 is approaching, achieving the two-way trade of $10 billion seems difficult and it is safe to say that the bilateral trade between India and Myanmar still falls short of expectations. India is Myanmar's fifth largest trading partner and tenth largest source of foreign investments. India contributes only 1.36 percent of Myanmar's total foreign direct investment.[4] By the end of June 2017, India's investment in Myanmar stood at $740.64 million.[5]

In the Joint Trade Committee (JTC) meetings, held between the officials from both sides and various other researches and studies, the identification of the logjams in enhancing the bilateral trade between India and Myanmar has already been done. To be brief and specific, an imprecise banking arrangement is one of the critical issues hindering bilateral trade between India and Myanmar. Reports indicate that the Reserve Bank of India still does not consider Myanmar at par with other members of the Asian Clearing Union (ACU). This, coupled with factors like lack of adequate banking operations within Myanmar, make it inevitable to settle financial transactions through Singapore. This increases the trade cost as banking through Singapore becomes expensive.[6] Even border trade is not problem-free. For instance, most of the small and medium businessmen from the border areas do not have the capacity to fulfil the criterion and observe the norms followed by the Indian banks to get loans for border trade or to benefit from the Letters of Credit (LCs). This also delays the Indo-Myanmar border trade, which, despite having potentials, could not reach a satisfactory level in the last two and half decades. This resulted in Myanmar's insignificant border trade with India in comparison to its border trade with China and Thailand. The situation becomes complicated due to lack of coordination between the border officials and central government agencies from both sides. For instance, Myanmar Times reported, in December 2015, the Indian side imposed ban on barter trade between India and Myanmar as New Delhi was convinced that sufficient banking systems were working both in Moreh and Tamu (the border trade points that handle more than 90 percent of Indo-Myanmar border trade) and thereby, barter trade seemed avoidable. However, the Border Trade Chambers of Commerce Association in Kalay, Myanmar indicated that this move was a premature one as the Indian banks were still not giving LCs and the whole process caused a reduction in the official border trade between India and Myanmar.[7] Furthermore, according to sources, though cash transactions have been taking place, the dealers from both sides still do not believe each other and thus, barter trade seemed more convincing and feasible in the border trade between India and Myanmar.[8] Another hiccup came in 2017 when Myanmar refused to open a new trade zone in Htantalan in Chin State bordering Mizoram in Northeast India, primarily because of lack of infrastructure and poor volume of border trade.[9]

Having mentioned a few of the recent tests facing the India-Myanmar bilateral trade, it needs to be pointed out that India has several reasons to make extra efforts to enhance economic cooperation with its nearest Southeast Asian neighbour. According to Asian Development Bank, Myanmar is set to experience an 8 percent growth in GDP in 2018. (For details, see Chart 1) A study by India's EXIM Bank[10] has identified three economic factors that should motivate India to boost trade and investments in Myanmar. First, Myanmar is now enlisted in the European Union's Generalised Scheme of Preferences (GSP); hence, investors who are using this country as a manufacturing hub and aiming at exporting the final products to the EU can now benefit from the EU-GSP. Second, for India, Myanmar is a land-bridge to ASEAN. The regional grouping, in its present status, is an economy of \$2.3 trillion. After China and India, ASEAN is the third driving factor of the Asian economy which is now working towards establishing a single market. Hence, augmenting trade and investments in Myanmar will give India another avenue to engage with ASEAN in a more meaningful way. Third, Myanmar itself is an emerging consumer market of 60 million people who have demands for products ranging from personal care to beverages to smart phones. Apart from these crucial economic factors, the current geo-strategy in the Indo-Pacific makes it inevitable for India to engage more robustly with Myanmar. After a few glitches in China-Myanmar relations during the rule of former President Thein Sein, the democratic government in Myanmar, under the leadership of Daw Aung San Suu Kyi, has improved its relations with China impressively. Reportedly, China is not only helping Nay Pyi Taw in getting some of the rebel groups in the negotiation table aimed at achieving the Nation-wide Ceasefire Agreement (NCA); it has also offered a mediating role in the ongoing Rohingya refugee crisis involving Myanmar and Bangladesh. Economically too, Myanmar is heavily dependent on China. China has invested heavily in Kyauk Phyu-Kunming oil and gas pipelines and a deep sea port. Negotiations have started to construct a China-Myanmar Economic Corridor to connect Myanmar's Rakhine state bordering the Bay of Bengal and China's Yunnan Province. On the other hand, India's Kaladan Multimodal Transit and Transport project and India-Myanmar-Thailand Trilateral Highway have seen much delay over the past couple of years. Hence, it can be said that the success of India's Act East Policy will now depend on New Delhi's prompt action and pragmatic approach as far as projects involving India and Myanmar are concerned. Apart from that, in two-way trade and investments, various studies have shown that there are a few sectors where India can extend its presence in Myanmar. These include manufacturing high-end smart phones, exporting cement, furniture, FMCG, energy, telecommunications, healthcare, creating townships, low cost housing development, ports and logistics, rural electrification etc.[11] Agriculture is another sector where India can substantially augment its cooperation with Myanmar in rice research activities, post-harvest technology, agriculture financing and articulating policies.[12]

India and Myanmar share a long porous border of 1643 km and Myanmar is the only Southeast Asian country which shares both land and maritime boundaries with India. Hence, Myanmar, in true sense, is India's gateway towards Southeast Asia connecting its landlocked Northeast with the dynamic economies of ASEAN. Understandably, enhancing economic partnership with Myanmar needs to be a priority in India's Act East Policy which will immensely benefit New Delhi in enhancing ties with Southeast Asia.



Source: Asian Development Bank[13] (2017 and 2018 data are forecasted)

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12 See Note 10

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