ACT EAST: ENHANCING INDIA'S TRADE WITH BANGLADESH AND MYANMAR ACROSS BORDER

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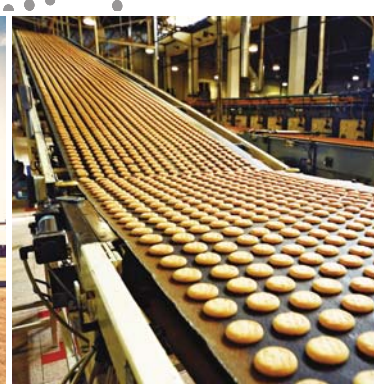

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Project Team:

Mr. David Sinate, Chief General Manager
Mr. Vanlalruata Fanai, Assistant General Manager
Ms. Sara Joy, Manager

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EXECUTIVE SUMMARY

India's Look East Policy, which was introduced in 1992, was relaunched in 2014 as the 'Act East Policy', with the objective of promoting economic cooperation, cultural ties and develop strategic relationship with countries in the Asia-Pacific region through continuous engagement at bilateral, regional and multilateral levels, thereby providing enhanced connectivity to the states of India's North East Region (NER). In fact, immediate border countries in the East and North East India region would play important role in the success of India's Act East Policy. Myanmar, the only member country of Association of Southeast Asian Nations (ASEAN), which borders India, shares a land boundary of around 1,643 km with four Indian states including Manipur, Mizoram, Nagaland and Arunachal Pradesh. Bangladesh is equally critical to the success of India's 'Act East', with 4,096.7 km long border is being shared with India along the states of West Bengal, Assam, Meghalaya, Tripura and Mizoram.

Regional Cooperation such as Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), whose membership include countries such as Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand, become increasingly relevant. In fact, the strategic importance of BIMSTEC can be seen from the fact that it acts as a bridge between South Asia and South East Asia and also serves as a common platform for intra-regional trade and cooperation among the SAARC and ASEAN members.

Recent Economic Developments in Bangladesh

Bangladesh is strategically located in South Asia, bordered by India, Myanmar and the Bay of Bengal, making it one of the major hubs in the global trade arena. The country has a population of 163.2 million (2017) with a land area of 147,570 sq km. Bangladesh is a part of Goldman Sachs' N-11 group of countries, with steady monetary policy management and fiscal discipline supporting macroeconomic stability. According to the International Monetary Fund (IMF), the country has benefitted from favorable external demand, high remittances, and low commodity prices, resulting in strong output growth, falling inflation, moderate public debt, and a rebuilding of external resilience.

Bangladesh is the 43rd largest economy in the world and is also among the fastest growing economies, with a growth rate of 7.1 percent in 2017. Over the last decade, nominal GDP has more than trebled from US$ 85.6 billion in 2007 to an estimated US$ 261.4 billion in 2017, with a per-capita income of US$ 1,601.7 in 2017. The economic growth of Bangladesh has been mainly driven by exports, especially of readymade garments, remittances and agriculture sector. Bangladesh has managed to sustain a high growth of over 7 percent in 2017 in spite of marginal growth in exports and fall in remittance inflows, supported by strong private consumption and investments in infrastructure projects. Consumer price inflation in Bangladesh moderated in the last few years, averaging 5.7 percent in 2017, as compared to 7.5 percent witnessed in 2013, in spite of various natural calamities faced by the country. In 2017, external debt as a percentage of GDP increased to 18.9 percent of GDP from 17.5 percent in 2016. The current account of Bangladesh is estimated to have recorded a deficit of US$ 3.2 billion in 2017 (equivalent of 1.2 percent of GDP) from a surplus of US$ 1.4 billion recorded in 2016.

Bangladesh's real GDP is expected to be sustained at around 7 percent during 2018-2022, driven mainly by a rapid increase in private consumption and gross fixed investment. Inflation is expected to increase to 6 percent in 2018, driven by higher food and energy prices.

Recent Economic Developments in Myanmar

Myanmar's strategic location provides immense opportunities and incentives for it to engage effectively in the region to advance trade, investment, and developmental goals. For India, Myanmar is strategically important, as it is the only ASEAN country with which it shares border. With its abundant natural resources, strategic location at the crossroads of Asia, large youth population, and sizable market, Myanmar could develop into an economic hub in the ASEAN region offering a wide range of investment opportunities. As per the IMF, the economy grew at an average rate of 8.2 percent during 2013 and 2014, as reforms opened up the space for private investment. Growth, however, eased in 2015 and 2016 due to a supply shock from heavy flooding, a slowdown in new investment flows during election year, and a more challenging external environment including lower commodity prices affecting Myanmar's main exports. It started recovering from 2017 onwards.

Increase in Myanmar's economic activity in 2017 was mainly underpinned by large projects funded by foreign investors in a number of industries, notably hydrocarbons, manufacturing and infrastructure. In absolute terms, Myanmar's GDP stood at US$ 66.5 billion in 2017, while GDP per capita was US$ 1,264. Myanmar's current account deficit widened further to US$ 3.5 billion in 2017 from US$ 2.5 billion in 2016. Myanmar's foreign exchange reserves stood at US$ 4.9 billion in 2017, representing an import cover of 3.5 months. In 2017, external debt as a percentage of GDP increased to 11.6 percent of GDP from 10.3 percent of GDP in 2016. The IMF's debt sustainability assessment carried out in 2017 assessed Myanmar at low risk of debt distress.

Myanmar's real GDP is forecast to grow at an average of 7.1 percent during 2018-2022, supported by strong investment and growth in all the major sectors during this period. Higher growth and an expected rise in international oil prices are expected to drive inflation to 5.5 percent in 2018.

International Trade of Bangladesh

During the last decade, the total trade of Bangladesh increased two-fold, from US$ 39.8 billion in 2008 to US$ 85.8 billion in 2017. Exports from Bangladesh increased by a CAGR of 11 percent during 2008 to 2017 from US$ 15.5 billion to US$ 39.7 billion. Bangladesh's merchandise exports are highly concentrated within a select set of commodities, with textiles and clothing contributing 89 percent of total exports of the country in 2017. Bangladesh's imports increased by a CAGR of 7.4 percent during the same period, from US$ 24.3 billion to US$ 46.2 billion.

In 2017, textiles and clothing alone accounted for 88.7 percent of its global exports. Globally, Bangladesh is the second-largest exporter of both articles of apparel (knit or crochet), and articles of apparel (not knit or crochet), after China. The garment sector has been the main driver of exports in Bangladesh over the years. The major components of Bangladesh's import basket in 2017 include machinery and mechanical appliances (12.4 percent of the total imports), cotton (11.6 percent), electrical machinery and equipment (7.5 percent), mineral fuels, oils and distillation products (6.8 percent), cereals (4.7 percent), iron and steel (4.4 percent) and plastics and articles (4.1 percent). Germany replaced the US as the major export destination of Bangladesh in 2017, accounting for 15.4 percent of total exports of the country. The other major destinations for Bangladesh's exports in 2017 include the US, UK, Spain, France, and Netherlands. China, with a share of 32.9 percent of total imports, was the major import source of Bangladesh in 2017, followed by India, Singapore, Japan, Brazil and Indonesia.

International Trade of Myanmar

During the last decade, the total trade of Myanmar increased more than three-fold, from US$ 10.4 billion in 2008 to US$ 35.1 billion in 2017. During the same period, exports from Myanmar increased two-fold to US$ 13 billion in 2017 from US$ 6.6 billion in 2008, witnessing a CAGR of 7.8 percent. On year-on-year basis, exports increased to US$ 13 billion in 2017 from US$ 11.7 billion in 2016, mainly due to increased exports of textiles and apparels, vis-à-vis the previous year. Imports growth were seen significantly higher at US$ 22 billion in 2017, increasing from US$ 3.8 billion in 2008, with a CAGR of 21.6 percent, resulting in a trade deficit of US$ 9 billion in 2017 from a surplus of US$ 2.8 billion in 2008.

Myanmar's export basket is concentrated on fuels (natural gas), food and other primary commodities. In 2017, mineral fuels were the major item of Myanmar's exports, accounting for 24.1 percent of total exports. Other major export items include articles of apparel and clothing accessories, ores, slag and ash, edible vegetables, copper and articles, marine products, and iron and steel, among others.

Myanmar's imports are more diversified than exports, with manufacturing products having maximum share in imports. Electrical machinery and equipment and mineral fuels, oils and products of distillation formed Myanmar's major import items in 2017, accounting for 11.2 percent each of total imports, followed by machinery and instruments, vehicles other than railway or tramway, iron and steel and plastics and articles.

Exports of Myanmar were primarily directed to the top five markets viz. China, Thailand, India, Singapore, and Japan, which account for 82.2 percent of Myanmar's total global exports. China was the major source for Myanmar's imports, accounting for 41 percent of Myanmar's imports in 2017, followed by Thailand, Singapore, Malaysia, Japan, Indonesia, and India.

Foreign Investment in Bangladesh

Bangladesh became the fourth largest FDI destination among LDCs in 2016. According to UNCTAD, total FDI inflows to Bangladesh increased by 4.4 percent to US$ 2.3 billion in 2016 from US$ 2.2 million in 2015. According to Financial Times' fDi Markets database, during January 2003 to March 2018, the cumulative investment in Bangladesh in greenfield and brownfield expansion projects, were US$ 23.4 billion, creating 60,503 jobs in the country, out of 272 projects. India was the major investor, with US$ 8.5 billion (36.5 percent share) worth investment in Bangladesh during the period, followed by the US, Malaysia, China, UK and Singapore. During this period, coal, oil and natural gas was the largest sector to receive capital investment, with a share of 54.6 percent in total investment inflows into Bangladesh. Other major sectors attracting capital investment in the country include transportation, financial services, communication and chemicals.

Foreign Investment in Myanmar

According to UNCTAD, Myanmar received FDI of US$ 2.2 billion in 2016, decreasing from US$ 2.8 billion in 2015, as a result of the delay in implementing large-scale projects and policy uncertainty over coal fired power projects. Myanmar is expected to receive increasing levels of FDI inflows in infrastructure, labor-intensive manufacturing and extractive industries in the coming years.

According to fDi Markets, Myanmar received US$ 59 billion as FDI, covering 600 FDI projects during January 2003 to March 2018, creating 100,167 jobs in the country. The major sectors receiving investment in Myanmar were coal, oil and natural gas, followed by real estate, alternative or renewable energy, transportation, financial services and communications. The major investors in the country were Japan (US$ 16.1 billion), China (US$ 10 billion), Thailand (US$ 8.9 billion), South Korea (US$ 3.8 billion), the US (US$ 3.4 billion), and India (US$ 3.1 billion).

Indo-Bangladesh Bilateral Trade

Bangladesh is India's largest trading partner in South

Asia, accounting for 37.5 percent of India's total exports to the region, and 20 percent of India's total imports from the region in 2017. Indo-Bangladesh trade increased by almost two-fold over the past decade to reach US$ 6.3 billion in 2017 from US$ 3.6 billion in 2008. Over the decade, India's exports to Bangladesh increased by a CAGR of 6.7 percent to US$ 5.8 billion in 2017 from US$ 3.2 billion in 2008, while India's imports from Bangladesh increased by a CAGR of 3.8 percent from US$ 329.8 million in 2008 to US$ 459.4 million in 2017. India's trade surplus with Bangladesh increased from US$ 2.9 billion in 2008, to US$ 5.3 billion in 2017.

Cotton is the major commodity exported by India to Bangladesh (20 percent of India's total exports to Bangladesh) in 2017, followed by vehicles other than railway or tramway (12.3 percent), cereals (9 percent), mineral fuels, mineral oils and products of distillation (8.9 percent), and machinery and instruments (6.9 percent). India's major imports from Bangladesh in 2017 included vegetable textile fibres, paper yarn and woven fabric, which accounted for 20.7 percent of the total imports, followed by articles of apparel and clothing accessories, not knitted or crocheted (19.4 percent), articles of apparel and clothing accessories, knitted or crocheted (7.4 percent), salt, sulphur, stone, and cement (4.7 percent), and lead and articles (4.6 percent).

Indo-Bangladesh Investment Relations

During April 1996 to March 2018, the cumulative approved Indian FDI in joint ventures and wholly owned subsidiaries (FDI outflows) including equity, loan and guarantee issued, in Bangladesh stood at US$ 474.6 million. On the other hand, cumulative inflows into India from Bangladesh during April 2000-December 2017 amounted to US$ 0.05 million. According to Financial Times' fDi Markets database, during January 2003 to March 2018, the cumulative Indian investment in Bangladesh in greenfield and brownfield expansion projects, were US$ 8.5 billion, creating 14,166 jobs in the country out of 52 projects. India was the major investor in Bangladesh during the period, with 36.5 percent share in Bangladesh's global investment. During this period, coal, oil and natural gas was the largest sector to receive capital investment, with a share of 72 percent in total investment inflows from India into Bangladesh, followed by chemicals, automotive OEM, financial services, textiles and leisure, and entertainment.

Indo-Myanmar Bilateral Trade

Since the signing of India and Myanmar trade agreement in 1970, bilateral trade has been growing steadily. Total trade between India and Myanmar have witnessed a steady growth in recent years, having risen from US$ 1.1 billion in 2008 to more than US$ 1.2 billion in 2017. India maintain a trade surplus with Myanmar in the recent years from a deficit witnessed until 2015, reflecting lower imports of edible vegetables and certain roots and tubers, as well as timber products from Myanmar vis-à-vis previous years.

India's exports to Myanmar increased by a CAGR of 12.5 percent to US$ 685.9 million in 2017, compared to US$ 237.3 million in 2008. On a year-on-year basis, India's exports to Myanmar declined sharply by 39.9 percent from US$ 1.1 billion in 2016 to US$ 685.9 million in 2017 mainly due to lower exports of sugars and sugar confectionery. India's imports from Myanmar also stood lower at US$ 578.3 million during 2017, decreasing from US$ 906.3 million in 2008.

India's export basket to Myanmar primarily comprised pharmaceutical products, iron and steel, sugars and sugar confectionery, electrical machinery and equipment and vehicles, among others, which together accounted for 51.8 percent of India's total exports to Myanmar in 2017. Edible vegetables, roots and tubers, and timber products together accounted for 91 percent of India's total imports from Myanmar in 2017. In fact, during 2017, Myanmar was India's third largest global source of edible vegetables and timber products.

Indo-Myanmar Investment Relations

During April 1996 to March 2018, the cumulative approved Indian FDI in joint ventures and wholly owned subsidiaries (FDI outflows) including equity, loans and guarantee issued, in Myanmar stood at US$ 285.3 million. On the other hand, cumulative inflows into India from Myanmar during April 2000-December 2017 amounted to US$ 9 million. According to Financial Times' fDi Markets database, during January 2003 to March 2018, the cumulative Indian investment in Myanmar in greenfield and brownfield expansion projects, were US$ 3.1 billion, creating 1,563 jobs in the country out of 14 projects.

During January 2003-March 2018, coal, oil and natural gas was the largest sector to receive capital investment, with a share of 90 percent in total investment inflows from India into Myanmar. Other major sectors attracting capital investment in Myanmar include financial services, non-automotive transport OEM, wood products and automotive OEM.

India's Border Trade and Connectivity with Bangladesh

India and Bangladesh share over 4,000 km of common international border, with the states of Assam, Meghalaya, Mizoram, Tripura and West Bengal. According to a report by Ministry of Commerce & Industry, Government of India, 46.5 percent of India's exports to Bangladesh were routed by land through trucks, 0.5 percent through railways and balance 53 percent through sea or air routes in 2016-17. ICP Petrapole is the largest gateway to Bangladesh contributing 34 percent of total exports and 58 percent of imports in 2016-17. Port-wise analysis shows that ICP Petrapole, Nhava Sheva (sea), Mundra, Ghojadanga and Chennai (sea) are the top 5 ports which accounted for around 60 percent of exports to Bangladesh in 2016-17.

A substantial portion of imports from Bangladesh enters India by trucks through the Land Customs Stations on India-Bangladesh border. Around three-fourth of imports are through land route, one-fifth availed the sea route, 2.6 percent were routed by rail and less than a percentage by air. The top 5 ports from where imports from Bangladesh took place in 2016-17 are Petrapole (land), Tuticorin, Ghojadanga (land), Mohedipur (land) and Nhava Sheva (sea). Over 75 percent of India's total imports from Bangladesh are routed through these ports.

Land Custom Stations: Bilateral trade between India and Bangladesh is mainly carried out through land route via 49 Land Customs Stations (LCSs) and 2 Integrated Check Posts (ICPs) along the border. Of the 49 LCSs, 37 are currently functional. The LCS at the India-Bangladesh Border provide transit, customs and immigration and cargo handling services for goods and passengers. The Land Customs Stations at Petrapole (West Bengal) and Agartala (Tripura) have been developed as Integrated Check Posts (ICPs). In order to facilitate movement of cargo across the border, ICP Petrapole has been made operational on 24x7 basis, seven-days-a-week Customs clearance facility basis since August 2017.

Border Haats: In order to curb unofficial trade, the India and Bangladesh had agreed to reopen Border Haats (market places). Border Haats generally have limited number of products for trade, which would be traded by identified vendors (generally from the border districts), with buying limits on each market day. Currently, four Border Haats are operational, viz. Srinagar and Kamalasagar in Tripura and at Kalaichar and Balat in Meghalaya for the convenience of bordering communities. According to PIB, cash trade equivalent to ₹1,686.62 lakhs was carried out at the operational four Border Haats in the five year period ending 2015-16. According to Ministry of Commerce and Industry of India, an estimated US$ 20 million worth trade could take place annually between India and Bangladesh through the Border Haats.

Connectivity

Trade between India and Bangladesh is carried out mostly by road. The major road route between Bangladesh and West Bengal is at the Petrapole - Benapole (on Bangladesh side) border, while in the NER, Bangladesh mainly trades with Meghalaya, Tripura and Assam. India and Bangladesh are also signatories to the Asian Highway Network (AHN) project, a cooperative project to improve the highway systems in Asia, by connecting countries in Asia and Europe under the aegis of United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). Two Asian Highway Network routes (AH-1 and 2) will be connecting India and Bangladesh at West Bengal's Petrapole-Benapole ICP and Fulbari-Banglabandha Inland Port, and Meghalaya's Dawki-Tamabil LCS. The Bangladesh, Bhutan, India and Nepal – Motor Vehicle Agreement (BBIN-MVA) signed in June 2015 is expected to boost connectivity by road, as the agreement allows vehicles to directly enter each other's territory, without the requirement for trans-shipment of goods from one country's truck to another at the border. Almost all of Bangladesh's imports from India are through train route. At present, out of the erstwhile six rail links, 4 inter-country railway links are operational (Petrapole-Benapole, Gede-Darshana, Radhikapur-Biral and Singhabad-Rohanpur) and 2 more are proposed to be reopened (Haldibari-Chilahati and Mahisasan-Shahbazpur). A railway agreement in the Bangladesh, Bhutan, India, Nepal (BBIN) sub region is also being proposed, in line with expansion of railway links boosting connectivity between India's North East and its BBIN neighbors. Air cargo has a very small share as it is much costlier than the other modes, i.e. waterways, roadways, and railways. Mostly costly products like life-saving drugs and pharmaceuticals are exported to Bangladesh through air.

Protocol on Inland Water Transit and Trade (PIWTT): PIWTT signed in 1972 is an agreement between the two governments for the transportation of goods and keeping their respective waterways navigable, while providing infrastructure facilities. The protocol is a mutually beneficial arrangement for the use of each other's waterways for trade between two countries and for transit cargo from Indian mainland (Kolkata) to North East Region. Under this Treaty, movement of Indian goods and barges/vessels are permitted through the river systems of Bangladesh on the eight specific routes between Kolkata and points in Assam (Dhubri, Karimganj) on payment of Bangladeshi Taka 100 million as annual maintenance charges by India. According to Bangladesh Inland Water Transport Authority (BIWTA), during July 2016 to June 2017, about 2.62 million metric tons of goods were transported via the Protocol routes per annum, which include 2.618 ton inter- country trade cargo and about 0.006 million transit cargo.

Coastal Shipping Agreement: A Coastal Shipping Agreement was signed between India and Bangladesh in June 2015, which has enabled direct sea movement of containerized/bulk/dry cargo between the two countries. This would enhance bilateral trade by reducing time in shipping goods and enabling a huge saving in logistic costs of foreign trade transport between the two countries, which would otherwise have to be routed through ports of Colombo and Singapore. It has reduced the shipping time between India and Bangladesh from 30-40 days to 7-10 days and has the potential to emerge as an economical mode of transportation of goods for bilateral trade. It also has the potential to decongest roads and LCSs through which most of the trade is taking place now. This would also enable the movement of cargo to the North East through coastal shipping up to Chittagong and thereafter by road/inland waterways.

India's Border Trade and Connectivity with Myanmar

Myanmar share 1,643 km of common international border with India in the North East Region, with the states of Manipur, Mizoram, Nagaland and Arunachal Pradesh. According to Ministry of Commerce, Government of Myanmar, border trade increased over six fold from US$ 15.4 million in 2011-12 to

US$ 88.2 million in 2016-17. However, trade along Indo-Myanmar border remains relatively low in comparison with Sino-Myanmar and Thai-Myanmar borders. In terms of port wise trade with Myanmar, most of bilateral trade are through sea. Nhava Sheva (JNPT) is the largest gateway to Myanmar, contributing 19.3 percent of total exports and 24.8 percent of imports in 2016-17. Nhava Sheva (sea), Kolkata (sea), Mundra, Chennai (sea) and Delhi (ICD) are the top 5 ports which accounted for 53.5 percent of exports to Myanmar in 2016-17. Again, as regards imports from Myanmar, it was mainly carried out through sea ports in 2016-17, and were mainly imported via Chennai (sea), Nhava Sheva (sea), Tuticorin (sea), GMR Hyd. Aviation Ltd. SEZ, Kolkata (sea) and Cochin (sea), These ports account for 88 percent of the total imports from Myanmar. Moreh LCS accounted for 1.7 percent of India's total imports from Myanmar, while not much imports have taken place through Zokhawthar in 2016-17.

India and Myanmar signed a border trade agreement in 1994. A total of 62 commodities have been approved over time for border trade. Barter trade was initially permitted as a part of border trade to facilitate exchange of locally produced commodities along the Indo-Myanmar border. These transactions were, however, not captured in the banking system or reflected in the trade statistics. With the diversification of trade basket over a period of time, and an increasing need to capture such transactions to support normal trade with Myanmar, the Reserve Bank of India (RBI) has necessitated all trade transactions with Myanmar, including those at the Indo-Myanmar border with effect from December 1, 2015, to be settled in any permitted currency in addition to the Asian Clearing Union mechanism. As per the DGFT public notice no. 50 issued on December 17, 2015, it has been decided that Border Trade at Moreh, Manipur would be upgraded to Normal Trade so as to promote bilateral trade between the two countries.

Land Custom Stations: At present, there are two Land Custom Stations (LCS) in India dealing with border trade with Myanmar. These include Moreh in Manipur with the corresponding LCS Tamu in Myanmar and Zokhawtar in Mizoram with the corresponding LCS Rih in Myanmar. The initiation of third LCS, Avangkhu in Nagaland with the corresponding station Somara in Myanmar has been bilaterally agreed, but it has not been notified yet by the Government of India. As the nearest town in Myanmar which is functioning as LCS is Tiddim, which is at a distane of 75 km from the border village of Zokhawthar, Government of India is assisting Myanmar to build the Rih-Tiddim Road. Zorinpui in Lawngtlai district of Mizoram was selected for a new land custom station along the India-Myanmar border in Mizoram for the Kaladan Multi Modal Transport project. Moreh is the most active one among LCSs and most of the time handles over 90 percent of India's border trade with Myanmar. The Government of India has decided to upgrade Moreh LCS to an Integrated Check-Post (ICP), to support the increased traffic volume of trade and to facilitate movement of people.

Border Haats: The Border Haats play a facilitating role of enabling local trade and increasing people-to-people contacts and promoting the well-being of the people in areas of difficult access across the borders of two countries. This is done through establishing a traditional system of marketing the local produce at local markets at the border. After realising the requirements of communities residing near the border, India and Myanmar took the decision to set up the Border Haats. Government of India has executed a Memorandum of Understanding (MOU) with Government of Myanmar, under which Border Haats are to be set up at nine mutually agreed locations. According to the signed MOU, the first Haat will be set up at Pangsu Pass adjacent with Sagaing Region and Arunachal Pradesh as a pilot project even after signing the Mode of Operation of setting up Border Haats by the designated authorities.

Connectivity

Poor road conditions along the border areas is a major impediment for regular bus service. To enhance connectivity and trade between India's North East states and Myanmar, India has signed an agreement with Myanmar to construct 71 bridges along the road where the Indian buses will ply. The first Imphal-Mandalay bus service carrying 27 officials was flagged off by the Chief Minister of Manipur in December 2015. The Government of India is also involved in construction and repairing of 69 bridges on the Tamu-Kalay road for this purpose.

Kaladan Multi Modal Transit Transport Project (KMTTP): The Kaladan Multi Modal Transit Transport Project was jointly identified by India and Myanmar to create a multi-modal mode of transport for shipment of cargo from the eastern ports of India to Myanmar as well as to the North East part of India through Myanmar. This project, which will connect Sittwe Port in Myanmar to the India-Myanmar border, is expected to contribute to the economic development of the North East states of India, by opening up the sea route for the products. It also provides a strategic link to the North East, thereby reducing pressure on the Siliguri Corridor. The development of this project not only serves the economic, commercial and strategic interests of India, but also contributes to the development of Myanmar, and its economic integration with India. Once completed, the project would allow goods from Kolkata port to reach India's North East states more cheaply. It will also serve as cornerstone of India's “Act East Policy” aiming to expand India's economic and political influence in Southeast Asia.

Potential Commodities for Enhancing India's Trade with Bangladesh

Commodities at HS-code 6 Digit level which have export potential from India to Bangladesh under normal trade have been identified through the following criteria: Identification of major items in Bangladesh's import basket, and share of India in each product line (based on HS-code); and selection of potential items, based on relatively low share of India in Bangladesh's import basket of major commodities despite India's global export capability. Based on the above analysis, potential items of India's exports to Bangladesh have been identified as:

- Machinery and instruments (HS-84)
- Electrical machinery and equipment (HS-85)
- Animal or vegetable fats and oils (HS-15)
- Knitted or crocheted fabrics (HS-60)
- Sugars and sugar confectionery (HS-17)
- Paper and paperboard (HS-48)
- Optical, photographic, cinematographic, medical or surgical instruments (HS-90)

Similarly, potential items of exports from Bangladesh to India, based on an analysis of Bangladesh's top exports, India's share in Bangladesh's exports, and India's global import demand have been identified as:

- Articles of apparel and clothing accessories, knitted or crocheted (HS-61)
- Articles of apparel and clothing accessories, not knitted or crocheted (HS-62)
- Other made-up textile articles (HS-63)
- Footwear, gaiters and the like (HS-64)
- Articles of leather; saddlery and harness (HS-42)
- Raw hides, skins and leather (HS-41)
- Furniture; bedding, mattresses and similar stuffed furnishings (HS-94)

Potential Commodities for Enhancing India's Trade with Myanmar

Potential commodities of exports from India to Myanmar based on identifying major items in Myanmar's import basket, and share of India in each product line (based on HS-code) and relatively low share of India in Myanmar's import basket, despite India's global export capability under normal trade have been identified as:

- Mineral fuels, mineral oils and products of their distillation (HS-27)
- Plastics and articles (HS-39)
- Animal or vegetable fats and oils (HS-15)
- Articles of iron or steel (HS-73)
- Miscellaneous edible preparations (HS-21)
- Man-made staple fibres (HS-55)
- Man-made filaments, strip and textile materials (HS-54)

Similarly, potential commodities of exports from Myanmar to India have been identified as:

- Mineral fuels, mineral oils and distillation products (HS-27)
- Ores, slag and ash (HS-26)
- Copper and articles (HS-74)
- Iron and steel (HS-72)
- Rubber and articles (HS-40)
- Pearls, precious or semi-precious stones, precious metals (HS-71)

Current Status and Challenges at ICP Petrapole

According to the officials at the ICP Petrapole, the cargo complex of the ICP has the capacity to handle 700-750 export trucks but clears only 370 trucks, as the present infrastructure in Benapole cargo complex at Bangladesh side could not match the facilities of its Indian counterpart. In the recent past, the number of trucks exiting the cargo complex to Benapole side has gone upto 450. It was observed that export trucks generally took around 7-14 days to reach Benapole border, after spending 7-10 days in private parking area in Bongaon, and 5-7 days at ICP Petrapole, reflecting lower truck handling capacity at Benapole side.

Further, warehousing capacity at the ICP Petrapole cargo complex, which currently has 5,000 MT capacity, is unable to match that of Benapole, which is around six to seven times bigger in terms of capacity compared to ICP Petrapole. On an average, 70 – 80 trucks carrying imported items are handled daily at the cargo complex of ICP Petrapole. The time taken for transshipment of imported items, i.e. transferring the imported goods from Bangladesh Truck to Indian Truck and moving out towards India, is roughly 7-8 hours. The Immigration Check post at Haridasspur handles the movement of passenger from India to Bangladesh and vice versa. According to the officials, the said complex is likely to get modernised on the model of Chennai Airport for which blue print is already in place. Development of the proposed state of the art passenger terminal will facilitate greater movement of passengers between the two countries.

Current Status and Challenges at LCS Moreh

Though banking facility is available with United Bank of India (UBI), Moreh, along with the presence of other commercial banks such as State Bank of India (SBI), Axis Bank and UCO Bank, the absence of foreign exchange facility is a major constraint for conducting international trade. There is no operational warehouse at LCS Moreh since the State government warehouse, which is the only available warehouse at LCS Moreh, has become non-operational due to non-fulfillment of conditions as required under the Warehousing Regulations 2016. The weighbridge provided by the State Government is also not functioning. Moreh is a non-EDI Station, and lack of internet connectivity causes hindrance to facilitating trade.

Roads are not well weathered and narrow, and at the same time, bridges are also weak and in dilapidated condition, and therefore, could not support heavy load. Road connecting Imphal with the mainland India through Dimapur and Silchar are in a poor condition and need an upgrade. A major bottleneck for border trade is a lack of laboratory testing facilities for imported food items at the Moreh border, which is crucial from the point of view of health and sanitary and phytosanitary concerns. Further, there are not enough storage facilities at the land ports, and there is a need to extend storage capacity by providing proper warehousing, cold storage and logistics facilities at Moreh.

Border trade through Tamu/Moreh needs to become more formalised with single-window clearances and easier currency arrangements. Moreh LCS have been found to be beset with infrastructure deficit. Several factors such as unavailability of electricity, bad road, manual handling of goods, unfriendly exchange rate and many such barriers, among others, are making trade at border expensive, thus, resulting in increasing incidence of unofficial (informal) trade.

Current Status and Challenges at LCS Zokhawthar

LCS Haimual (Myanmar), adjacent to LCS Zokhawthar, needs to be equipped with necessary infrastructure and banking facilities. There is a need for speedy implementation of the MOU signed between Government of India and Government of Myanmar to construct/upgrade the Rih-Tiddim Road along the Myanmar-India border, as the road connecting LCS Zokhawthar to Myanmar is a single lane Kachha road with bad grade and poor condition. Transportation of tradeable commodities in bulk quantity is simply not possible.

Further, the bailey bridge connecting Zokhawthar and Rih (Myanmar) is not capable of handling heavy goods traffic. Though the meeting of Joint committee on Border Haats between Myanmar and India in Nay Pyi Taw agreed in principle to set up Border Haat at Hnahlan-Darkhai, Zote-Farthang, Vaphai-Leilet and Pangkhua-Thau border points, this is yet to be implemented. Weighbridge has stopped functioning since May 2013, and need a repair.

Bonded warehouse is not available in the LCS. SBI Branch functional at the composite Land Custom Building cannot accept Government challan or deposit. There are also issues with regards to telephone and internet connectivity and shortage of electric and water supply. At present, food testing facility is not available at the LCS Zokhawthar, and testing has to be done at Imphal, Manipur which is very far and time consuming. The connecting road between Champhai and LCS Zokhawthar is in a very poor and rough condition and needs substantial upgradation and maintenance.

Way Forward

Need for Improving Border Related Infrastructure: There is an urgent need to improve the necessary border infrastructure at trading points to facilitate cross-border movement of goods between India and its neighbouring countries. Major infrastructure facilities required include development of land port with modern warehousing facility, food testing facility, IT and telecom support, weighbridge and development of the connecting roads and bridges. Infrastructure bottlenecks and constraints at the ICP and the LCSs have to be addressed, and trade facilitation needs to be promoted, to increase flow of goods between India and Bangladesh and Myanmar.

North East as a Gateway to Markets in the Asian Region: There is a need to seriously look at the NER more as a gateway to bigger markets across the border rather than a consumer market. NER has the potential to serve as a major springboard to penetrate neighbouring market in Asia region. Endowed with abundant rivers, the region offers perfect opportunity to implement a multi-modal mode of transport with the mix of road, rail and river based cargo movement. With right kind of infrastructure and policy support in place, the NER has the potential to facilitate trade and commerce between India and its neighboring countries and other Asian countries. Coastal shipping, supported by logistics service providers, could be considered for effective movement of cargo between ports in Bangladesh and Myanmar and the NER.

Need to Build Connectivity and Related Infrastructure Support: Ensuring seamless movement of goods through regional connectivity and multi modal transport facility would help ensure growth in trade. There is a need to strategically build connectivity within and across the states of NER and link with the border trading points. The Kaladan Multi Modal Transit Transport Project (KMTTP), which is currently underway, will connect Kolkata with Sittwe seaport in Rakhine State, Myanmar by sea. In Myanmar, it will then link Sittwe seaport to Paletwa, Chin State via the Kaladan river boat route, and then from Paletwa by road to Mizoram state. It thus uses sea, river and road transport modes to facilitate a development corridor in Myanmar and also movement of cargo between Indian mainland and the NER. Harnessing the full benefit would necessitate upgrade of transport infrastructure within the region. There is an urgent need to upgrade the roads especially trade routes to withstand regular movements of cargo vehicles.

Banking Facility to be streamlined: A major shift that has taken place regarding border trade between India and Myanmar is the shift from Border trade to Normal Trade. Barter trade was initially permitted to facilitate exchange of locally produced commodities along the Indo-Myanmar border. However, since these were not captured in the banking system or reflected in the trade statistics, and given that over a period of time trade basket has diversified and adequate banking presence is in place to support normal trade with Myanmar, the RBI eventually abolished barter trade at the Border trading points on November 5, 2015. Trade transactions now need to be carried out in permitted currencies only, in addition to Asian Clearing Union mechanism. Accordingly, border trade at Moreh, Manipur was upgraded to normal trade on December 17, 2015 by DGFT and revoked all other former Public Notice relating to Indo-Myanmar Border Trade, implying that the Circular is applicable to all other border trading points at the Indo-Myanmar border, including LCS Zokhawthar. However, one major issue is that there is no standard exchange rate at the LCSs at Indo-Myanmar border. Number of Banks authorised in NER to handle foreign currency transaction and L/C facilities is also limited. Myanmar Economic Bank in Myanmar and United Bank of India are designated banks for trade to put in facilities for foreign exchange and opening of Letter of Credit by the traders. However, there has been a lack of banking facilities and necessary infrastructure on both sides of the border, due to which normal trade has not been started. Further, due to high fluctuation of exchange rate of Kyat in the market, traders found it more economical to do business through unofficial channels. On the Bangladesh side, it has been noted that Indian banks cannot carry on transaction directly with banks in Bangladesh for trading across border. The issues need to be resolved on a priority basis if trade across border is to be continued through normal route. To address these issues, conducting joint workshop for stakeholders including banks, traders, government officials, diplomats, and industry representatives, among others, could be a way forward.

Need for Increasing Border Haat: With the normalisation of cross-border trade at the Indo-Myanmar, there is an urgent need to strengthen and increase the presence of Border Haats at strategic points. Border Haats allows people from both countries to buy each other's products on a fixed day each week, with items traded limited to select locally grown agricultural and manufactured finished products. Setting up of Border Haat at the India-Myanmar border will support higher economic activities and engagements between people living in these areas. In addition, an avenue for regular cross-border bus services can also be explored to promote people-to-people connectivity.

Make in India in the NER: Border trade statistics especially at the LCS Moreh and LCS Zokhawthar suggests the need for setting up of manufacturing hub in the NER. While official imports from Myanmar at the LCS Zokhawthar in the last nine years were confined mostly to areca nut, and occasionally reed broom and black pepper, official exports data has only one traded item, i.e. soyabari. The number of exported items are more diversified at Moreh border, which include imports of wheat flour, bleaching powder, dry chilli and dry grapes, while the only item imported is areca nut. It has been, however, learned that large quantities of other items have been exported from Zokhawthar to Myanmar through informal channel which include fertilizers (locally known as *lei chi*), medicines, motorcycles, pesticides, cycle parts, and solar gears. In fact, several truckloads of fertilizers and medicines are being supposedly shipped to Myanmar side every week. Similarly, large informal trade also happened at the Moreh LCS border. It is therefore pertinent to identify commodities which are on high demand at the other side of the border and set up a manufacturing unit accordingly, which will at the same time promote the “Make in India” initiative of the Government, while supporting job creation. Efforts could also be directed towards formalising the informal trade items. The very fact that informal and unauthorised trade could flourish in the border area suggests that there is also a possibility to create a formal channel of trade, and that also on a larger scale with state support. Informal trade could happen due to various reasons including rent-seeking activities of public servants, inadequate banking facility, or cultural linkages. The root of the extensive informal trade over years needs to be examined and carefully addressed.

Promotion of Organic Agro-based Industry in the NER: One of the key industries that the North East states could focus for exports is the Organic Industry. Major importers of Organic products include, among others, China, Japan, Philippines, Singapore and Sri Lanka. The North East region of India, where agricultural production is predominantly organic by default, can be instrumental in increasing India's organic agricultural exports. Realising the potential for the development of organic farming, a sum of ₹100 crore had been allocated by the Government of India for the development of organic farming in the NE states way back in 2014-15. This initiative is anticipated to enable the NE states to benefit from the development of commercial organic farming and alter the agricultural mode from inorganic to organic. In fact, the Mizoram Government also made an effort towards organic farming by introducing the Organic Farming Act way back in 2004. Through the Act the State has encouraged the farmers to use organic inputs like vermin-composts, bio-fertilisers and has strategically reduced the use of chemical inputs to make the State completely organic, thus giving a healthy alternative for many farmers to utilize. Organic farming methods are being promoted by the Government of Meghalaya taking into account the benefits that could be garnered from this method of agriculture. The State had launched a new initiative called 'Mission Organic' in January 2015. In 2016, Sikkim became India's first fully organic state in India. Amongst the North Eastern States, Sikkim is the leading State, constituting around 73 percent of the total organic area in the region, followed by Nagaland (15 percent). Since most of the traditional methods of cultivation in the NER are generally organic by default, organic focus agro-based Industry could be set up in the region and transform the region into organic hub in India.

Investment in Healthcare Infrastructure in Bangladesh and Myanmar: Both Bangladesh and Myanmar have shortage of hospitals and have to rely on facilities in the neighbouring countries for healthcare related services. The basic infrastructure requirement for both the countries could include establishment of hospitals, specialist centers and clinics at the province as well as the central level. There is a need for super-specialty hospitals and advanced healthcare technologies, owing to the epidemiological shift. Many Indian hospital chains have established hospitals in countries abroad. For example, African region has been a hub of Indian investment in healthcare. Fortis Healthcare operates two hospitals in Mauritius and is in management agreements with few hospitals in Uganda and Nigeria. Manipal Hospitals has presence in Nigeria. Indus healthcare opened office in South Africa in 2008 for catering to the medical tourism traffic to India. Apollo hospitals has telemedicine peripheral centers in Nigeria and Sudan. Both Bangladesh and Myanmar too could become another investment hub for the Indian entities. According to a research study by Observer Research Foundation, India has assisted Myanmar in the improvement of Yangon Children Hospital and Sittwe General Hospital. India supplied medical equipment, and imparted training to staff in these hospitals. An Indian company has prepared the Detailed Project Report (DPR) for these hospitals. In similar fashion, India's investment in the two countries could focus on healthcare infrastructure, among others.

Promoting Medical Tourism: At the same time, medical tourism to India from Bangladesh and Myanmar could also be encouraged. This will be another springboard for building people to people contact, trust and cooperation. Medical tourism sector has emerged as one of major components in India's services trade, which is known for its low cost and high quality services. Features such as low cost healthcare solutions, availability of skilled healthcare professionals, reputation for treatment in advanced healthcare segments, India's traditional wellness systems, and strengths in information technology makes India an ideal destination for patients from the two countries. While there have been significant flows of medical tourists to mainland India from Bangladesh through Petrapole, medical tourism to the NER has been limited except for Guwahati. At the same time, Myanmarese nationals started reaping benefits through the Moreh border. Medical tourism between India and Bangladesh and Myanmar offers a lot of potential. Nationals from the two countries could take advantage of the region's proximity with India and visit the country for medical treatment. In fact, the Government of India has already made an effort to connect India through Manipur to Myanmar and Thailand. Visa charge fees for visiting are waived off for Myanmar nationals (except e-visas). Similar initiative could be replicated with Bangladesh nationals in the NER.

1. BACKGROUND

Introduction

India's Look East Policy, which was introduced in 1992,was relaunched in 2014 as the “Act East Policy”, with the objective of promoting economic cooperation, cultural ties and develop strategic relationship with countries in the Asia-Pacific region through continuous engagement at bilateral, regional and multilateral levels there by providing enhanced connectivity to the states of India's North East Region (NER)[1]. In fact, immediate border countries in the East and North East India region would play important role in the success of India's Act East Policy. Myanmar, the only ASEAN member country which border India, shares a land boundary of around 1,643 km with four Indian states including Manipur, Mizoram, Nagaland and Arunachal Pradesh[2]. Bangladesh is equally critical to the success of India's 'Act East', with 4,096.7 km long border is being shared with India along the states of West Bengal, Assam, Meghalaya, Tripura and Mizoram. During the visit of H.E. Md. Abdul Hamid, President of Bangladesh's visit to India in December 2014, the Hon'ble Prime Minister of India, Shri Narendra Modi had emphasized that India's Act East Policy would begin from Bangladesh.

Acting upon the Policy, India has accorded increasing importance to higher engagements with East and South East Asian Countries by focusing on connectivity, and border related infrastructure projects in the Eastern and the NER to facilitate trade and promote people to people contact. Initiatives such as Kaladan Multi Modal Transit Transport Project would provide direct benefits to the NER by opening up fresh avenues for economic activities. The India-Myanmar-Thailand Trilateral Highway is expected to further augment connectivity and economic cooperation in the sub-region and beyond. Regional Cooperations such as Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), whose membership include countries such as Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand, become increasingly relevant. In fact, the strategic importance of BIMSTEC can be seen from the fact that it acts a bridge between South Asia and South East Asia and also serves as a common platform for intra-regional trade and cooperation among the SAARC and ASEAN members. Enhanced cross-border connectivity and greater regional cooperation between India, Bangladesh and Myanmar, coupled with India's ‘Neighbourhood First Policy’ and ‘Act East Policy’, could bring significant benefits for India and its neighbourhood, while transforming the NER as the gateway to Eastern and South East Asian region.

Recent Economic Developments In Bangladesh

Bangladesh is strategically located in South Asia, bordered by India, Myanmar and the Bay of Bengal, making it one of the major hubs in the global trade arena **(Exhibit 1.1).** The country has a population of 163.2 million (2017) with a land area of 147,570 sq km. Bangladesh has the advantages of a mild tropical

Exhibit 1.1: Map of Bangladesh

Source: Economist Intelligence Unit (EIU)

[1] Government of India, "Act East Policy", Ministry of External Affairs, December 23, 2015 http://pib.nic.in/newsite/PrintRelease.aspx?relid=133837
[2] Ministry of Home Affairs, Government of India, https://mha.gov.in/sites/default/files/Mandate_Border_II_16022018.PDF

climate, fertile soil, rich marine resources and has huge volumes of natural and agricultural resources. There are substantial deposits of coal and gas in the country, which are important raw materials for key industries. Bangladesh is a part of Goldman Sachs' N-11 group of countries, with steady monetary policy management and fiscal discipline supporting macroeconomic stability. According to the International Monetary Fund (IMF), the country has benefitted from favorable external demand, high remittances, and low commodity prices, resulting in strong output growth, falling inflation, moderate public debt, and a rebuilding of external resilience.

Economic Snapshot of Bangladesh

According to the IMF, Bangladesh is the 43rd largest economy in the world and is also among the fastest growing economies, with a growth rate of 7.1 percent in 2017. Over the last decade, nominal GDP has more than trebled from US$ 85.6 billion in 2007 to an estimated US$ 261.4 billion in 2017, with a per-capita income of US$ 1,601.7 **(Table 1.1).** According to the World Bank, Bangladesh reached the lower middle-income country status in 2014, supported by its rapid growth. According to the UN's Committee for Development Policy, Bangladesh has fulfilled the eligibility criteria to graduate from LDC status for the first time in 2018, and if it could meet the eligibility criteria again in 2021, it would be removed from the list of LDCs by 2024.

The economic growth of Bangladesh has been mainly driven by exports, especially of readymade garments, remittances and agriculture sector. Services sector dominates the economy, with a share of 56.5 percent of Bangladesh's GDP, followed by industry (29.2 percent) and agriculture (14.3 percent). Natural gas is the main source of energy in Bangladesh. The government of Bangladesh is making efforts to increase the share of renewables in the country's energy reserves, with a target of meeting 10 percent of Bangladesh's energy needs through renewable sources by 2020.

Bangladesh has managed to sustain a high growth of over 7 percent in 2017 in spite of a marginal growth in exports and fall in remittance inflows, supported by strong private consumption and investments in infrastructure projects. This recent economic scenario reflects a structural transformation in the growth story of Bangladesh. The medium term growth prospect of the country is expected to be driven mainly by rising private consumption and gross fixed investment. With an average growth rate of 6-7 percent over the last few years, Bangladesh holds great potential to emerge as one of the key economic powers in the coming years.

Consumer price inflation of Bangladesh moderated in the last few years, averaging 5.7 percent in 2017, as compared to 7.5 percent witnessed in 2013, in spite of various natural calamities faced by the country. In fact, Bangladesh has experienced devastating floods in 2017, which caused the destruction of various crops, including 1.2 – 1.5 million tonnes of rice, which is the main dietary staple food in the country. This has led to a shortage of food supplies, which has resulted in a rise in food grain prices even as the government has ramped up imports to prevent a food crisis. Supply-side constraints, such as poor infrastructure, a shortage of cold-storage facilities and higher global commodity prices also have impacted inflation. As the country relies mostly on imports to meet its energy needs, an increase in energy prices are expected to have an upward pressure on inflation in the short run. Further, Bangladesh has started importing LNG this year, which would expose the country to additional inflationary pressure.

In 2017, external debt as a percentage of GDP increased to 18.9 percent of GDP from17.5 percent in 2016. The IMF's Debt Sustainability Assessment carried out in 2017 assessed Bangladesh at low risk of debt distress. Cautious fiscal policy of the government has kept the public debt on a sustainable path. Moderate fiscal deficits, concessional external borrowing and prudent debt management policies have helped country to have a positive outlook. The country has initially planned to increase revenue by introducing a flat 15 percent value-added tax (VAT). However, amid pressure from businesses, the

Table 1.1: Macroeconomic Snapshot of Bangladesh- Select Indicators

	2013	2014	2015	2016	2017[e]	2018[f]	2019[f]
Real GDP Growth (%)	6.0	6.3	6.8	7.2	7.1	7.0	7.0
Nominal GDP (US$ bn)	161.3	184.0	208.3	235.6	261.4	285.8	312.8
GDP Per Capita (US$)	1,030.0	1,163.0	1,303.2	1,458.9	1,601.7	1,733.5	1,877.7
Consumer Price Inflation (avg. % change)	7.5	7.0	6.2	5.7	5.7	6.0	6.0
Population (mn)	156.6	158.2	159.9	161.5	163.2	164.9	166.6
Current Account Balance (US$ bn)	1.9	2.1	3.6	1.4	-3.2	-5.8	-7.2
Current Account Balance (% of GDP)	1.2	1.2	1.7	0.6	-1.2	-2.0	-2.3
External Debt (US$ bn)	34.0	35.7	38.7	41.1	49.5	53.2	58.6
International Reserves (US$ bn)	18.1	22.3	27.5	32.3	33.4	34.5	35.1
Exchange Rate (Tk: US$, avg)	78.1	76.6	78.0	78.5	80.4	83.6	85.8

Note: e: Estimates; f: forecasts
Source: IMF World Economic Outlook, April 2018 and EIU Country Reports

implementation of the new VAT, initially planned for July 1, 2017, was pushed back to 2019, which is expected to have a negative impact on revenue collection.

The current account of Bangladesh is estimated to have recorded a deficit of US$ 3.2 billion in 2017 (equivalent of 1.2 percent of GDP) from a surplus of US$ 1.4 billion recorded in 2016. This is the first time since 2011 Bangladesh witnessing a deficit in its current account, owing to large scale food imports due to floods that destroyed several food crops.

The local currency of Bangladesh is taka (Tk). The exchange rate has been showing a depreciating trend in the recent years. The exchange rate stood at Tk 80.4: US$ 1 in 2017, depreciating from Tk 78.5: US$ 1 in 2016. The taka is expected to weaken further against the US dollar in 2018-22, given the anticipated narrowing of the interest-rate differential between the US and Bangladesh as well as from high import needs of Bangladesh as the government focuses on infrastructure development to drive growth. Foreign-exchange reserves (excluding gold) stood at US$ 33.4 billion at end 2017, and is more than sufficient to manage short-term exchange-rate volatility.

Bangladesh's real GDP is expected to be sustained at around 7 percent during 2018-2022, driven mainly by a rapid increase in private consumption and gross fixed investment. Inflation is expected to increase to 6 percent in 2018, driven by higher food and energy prices. The current account deficit is estimated to widen to 2 percent of GDP in 2018, due to deficits in the trade, services and primary income accounts.

Recent Economic Developments in Myanmar

Myanmar, which covers an area of 676,578 sq km, is bounded by Bangladesh, India, China, Lao PDR and Thailand, and 2,800 km coast line of the Bay of Bengal in the West, and Andaman Sea on the South. Myanmar is rich in natural resources, including natural gas, copper, timber, gemstones, petroleum, tin, antimony, zinc, tungsten, lead, coal, marble, limestone, and hydropower.

Myanmar's strategic location provides immense opportunities and incentives for it to engage effectively in the region to advance trade, investment, and developmental goals. For India, Myanmar is strategically important, as it is the only ASEAN country with which it shares border. With its abundant natural resources, strategic location at the crossroads of Asia, large youth population, and sizable market, Myanmar could develop into an economic hub in the ASEAN region offering a wide range of investment opportunities.

According to a study by the Asian Development Bank

(ADB), Myanmar has the potential to become a middle income nation by following Asia's fast growing economies and grow by 7-8 percent per annum. This, however, would require sustaining of economic reforms it has initiated in 2011. According to a study by McKinsey[3], if Myanmar takes an initiative to tap potentials of its key sectors, it has the potential to grow as a larger than US$ 200 billion economy by 2030.

According to the UN's Committee for Development Policy, Myanmar has fulfilled the eligibility criteria to graduate from LDC status for the first time in 2018, and if it could meet the eligibility criteria again in 2021, it would be removed from the list of LDCs in 2024.

Exhibit 1.2: Map of Myanmar

Source: Economist Intelligence Unit (EIU)

Economic Snapshot of Myanmar

With the suspension and lifting of most Western sanctions since 2012, GDP growth is expected to strengthen further in the coming years, driven by large projects funded by investors in a number of industries, notably power, petroleum and infrastructure. Tourism, textile, manufacturing, construction, agriculture and fisheries are also expected to receive a boost. Services sector dominates the economy, with a share of 39.6 percent of Myanmar's GDP, followed by industry (34.7 percent) and agriculture (25.7 percent). The major industrial sectors of Myanmar mainly comprise agricultural processing, wood and wood products, construction materials, pharmaceuticals, fertilizer, oil and natural gas and garments.

Myanmar is one of the fastest growing economies in Asia. As per the IMF, the economy grew at an average rate of 8.2 percent during 2013 and 2014, as reforms opened up the space for private investment. Growth, however, eased in 2015 and 2016 due to a supply shock from heavy flooding, slowdown in new investment flows during election year, and a more challenging external environment including lower commodity prices affecting Myanmar's main exports. It started recovering from 2017 onwards **(Table 1.2).**

Increase in Myanmar's economic activity in 2017 was mainly underpinned by large projects funded by foreign investors in a number of industries, notably hydrocarbons, manufacturing and infrastructure. Foreign investment is seen increasing at a rapid pace since the introduction of regulatory and legal reforms, aided by the lifting of remaining US sanctions in October 2016. In absolute terms, Myanmar's GDP stood at US$ 66.5 billion in 2017, while GDP per capita was US$ 1,264.

Myanmar is exposed to fluctuations in the prices of imported fuels and local agricultural produce. Further, Central Bank's financing of the fiscal deficit has been the primary cause of Myanmar's high inflation regime in the past 2 decades. Inflation has subsided since 2008. This follows reduced monetization of the fiscal deficit and a stronger kyat exchange rate in the unofficial market. Inflation peaked at 10 percent in 2015, reflecting a flood induced supply shock caused by floods, but moderated thereafter. Myanmar's current account deficit widened further to US$ 3.5 billion in 2017 from US$ 2.5 billion in 2016. Myanmar's foreign exchange reserves stood at US$ 4.9 billion in 2017, representing an import cover of 3.5 months.

[3] Myanmar's Moment: Unique Opportunities, Major challenges; McKinsey Global Institute; June 2013

Table 1.2: Macroeconomic Snapshot of Myanmar- Select Indicators

Indicators	2013	2014	2015	2016	2017[e]	2018[f]	2019[f]
Real GDP Growth (%)	8.4	8.0	7.0	5.9	6.7	6.9	7.0
Nominal GDP (US$ bn)	60.1	65.6	59.5	63.3	66.5	70.7	75.0
GDP Per Capita (US$)	1,179.6	1,275.3	1,147.3	1,210.5	1,263.9	1,338.5	1,414.1
Consumer Price Inflation (avg. % change)	5.7	5.1	10.0	6.8	5.1	5.5	5.8
Population (mn)	51.0	51.4	51.8	52.3	52.6	52.8	53.0
Current account balance (US$ bn)	-2.9	-1.4	-3.0	-2.5	-3.5	-3.8	-4.2
Current account balance (% of GDP)	-4.9	-2.2	-5.1	-3.9	-5.3	-5.4	-5.6
External Debt (US$ bn)	7.3	6.3	6.7	6.5	7.7	8.4	9.6
International Reserves (US$ bn)	8.6	2.0	3.8	4.6	4.9	5.5	6.0
Exchange Rate (Kt: US$, avg)	934	984	1,163	1,235	1,360	1,376	1,485

Note: [e] - estimates; [f] – forecasts
Source: IMF World Economic Outlook, April 2018 and EIU Country Reports

Myanmar has run persistent fiscal deficits for a few years, which the Government has financed by monetizing the debt. In 2017, external debt as a percentage of GDP increased to 11.6 percent of GDP from 10.3 percent of GDP in 2016. The IMF's debt sustainability assessment carried out in 2017 assessed Myanmar at low risk of debt distress.

On April 1, 2012, Myanmar removed its system of multiple exchange rates by unifying the official and black market exchange rates for the kyat, which is the local currency, resulting in a massive devaluation of the currency. As state enterprises are net exporters, the exchange rate realignment boosted budget receipts, including export tax income and customs duties.

Myanmar's real GDP is expected to grow at an average of 7.1 percent during 2018-2022, supported by strong investment and growth in all the major sectors during this period. Higher growth and an expected rise in international oil prices are expected to drive inflation to 5.5 percent in 2018. Though an improved external situation would support export growth, it is expected to be outpaced by import growth necessary to support public investments resulting in a widening of current account deficit.

2. INTERNATIONAL TRADE OF BANGLADESH AND MYANMAR

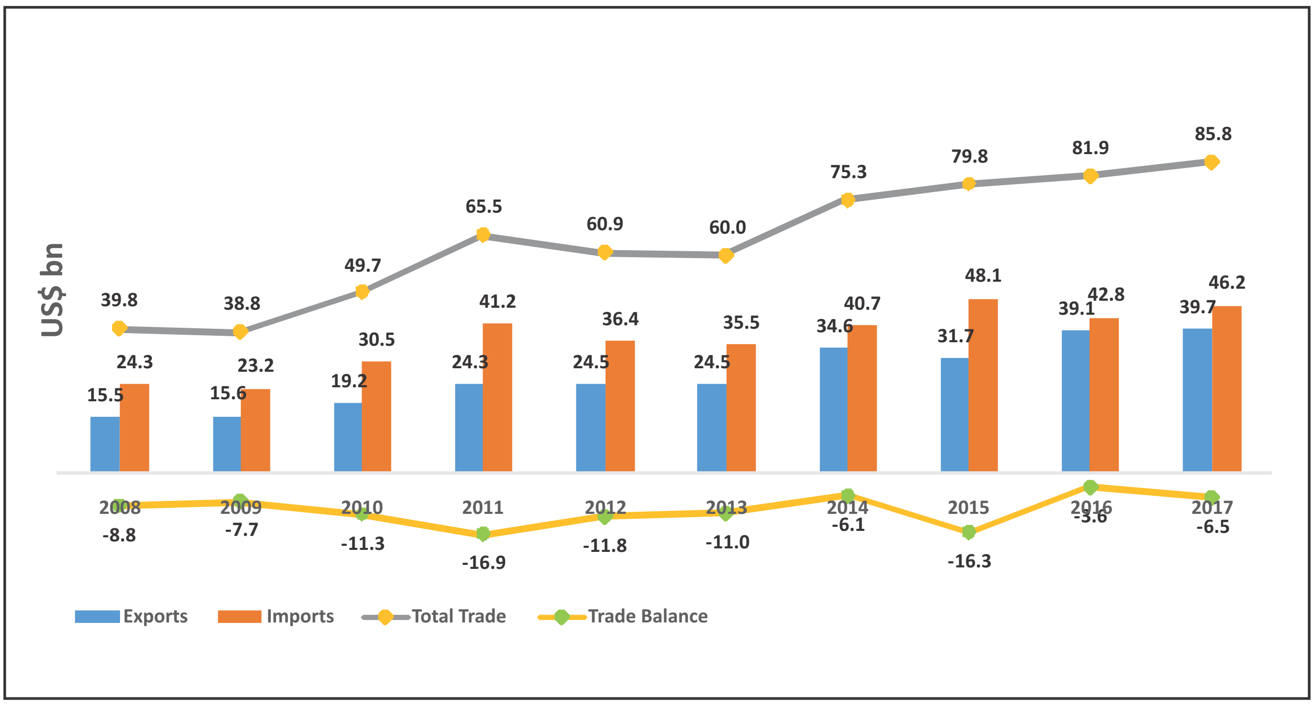
Bangladesh

Bangladesh, due to its strategic location, has the potential to become a trading and investment hub in South Asia. It could be an entry port to the region covering Nepal, Bhutan, eight North East Indian states (Assam, Meghalaya, Manipur, Arunachal Pradesh, Nagaland, Mizoram, Tripura and Sikkim), and resource-rich northern Myanmar, which could also serve as gateway to other ASEAN countries. Bangladesh's reliance on imports of most essential goods, such as petroleum oil, inputs for its garment industry, and more recently capital goods for its industry, resulted in persistent deficit in its trade balance. Bangladesh has outlined a vision of becoming a upper middle income country by 2021, which would require the country to grow by at least 8 percent annually, compared to the current 6-7 percent, supported by accelerated growth in the industrial and services sectors, diversification of export markets and higher foreign exchange earnings from the export of semi-skilled and skilled labour.

Foreign Trade of Bangladesh

During the last decade, the total trade of Bangladesh increased two-fold, from US$ 39.8 billion in 2008 to US$ 85.8 billion in 2017 **(Chart 2.1).** Exports from Bangladesh increased by a CAGR of 11 percent during 2008 to 2017 from US$ 15.5 billion to US$ 39.7 billion. Bangladesh's merchandise exports are highly concentrated within a select set of commodities, with textiles and clothing contributing 89 percent of total exports of the country in 2017. Bangladesh's imports increased by a CAGR of 7.4 percent during the same period, from US$ 24.3 billion to US$ 46.2 billion. Bangladesh's imports have been much more diversified than its exports. The period witnessed narrowing of trade deficit owing to higher growth in exports.

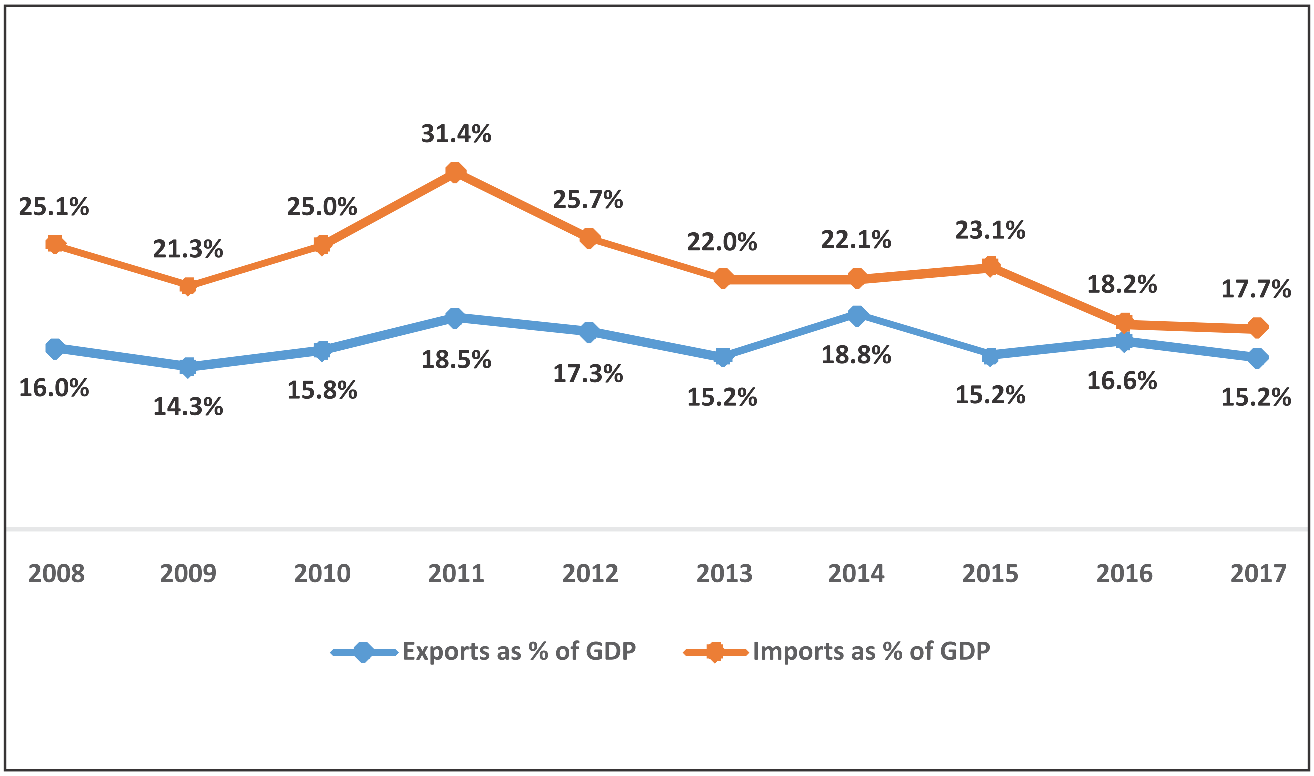
Chart 2.1: International Trade of Bangladesh



Source: ITC Trade Map, derived from UN COMTRADE

Export Propensity / export as a percentage of GDP indicates the overall degree of reliance of domestic producers on foreign markets. It ranges from zero (with no exports) to 100 (with all domestic production exported). Bangladesh's export propensity has declined from 16 percent in 2008 to 15.2 percent in 2017 **(Chart 2.2)**. Imports as a percentage of GDP has declined sharply from 25.1 percent of GDP in 2008 to 17.7 percent of GDP in 2017. Further, a substantial proportion of Bangladesh's exports have high import intensity. This is true especially in case of readymade garments (RMG) exports which are reliant on imported inputs including cotton.

Chart 2.2: Exports and Imports of Bangladesh as a Percent of GDP



Source: ITC Trade Map, IMF WEO April 2018 and Exim Bank Analysis

Composition of Bangladesh's Merchandise Trade

In this section, recent trends in composition of merchandise trade of Bangladesh are analyzed using Harmonized System (HS) code at 2-digit level. In 2017, textiles and clothing alone accounted for 88.7 percent of its global exports **(Table 2.1).** As per Bangladesh Bank, RMG sector is the major source of foreign currency generator in the country. RMG sector include both apparel and clothing not knitted as well as knitted. Globally, Bangladesh is the second-largest exporter of both articles of apparel (knit or crochet), and articles of apparel (not knit or crochet), after China. The garment sector has been the main driver of exports in Bangladesh over the years.

The garment industry developed mainly because of preferential access to the European Union (EU) benefitting from its 'Everything but Arms' (EBA) scheme, which grants duty free, quota free access for all exports, except arms and ammunition. However, the share of other exports have stagnated or declined over the time. Bangladesh's main advantage against its competitors lies in abundant labour supply and low cost wages. In fact, wages are much lower in Bangladesh than countries such as Cambodia, China, India, Sri Lanka and Vietnam.

Table 2.1: Bangladesh's Export Composition

HS Code	Product Label	2010		2017		CAGR (2010-2017, %)
		Value (US$ mn)	% Share	Value (US$ mn)	% Share	
61	Articles of apparel and clothing accessories, knitted or crocheted	7,785.5	40.5	17,521.4	44.2	12.3
62	Articles of apparel and clothing accessories, not knitted or crocheted	7,059.0	36.7	16,598.5	41.9	13.0
63	Other made-up textile articles	686.3	3.6	1,044.4	2.6	6.2
64	Footwear, gaiters and the like	252.3	1.3	933.5	2.4	20.6
53	vegetable textile fibres, paper yarn	822.7	4.3	726.7	1.8	-1.8
03	Fish and crustaceans, molluscs	537.1	2.8	626.9	1.6	2.2
65	Headgear and parts	46.0	0.2	297.1	0.7	30.5
42	Articles of leather	45.0	0.2	272.6	0.7	29.4
41	Raw hides and skins	257.2	1.3	143.7	0.4	-8.0

Source: ITC Trade Map, derived from UN COMTRADE

Bangladesh's imports have been much more diversified than its exports. Machinery and mechanical appliances replaced cotton as the major imported product in 2017. The major components of Bangladesh's import basket in 2017 include machinery and mechanical appliances (12.4 percent of the total imports), cotton (11.6 percent), electrical machinery and equipment (7.5 percent), mineral fuels, oils and distillation products (6.8 percent), cereals (4.7 percent), iron and steel (4.4 percent) and plastics and articles (4.1 percent) **(Table 2.2).** Bangladesh's import composition has mostly been concentrated towards textile-related inputs and capital goods. The growth in the textile industry of Bangladesh has led to an increased dependence on import of textile related inputs. Bangladesh is able to meet only three percent of its garment industry's demand for cotton, and the rest is imported making it the second largest cotton importer in the world in 2017.

Direction of Bangladesh's Merchandise Trade

Germany replaced the US as the major export destination of Bangladesh in 2017, accounting for 15.4 percent of total exports of the country. The other major destinations for Bangladesh's exports in 2017

Table 2.2: Bangladesh's Import Composition

HS Code	Product Label	2010		2017		CAGR (2010-2017, %)
		Value (US$ mn)	% Share	Value (US$ mn)	% Share	
84	Machinery and mechanical appliances	2,855.5	9.4	5,731.8	12.4	10.5
52	Cotton	4,820.7	15.8	5,335.2	11.6	1.5
85	Electrical machinery and equipment	2,017.5	6.6	3,471.3	7.5	8.1
27	Mineral fuels, mineral oils and products of distillation	2,530.6	8.3	3,155.4	6.8	3.2
10	Cereals	1,149.1	3.8	2,177.9	4.7	9.6
72	Iron and steel	1,313.6	4.3	2,036.7	4.4	6.5
39	Plastics and articles	1,016.1	3.3	1,911.1	4.1	9.4
87	Vehicles other than railway or tramway	1,033.2	3.4	1,716.8	3.7	7.5
15	Animal or vegetable fats and oils	2,147.8	7.0	1,648.9	3.6	3.7
55	Man-made staple fibres	919.6	3.0	1,590.9	3.4	8.1

Source: ITC Trade Map, derived from UN COMTRADE

include the US (14.9 percent), UK (9 percent), Spain (7 percent), France (7 percent) and Netherlands (6.1 percent) **(Table 2.3).** As a region, EU is the major export destination of Bangladesh in 2017, with total exports from Bangladesh amounting to US$ 23.8 billion, increasing from US$ 11.5 billion in 2010, with a corresponding increase in its share in Bangladesh's total exports from 55 percent in 2010 to 60 percent in 2017.

The major import sources of Bangladesh in 2017 include China (32.9 percent of total imports), India (12.6 percent), Singapore (6.2 percent), Japan (3.8 percent), and Brazil and Indonesia (3.5 percent each) **(Table 2.4).** Bangladesh's imports from EU as a region increased from US$ 2.1 billion in 2010 to US$ 3.5 billion in 2017, though its share has decreased from 8 percent to 7.5 percent during the same period.

Bangladesh's Trade Agreements and Arrangements[4]

Agreements that have been signed by Bangladesh and are in effect include:

- Asia-Pacific Trade Agreement
- Preferential Tariff Arrangement-Group of Eight Developing Countries
- South Asian Free Trade Area (FTA)

Agreements that have been signed and not yet in effect:

- Trade Preferential System of the Organization of the Islamic Conference

Table 2.3: Major Export Destinations of Bangladesh

Importers	2010		2017		CAGR (2010-2017, %)
	Value (US$ mn)	% Share	Value (US$ mn)	% Share	
Germany	3,115.7	15.0	6,094.2	15.4	10.1
USA	4,541.2	21.8	5,891.6	14.9	3.8
UK	2,071.7	9.9	3,563.1	9.0	8.1
Spain	931.8	4.5	2,789.3	7.0	17.0
France	1,499.3	7.2	2,770.3	7.0	9.2
Netherlands	612.7	2.9	2,411.9	6.1	21.6
Italy	725.7	3.5	1,560.9	3.9	11.6
Poland	380.3	1.8	1,313.3	3.3	19.4
Canada	813.3	3.9	1,270.7	3.2	6.6
Japan	375.1	1.8	1,167.9	2.9	17.6

Source: ITC Trade Map, derived from UN COMTRADE

Table 2.4: Major Import Sources of Bangladesh

Exporters	2010		2017		CAGR (2010-2017, %)
	Value (US$ mn)	% Share	Value (US$ mn)	% Share	
China	6,789.1	25.6	15,202.7	32.9	12.2
India	3,016.6	11.4	5,807.1	12.6	9.8
Singapore	1,703.3	6.4	2,882.9	6.2	7.8
Japan	1,023.0	3.9	1,741.0	3.8	7.9
Brazil	538.0	2.0	1,600.1	3.5	16.8
Indonesia	1,018.6	3.8	1,596.6	3.5	6.6
Malaysia	1,259.3	4.8	1,516.6	3.3	2.7
Hong Kong	831.1	3.1	1,509.1	3.3	8.9
USA	575.7	2.2	1,464.6	3.2	14.3
South Korea	1,554.3	5.9	1,278.0	2.8	2.8

Source: ITC Trade Map, derived from UN COMTRADE

[4] ADB: Asia Regional Integration Centre, Tracking Asian Integration; https://aric.adb.org/fta-country

Agreements for which negotiations have been launched:

- Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSEC) FTA
- Pakistan-Bangladesh Free Trade Agreement

Foreign Trade Zones/Free Ports

Under the Bangladesh Export Processing Zones Authority Act of 1980, the government of Bangladesh established an Export Processing Zone (EPZ) in Chittagong in 1983. Additional EPZs now operate in Dhaka (Savar), Mongla, Ishwardi, Comilla, Uttara, Karnaphuli (Chittagong), Adamjee (Dhaka) and private EPZ in Chittagong. The government has also announced plans to create up to 100 new economic zones (EZs) and invited private companies to develop the zones.

Myanmar

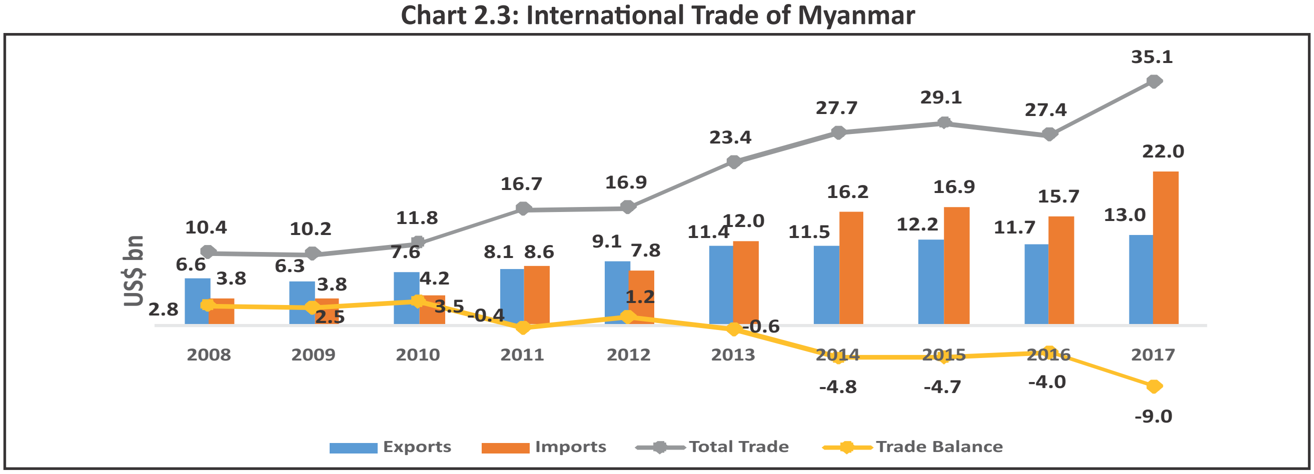
Myanmar has been a member of the World Trade Organisation (WTO) since January 1, 1995 and a member of GATT since July 29, 1948. While various economic sanctions effectively isolated Myanmar from a large part of the rest of the world, reforms since 2011 have reintegrated the country to the international community. Among the policy priorities, the government has given special attention on import opening and investment liberalization. It has been taking steps to eliminate the linkage between export receipts and import licensing, considering that more flexible import arrangements would help to limit currency appreciation pressures and provide broader benefits to Myanmar's producers and consumers[5]. Myanmar is rapidly opening up to international trade following the lifting of US sanctions, including a ban on the US imports from Myanmar, and the reinstatement of tradepreferences under EU's Everything but Arms (EBA) arrangement for LDCs.

Foreign Trade of Myanmar

During the last decade, the total trade of Myanmar increased more than three-fold, from US$ 10.4 billion in 2008 to US$ 35.1 billion in 2017 (**Chart 2.3**). During the same period, exports from Myanmar increased two-fold to US$ 13 billion in 2017 from US$ 6.6 billion in 2008, witnessing a CAGR of 7.8 percent. On year-on-year basis, exports increased to US$ 13 billion in 2017 from US$ 11.7 billion in 2016, mainly due to increased exports of textiles and apparels, vis-à-vis the previous year. To boost exports, the government has exempted commercial tax on a number of export items such as rice, beans, pulses, corn, sesame, rubber, freshwater and salt water products and animal products (except prohibited ones) as well as value added products made of timber and bamboo.

Gradual liberalization of imports, as well as a rapid expansion in the number and total value of foreign-invested projects in the oil and gas, power, mining and infrastructure sectors resulted in surge in import bill of Myanmar. Imports growth were seen significantly higher at US$ 22 billion in 2017 from US$ 3.8 billion in 2008, with a CAGR of 21.6 percent, resulting in a widening of Myanmar's trade deficit to US$ 9 billion in 2017 from a surplus of US$ 2.8 billion in 2008.

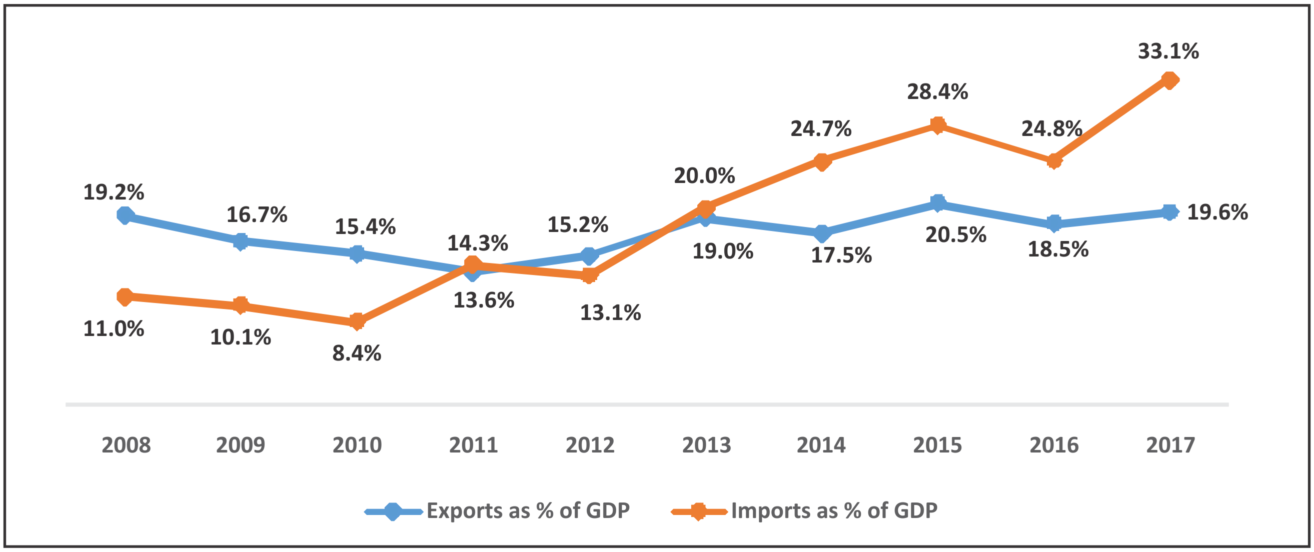
Chart 2.3: International Trade of Myanmar



Source: ITC Trade Map, derived from UN COMTRADE

[5] Myanmar Trade Policy Review, March 2014, World Trade Organisation

Chart 2.4: Exports and Imports of Myanmar as a Percent of GDP



Source: ITC Trade Map, IMF WEO April 2018 and Exim Bank Analysis

Myanmar's export propensity has increased marginally from 19.2 percent in 2008 to 19.6 percent in 2017 **(Chart 2.4)**. Imports as a percentage of GDP has increased sharply from 11 percent of GDP in 2008 to 33.1 percent of GDP in 2017.

Composition of Myanmar's Merchandise Trade

Myanmar's export basket is concentrated on fuels (natural gas), food and other primary commodities. In 2017, mineral fuels were the major item of Myanmar's exports, accounting for 24.1 percent of total exports **(Table 2.5).** Other major export items include articles of apparel and clothing accessories; ores, slag and ash; edible vegetables; copper and articles; marine products; and iron and steel, among others.

Table 2.5: Myanmar's Export Composition

HS Code	Product Label	2010		2017		CAGR (2010-2017, %)
		Value (US$ mn)	% Share	Value (US$ mn)	% Share	
27	Mineral fuels, mineral oils and products of distillation	2,936.0	38.5	3,144.8	24.1	1.0
62	Articles of apparel and clothing accessories, not knitted or crocheted	332.5	4.4	2,232.8	17.1	31.3
26	Ores, slag and ash	10.4	0.1	1,167.2	9.0	96.3
61	Articles of apparel and clothing accessories, knitted or crocheted	4.9	0.1	989.5	7.6	113.7
07	Edible vegetables, roots and tubers	891.0	11.7	672.3	5.2	-3.9
74	Copper and articles	52.6	0.7	498.0	3.8	37.9
03	Fish and crustaceans, molluscs	318.3	4.2	418.5	3.2	4.0
72	Iron and steel	-	-	363.2	2.8	-
10	Cereals	169.5	2.2	351.6	2.7	11.0
64	Footwear, gaiters and the like	53.0	0.7	346.8	2.7	30.8

Note: - not available/negligible
Source: ITC Trade Map, derived from UN COMTRADE

Table 2.6: Myanmar's Import Composition

HS Code	Product Label	2010		2017		CAGR (2010-2017, %)
		Value (US$ mn)	% Share	Value (US$ mn)	% Share	
85	Electrical machinery and equipment	238.6	5.7	2,458.2	11.2	39.5
27	Mineral fuels, mineral oils and products of distillation	947.7	22.8	2,456.8	11.2	14.6
84	Machinery and mechanical appliances	534.8	12.8	2,313.0	10.5	23.3
87	Vehicles other than railway or tramway	168.0	4.0	1,989.1	9.0	42.3
72	Iron and steel	221.4	5.3	975.6	4.4	23.6
39	Plastics and articles	214.5	5.2	842.3	3.8	21.6
15	Animal or vegetable fats and oils	174.6	4.2	654.6	3.0	20.8
73	Articles of iron or steel	289.9	7.0	647.2	2.9	12.2
17	Sugars and sugar confectionery	8.9	0.2	525.6	2.4	79.2
21	Miscellaneous edible preparations	25.0	0.6	459.0	2.1	51.5

Source: ITC Trade Map, derived from UN COMTRADE

Myanmar's imports are more diversified than it's exports, with manufacturing products having maximum share in imports. Electrical machinery and equipment and mineral fuels, oils and products of distillation formed Myanmar's major import items in 2017, accounting for 11.2 percent each of total imports **(Table 2.6).** Other principal import items were machinery and instruments, vehicles other than railway or tramway, iron and steel, and plastics and articles.

Direction of Myanmar's Merchandise Trade

Exports of Myanmar were primarily directed to the top five markets viz. China, Thailand, India, Singapore, and Japan, which account for 82.2 percent of Myanmar's total global exports **(Table 2.7).** China emerged as Myanmar's largest export destination in 2014, replacing Thailand. China accounted for 40.8 percent of Myanmar's total exports in 2017, followed by Thailand (19.2 percent), India (8.9 percent), Singapore (7.6 percent), and Japan (5.7 percent). Myanmar's exports to China are concentrated on mineral fuels and ores, slag and ash, whereas its exports to Thailand is mostly mineral fuels. Myanmar's exports to India is mainly edible vegetables and certain roots, and wood and articles of wood.

Table 2.7: Major Export Destinations of Myanmar

Importers	2010		2017		CAGR (2010-2017, %)
	Value (US$ mn)	% Share	Value (US$ mn)	% Share	
China	476.3	6.2	4,766.7	40.8	39.0
Thailand	3,177.2	41.7	2,241.5	19.2	-4.9
India	958.1	12.6	1,038.1	8.9	1.2
Singapore	276.3	3.6	890.8	7.6	18.2
Japan	215.2	2.8	663.4	5.7	17.5
South Korea	125.4	1.6	334.8	2.9	15.1
Hong Kong	1,611.8	21.1	192.6	1.7	26.2
Germany	-	-	172.4	1.5	-
USA	1.7	-	150.3	1.3	89.8
Malaysia	162.8	2.1	144.4	1.2	-1.7

Note: - not available/negligible
Source: ITC Trade Map, derived from UN COMTRADE

Table 2.8: Major Import Sources of Myanmar

Exporters	2010		2017		CAGR (2010-2017, %)
	Value (US$ mn)	% Share	Value (US$ mn)	% Share	
China	1,128.5	27.1	9,025.3	41.0	34.6
Thailand	473.4	11.4	4,300.4	19.5	37.1
Singapore	1,122.6	27.0	2,518.9	11.4	12.2
Malaysia	134.3	3.2	957.3	4.3	32.4
Japan	218.8	5.3	880.7	4.0	22.0
Indonesia	203.3	4.9	829.5	3.8	22.2
India	163.6	3.9	685.9	3.1	22.7
South Korea	252.5	6.1	573.2	2.6	12.4
Hong Kong	5.1	0.1	289.9	1.3	78.2
Taiwan	53.8	1.3	238.6	1.1	23.7

Source: ITC Trade Map, derived from UN COMTRADE

China was the major source for Myanmar's imports, accounting for 41 percent of Myanmar's imports in 2017 **(Table 2.8).** Other major import sources during the year include Thailand, Singapore, Malaysia, Japan, Indonesia, and India.

To boost exports, the government has been promoting exports of traditional and value-added products and explore new export markets as well. Myanmar's import policy inter-alia is to boost import of capital goods which are currently the major requirements of the economy, as well infrastructure and commodities that support export promotion activities.

Myanmar's Trade Agreements and Arrangements[6]

Agreements that have been signed and are in effect include:

- ASEAN FTA
- ASEAN-Australia and New Zealand FTA
- ASEAN-India Comprehensive Economic Cooperation Agreement (CECA)
- ASEAN-Japan Comprehensive Economic Partnership
- ASEAN-People's Republic of China CECA
- ASEAN-Republic of Korea CECA

Agreements that have been signed and not yet in effect include:

- Myanmar- US FTA
- ASEAN- Hong Kong FTA

Agreements for which negotiations have been launched include:

- Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSEC) FTA
- Regional Comprehensive Economic Partnership Agreement

Foreign Trade Zones/Free Ports

There are 48 industrial zones and three SEZs in development, which include Kyaukphyu in Rakhine State, Dawei in the Thanintharyi Region and the Thilawa in Yangon Region[7].

[6] ADB: Asia Regional Integration Centre, Tracking Asian Integration; https://aric.adb.org/fta-country
[7] Directorate of Investment and Company Administration, The Republic of the Union of Myanmar

3. FOREIGN INVESTMENT IN BANGLADESH AND MYANMAR

Bangladesh

The Bangladesh Investment Development Authority (BIDA) promotes and facilitates investments in the country. Bangladesh has the advantage of having low-cost workforce, strategic location, in addition to regional connectivity, and low cost of energy (mainly compressed natural gas).

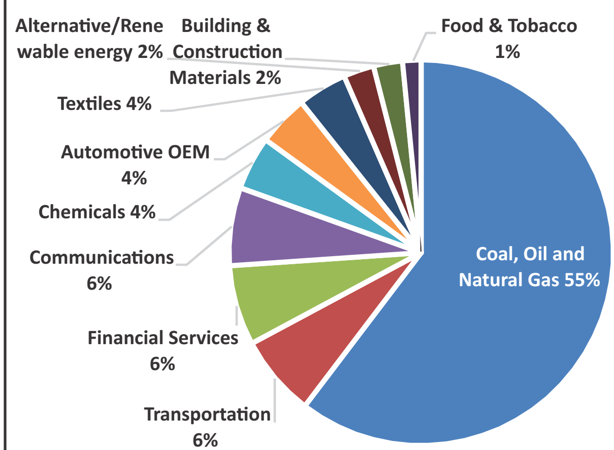
Bangladesh offers the protection of foreign investment by law, generous tax holiday, concessionary duty on import of machinery, remittances of royalty, 100 percent foreign equity, unrestricted exit policy, full repatriation of dividend and capital on exit.

Foreign Investment in Bangladesh

Bangladesh became the fourth largest FDI destination among LDCs in 2016. According to UNCTAD, total FDI inflows to Bangladesh increased by 4.4 percent to US$ 2.3 billion in 2016 from US$ 2.2 million in 2015 **(Table 3.1).** Supported by large-scale electricity projects, the total value of announced greenfield projects soared to US$ 6.4 billion in 2016, over three times of the annual average of US$ 2.0 billion in 2013–2015. Bangladesh offered a new package of incentives for investors in special economic zones (SEZs), exempting developers and investors from value-added tax and import duties on items directly linked with the development and construction of SEZs.

According to Financial Times' fDi Markets database, during January 2003 to March 2018, the cumulative investment in Bangladesh in greenfield and brownfield expansion projects, were US$ 23.4 billion, creating 60,503 jobs in the country, out of 272 projects. India was the major investor with US$ 8.5 billion (36.5 percent share) worth investment in Bangladesh during the period. The other major investors in the country were the US (US$ 3.2 billion), Malaysia (US$ 3 billion), China (US$ 1.8 billion), UK (US$ 1.3 billion) and Singapore (US$ 0.7 billion).

Chart 3.1: Sectorwise FDI Inflows to Bangladesh



Note: fDi Markets tracks cross-border investment in a new physical project or expansion of an existing investment which creates new jobs and capital investment. This data differs from official data on FDI flows as company can raise capital locally, phase their investment over a period of time, and can channel their investment through different countries for tax efficiency.

Source: fDi Markets Database and Exim Bank Analysis

Table 3.1: Trends in Bangladesh's FDI Flows **(US$ million)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
FDI Inflows	666	1,086	700	913	1,136	1,293	1,599	1,551	2,235	2,333
FDI Outflows	21	9	29	15	13	43	34	44	46	41

Source: UNCTADStat

During this period, coal, oil and natural gas was the largest sector to receive capital investment, with a share of 54.6 percent in total investment inflows into Bangladesh. Other major sectors attracting capital investment in the country include transportation, financial services, communication, and chemicals **(Chart 3.1).**

Foreign Investment Laws in Bangladesh[8]

In order to encourage foreign investments in the country, the Government of Bangladesh offers liberal investment policies, supported by various incentives. Select facilities and incentives that Bangladesh provides to foreign investors, as per the Bangladesh Investment Development Authority (BIDA), include:

Tax Exemptions: Generally five to seven years' tax exemptions are available for many business investments. However, for electric power generation tax exemptions are provided for up to 15 years.

Duty: No import duty applicable for export oriented industry. For other industries, it is 5 percent ad valorem.

Income Tax: Double taxation can be avoided in most cases as the country benefits from many bilateral investment agreements. Exemptions of income tax up to three years for the expatriate employees in industries are specified in the relevant schedules of the income tax ordinance.

Remittances: Facilities for full repatriation of invested capital, profits and dividends are the norm in most situations.

Exit: An investor can wind up an investment either through a decision of an annual or extraordinary general meeting. Once a foreign investor completes the formalities to exit the country, he or she can repatriate the net proceeds after securing proper authorization from the central bank (Bangladesh Bank).

Ownership: Foreign investors can set up ventures, either wholly owned or in joint collaboration, with local partners.

Investing in the Stock Market: Foreign investors are allowed to participate in initial primary offerings (IPOs) without any regulatory restrictions. Also, incomes from dividends are tax-exempt for investors.

Other Incentives:

- Tax exemptions on royalties, technical know-how fees received by any foreign collaborator, firm, company and expert;
- Tax exemption on the interest on foreign loans under certain conditions;
- Six months multiple entry visa for investors; Citizenship by investing a minimum of US$ 500,000 or by transferring US$ 1,000,000 to any recognized financial institution (non repatriable);
- Permanent residency by investing a minimum of US$ 75,000 (non-repatriable);
- Tax exemption on dividend income of non-resilient shareholders during tax exemption period of an industry set up in export processing zone and also after the expiry of tax exemption period if the dividend is re-invested in the same project;
- Exemption of tax on income from industrial undertakings set up in export processing zone for ten years from the date of start of commercial production; and
- Tax exemption on capital gains for the transfer of shares of public limited companies listed with a stock exchange.

To encourage export oriented industries, the government ensures all support and co-operation to the exporter as per the export policy. Some of the facilities and incentives offered include the following:

- Concessionary duty allowed on the import of capital machinery and spare parts for setting up export-oriented industries or BMRE of existing industries. For 100 percent export-oriented industries, no import duty is payable.
- Facilities such as special bonded warehouse against back-to-back letters of credit or notional import duty and non-payment of Value Added Tax (VAT) facilities are available as per SRO of the government.
- System for duty drawback is being simplified and

[8] Dhaka Chamber of Commerce & Industry, http://www.dhakachamber.com/home/investment_incentives

concise. The exporter will be able to get back the duty draw-back directly from the concerned commercial bank.

- Bank loans, of up to 90 percent if the value against irrevocable and confirmed letters of credit/sales agreement, are available.
- For granting export performance benefits, the list of export products and the rate of export performance benefit (XPB) are reviewed from time to time.
- With the intention of encouraging backward linkages, export-oriented industries including export-oriented readymade garment industries using indigenous raw materials instead of imported materials, are given additional facilities and benefits at prescribed rates. Similar incentives are extended to the suppliers of raw materials to export-oriented industries.
- Export-oriented industries are allocated foreign exchange for publicity campaigns and for opening offices abroad.
- Entire export earnings from handicrafts and cottage industries are exempted from income tax. In case of other industries, proportional income tax rebates on export earnings between 30 percent and 100 percent is given. Industries which export 100 percent of their products are given tax exemption up to 100 percent.
- Facilities for importing raw materials are given for manufacturing exportable commodities under banned/restricted list.
- Import of specified quantities of duty-free samples for manufacturing exportable products is allowed. The quantity and value of samples is determined jointly by the concerned sponsoring agency and the National Board of Revenue (NBR).
- Local products supplied to local projects against foreign exchange under international tender are treated as indirect exports and the producer is entitled to avail of all export facilities.
- Export oriented industries like toys, luggage and fashion articles, electronic goods, leather goods, diamond cutting and polishing, jewellery, stationery goods, silk cloth, gift items, cut and artificial flowers and orchid, vegetable processing, and engineering consultancy services identified by the government as thrust sectors are provided special facilities in the form of cash incentives, venture capital and other facilities.
- Export oriented industries are exempted from paying local taxes (such as municipal taxes).
- Leather industries exporting at least 80 percent manufactured products will be treated as 100 percent export oriented industries.
- Manufactures of indigenous fabrics (such as woven, knit, hosiery, grey, printed, dyed, garment check, hand loom, silk and specialized fabrics) supplying their products to 100 percent export oriented garment industries are entitled to avail a cash subsidy equivalent to 25 percent of the value of the fabrics, provided the manufacturers of the fabrics do not enjoy duty draw back or duty free bonded warehouse facility.

Foreign Investment in Myanmar

Since the lifting of sanctions in Myanmar, foreign investors have evinced interest in tapping the country's potential opportunities. The country has also been garnering considerable support from multilateral institutions and donors. Myanmar amended its investment law, simplifying investment approval and authorization procedures for both foreign and domestic investors, while reserving some special treatment for local small and medium-sized enterprises (SMEs) on market access, land lease and technical support. According to McKinsey Global Institute[9], Myanmar may attract as much as US$ 100 billion in foreign direct investment by 2030 if it spends enough to achieve its economic growth potential.

According to UNCTAD, Myanmar received FDI of US$ 2.2 billion in 2016, decreasing from US$ 2.8 billion in 2015 as a result of the delay in implementing large-scale projects and policy uncertainty over coal fired power projects **(Table 3.2).** Myanmar is expected to receive increasing levels of FDI inflows in infrastructure, labor-intensive

[9] Myanmar's Moment: Unique Opportunities, Major Challenges, McKinsey Global Institute, June 2013

Table 3.2: FDI Flows in Myanmar

(US$ million)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
FDI Inflows	2	603	27	6,669	1,118	497	584	946	2,824	2,190
FDI Outflows	-	-	-	-	-	-	-	-	-	-

Note: - not available/negligible
Source: UNCTADStat

manufacturing and extractive industries in the coming years. The largest sectors to receive FDI were mining and quarrying, transportation and storage and manufacturing during 2016.

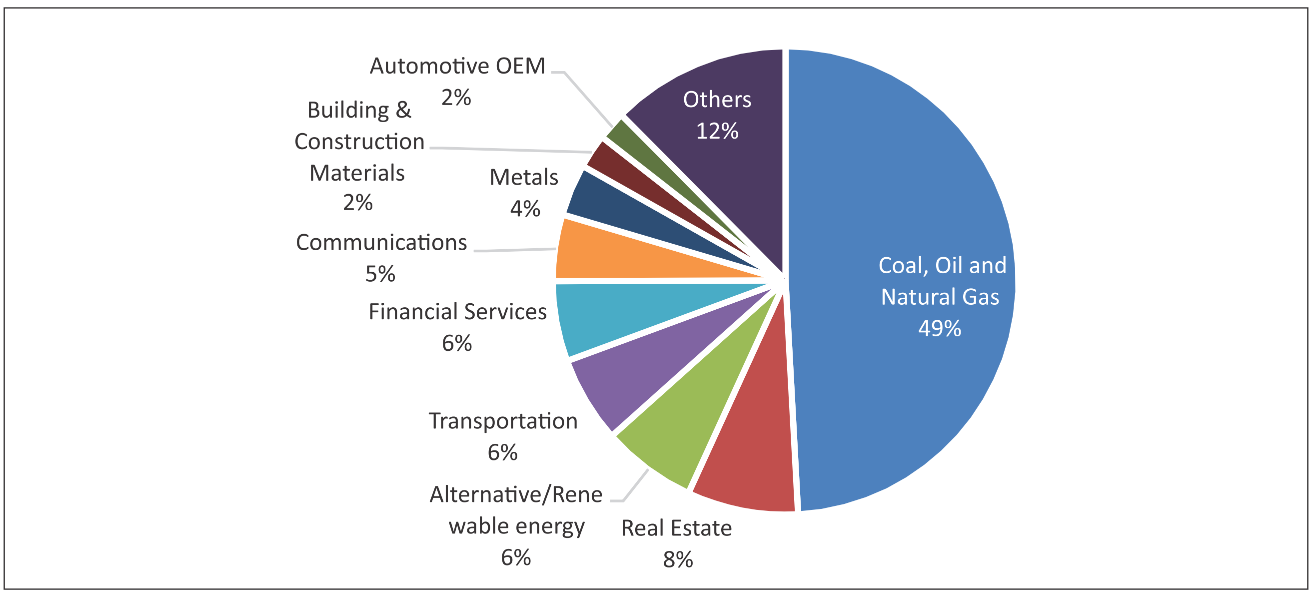
FDI flows to Myanmar are expected to continue performing well, as the construction of foreign-invested industrial zones in the recent years would boost FDI into both infrastructure and manufacturing. According to the ASEAN Investment Report 2017, ASEAN countries accounted for the highest FDI contribution to Myanmar during 2016, accounting for a share of 56 percent, followed by EU, China, and Hong Kong.

According to fDi Markets, Myanmar received US$ 59 billion as FDI out of 600 FDI projects during January 2003 to March 2018, creating 100,167 jobs in the country during the same period. The major sectors receiving investment in Myanmar were coal, oil and natural gas followed by real estate, alternative or renewable energy, transportation, financial services and communications. The major investors in the country were Japan (US$ 16.1 billion), China (US$ 10 billion), Thailand (US$ 8.9 billion), South Korea (US$ 3.8 billion), the US (US$ 3.4 billion), and India (US$ 3.1 billion) (**Chart 3.2**).

Foreign Investment Laws in Myanmar

The Myanmar Investment Law, enacted in 2016, simplified the process for investment applications and offers a number of tax breaks, incentives, guarantees, rights and protections for business ventures. It consolidated the 2012 Foreign Investment Law and the 2013 Citizens Investment

Chart 3.2: Sectorwise FDI inflows to Myanmar



Note: fDi Markets tracks cross-border investment in a new physical project or expansion of an existing investment which creates new jobs and capital investment. This data differs from official data on FDI flows as company can raise capital locally, phase their investment over a period of time, and can channel their investment through different countries for tax efficiency.

Source: fDi Markets Database and Exim Bank Analysis

Law, in order to speed up investment approvals[10]. Myanmar simplified investment approval and authorization procedures for both foreign and domestic investors. Myanmar has introduced the new Condominium Law, which permit foreigners to own up to 40 percent of a condominium building. It also encourage foreign investment in construction, provided they engage in such activities in joint ventures with local firms.

According to the Special Economic Zone Law, 2014, foreign investors may choose to establish a foreign branch office in Myanmar; incorporate a private limited company; apply for and secure an investment permit from the Myanmar Investment Commission (MIC), which is also known as an MIC Permit; or apply for and secure an investment permit from the relevant department. For the first five years, there are income tax exemptions and custom duties exemptions on production machinery used.

The governments of Myanmar and India have signed an agreement for the promotion and protection of investment, according to which, both the countries should encourage and create favorable conditions for investment from the other country.

Types of Investment[11]

Under the Myanmar Foreign Investment Law, an investment could be carried out through the following options:

- **100 percent Investment:** Foreign investors may invest without any local partners in permitted sectors;
- **Joint Venture (JV):** Joint ventures may be created with foreign, local and government entities;
- **Contract**: Foreign investors may act under a mutually-agreed upon contract; and
- **Other Investment Forms**: These include build operate-transfer (BOT) and build-operate-own (BOO) investments.

Registration of Companies

Foreign investors who register their companies under the Companies Act could also apply for an investment permit from MIC and register under the Investment Law. Companies with investment permits from MIC are eligible for tax incentives. Registration of foreign investment involves the following steps:

- Obtaining a permit from the MIC;
- Applying for a permit to trade from the DICA; and
- Applying for registration with the Companies Registration Office (CRO).

No foreign company could carry on business in Myanmar unless it has obtained a Certificate of Incorporation (COI).

Branch of a Company Incorporated Outside Myanmar

A foreign company setting up its branch office in Myanmar under the Companies Act does not need to obtain an MIC permit, and is only required to apply for a permit to trade and a registration certificate. The branch is allowed to be formed as a manufacturing or a services company. However, a foreign branch formed under the investment law need to obtain an MIC permit in addition to a permit to trade and a registration certificate.

Representative Office of a Company Incorporated Outside Myanmar

Foreign companies with business relations or investment projects in Myanmar may apply to open representative offices in Myanmar. However, a representative office of a company incorporated outside Myanmar is not allowed to perform direct commercial or revenue generating activities in Myanmar. But it is permitted to liaise with its head office and collect data useful for the head office.

Investment Incentives

Some of the benefits and incentives granted by the MIC at its discretion include:

- Exemption from income tax for up to five consecutive years for an enterprise engaged in the production of goods or services. The exemption may be extended by the MIC for a further reasonable period, depending on the success of the enterprise.
- Exemption or relief from income tax on profits of the business that are maintained in a reserve fund

[10] Directorate of Investment and Company Administration, the Republic of the Union of Myanmar
[11] Directorate of Investment and Company Administration, the Republic of the union of Myanmar

and subsequently re-invested within one year after the reserve fund is made.

- Right to deduct depreciation of machinery, equipment, building or other capital assets used in the business at the rates prescribed by the MIC.
- Relief from income tax of up to 50 percent of the profits accrued on exported goods, that are produced by any manufacturing business.
- Right to pay income tax on the income of foreign employees at the rates applicable to citizens residing in the country.
- Right to deduct expenses from the assessable income, such as expenses incurred in respect of research and development relating to the business which are required and carried out within the country.
- Right to carry forward and set off losses for up to three consecutive years from the year the loss is sustained (within two years after the tax holiday period).
- Exemption or relief from customs duty or other internal taxes on machinery equipment, instruments, machinery components, spare parts and materials used in the business, and items which are imported and required to be used during the construction period of the business.
- Exemption or relief from customs duty or other internal taxes on imported raw materials for the first three years of commercial production following the completion of construction.
- If the investor increases the amount of investment and expands the business within the approved time frame, it may enjoy exemption or/and relief from customs duty or other internal taxes on machinery, equipment, instruments, machinery components, spare parts and materials that are imported for the expansion of business.
- Exemption from commercial tax on goods that are manufactured for export.

Special Economic Zones

Incentives under the Myanmar SEZ Law include:

For investors:

- Income tax holidays for the first seven years starting from the date of commercial operation in respect of those investment businesses operated in exempted zone or exempted zone businesses.
- Income tax holidays for the first five years starting from the date of commercial operation in respect of those investment businesses operated in a business promoted zone or other business in a promoted zone.
- 50 percent income tax relief for the investment businesses operated in an exempted zone and a business promoted zone for the second five year period.
- For the third five-year period, 50 percent income tax relief on the profits of the business if they are maintained for re-investment in a reserve fund and re-invested therein within one year after the reserve is made.
- Exemption from customs duty and other taxes for raw materials, machinery and equipments and certain types of goods imported for investors in exempted zones, whereas for investors in prompted zones, exemption from custom duty and other taxes for the first five years in respect of machinery and equipment imported which are required for construction starting from the date of commercial operation, followed by 50 percent relief of custom duty and other taxes for a further five years.
- Carry forward of loss for five years from the year the loss is sustained.

For developers:

- Income tax holidays for the first eight years starting from the date of commercial operation.
- 50 percent income tax relief for the second five year period.
- For the third five year period, 50 percent income tax relief on the profits of the business if they are maintained for re-investment in a reserve fund and re-invested therein within one year after the reserve is made.

- Exemption from customs duty and other taxes for raw materials, machinery and equipment, and certain types of imported goods.
- Carry forward of loss for five years from the year the loss is sustained.

Land use may be granted under an initial lease of up to 50 years and renewable for a period of further 25 years. Developers/investors may rent, mortgage or sell land and buildings to another person for investment purposes within the term granted with the approval of the management committee concerned.

4. INDIA'S BILATERAL RELATIONS WITH BANGLADESH AND MYANMAR

Bangladesh

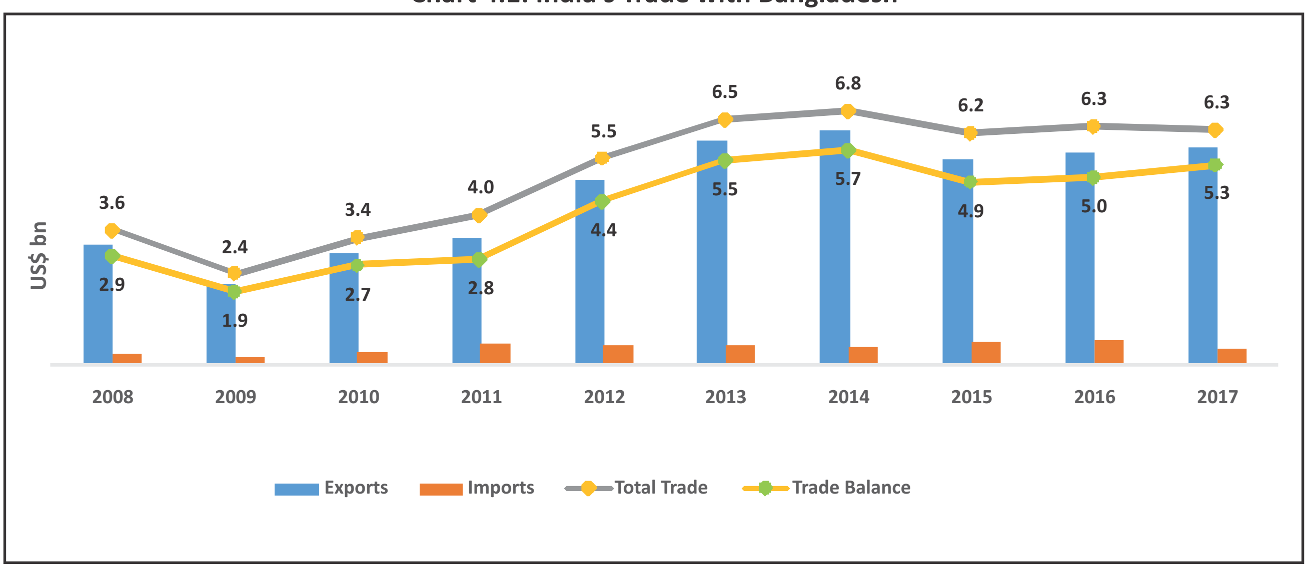
The geographical proximity between India and Bangladesh provide an easy access to each other's markets for their own products. Currently, India and Bangladesh are members of the South Asian Free Trade Area (SAFTA), the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), the Asia-Pacific Trade Agreement (APTA), and the Indian Ocean Rim Association for Regional Co-operation (IOR-ARC). Bangladesh has received preferential market access treatment from India for a large number of items of export under SAARC Preferential Trade Agreement (SAPTA) negotiations and also as part of Trade Liberalisation Plan (TLP) of the SAFTA. India provides preferential trade access under these agreements as well as the Duty Free Tariff Preferential (DFTP) Scheme.

Bilateral Trade Relations between India and Bangladesh

Bangladesh is India's largest trading partner in South Asia, accounting for 37.5 percent of India's total exports to the region, and 20 percent of India's total imports from the region in 2017. Globally, India is the second-largest source of Bangladesh's imports after China, accounting for 12.6 percent of Bangladesh's total imports in 2017. As regards exports, India is 19th largest export market (1.2 percent of the total exports) for Bangladesh in 2017.

Indo-Bangladesh trade increased by almost two-fold over the past decade to reach US$ 6.3 billion in 2017 from US$ 3.6 billion in 2008 **(Chart 4.1).** Over the decade, India's exports to Bangladesh increased by a CAGR of 6.7 percent to US$ 5.8 billion in 2017 from US$ 3.2 billion in 2008, while India's imports from Bangladesh increased by a CAGR of 3.8 percent from US$ 329.8 million in 2008 to US$ 459.4 million in 2017. On a year-on-year basis, India's exports to Bangladesh increased moderately by 2.4 percent to US$ 5.8 billion in 2017 from US$ 5.7 billion in 2016, whereas India's imports from Bangladesh fell sharply by 32.2 percent to US$ 459.4 million in 2017 from US$ 677.1 million in 2016. The sharp fall in imports was mainly due to fall in imports of vegetable textile fibres, paper yarn and woven fabrics, and articles of apparel and clothing accessories vis-à-vis previous year.

Chart 4.1: India's Trade with Bangladesh



Source: ITC Trade Map, derived from UN COMTRADE

Table 4.1: India's Major Exports to Bangladesh **(US$ million)**

HS Code	Product Label	2010		2017		CAGR (2010-2017, %)
		Value (US$ mn)	% Share	Value (US$ mn)	% Share	
52	Cotton	936.4	31.0	1 159.7	20.0	3.1
87	Vehicles other than railway or tramway	249.9	8.3	716.1	12.3	16.2
10	Cereals	157.1	5.2	523.4	9.0	18.8
27	Mineral fuels, mineral oils and products of distillation	110.1	3.7	517.0	8.9	24.7
84	Machinery and mechanical appliances	91.2	3.0	401.7	6.9	23.6
85	Electrical machinery and equipment	58.0	1.9	214.4	3.7	20.5
23	Residues and waste from the food industries	239.1	7.9	206.9	3.6	-2.0
72	Iron and steel	66.3	2.2	192.1	3.3	16.4
55	Man-made staple fibres	48.7	1.6	178.1	3.1	20.4
39	Plastics and articles	74.0	2.5	154.8	2.7	11.1

Source: ITC Trade Map, derived from UN COMTRADE

India's trade surplus with Bangladesh increased from US$ 2.9 billion in 2008, to US$ 5.3 billion in 2017. This rise can be mainly attributed to the trade formalisation efforts between the two countries and Bangladesh's increased dependence on India, especially for cotton.

Composition of India –Bangladesh Merchandise Trade

India's trade with Bangladesh has undergone a compositional change across the years. Though the main components of India's exports to Bangladesh continue to remain food items and other primary goods, reflecting Bangladesh's changing industrial policy, exports have gradually expanded to capital goods as well.

In fact, India has become the largest supplier of vehicles other than railway or tramway and cereals, the second-largest supplier of cotton, after China, the third-largest supplier of iron and steel, the fourth-largest supplier of mineral fuels, and electrical and electronic equipment, and the fifth largest supplier of machinery and instruments, and plastics and articles to Bangladesh. Machinery and mechanical appliances; cotton; electrical machinery and equipment; mineral fuels, mineral oils and products of distillation; cereals; iron and steel; plastics and articles; and vehicles other than railway or tramway are among top import items of Bangladesh in 2017.

Cotton is the major commodity exported by India to Bangladesh (20 percent of India's total exports to Bangladesh) in 2017, followed by vehicles other than railway or tramway (12.3 percent), cereals (9 percent), mineral fuels, mineral oils and products of distillation (8.9 percent), and machinery and instruments (6.9 percent) **(Table 4.1).** An analysis of Bangladesh's cotton imports reveal that at the 4-digit level, Bangladesh mainly imported cotton not carded or combed (HS-5201), followed by woven fabrics with weight over 200 g/m2 (HS-5209), woven fabrics with weight under 200 g/m2 (HS-5208), and cotton yarn (HS-5205). Bangladesh's cotton import from India were mainly skewed towards cotton and cotton yarn, while imports from China mainly included woven cotton. In the case of cereals, where India is the major supplier to Bangladesh, Bangladesh's cereals import from India were mainly rice (HS-1006) and maize or corn (HS-1005) in 2017.

Table 4.2: India's Major Imports from Bangladesh (US$ million)

HS Code	Product Label	2010		2017		CAGR (2010-2017, %)
		Value (US$ mn)	% Share	Value (US$ mn)	% Share	
53	Vegetable textile fibres, paper yarn and woven fabrics	76.4	21.4	95.1	20.7	3.2
62	Articles of apparel and clothing accessories, not knitted or crocheted	11.3	3.2	89.0	19.4	34.3
61	Articles of apparel and clothing accessories, knitted or crocheted	4.7	1.3	34.0	7.4	32.5
25	Salt, sulphur, stone, and cement	30.0	8.4	21.6	4.7	-4.6
78	Lead and articles	0.1	-	21.0	4.6	135.1
72	Iron and steel	14.3	4.0	16.4	3.6	1.9
63	Other made-up textile articles	51.6	14.4	15.4	3.3	-15.9
52	Cotton	8.9	2.5	13.7	3.0	6.3
89	Ships, boats and floating structures	-	-	12.9	2.8	-
03	Fish and crustaceans, molluscs	38.7	10.8	12.7	2.8	-14.7

Note: - not available/negligible

Source: ITC Trade Map, derived from UN COMTRADE

India's major imports from Bangladesh in 2017 included vegetable textile fibres, paper yarn and woven fabric, which accounted for 20.7 percent of the total imports, followed by articles of apparel and clothing accessories, not knitted or crocheted (19.4 percent), articles of apparel and clothing accessories, knitted or crocheted (7.4 percent), salt, sulphur, stone, and cement (4.7 percent), and lead and articles (4.6 percent) **(Table 4.2).** India's cotton imports from Bangladesh mainly includes cotton fabric (HS-520841).

Apart from formal trade, the significant unofficial trade between the two nations denotes the possibility of enhancing bilateral trade by facilitating routing of these traded items through official channels. Unofficial trade with Bangladesh occurs through the porous borders of Assam, Meghalaya, Mizoram, Tripura and West Bengal. Major reasons for unofficial trade would include evasion of tariff and non-tariff barriers, simplex procedures, better market distribution network, and nature and size of the businessmen/traders.

Institutional Trade Mechanisms between India and Bangladesh

Several instruments for facilitating bilateral trade and economic linkages are in place including the Convention for the Avoidance of Double Taxation and Prevention of Fiscal Evasion (DTAC), Bilateral Investment Protection & Promotion Agreement (BIPPA) and Agreement on Establishment of Joint Economic Commission (JEC). Other agreements include:

South Asia Free Trade Agreement (SAFTA)

Due to several constraints in tradings under the SAARC Preferential Trade Agreement (SAPTA), the SAARC countries signed the SAFTA Agreement in January 2004, which was implemented with effect from January 1, 2006. In this agreement, three lists were negotiated, the Negative List, the Positive List and the Residual List. According to SAFTA, while duty on items outside the sensitive list would be immediately reduced to 0 to 5 percent, items in the sensitive list of a country would not be considered for tariff reduction and would need to enter that country by paying Most Favoured Nation (MFN) duties at the Customs. The agreement specifies that member countries will review the sensitive list every three years.

Based on a Memorandum of Understanding (MOU) signed between the two countries in 2008, India agreed to provide zero duty market access for up to 8 million pieces of garments from Bangladesh (Tariff Rate Quota [TRQ]). This was further increased to 10 million pieces every year in April 2011. In September 2011, during the then Prime Minister Dr. Manmohan Singh's visit to Dhaka, India granted duty-free, quota-free access to 46 textile tariff lines of greatest sensitivity to Bangladesh. Further, with effect from November 9, 2011, India unilaterally reduced its sensitive list for SAARC LDCs, including Bangladesh, to 25 tariff lines. After these announcements in 2011, the TRQ between India and Bangladesh became redundant. India has granted Bangladesh duty-free, quota-free access on all items except tobacco and alcohol under SAFTA.

Duty Free Tariff Preference (DFTP) Scheme for Least Developed Countries (LDCs)

The Government of India extended the Duty Free Tariff Preference (DFTP) Scheme for LDCs, including Bangladesh, granting duty free access on 94 percent of India's total tariff lines. Specifically, the Scheme provided preferential market access on tariff lines that comprise 92.5 percent of global exports of all LDCs. The Scheme came into effect in August 2008 with tariff reductions spread over five years. With effect from April 1, 2014, the DFTP scheme has been expanded both in terms of coverage and facilitation of trade to provide duty free / preferential market access on about 98.2 percent of India's tariff lines. Only 1.8 percent of the tariff lines have been retained in the Exclusion List, with no duty concessions. Only 97 lines are under exclusion list and 114 lines are under Margin of Preference (MOP) list. On all other lines, zero duty access has been provided for exports from beneficiary LDCs. In order to further facilitate trade, certain procedural modifications were made to the Rules of Origin of the DFTP Scheme in 2015. The new scheme provides market access on 95.5 percent of the lines on which LDCs have made to exports to India over the last two financial years.

The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)

Under BIMSTEC (a regional trading initiative between Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand), member countries agreed to establish the BIMSTEC Free Trade Area Framework Agreement in order to stimulate trade and investment in the parties, and attract outsiders to trade with and invest in BIMSTEC at a higher level. Several sectors have been identified for preferential trading among member countries, which include textiles and clothing, drugs and pharmaceuticals, gems and jewellery, horticulture and floriculture, processed food, automotives and components, rubber, tea and coffee, coconuts and spices. As per the BIMSTEC agreement, tariff rates between member countries will be reduced fully by 2023 at various stages for LDC and non LDC member countries.

Asia-Pacific Trade Agreement (APTA)

The Asia-Pacific Trade Agreement (APTA), which was formerly known as the Bangkok Agreement, is a trade initiative with Bangladesh, China, India, Lao PDR, South Korea and Sri Lanka as its members. Under APTA, a minimum local content of 45 percent is necessary in order to enjoy preferential market access, and 35 percent in the case of LDCs. Bangladesh enjoys tariff concessions in other member countries, such as tariff concessions on 570 products, with additional tariff concessions on 48 products (HS 6-digit level) in the Indian market with a margin of preference ranging from 14 percent to 100 percent.

Global System of Trade Preferences (GSTP)

The Agreement on Global System of Trade Preferences among developing countries (GSTP) was signed on April 13, 1988 by 44 developing countries, including India and Bangladesh. Under the trade preference scheme, the agricultural sector was provided with special preferences. Current applied tariff rates in GSTP countries are significantly lower than the WTO bound rates. The local content requirement is 50 percent for non-LDC members, and 40 percent for LDC members.

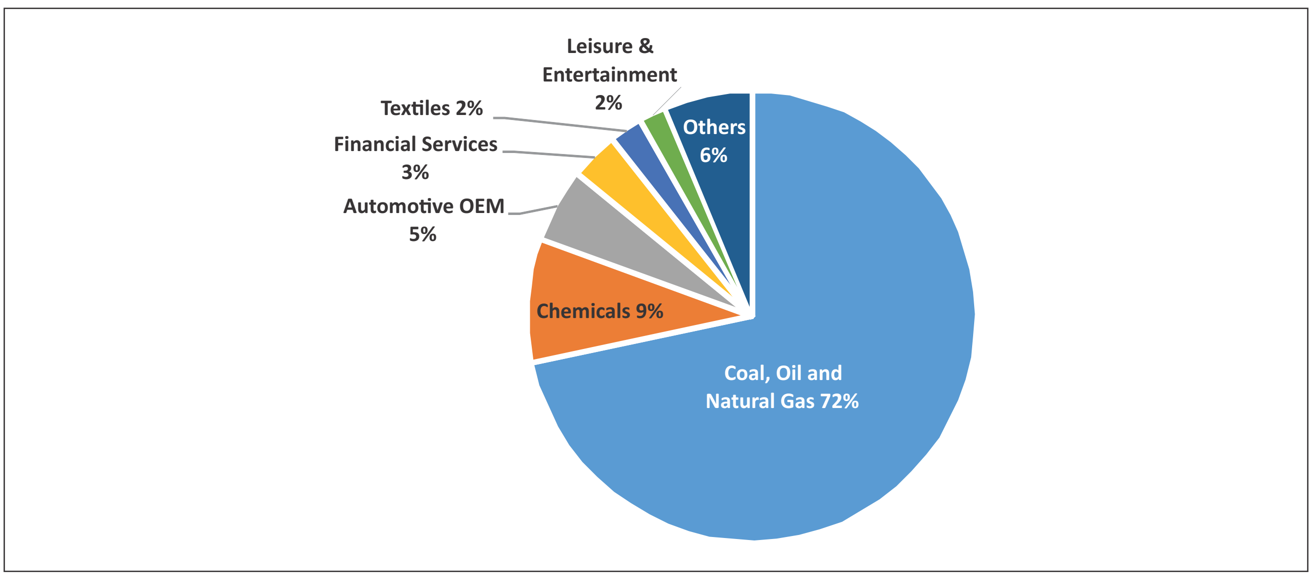
Some of the other recent agreements between India and Bangladesh include:

- A Motor Vehicle Agreement for the Regulation of Passenger, Personal and Cargo Vehicular Traffic amongst Bangladesh, Bhutan, India and Nepal (BBIN) has been signed at the BBIN Transport Ministers' meeting on June 15, 2015 at Thimphu, Bhutan.
- Agreement on Coastal Shipping between India and Bangladesh to promote two-way trade between both countries through ports was signed on June 6, 2015 at Dhaka, Bangladesh.
- Protocol on Inland Waterways Transit and Trade (PIWTT) outlining mutually beneficial arrangements for use of waterways of both countries for commerce between them and for passage of goods between two places in one country and to third countries through the territory of the other under mutually agreed terms was signed during PMs visit to Dhaka on June 6, 2015. Protocol has five years validity with automatic renewal.
- Revised India –Bangladesh Trade Agreement facilitating connectivity to North East and trade with third countries signed on June 06, 2015.
- A Memorandum of Understanding (MOU) on Establishing Border Haats across the Border between India and Bangladesh signed in April 2017.
- MOU on Development of Fairway from Sirajganj to Daikhowa and Ashuganj to Zakiganj on Indo-Bangladesh Protocol Route in April 2017.

Investment Relations between India and Bangladesh

Over the years, there has been a significant growth in the FDI flows from India to Bangladesh; however, there is marginal FDI movement from Bangladesh to India. During April 1996 to March 2018, the

Chart 4.2: Sectorwise FDI Inflows from India to Bangladesh



Note: fDi Markets tracks cross-border investment in a new physical project or expansion of an existing investment which creates new jobs and capital investment. This data differs from official data on FDI flows as company can raise capital locally, phase their investment over a period of time, and can channel their investment through different countries for tax efficiency.

Source: fDi Markets Database and Exim Bank Analysis cumulative approved Indian FDI in joint ventures and wholly owned subsidiaries (FDI outflows) including equity, loan and guarantee issued, in Bangladesh stood at US$ 474.6 million. On the other hand, cumulative inflows into India from Bangladesh during April 2000-December 2017 amounted to US$ 0.05 million. Indian FDI flows into Bangladesh in 2017-18 was skewed toward electricity, gas and water sector.

According to Financial Times' fDi Markets database, during January 2003 to March 2018, the cumulative Indian investment in Bangladesh in greenfield and brownfield expansion projects, were US$ 8.5 billion, creating 14,166 jobs in the country, out of 52 projects. India was the major investor in Bangladesh during the period, with 36.5 percent share in Bangladesh's global investment.

During the same period, coal, oil and natural gas was the largest sector to receive capital investment, with a share of 72 percent in total investment inflows from India into Bangladesh. Other major sectors attracting capital investment in the region include chemicals, automotive OEM, financial services, textiles and leisure and entertainment **(Chart 4.2).**

Some of the Indian Companies present in Bangladesh include Pearl Fashion Pvt. Ltd., Pacific Apparels Ltd., and Arvind Fashion Ltd. in the textile industry; National Thermal Power Corporation Ltd; ONGC Videsh Ltd in electricity and gas sector; Polaris in banking and financial services; Uttara Foods and Feeds Ltd. in food products; Marico in FMCG and TCI in logistics and transportation sector. Potential sectors for Indian investment in Bangladesh would include cotton yarn and fabric, man-made yarn and fabrics, machinery particularly textile machinery, mechanical appliances & parts, organic & inorganic chemicals, automobiles, iron & steel items, electrical & electronic items, footwear, horticultural products, information technology, health equipment & products and pharmaceuticals.

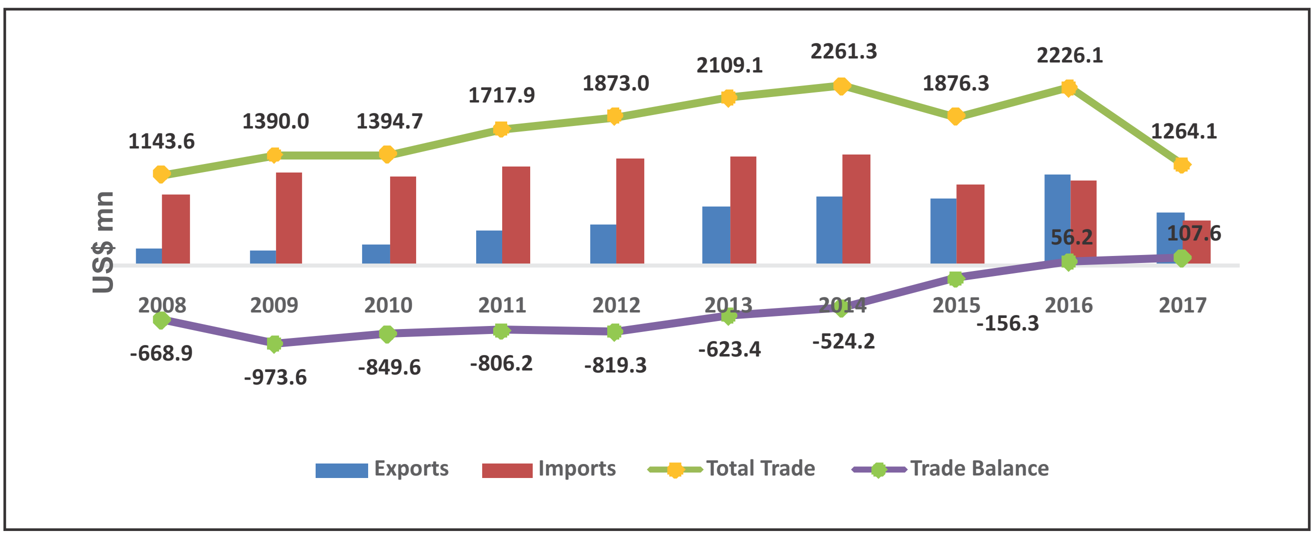
Myanmar

The adoption of Look East Policy by India was an initiative towards developing extensive economic and strategic relations with the Association of Southeast Asian Nations (ASEAN) (including CLMV countries). Since then, India has progressed from being a dialogue partner to the present status of a strategic partner with ASEAN. India's Look East Policy has now been morphed into Act East Policy announced in the Union Budget Speech of 2015-16, which envisages accelerated across-the-board engagement between India and East Asia.

Trade Relations with Myanmar

Since the signing of India and Myanmar trade agreement in 1970, bilateral trade has been growing steadily. Total trade between India and Myanmar have witnessed a steady growth in recent years,

Chart 4.3: India's Trade with Myanmar



Source: ITC Trade Map, derived from UN COMTRADE

having risen from US$ 1.1 billion in 2008 to US$ 1.3 billion in 2017 (**Chart 4.3**). India maintained a trade surplus with Myanmar in the recent years from a deficit witnessed until 2015, reflecting lower imports of edible vegetables, roots and tubers, as well as timber products from Myanmar vis-à-vis previous years.

India's exports to Myanmar increased by a CAGR of 12.5 percent to US$ 685.9 million in 2017, compared to US$ 237.3 million in 2008, accounting for 3.1 percent of Myanmar's global imports. On a year-on-year basis, India's exports to Myanmar witnessed a sharp decline of 39.9 percent from US$ 1.1 billion in 2016 to US$ 685.9 million in 2017, mainly due to lower exports of sugars and sugar confectionery. India's imports from Myanmar stood at US$ 578.3 million during 2017, decreasing from US$ 906.3 million in 2008. On a year-on-year basis, India's imports from Myanmar witnessed a sharp decline of 46.7 percent from US$ 1.1 billion in 2016 to US$ 579.3 million in 2017, mainly due to lower exports of edible vegetables and roots. In 2017, India was the fifth largest global export destination of Myanmar, accounting for 4.4 percent of Myanmar's global exports.

Composition of India –Myanmar Merchandise Trade

India's export basket to Myanmar primarily comprised pharmaceutical products, iron and steel, sugars and sugar confectionery, electrical machinery and equipment and vehicles, among others, which together accounted for 51.8 percent of India's total exports to Myanmar (**Table 4.3**). Though India's exports of sugar and sugar confectionery (HS-17), and cotton (HS-52) to Myanmar have shown significant increase until 2016, they have witnessed a decline in 2017. This could be partially attributed to the temporary ban on sugar re-export by the Government of Myanmar during the year. During 2017, Myanmar was India's second largest export destination for exports of railway or tramway locomotives, rolling stock and parts, 4th largest export destination for sugar and confectionery and 12th largest destination for exports of article of feather. Overall, India was Myanmar's 7th largest source of global imports during 2017, accounting for 3.1 percent of Myanmar's global imports.

Table 4.3: India's Major Exports to Myanmar **(US$ million)**

HS Code	Product Label	2010		2017		CAGR (2010-2017, %)
		Value (US$ mn)	% Share	Value (US$ mn)	% Share	
30	Pharmaceutical products	56.9	20.9	123.4	18.0	11.7
72	Iron and steel	18.6	6.8	70.0	10.2	20.8
17	Sugars and sugar confectionery	8.7	3.2	64.6	9.4	33.1
85	Electrical machinery and equipment	16.6	6.1	51.2	7.5	17.5
87	Vehicles other than railway or tramway	5.4	2.0	45.8	6.7	35.6
52	Cotton	9.9	3.6	35.8	5.2	20.1
84	Machinery and mechanical appliances	13.8	5.0	34.6	5.0	14.1
27	Mineral fuels, mineral oils and products of their distillation	2.8	1.0	33.5	4.9	42.3
23	Residues and waste from the food industries	10.3	3.8	33.0	4.8	18.2
86	Railway or tramway locomotives, rolling stock and parts	0.8	0.3	22.2	3.2	61.3

Source: ITC Trade Map, derived from UN COMTRADE

Table 4.4: India's Major Imports from Myanmar (US$ million)

HS Code	Product Label	2010		2017		CAGR (2010-2017, %)
		Value (US$mn)	% Share	Value (US$ mn)	% Share	
07	Edible vegetables, roots and tubers	506.5	55.9	414.8	71.7	-2.8
44	Wood and articles of wood	392.7	43.3	111.5	19.3	-16.5
72	Iron and steel	-	-	13.2	2.3	-
78	Lead and articles	0.1	-	11.2	1.9	112.6
09	Coffee, tea, maté and spices	0.8	0.1	5.9	1.0	33.7
03	Fish and crustaceans, molluscs	0.1	-	4.8	0.8	77.3
79	Zinc and articles	-	-	4.0	0.7	-
12	Oil seeds and oleaginous fruits	-	-	2.8	0.5	92.9
76	Aluminium and articles	-	-	2.1	0.4	-
41	Raw hides, skins and leather	1.4	0.2	1.7	0.3	2.6

Note: - not available/negligible
Source: ITC Trade Map, derived from UN COMTRADE

Edible vegetables, roots and tubers, and timber products together accounted for 91 percent of India's total imports from Myanmar in 2017 **(Table 4.4)**. In fact, during 2017, Myanmar was India's third largest global source of edible vegetables and timber products.

India – Myanmar Regional Cooperation

- **Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC):** BIMSTEC is an international organisation involving Bangladesh, India, Myanmar, Sri Lanka, Thailand, Bhutan and Nepal. Myanmar is a signatory to the BIMSTEC Free Trade Agreement, and trades mostly with Thailand and India in the region.
- **Mekong Ganga Cooperation (MGC):** MGC is an initiative by six countries – India and five ASEAN countries namely, Cambodia, Lao PDR, Myanmar, Thailand and Vietnam – for cooperation in the fields of tourism, education, culture, transport and communication, and was launched at Vientiane, Lao PDR. Both the Ganga and the Mekong are civilizational rivers, and the MGC initiative aims to facilitate closer contacts among the people inhabiting these two major river basins. The MGC is also indicative of the cultural and commercial linkages among the member countries of the MGC down the centuries. The Eighth Mekong Ganga Cooperation Ministerial Meeting was held on August 7, 2017 in Manila, Philippines. The Ministers emphasized the need to expedite the collaboration under MGC while seeking continuously to identify newer areas of cooperation, in order to strengthen economic linkages and to tap trade and investment potential of the cooperation between India and Mekong countries[12].
- **South Asian Association for Regional Cooperation (SAARC):** SAARC is an organisation of eight South Asian nations (Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka). Myanmar was given the status of observer in SAARC in August 2008.
- **Association of Southeast Asian Nations (ASEAN):** Myanmar is the only ASEAN country which shares a land border with India, and is a bridge between India and Southeast Asian countries. The ASEAN-India Agreement on Trade in Goods came into force on September 1, 2010 for Myanmar. Elimination or reduction of tariffs under the various tariff categories like normal tracks 1 & 2, sensitive track, special products and highly sensitive track would be by 2024 for CLMV countries including Myanmar **(Exhibit 4.1)**.

[12] Ministry of External Affairs (MEA), Government of India

Exhibit 4.1: ASEAN- India Free Trade Area

In October 2003, a Framework Agreement on Comprehensive Economic Cooperation was signed between ASEAN and India, covering Free Trade Agreements (FTA) in goods, services and investment, as well as areas of economic cooperation. The agreement for freeing trade in goods was signed in August 2009. The agreement on Trade in Goods came into force on January 1, 2010 in the case of Malaysia, Singapore and Thailand; June 1, 2010 for Vietnam; September 1, 2010 for Myanmar; October 1, 2010 for Indonesia; November 1, 2010 for Brunei; January 24, 2011 for Lao PDR; June 1, 2011 for Philippines; and July 29, 2011 for Cambodia. Elimination or reduction of tariffs under the various tariff categories like normal tracks 1 & 2, sensitive track, special products and highly sensitive track would be by 2019 for ASEAN non- CLMV barring Philippines; 2022 for Philippines; and 2024 for Cambodia, Lao PDR, Myanmar and Vietnam (CLMV). Tariff concessions in the Agreement are offered either through tariff elimination or tariff reduction for about 4000 products (which include electronics, chemicals, machinery and textiles) to zero or near zero levels.

Under the Agreement, ASEAN countries and India have agreed to progressively eliminate tariffs on 80 percent of the tariff lines, accounting for 75 percent of the trade. India has excluded 489 tariff lines (HS-6 Digit level) from the list of tariff concessions and 590 tariff lines from the list of tariff elimination to address sensitivities in agriculture, textiles, auto, chemicals, petrochemicals, crude and refined palm oil, coffee, tea, pepper, etc. ASEAN countries have also maintained country wise exclusion list from the proposed tariff concessions or eliminations.

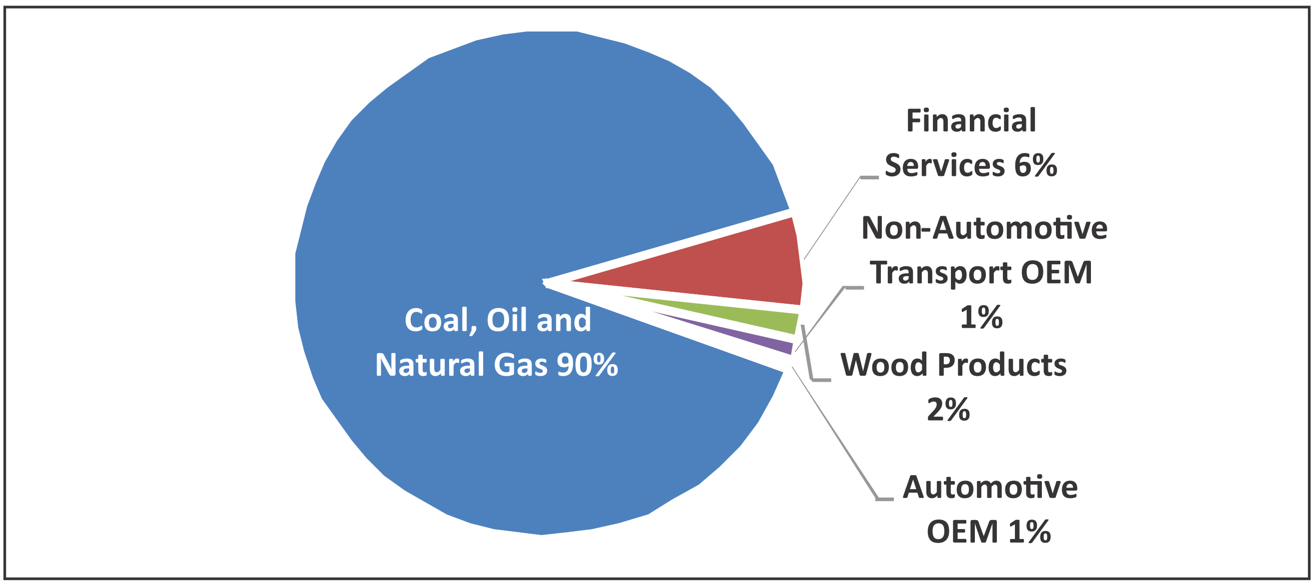
On September 9, 2014, India signed the Trade in Services and Trade in Investment Agreement with ASEAN countries, including Myanmar, which came into force on July 1, 2015. Select articles contained in the Services Agreement include transparency, domestic regulations, recognition, market access, and national treatment, increasing participation of developing countries, joint committee on services, review, dispute settlement and denial of benefits. The Investment Agreement primarily focuses on protection of investment to ensure fair and equitable treatment for investors, non-discriminatory treatment in expropriation or nationalisation, and fair compensation. While the ASEAN-India Free Trade Area is fully functional from July 2015, India is also actively engaged in the Regional Comprehensive Economic Partnership negotiations involving ASEAN and its six FTA partners, which, when completed, is expected to be the largest regional trading arrangement, accounting for nearly 40 percent of the world trade.

Source: Ministry of Commerce and Industry, Government of India and Ministry of External Affairs (MEA), Government of India

Other Areas of Cooperation between India and Myanmar[13]

- MOU on Cooperation in the construction of 69 Bridges including AP Aproach Roads in the Tamu-Kyigone-Kalewa Road Section of the Trilateral Highway in Myanmar in August 2016.
- MOU on Cooperation in the construction / upgradation of the Kalewa – Yagyi Road Section in August 2016.
- Mechanisms such as Joint Trade Committee, Double Taxation Avoidance Agreement, Bilateral Investment Protection Agreement and other technical level committee on trade have contributed significantly in strengthening trade and investment relations.
- India is undertaking some important development projects to enhance connectivity, notably, the Kaladan project, and construction/upgradation of Rih-Tiddim Road. India has agreed to Myanmar's request to undertake the task of building the 69 bridges along the Tamu Kalamyo-Kalewa (TKK) Friendship Road and construct the 126 km Kalewa-Yargyi road segment for establishing seamless Trilateral Highway from Moreh in India to Mae Sot in Thailand via Myanmar.
- India is also working on boosting air, rail and sea links. During the visit of Indian Prime Minister to Myanmar in May 2012, Air Services Agreement was signed, and also agreed to set up Joint Working Groups to determine the technical and commercial feasibility of cross-border rail links as well as direct shipping links between the two countries. The bilateral Air Services Agreement enables third, fourth and fifth freedom rights to both Indian and Myanmar carriers. An MOU to establish a direct Imphal-Mandalay bus service and the broad framework for the operation of this service has been negotiated and initialized. Air India has launched a direct flight between Delhi-Gaya-Yangon once in a week during the peak season of 2014. The Shipping Corporation of India has launched a direct sea link between India and Myanmar in October, 2014.

Chart 4.4: Sectorwise FDI Inflows from India to Myanmar



Note: fDi Markets tracks cross-border investment in a new physical project or expansion of an existing investment which creates new jobs and capital investment. This data differs from official data on FDI flows as company can raise capital locally, phase their investment over a period of time, and can channel their investment through different countries for tax efficiency.

Source: fDi Markets Database and Exim Bank Analysis

[13] India-Myanmar Relations, February 2016, MEA, GOI and List of MOU's signed during the visit of president of Myanmar to India , MEA, August 2016

Investment Relations with Myanmar

During April 1996 to March 2018, the cumulative approved Indian FDI in joint ventures and wholly owned subsidiaries (FDI outflows) including equity, loan and guarantee issued, in Myanmar stood at US$ 285.3 million. On the other hand, cumulative inflows into India from Myanmar during April 2000-December 2017 amounted to US$ 9 million. Around 90 percent of Indian investment in Myanmar is in the oil and gas sector.

According to Financial Times' fDi Markets database, during January 2003 to March 2018, the cumulative Indian investment in Myanmar in greenfield and brownfield expansion projects, were US$ 3.1 billion billion, creating 1,563 jobs in the country, out of 14 projects.

During the same period coal, oil and natural gas was the largest sector to receive India's capital investment, with a share of 90 percent in total investment inflows from India into Myanmar. Other major sectors attracting capital investment in the country include financial services, non-automotive transport OEM, wood products and automotive OEM **(Chart 4.4).**

Several Indian companies have made their presence in Myanmar across sectors, which include ONGC Videsh Limited (OVL), Jubilant Oil and Gas, Century Ply, Tata Motors, Essar Energy, RITES, Escorts, Sonalika Tractors, Zydus Pharmaceuticals Ltd., Sun Pharmaceuticals Ltd, Ranbaxy, Cadila Healthcare Ltd, Shree Balaji Enterprises, Shree Cements, Dr. Reddy's Lab., CIPLA, Gati Shipping Ltd, TCI Seaways, Apollo and AMRI. Indian companies have evinced interest in investing in Myanmar and major contracts have been won by Indian companies include Jubilant Energy India- PSC-1 onshore bloc, Punj Lloyd, Jindal Saw, Welspun India, Vihaan Networks, Nipha Exports and Troika Exports, and Larsen & Toubro. Potential sectors for Indian investment in Myanmar would include power, renewable energy, agri-business, food processing, construction related industries, hospital & healthcare, vocational training & education, mining, oil and gas, refinery, fertilizer, pharma, and iron and steel[14].

In Banking and Finance, New India Assurances Limited, United Bank of India, State Bank of India (SBI) and Export-Import Bank of India have opened representative offices in Yangon. Further, SBI was granted commercial banking license in March 2016.

[14] Ministry of External Affairs, Government of India and Overseas Direct Investment Data, RBI

5. INDIA'S BORDER TRADE AND CONNECTIVITY WITH BANGLADESH AND MYANMAR

India's trade relations with Bangladesh and Myanmar have been strengthened across the years. However, the full potential is yet to be harnessed especially in the context of India's North East Region (NER). The NER, which has been connected to mainland India only by a very narrow transport corridor, known as the Siliguri Corridor (a narrow strip of width 21-40 km), has the locational advantage to gain from its long international border with Bangladesh, Myanmar and other neighboring countries in the region. In fact, strategic engagement with the neighboring countries could bring an end to economic isolation of the NER, and bring prosperity to the region by boosting economic activities and development initiatives.

With Myanmar sharing land border with India along the boundary of the states of Arunachal Pradesh, Manipur, Mizoram and Nagaland, and Bangladesh sharing border with the states of Assam, Meghalaya, Mizoram, Tripura and West Bengal, development of trade-related infrastructure, transportation system and other logistic facilities in and around key border regions could go a long way in promoting bilateral relations between India and the two countries. Here, the importance of cross-border trade became relevant.

North East States of India and Bangladesh and Myanmar

The North East Region of India has shared around 98 percent of its borders with China, Myanmar, Bhutan, Bangladesh, and Nepal and has agreements of overland trade with these countries through Land Custom Stations notified under Section 7 of the Customs Act, 1962.

The NER has the potential to be the gateway to Southeast Asia region. Bangladesh and Myanmar could provide the necessary link for India to connect the East and the Southeast Asia via the Indian NER. India's Act East Policy would give the region a natural advantage for cross-border trade, and connectivity through construction of road, rail and ports will bring development and prosperity into the NER while increasing India's commercial engagement with East, South and Southeast Asian regions.

The geographical location of the NER is such that they incur a high transportation cost to get supply of goods from their key sources, the nearest being Kolkata, and sources wide range of goods and commodities from mainland India due to weak local production base of the region. Thus, the NER offer Bangladesh and Myanmar a desired market as well, particularly in the FMCG sector. Despite initiatives taken to improve the NER's connectivity with Bangladesh and Myanmar, the road and rail links between India and Myanmar and Bangladesh remain erratic, with the quality of roads remaining sub-standard and missing links existing in highways construction. Though air infrastructure has improved in the recent years, trading via air routes is much costlier, and air connectivity is not adequate for connecting to secondary and small towns.

India- Bangladesh Border Trade

India and Bangladesh share over 4,000 km of common international border, with the states of Assam, Meghalaya, Mizoram, Tripura and West Bengal (**Table 5.1**). Characteristically, it is interesting to note that the trade pattern between India and Bangladesh across land borders differs across states in terms of quantity and variety of product. While only few trade points (land customs stations) across the international border are handling the bulk of trade, many of the trade points are not utilized.

Table 5.1: Length of India's Border with Bangladesh

Indian States	Border Length with Bangladesh (in km)
Assam	263.0
Meghalaya	443.0
Mizoram	318.0
Tripura	856.0
West Bengal	2,216.7
Total	**4,096.7**

Source: Management of Indo-Bangladesh Border, SATP

According to a report by Ministry of Commerce & Industry, Government of India[15], 46.5 percent of India's exports to Bangladesh were routed by land through trucks, 0.5 percent through railways and balance 53 percent through sea or air routes in 2016-17. ICP Petrapole is the largest gateway to Bangladesh, contributing 34 percent of total exports and 58 percent of imports in 2016-17 **(Table 5.2).**

Port-wise analysis shows that ICP Petrapole, Nhava Sheva (sea), Mundra, Ghojadanga and Chennai (sea) are the top 5 ports which accounted for 60 percent of exports to Bangladesh in 2016-17. While Dawki at Meghalaya accounted for 0.3 percent of total exports to Bangladesh in 2016-17, there are not much export activities through other ports such as Agartala.

Table 5.2: India's Port Wise Exports to Bangladesh

Ports	2012-13		2016-17		CAGR (2012-13 to 2016-17, %)
	Value (US$ mn)	% Share	Value (US$ mn)	% Share	
Petrapole (Land)	1,793.0	34.8	2,340.4	34.3	6.9
Nhava Sheva (Sea)	576.8	11.2	830.3	12.2	9.5
Mundra	215.8	4.2	439.7	6.4	19.5
Ghajadanga	157.7	3.1	280.6	4.1	15.5
Chennai (Sea)	271.4	5.3	204.2	3.0	-6.9
Tuticorin (Sea)	152.9	3.0	152.8	2.2	-0.002
Ranaghat	67.2	1.3	146.7	2.2	21.6
Kolkata (Sea)	24.9	0.5	139.7	2.0	53.9
Hili (West)	149.5	2.9	118.6	1.7	-5.6
ICD Sabarmati	35.8	0.7	107.6	1.6	31.7
Top 10 Ports Exports to Bangladesh	**3,444.8**	**67.0**	**4,760.7**	**69.8**	**8.4**
Total Exports to Bangladesh	**5,145.0**	**100.0**	**6,820.1**	**100.0**	**7.3**

Source: Directorate General of Commercial Intelligence and Statistics (*DGCI&S)*, Ministry of Commerce and industry (MOCI), Government of India (GOI)

[15] Ministry of Commerce and Industry, GOI, India's Trade with South Asia In 2016-17: An Analysis, September 2017

Table 5.3: India's Port Wise Imports from Bangladesh

Port	2012-13		2016-17		CAGR (2012-13 to 2016-17, %)
	Value (US$ mn)	% Share	Value (US$ mn)	% Share	
Petrapole (Land)	408.4	63.9	407.2	58.0	-0.1
Tuticorin (Sea)	0.4	0.1	37.9	5.4	212.0
Ghajadanga	4.7	0.7	28.9	4.1	57.5
Kotwaligate (Mohedipur)	8.0	1.3	28.7	4.1	37.6
Nhava Sheva (Sea)	35.4	5.5	26.4	3.8	-7.1
Agartala	40.8	6.4	20.9	3.0	-15.4
Mumbai (Sea)	-	-	18.5	2.6	771.5
Chengrabandha Rly.Station	10.3	1.6	18.5	2.6	15.8
Delhi (ICD)	1.1	0.2	16.5	2.4	97.8
Chennai (Sea)	11.2	1.8	14.3	2.0	6.2
Top 10 Ports Imports from Bangladesh	**520.2**	**81.4**	**617.8**	**88.0**	**4.4**
Total Imports from Bangladesh	**639.3**	**100.0**	**701.7**	**100.0**	**2.4**

Note: - not available/negligible
Source: DGCI&S, MOCI, GOI

A substantial portion of imports from Bangladesh enters India by trucks through the Land Customs Stations on India-Bangladesh border. Around three-fourth of imports are through land route, while one-fifth availed the sea route. Roughly 2.6 percent were routed by rail and less than a percentage by air. The top 5 ports from where imports from Bangladesh took place in 2016-17 are Petrapole (land), Tuticorin, Ghojadanga (land), Mohedipur (land) and Nhava Sheva (sea) **(Table 5.3).** Over 75 percent of India's total imports from Bangladesh are routed through these ports. In the NER, Agartala accounted for 3 percent of India's total imports from Bangladesh, while no imports has taken place through Dawki and Zokhawthar in 2016-17.

Land Customs Station (LCS)

Bilateral trade between India and Bangladesh is mainly carried out through land route via 49 Land Customs Stations (LCSs) and 2 Integrated Check Posts (ICPs) along the border. Of the 49 LCSs, 37 are currently functional **(Table 5.4)**. The LCS at the India-Bangladesh Border provide transit, customs and immigration and cargo handling services for goods and passengers. The Land Customs Stations at Petrapole (West Bengal) and Agartala (Tripura) have been developed as Integrated Check Posts (ICPs). In order to facilitate movement of cargo across the border, ICP Petrapole has been made operational on 24x7 basis, seven-days-a-week Customs clearance facility basis since August 2017. In addition to the above two ICPs, Land Ports Authority of India (LPAI) proposes to develop ICPs at eight other locations across India-Bangladesh border at Hili, Changrabandha, Mahadi Pur, Fulbari and Ghojadanga in West Bengal, Sutarkandi in Assam, Dawki in Meghalaya and Kawrpuichhuah in Mizoram, which will provide further boost to the bilateral trade **(Annexure-I)**.

Table 5.4: List of Integrated Check Posts (ICPs)/Land Customs Stations (LCSs)

S. No.	Name of the ICP in India (Along with the state)	Name of the Corresponding LCS in Bangladesh
1	Petrapole ICP, West Bengal	Benapole, Bangladesh
2	Agartala ICP, Tripura	Akhaura, Bangladesh

S. No.	Name of the LCS in India (Along with the state)	Name of the Corresponding LCS in Bangladesh
1	Agartala LCS, Tripura	Akhaura LCS, Bangladesh
2	Dhalaighat LCS (Agartala Division), Tripura	Kumarghat LCS, Bangladesh
3	Khowaighat LCS (Agartala Division), Tripura	Balla LCS, Bangladesh
4	Muhurighat LCS (Agartala Division), Tripura	Belonia LCS, Bangladesh
5	Srimantapur LCS (Agartala Division), Tripura	Bibirbazar LCS, Bangladesh
6	Karimganj Steamer & Ferry Ghat, Assam	Zakiganj LCS, Bangladesh
7	Manu LCS (Karimganj Division), Tripura	Chatiapur LCS, Bangladesh
8	Old Raghnabazar LCS (Karimganj Division), Tripura	Betuli (Fultali) LCS, Bangladesh
9	Sutarkandi LCS (Karimganj Division), Assam	Sheola LCS, Bangladesh
10	Mahisasan Railway station (Karimganj Division), Assam	Shabajpur LCS, Bangladesh
11	Bholaganj LCS, Mehalaya	Bholaganj LCS, Companyganj, Bangladesh
12	Borsora LCS (Shillong Division), Meghalaya	Borsora LCS, Bangladesh
13	Dawki LCS (Shillong), Meghalaya	Tamabil LCS, Bangladesh
14	Shellabazar LCS (Shillong Division), Meghalaya	Chhatak, Sunamganj LCS, Bangladesh
15	Ryngku LCS, (Shillong Division), Meghalaya	Kalibari (Baganbari) LCS, Bangladesh
16	Baghmara LCS, Meghalaya	Bijoypur LCS, Bangladesh
17	Dalu LCS, (Dhubri Division), Meghalaya	Nakugaon LCS, Bangladesh
18	Dhubri Steamer and Ferry Ghat LCS, Assam	Rohumari LCS, Bangladesh
19	Ghasuapara LCS (Dhubri Division)	Gobrakura & Koroitali LCS, Bangladesh
20	Golakganj LCS (Dhubri Division), Assam	Sonahat LCS, Bangladesh
21	Mahendraganj LCS, (Dhubri Division), Meghalaya	Dhanua Kamalpur LCS, Bangladesh
22	Mankachar LCS, (Dhubri Division), Assam	Rowmari LCS, Bangladesh
23	Guwahati Steamerghat LCS, Assam	Rohumari LCS, Bangladesh
24	Silghat LCS, (Guwahati Division), Assam	Rohumari LCS, Bangladesh
25	Changrabandha LCS, West Bengal	Burimari LCS, Bangladesh
26	Fulbari LCS, West Bengal	Banglabandha Land Port, Bangladesh
27	Radhikapur LCS, West Bengal	Birol LCS, Bangladesh
28	Gitaldah LCS, West Bengal	Mogul Hatt, Bangladesh
29	Ghojadanga LCS, West Bengal	Bhomra, Bangladesh
30	Mahadipur LCS, West Bengal	Sinamasjid, Bangladesh
31	Hilli LCS, West Bengal	Hili, Bangladesh
32	Hemnagar LCS, West Bengal	Shaikberia, Bangladesh

33	Gede LCS, West Bengal	Dorsona, Bangladesh
34	Ranaghat LCS, West Bengal	Dorsona, Bangladesh
35	Singabad LCS, West Bengal	Rohanpur, Bangladesh
36	T.T.Shed, Khidderpore LCS, West Bengal	Khulna, Bangladesh
37	Kawrpuichhuah, Mizoram	Thegamukh, Bangladesh

Source: High Commission of India, Dhaka

Border Haats

In order to curb unofficial trade, India and Bangladesh had in the recent past agreed to reopen Border Haats (market places). Before 1972, Border Haats were used to help people residing on either side of the border to trade their surplus produce in return for essential items. But these Haats were later shut down during Bangladesh's war of liberation. Realising the need to control unofficial border trade, both nations decided to re-open the Border Haats.

According to the Ministry of Commerce and Industry, the Border Haats have been set up to promote "the wellbeing of the people dwelling in remote areas across the borders of two countries, by establishing traditional system of marketing the local produce through local markets"[16]. Border Haats generally have limited number of products for trade, which would be traded by identified vendors (generally from the border districts), with buying limits on each market day. The first Border Haat was opened at Kalaichar-Baliamari (West Garo Hills-Kurigram) in Meghalaya, on July 23, 2011. Currently, four Border Haats are operational, viz. Srinagar and Kamalasagar in Tripura and at Kalaichar and Balat in Meghalaya for the convenience of bordering communities. Two Border Haats in Tripura at Palbasti and Kamlapur and four in Meghalaya at Bholaganj, Nalikata, Shibbari and Ryngku have been agreed to be set up in-principle by the two countries. According to PIB, cash trade equivalent to ₹ 1,686.62 lakhs was carried out at the operational four border haats in the five year period ending 2015-16.

According to Ministry of Commerce and Industry of India, an estimated US$ 20 million worth trade could take place annually between India and Bangladesh through the 'Border Haats'. The commodities traded include locally produced vegetables, food items, fruits, spices; minor forest produce like bamboo, bamboo grass, and broom stick excluding timber; product of local cottage industry items like gamcha, lungi, saree and any other handloom products; small household and agriculture implements like dao, plough, axe, spade, chisel, etc; garments, melamine products, processed food items, fruit juice, toiletries, cosmetics, plastic products, aluminium products, cookeries and stationery; and any product of indigenous nature specifically produced in the area of Border Haats. The list of items allowed for trade through Border Haats may be expanded/modified by mutual consent[17].

The trade at Border Haats is permitted to be carried out in Indian Rupees/Bangladesh Taka. Traders will exchange them in banks operating in the two border districts and on barter basis, and data of such trade is maintained by the Haat Management Committee of the respective Border Haat. This would make the border villages more prosperous by way of improved market access for their goods, while strengthening their economic and cultural ties. The Haats are to be set up within 5 km of the international border, vendors/vendees shall be residents of the area within 5 km radius from the location of Border Haats, and the number of vendors are limited to be about 50 from each country. Trading in these bazaars is being held once or twice a week. Estimated value of such purchases cannot be more than respective local currency equivalent of US$ 200 for any particular day. The commodities sold in the Border Haats are exempted from the payment of customs duties.

[16] Ministry of Commerce and Industry, "Establishing Border Haats across the Border between India and Bangladesh," Memorandum of Understanding between the Government of the Republic of India and the Government of the People's Republic of Bangladesh, April 8, 2017

[17] Ministry of Commerce and Industry, GOI, Press Release, July 21, 2011 (http://commerce.gov.in/PressRelease.aspx?Id=2806)

Connectivity between India and Bangladesh[18]

As mentioned earlier, trade between India and Bangladesh is carried out mostly by road. The major road route between Bangladesh and West Bengal is at the Petrapole - Benapole (on Bangladesh side) border, while in the NER, Bangladesh mainly trades with Meghalaya, Tripura and Assam. As regards, movement of people, there are currently five bus services between India and Bangladesh, including Dhaka-Kolkata, Dhaka-Agartala, Kolkata-Dhaka-Agartala, Dhaka-Shillong-Guwahati, and Kolkata-Khulna Direct Bus Services which play important roles in promoting people to people contacts.

The Bangladesh, Bhutan, India and Nepal – Motor Vehicle Agreement (BBIN-MVA) signed in June 2015 is expected to boost connectivity by road, as the agreement allows vehicles to directly enter each other's territory, without the requirement for trans-shipment of goods from one country's truck to another at the border. A trial run of Cargo Movement on Trucks from Kolkata to Agartala via Dhaka and Dhaka to New Delhi via Kolkata and Lucknow was conducted in August 2016.[19]

Almost all of Bangladesh's imports from India are through train route. At present, out of the erstwhile six rail links, 4 inter-country railway links are operational (Petrapole-Benapole, Gede-Darshana, Radhikapur-Biral and Singhabad-Rohanpur) and 2 more are proposed to be reopened (Haldibari-Chilahati and Mahisasan- Shahbazpur). To further boost cargo movements, three new rail links namely Akhaura-Agartala, Feni-Belonia and Panchagarh-Siliguri, are proposed to be built. There are two passenger trains, Maitree Express between Kolkata and Dhaka and Bandhan Express which runs between Kolkata and Khulna. Further, every year in February, a pilgrim special train is run from Rajbari (Bangladesh) to Midnapore (India) for the pilgrims to attend the Urs Sharif at Midnapore.[20]

A railway agreement in the Bangladesh, Bhutan, India, Nepal (BBIN) sub region is also being proposed, in line with expansion of railway links boosting connectivity between India's North East and its BBIN neighbors. This initiative has the potential to facilitate cross-border transport of goods and people, enable an efficient multimodal transport system to integrate and sustain the region's economic growth, and promote economic integration. To enhance railway links in the region, the proposed Agartala-Akhaura rail line will be linked to the Trans-Asian Railway and connect India to Bangladesh.[21]

Inland Waterways Connectivity and Coastal Shipping

Protocol on Inland Water Transit and Trade (PIWTT): India and Bangladesh share 54 common rivers. Trade and transit through waterways between the two countries is regulated by the Protocol on Inland Water Transit and Trade (PIWTT) which was first signed in 1972. The protocol is an agreement between the two governments for the transportation of goods and keeping their respective waterways navigable, while providing infrastructure facilities. The protocol is a mutually beneficial arrangement for the use of each other's waterways for trade between two countries and for transit cargo from Indian mainland (Kolkata) to NER. The protocol further states that both countries will mutually decide the proposed expenses; voyage permissions shall be taken at least four days prior to the actual journey; and the vessels shall share equal tonnage. India's National Waterways 2 (NW 2), cutting across Bangladesh, links the NER with West Bengal. Transportation of goods between territories of two countries, take place in accordance with the laws of the country through which goods are moving. Cargo vessels used for movement of goods from India to Bangladesh using waterways is under the regulation of the Inland Waterways Authority of India (IWAI) and Bangladesh Inland Water Transport Authority (BIWTA).[22] It permits movement of goods over barges/vessels between India and Bangladesh on eight protocol routes and also specifies 'ports of call' for inter

[18] High Commission of India, Dhaka and Inland Waterways Authority of India

[19] Pritam Bannerjee, "Bangladesh-Bhutan-India-Nepal Motor Vehicles Agreement: Unlocking the Potential for Vibrant Regional Road Freight Connectivity", CUTS International Discussion Paper, July 2015

[20] High Commission of India, Dhaka

[21] Building the missing links in the Trans-Asian Railway network, Economic and Social Commission for Asia and the Pacific, April 2017

country trade **(Exhibit 5.1).**

Both Governments have renewed this treaty periodically. Under this Treaty, movement of Indian goods and barges/vessels are permitted through the river systems of Bangladesh on these eight specific routes between Kolkata and points in Assam (Dhubri, Karimganj) on payment of Bangladeshi Taka 100 million as annual maintenance charges by India.[23]

According to Bangladesh Inland Water Transport Authority (BIWTA)[24], during July 2016 to June 2017, about 2.62 million metric tons of goods were transported via the Protocol routes per annum, which include 2.618 ton inter-country trade cargo and about 0.006 million transit cargo. Indian exports to Bangladesh through inland water transport mainly comprises of cement, clinker and fly ash, food grain and project goods. The PIWTT also allows for trans-shipment of goods to North East states of India through Ashuganj river port by using waterways of Bangladesh and further through Akhaura-Agartala by road.[25] The first trans-shipment of food grains under this arrangement commenced in June 2016. In order to strengthen the infrastructure and facilitate movement of goods through the waterways, India is investing in establishing an Inland Container Port (ICP) at Ashuganj, and in widening the existing road between Akhaura Land Port and Ashuganj to 4 lanes.

Exhibit 5.1: Protocol Routes

- Kolkata-Haldia-Raimongal-Chalna-Khulna-Mongla-Kawkhali-Barisal-Hizla-Chandpur-Narayanganj-Aricha-Sirajganj-Bahadurabad-Chilmari-Dhubri-Pandu-Shilghat.
- Shilghat-Pandu-Dhubri-Chilmari-Bahadurabad-Sirajganj-Aricha-Narayanganj-Chandpur-Hizla-Barisal-Kawkhali-Mongla-Khulna-Chalna-Raimongal-Haldia- Kolkata.
- Kolkata-Haldia-Raimongal-Mongla-Kawkhali-Barisal-Hizla-Chandpur-Narayanganj-Bhairab Bazar-Ashuganj-Ajmiriganj-Markuli-Sherpur-Fenchuganj-Zakiganj- Karimganj.
- Karimganj-Zakiganj-Fenchuganj-Sherpur-Markuli-Ajmiriganj-Ashuganj-Bhairab Bazar-Narayanganj-Chandpur-Hizla-Barisal-Kawkhali- Mongla-Raimongal-Haldia-Kolkata.
- Rajshahi-Godagari-Dhulian.
- Dhulian-Godagari-Rajshahi.
- Karimganj-Zakiganj-Fenchuganj-Sherpur-Markuli-Ajmiriganj-Ashuganj-BhairabBazar-Narayanganj-Chandpur-Aricha-Sirajganj-Bahadurabad-Chilmari-Dhubri-Pandu-Shilghat.
- Shilghat-Pandu-Dhubri- Chilmari- Bahadurabad- Sirajganj- Aricha- Chandpur- Narayanganj-Bhairab Bazar-Ashuganj-Ajmiriganj- Markuli- Sherpur- Fenchuganj- Zakiganj- Karimganj.

Ports of Call

India	**Bangladesh**
Kolkata	Narayanganj
Haldia	Khulna
Karimganj	Mongla
Pandu	Sirajganj
Silghat	Ashuganj

Source: Inland Waterways Authority of India, Protocol on Inland Water Transit

[22]High Commission of India, Dhaka
[23]Ministry of External Affairs, GOI, Protocol on Inland Water Transit and Trade
[24]Bangladesh Inland Water Transport Authority (BIWTA), Traffic Statistics during financial year 2010-2011 to 2016-2017
[25]World Bank, Bangladesh Regional Waterway Transport Project 1, Project Information Document, 2016

Coastal Shipping Agreement: A Coastal Shipping Agreement was signed between India and Bangladesh in June 2015, which has enabled direct sea movement of containerized/bulk/dry cargo between the two countries. This would enhance bilateral trade by reducing time in shipping goods and enabling a huge saving in logistic costs of foreign trade transport between the two countries, which would otherwise have to be routed through ports of Colombo and Singapore. It has reduced the shipping time between India and Bangladesh from 30-40 days to 7-10 days and has the potential to emerge as an economical mode of transportation of goods for bilateral trade. It also has the potential to decongest roads and LCSs through which most of the trade is taking place now. This would also enable the movement of cargo to the North East through coastal shipping upto Chittagong and thereafter by road/inland waterways.

The first cargo ship under this framework sailed from Chittagong to Vishakhapatnam in March 2016. In February 2017, container ship services have started between Kolkata and Pangaon (which is just around 20 km from Dhaka) under this framework. Five Ports of Call have been identified in each country to provide facilities to the vessels of the other country engaged in inter-country trade. Vessels of either country plying under the Protocol are permitted to purchase fuels and essential stores at defined bunker points. Both countries have also signed an MOU on the use of Chittagong and Mongla ports for transfer of goods to and from India.

Air Connectivity

Air cargo has a very small share as it is much costlier than the other modes, i.e. waterways, roadways, and railways. Mostly costly products like life-saving drugs and pharmaceuticals are exported to Bangladesh through air. There are presently around 100 flights operating between India and Bangladesh. Major cities of India and Bangladesh (Dhaka-Kolkata, Dhaka-Delhi, Dhaka-Mumbai, Dhaka-Chennai, Chittagong-Kolkata) are connected by air through several non-stop flights.[26]

The domestic liberalisation of civil aviation sector in India has fostered trade and tourism, partly by allowing private sector to run more airlines in South Asia, thus attracting more passengers. Yet there are some bottlenecks in aviation infrastructure, particularly busy airports in the region (e.g. Kolkata, Dhaka), which have to be fully revamped. Moreover, there could be direct flights connecting India's NER with its neighbouring countries, such as Bangladesh, Bhutan, Myanmar, and Nepal. A much more vigorous open skies policy can foster trade in the region. Airlines in South Asia may introduce electronic data interchange, interlinking trade agencies, customs, and immigration for faster, efficient trade transactions.

Great Asian Highway

Both India and Bangladesh are also signatories to the Asian Highway Network (AHN) project, a cooperative project to improve the highway systems in Asia by connecting countries in Asia and Europe, under the aegis of United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). The Asian Highway network is a network of 141,000 kilometres of standardised roadways across 32 Asian countries including India and Bangladesh with linkages to Europe. The Highway will connect the Eastern and the North East region of India via Bangladesh and the ASEAN region through Myanmar. Two Asian Highway Network routes (AH-1 and 2) will be connecting India and Bangladesh at Petrapole-Benapole, Fulbari-Banglabandha and Dawki-Tamabil points.

Unofficial Trade between India and Bangladesh

One of the major challenges to strengthening India - Bangladesh trade relations is the unofficial trade between the two nations. Unofficial trade basically takes place through two channels; cross-border trade outside official channels, and illegal trade through official channels via false invoicing. In case of India-Bangladesh, such trade outside official channels occur through the porous borders of Assam, Meghalaya, Mizoram, Tripura, and West Bengal. Major reasons for unofficial trade would include evasion of tariff and non-tariff barriers; simplex

[26]Ministry of External Affairs, GOI, India-Bangladesh Relations, September 2017

procedures; better market distribution network; and nature and size of the businessmen/traders.

Studies on unofficial trade between India and Bangladesh have consistently found a pattern similar to that of formal trade i.e. large volumes of goods being smuggled from India to Bangladesh, but much smaller volumes being smuggled in the opposite direction. Also, composition of illegally traded commodities are dominated by essential commodities and goods of mass consumption. India-Bangladesh unofficial trade broadly ranges from foodstuff (onion and rice, sugar and salt), textiles (sarees, readymade garments), livestock and cattle to consumer goods. Estimates of informal trade between India and Bangladesh vary a lot and it is difficult to assess the exact size. World Bank[27] estimates show that unofficial exports from India to Bangladesh, amounted to US$ 237 million in 2002-03, which is 20 percent of formal exports from India to Bangladesh in the same year. Sugar is smuggled to Bangladesh from India over the land borders and total quantities of smuggled sugar are estimated to be US$ 100-250 million in the years 2000-04. Similarly, cattle smuggling is a billion-dollar illegal industry, where around 1.5 million cattle worth around US$ 500 million are being smuggled every year across India and Bangladesh.

The main unofficial trade centres on the India-Bangladesh borders include Fakiragram, Mankachat, and Karimganj in Assam; Lichubari and Dawki in Meghalaya; Tlabung (Demagiri) in Mizoram; Kailashahar, Agartala, Sonamora, Bilonia and Sabroom in Tripura and Petropole, Bagdha, Mejdia, Lalgola, Mohedpur, Radhikapur, Kaliagang and Hilli in West Bengal.[28] It has been argued that transaction costs of India's exports to Bangladesh have increased despite simplification of documentation at borders. It has also been observed that even though contracting partners in unofficial trade do not have any formal contracts, these markets function smoothly. Further, though unofficial trade has risks associated with it, the cost of mitigating this risk is quite low. These costs can be lowered still further by paying a nominal bribe. On the other hand, formal trading procedures are extremely complex and time consuming. Another supplementing factor to unofficial trade between India and Bangladesh is the issue of payments. As compared to formal banking procedures, informal banking provides easy access to foreign currency, through the 'Hundi' system in Bangladesh.

India- Myanmar Border Trade

Myanmar share 1,643 km of common international border with India in the NER, with the states of Manipur, Mizoram, Nagaland and Arunachal Pradesh (**Table 5.5**). Myanmar is strategically important for India, as it is the only ASEAN country with which it shares border.

In terms of port wise trade with Myanmar, most of bilateral trade are through sea. Nhava Sheva (JNPT) is the largest gateway to Myanmar contributing 19.3 percent of total exports and 24.8 percent of imports in 2016-17. Nhava Sheva (sea), Kolkata (sea), Mundra, Chennai (sea) and Delhi (ICD) are the top 5 ports which accounted for 53.5 percent of exports to Myanmar in 2016-17 **(Table 5.6)**. In fact, no significant exports were carried out through the land borders, viz. land ports of Moreh LCS and Zokhawthar LCS during 2016-17.

Table 5.5: Length of India's Border with Myanmar

Indian North East States	Border length with Myanmar (in km)
Arunachal Pradesh	520
Manipur	398
Mizoram	510
Nagaland	215
Total	**1,643**

Source: Ministry of Commerce and Industry (MOCI), Government of India (GOI)

[27] World Bank, India-Bangladesh Bilateral Trade and Potential Free Trade Agreement, 2006

[28] Sanjib Pohit and Nisha Taneja, India's Informal Trade with Bangladesh and Nepal: A Qualitative Assessment', Indian Council for Research on International Economic Relations, 2000; Prabir De and Buddhadeb Ghosh, Reassessing Transaction Costs of Trade at the India- Bangladesh Border, 2008

Table 5.6: India's Port Wise Exports to Myanmar

Port	2012-13		2016-17		CAGR (2012-13 to 2016-17, %)
	Value (US$ mn)	% Share	Value (US$ mn)	% Share	
Nhava Sheva (Sea)	191.2	35.1	213.7	19.3	2.8
Kolkata (Sea)	87.9	16.1	175.4	15.8	18.9
Mundra	7.3	1.3	116.5	10.5	100.1
Chennai (Sea)	43.0	7.9	53.4	4.8	5.5
Delhi (ICD)	19.4	3.6	33.3	3.0	14.4
Mumbai (Air)	31.6	5.8	32.8	3.0	0.9
Tuticorin (Sea)	9.4	1.7	28.9	2.6	32.4
Delhi (Air)	7.2	1.3	27.7	2.5	39.8
Kolkata (Air)	3.0	0.6	26.3	2.4	71.4
Hyderabad Airport	2.6	0.5	22.1	2.0	70.3
Top Ten Ports of Exports to Myanmar	**402.7**	**73.9**	**730.0**	**65.9**	**16.0**
Total Exports to Myanmar	**544.7**	**100.0**	**1107.9**	**100.0**	**19.4**

Source: DGCI&S, MOCI, GOI

Again, as regards imports from Myanmar, it was mainly carried out through sea ports in 2016-17, and were mainly imported via Chennai (Sea), Nhava Sheva (sea), Tuticorin (sea), GMR Hyd. Aviation Ltd. SEZ, Kolkata (sea) and Cochin (sea) **(Table 5.7).** These ports account for 88 percent of the total imports from Myanmar. Moreh LCS accounted for 1.7 percent of India's total imports from Myanmar, while not much imports have taken place through Zokhawthar in 2016-17.

Table 5.7: India's Port Wise Imports from Myanmar

Port	2012-13		2016-17		CAGR (2012-13 to 2016-17, %)
	Value (US$ mn)	% Share	Value (US$ mn)	% Share	
Chennai (Sea)	365.3	25.9	532.1	49.9	9.9
Nhava Sheva (Sea)	308.0	21.8	264.2	24.8	-3.8
GMR Hyd. Aviation Ltd, SEZ	-	-	50.7	4.8	-
Kolkata (Sea)	167.4	11.8	48.6	4.6	-26.6
Cochin (Sea)	46.7	3.3	43.9	4.1	-1.5
Mundra	0.8	0.1	25.7	2.4	135.9
Moreh	3.4	0.2	17.7	1.7	50.7
Delhi (ICD)	4.4	0.3	11.4	1.1	27.2
Newmangalore (Sea)	149.8	10.6	8.5	0.8	-51.2
Tuticorin (Sea)	137.8	9.8	8.2	0.8	-50.6
Top 10 Ports of Imports from Myanmar	**1183.7**	**83.8**	**1011.2**	**94.7**	**-3.9**
Total Imports from Myanmar	**1412.7**	**100.0**	**1067.3**	**100.0**	**-6.8**

Note: - not available/negligible
Source: DGCI&S, MOCI, GOI

Table 5.8: India's Border Trade with Myanmar

(US$ million)

Year	Myanmar's Exports to India	Myanmar's Imports from India	Total Trade	Balance of Trade
2011-12	8.9	6.5	15.4	2.3
2012-13	8.9	3.2	12.0	5.7
2013-14	28.0	17.2	45.1	10.8
2014-15	42.6	18.1	60.7	24.5
2015-16	53.0	18.6	71.6	34.4
2016-17	63.5	24.7	88.2	38.7

Source: Ministry of Commerce, Myanmar

India and Myanmar signed a border trade agreement in 1994 and have two operational border trade points (Moreh-Tamu and Zokhawthar –Rhi) on the 1,643 km long border. Agreement has also been reached on setting up a third border trade point at Avakhung-Pansat/ Somra. Later in 2008, it was agreed that existing border trading would be upgraded to normal trade so as to promote bilateral trade between the two countries. Notifications to this effect have been issued by both sides. With the normalization of trade, the unilateral Duty Free Tariff Preference (DFTP) Scheme of India and the ASEAN- India Trade in Goods Agreement (AITGA) became relevant in case of Myanmar and the earlier limit no longer applies.

India- Myanmar border trade has increased over the years. According to Ministry of Commerce, Government of Myanmar, border trade increased over six fold from US$ 15.4 million in 2011-12 to US$ 88.2 million in 2016-17 (**Table 5.8**).

However, trade along Indo-Myanmar border remains relatively low in comparison with Sino-Myanmar and Thai-Myanmar borders.[29] The opening of more border points is likely to increase the volume of border trade. Myanmar has favourable border trade with its neighbouring countries, and has maintained a border trade surplus with India throughout the years.

A number of studies on India-Myanmar relations found out that the composition of overall bilateral trade between India and Myanmar trade is completely different from composition of border trade.[30] According to a report by Ministry of Commerce and Industry, GOI, under overall bilateral trade, pharmaceutical products, iron and steel, articles of iron or steel, electrical and electronic equipment, etc. constitute major export items of India and beans, pigeon peas, wood and articles of wood, etc. constitute India's major import items from Myanmar. Whereas, under the border trade regime, major items imported by Myanmar from India include cotton yarn, auto parts, soyabean meal and pharmaceuticals. On the other hand, betel nuts, dried ginger, green mung, black matpe, turmeric roots, resin and medicinal herbs are India's main imports from Myanmar. There are reports that mention about the prevalence of informal trading of items like fertilizers, vehicles, particularly two-wheelers etc from India to Myanmar through land border. Hence, it can be summarized that bilateral trade and border trade between India and Myanmar are complements rather than substitutes. Imports by India from Myanmar through the border is mainly goods from third countries (especially from China and Thailand).

Border Trade Agreements between India and Myanmar

An agreement on border trade between India and Myanmar was signed on January 21, 1994 (operationalised on April 12, 1995) to allow trade in locally produced commodities across the India-Myanmar border. The Agreement envisages that the border trade will take place through Custom Posts at Moreh in Manipur and Zowkhawthar in Mizoram, corresponding to Tamu and Rih in Myanmar, respectively. A number of items were permitted for

[29] https://www.mmtimes.com/business/16294-border-trade-tops-2-4-billion-official.html
[30] Dr. Ram Upendra Das Gupta, Enhancing India-Myanmar Border Trade, 2016

the border trade between India and Myanmar. According to DGFT Public Notice No.30 (RE-2012)/2009-2014, dated November 16, 2012, 22 new commodities/items have been added to the existing list of 40 tradable items, making a total of 62 commodities allowed to be used in border trade between India and Myanmar. These commodities included:[31]

<u>22 commodities notified on April 10, 1995:</u>

1. Bamboo, 2. Betal Nuts and Leaves, 3. Chillies, 4. Coriander Seeds, 5. Food Items for Local consumption, 6. Fresh Vegetables, 7. Fruits, 8. Garlic, 9. Ginger, 10. Katha, 11. Minor forest products (excluding Teak), 12. Mustard/Rape seed, 13. Onion, 14. Pulses and Beans, 15. Reed Broom, 16. Resin, 17. Roasted Sunflower Seeds 18. Sesame, 19. Soyabean, 20. Spices (excluding Nut Meg, Mace, Cloves, Cassia & Cinnamon), 21. Tobacco, 22. Tomato.

<u>18 commodities notified on November 7, 2008:</u>

1. Agarbatti, 2. Bicycle's Spare parts, 3. Blades, 4. Bulbs, 5. Cosmetics, 6. Cotton fabrics, 7. Fertilizers, 8. Imitation jewellery, 9. Insecticides, 10. Leather footwear, 11. Life-saving drugs, 12. Menthol, 13. Mosquito Coils, 14. Paints & Varnishes, 15. Spices, 16. Stainless steel utensils, 17. Sugar & Salt, 18. X Ray paper & Photo paper.

<u>22 commodities notified on November 16, 2012:</u>

1. Agricultural machinery/equipments/tools, 2. Bicycle, 3. Bleaching powder, 4. Coal, 5. Edible Oil, 6. Electrical & Electric Appliances, 7. Fabricated steel products, 8. Garments /readymade garments/cloths, 9. Handlooms and handicrafts items, 10. Hardware/minor construction materials and electrical fittings, 11. Lime, 12. Medicines, 13. Milk powder, tea, edible oil, beverages, 14. Motor Cycles & Motor Cycle Spare Parts, 15. Other items such as electronic/musical instruments, stationary item, torch light, 16. Plastic items: water tank, buckets, chairs, plastic pipes and briefcase, 17. Rice, Wheat, Maize, Millets & Oats, 18. Scented tobacco, 19. Semi precious stone, 20. Sewing machines, 21. Textile fabrics, 22. Three wheelers/cars below 100 CC.

Current Situation of India-Myanmar Border Trade Agreement

There are certain recent changes in India-Myanmar Border Trade Agreement, including a shift from Barter to Normal Trade and another shift from Border Trade to Normal Trade that can take place through land border.

Abolition of Barter Trade by the Reserve Bank of India (RBI) and shift to Normal Trade:

The barter trade which was a part of border trade between India and Myanmar was abolished by the RBI vide its circular no. RBI/2015-16/230 dated November 05, 2015.[32] Barter trade was initially permitted to facilitate exchange of locally produced commodities along the Indo-Myanmar border, and hence were not captured in the banking system or reflected in the trade statistics. RBI has found out that over a period of time the trade basket has diversified, with adequate banking presence to support normal trade with Myanmar. Hence, RBI has decided to abolish barter system of trade at the Indo-Myanmar border and switch over completely to normal trade with effect from December 1, 2015. Accordingly, it has been decided that all trade transactions with Myanmar, including those at the Indo-Myanmar border to be settled in any permitted currency in addition to the Asian Clearing Union mechanism with effect from December 1, 2015.

Shifting from Border Trade to Normal Trade

According to DGFT Public Notice No: 50/ (2015-2020), dated December 17, 2015, it has been decided that Border Trade at Moreh has been upgraded to Normal Trade so as to promote bilateral trade between the two countries. Though the DGFT notice rescinded all the previous documents related to India-Myanmar border trade including the India-Myanmar Border Trade Agreement, the public notice only mentioned

[31] http://dgft.gov.in/exim/2000/PN/PN12/Pn3012.htm

[32] Switching from Barter Trade to Normal Trade at the Indo-Myanmar Border; RBI Circular RBI/2015-16/230; November 5, 2015

Moreh. This has resulted in a lack of clarity regarding the the policy regime for other LCS including Zokhawthar, and other trading points. There is also lack of information regarding transition to normal trade at Moreh, resulting in traders still dealing only with the 62 items that were previously allowed.

Land Customs Station

At present, there are two Land Custom Stations (LCS) in India dealing with border trade with Myanmar (**Table 5.9**). These include Moreh in Manipur with the corresponding LCS in Tamu in Myanmar and Zokhawtar in Mizoram with the corresponding LCS in Rih in Myanmar. The initiation of third LCS Avangkhu in Nagaland with the corresponding station Somara in Myanmar has been bilaterally agreed but it has not been notified yet by the government of India. As the nearest town in Myanmar which is functioning as LCS is Tiddim, which is approximately 75 km from the border village of Zokhawthar, Government of India is assisting Myanmar to build the Rih-Tiddim Road. Zorinpui in Lawngtlai district of Mizoram was selected for a new land custom station along the India-Myanmar border in Mizoram for the Kaladan Multi-Modal Transport Project.

Moreh is the most active one among LCSs and most of the time handles over 90 percent of India's border trade with Myanmar. The Government of India has decided to upgrade LCS Moreh to an Integrated Check-Post (ICP), to support the increased traffic volume. The major commodities exported from India to Myanmar at Moreh include cumin seeds, wheat flour, pulses, cotton yarn, auto parts, soya bean meal, pharmaceuticals and dry grapes. On the other hand, India's major imports from Myanmar being traded at Moreh include betel nut, dry ginger, fresh ginger, mung, black matpe, turmeric roots, resin and medicinal herbs, among others.

Border Haats

The Border Haats plays a facilitating role of enabling local trade and increasing people-to-people contacts and promoting the well-being of the people in areas of difficult access across the borders of two countries. This is done through establishing a traditional system of marketing the local produce at local markets at the border. After realising the requirements of communities residing near the border, India and Myanmar took the decision to set up the Border Haats. Government of India has executed a Memorandum of Understanding (MOU) with Government of Myanmar, under which Border Haats are to be set up at nine mutually agreed locations. According to the signed MOU, the first Haat will be set up at Pangsu Pass adjacent with Sagaing Region and Arunachal Pradesh as a pilot project even after signing the Mode of Operation of setting up Border Haats by the designated authorities. The Border Haats are allowed to sell local agricultural and horticultural products, spices, minor forest products (excluding

Table 5.9: Land Customs Stations Dealing with Indo-Myanmar Trade

S. No	LCS in India	State	LCS in Myanmar	Status
1	Zokhawthar	Mizoram	Tiddim	Functional
2	Moreh	Manipur	Tamu	Functional. Being developed as Integrated Check Post
3	Nampong (Pangsau Pass)	Arunachal Pradesh	Pangsu	Notified but non-functional
4	Avangkhu	Nagaland	Somara	Bilaterally agreed to open new LCS but not yet notified

Source: MOCI, GOI

timber), wet and dry fish, dairy and poultry products, cottage industry items, wooden furniture, handloom and handicraft items. Concrete economic benefits are expected to come up in the region with establishment of Border Haats.

Bus Service

To enhance connectivity and trade between India's North East states and Myanmar, the first Imphal-Mandalay bus service carrying 27 officials was flagged off by the Chief Minister of Manipur in December 2015. Poor road conditions along the border areas is a major impediment for regular bus service. In this regard, India has signed an agreement with Myanmar to construct 71 bridges along the road where the Indian buses will ply. The government of India is involved in construction and repairing of 69 bridges on the Tamu-Kalay road for this purpose.

Kaladan Multi Modal Transit Transport Project (KMTTP)

The Kaladan Multi Modal Transit Transport Project was jointly identified by India and Myanmar to create a multi-modal mode of transport for shipment of cargo from the eastern ports of India to Myanmar as well as to the North East part of India through Myanmar. This project, which will connect Sittwe Port in Myanmar to the India-Myanmar border, is expected to contribute to the economic development of the North East states of India, by opening up the sea route for the products. It also provides a strategic link to the North East, thereby reducing pressure on the Siliguri Corridor. In the absence of an alternate route, the development of this project not only serves the economic, commercial and strategic interests of India, but also contributes to the development of Myanmar, and its economic integration with India. Since the project is of political and strategic significance, it was decided to execute it through India's grant assistance to Myanmar.

The project have three different stretches involving shipping, inland water and road transport stretches. The project will connect Kolkata seaport with Sittwe seaport in Rakhine State, Myanmar by sea. In Myanmar, it will then link Sittwe seaport to Paletwa, Chin State via the Kaladan river boat route, and then from Paletwa by road to Mizoram state in North East India. Once completed, the project would allow goods from Kolkata port to reach India's North East states more cheaply. It will also serve as cornerstone of India's "Act East Policy" aiming to expand India's economic and political influence in Southeast Asia.

Other Select Connectivity Projects

In order to provide a boost to its "Look East" policy and to link to Southeast Asian markets, India began the construction of the 160-km-long India-Myanmar Friendship Road linking Moreh with Kalewa and Kalemyo in Myanmar in 1997. In 2002, India, Myanmar and Thailand decided to make this a trilateral highway by extending this road to Thailand. The India-Myanmar-Thailand Trilateral Highway Project involves construction of a 1,360 km highway connecting Moreh in Manipur to Mae Sot in Thailand through Myanmar.

Upgradation of the Kalewa-Yargi Road section of the India-Myanmar-Thailand Trilateral Highway Project; construction of 69 bridges and approach roads on the Tamu - Kalewa section of the Trilateral Highway; construction of Rih-Tiddim Road in Myanmar (across Mizoram); and Jiribam-Moreh and Tamu-Kaley links of the Trans-Asia Railway network are other connectivity projects between India and Myanmar which are expected to contribute majorly to border trade and movement of people and thereby to the development and prosperity of people living in the landlocked North East Region of India. The Jiribam-Imphal link, with construction underway, will connect India to Myanmar through the planned Imphal-Moreh link. With better connectivity and implementation of various development projects, the Asian Highway and Railway Network projects would enable the North East region to become a business hub of South Asia.

6. POTENTIAL AREAS FOR ENHANCING INDIA'S TRADE WITH BANGLADESH AND MYANMAR

While India's trade with Myanmar and Bangladesh have witnessed significant growth across years, one of the avenues to enhance bilateral trade would be identification of potential commodities for trade. Accordingly, this section highlights the potential commodities for trade using HS code at 6-digit level under normal route, which could even be explored to be traded through borders.

Trade Potential between India and Bangladesh

As highlighted in the previous chapter, bilateral trade relations between India and Bangladesh, have witnessed a rising trend in recent years, with total trade between the two having risen more than two-fold over the past decade to reach US$ 6.3 billion in 2017 from US$ 3.6 billion in 2008. Over the decade, India's exports to Bangladesh increased by a CAGR of 6.7 percent to US$ 5.8 billion in 2017 from US$ 3.2 billion in 2008, while India's imports from Bangladesh increased by a CAGR of 3.8 percent from US$ 329.8 million in 2008 to US$ 459.4 million in 2017. India has a favourable trade balance with Bangladesh, with trade surplus surging from US$ 2.9 billion in 2008, to US$ 5.3 billion in 2017. However, there exists potential to further enhance two-way trade and investment flows. While there is a need to enhance trading of existing key commodities such as cotton, mineral fuels, cereals, iron and steel, plastics and vehicles, focus could be made on some of Bangladesh's major imported items which have potential to be sourced from India.

Identifying Commodities with High Potential for Export from India to Bangladesh

Accordingly, commodities (HS-6 Digit) which have export potential from India to Bangladesh under normal trade have been identified through the following criteria: Identification of major items in Bangladesh's import basket, and share of India in each product line (based on HS-code); and selection of potential items, based on relatively low share of India in Bangladesh's import basket of major commodities despite India's global export capability.

Table 6.1 presents Bangladesh's major import items, in terms of 2-digit HS code, and India's share in Bangladesh's global imports of these items, along with India's global exports. As can be seen from the table, despite India's global export capability, India's share in Bangladesh's major imports is still low in select items, which highlights the potential for enhancing these exports to Bangladesh. Based on the above criteria, India's potential export items to Bangladesh at the 2-digit level would include the following:

- Machinery and instruments (HS-84)
- Electrical machinery and equipment (HS-85)
- Animal or vegetable fats and oils (HS-15)
- Knitted or crocheted fabrics (HS-60)
- Sugars and sugar confectionery (HS-17)
- Paper and paperboard (HS-48)
- Optical, photographic, cinematographic, medical or surgical instruments (HS-90)

Based on the above analysis, identification of potential items of India's exports to Bangladesh under the above identified categories (up to 6-digit HS Commodity codes) has been undertaken below.

Machinery and Mechanical Appliances (HS-84)

Bangladesh's total import of machinery and mechanical appliances has more than doubled from US$ 2.8 billion in 2010 to US$ 5.7 billion in 2017, with majority of the imports being sourced from China, which accounted for a share of 36 percent of Bangladesh's total imports of the commodity in 2017 **(Table 6.2)**.

Table 6.1: Bangladesh's Major Imports and India's Share in 2017

HS Code	Product Label	Bangladesh's Imports from World (US$ mn)	Bangladesh's Imports from India (US$ mn)	India's Share in Bangladesh's Imports	India's Exports to World (US$ mn)
	All products	**46,187.8**	**5,807.1**	**12.6**	**216,913.5**
84	**Machinery and mechanical appliances**	**5,731.8**	**401.7**	**7.0**	**12,694.7**
52	Cotton	5,335.2	1,159.7	21.7	4,706.5
85	**Electrical machinery and equipment**	**3,471.3**	**214.4**	**6.2**	**6,627.8**
27	Mineral fuels, mineral oils and products of their distillation	3,155.4	517.0	16.4	25,172.7
10	Cereals	2,177.9	523.4	24.0	5,672.8
72	Iron and steel	2,036.7	192.1	9.4	8,323.9
39	Plastics and articles	1,911.1	154.8	8.1	4,490.0
87	Vehicles other than railway or tramway	1,716.8	716.1	41.7	12,351.1
15	**Animal or vegetable fats and oils**	**1,648.9**	**2.0**	**0.1**	**945.2**
55	Man - made staple fibres	1,590.9	178.1	11.2	1,542.7
60	**Knitted or crocheted fabrics**	**1,165.8**	**36.5**	**3.1**	**238.0**
17	**Sugars and sugar confectionery**	**1,135.0**	**22.7**	**2.0**	**814.8**
54	Man-made filaments and textile materials	988.1	79.2	8.0	1,579.1
73	Articles of iron or steel	710.1	84.8	11.9	4,984.4
29	Organic chemicals	672.3	143.5	21.4	10,098.7
48	**Paper and paperboard**	**658.4**	**33.4**	**5.1**	**1,015.9**
90	**Optical, photographic, cinematographic, medical or surgical instruments**	**620.9**	**36.0**	**5.8**	**2,185.0**
32	Tanning or dyeing extracts	619.6	142.5	23.0	2,119.8
38	Miscellaneous chemical products	580.1	94.6	16.3	2,775.0
07	Edible vegetables, roots and tubers	554.9	81.6	14.7	901.7

Source: ITC Trade Map, derived from UN COMTRADE

Table 6.2: Bangladesh's Major Sources of Imports of Machinery and Mechanical Appliances (HS-84)

Partner Country	2010		2017	
	Value (US$ mn)	% Share	Value (US$ mn)	% Share
World	**2,808.8**	**100.0**	**5,731.8**	**100.0**
China	853.4	30.4	2,067.9	36.1
Italy	217.1	7.7	538.1	9.4
Singapore	387.1	13.8	509.3	8.9
Japan	147.4	5.2	412.4	7.2
India	**91.2**	**3.2**	**401.7**	**7.0**
Germany	235.1	8.4	381.6	6.7
Malaysia	89.2	3.2	174.0	3.0
South Korea	111.3	4.0	161.9	2.8
Taiwan	125.9	4.5	149.9	2.6
USA	106.0	3.8	126.8	2.2

Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Table 6.3: Machinery and Mechanical Appliances (HS-84) – Potential Exports to Bangladesh

HS Code	Product Label	Bangladesh's Imports from World, 2017 (US$ mn)	Bangladesh's Imports from India, 2017 (US$ mn)	India's Share in Bangladesh's Imports, 2017 (%)	India's Exports to World, 2017 (US$ mn)
840890	Compression-ignition internal combustion piston engine "diesel or semi-diesel engine"	170.9	0.5	0.3	290.5
842230	Machinery for filling, closing, sealing or labelling bottles, cans, boxes, bags or other containers	100.4	8.7	8.7	78.2
842952	Self-propelled mechanical shovels, excavators and shovel loaders, with 360° revolving	91.2	7.9	8.7	147.1
840999	Parts suitable for use solely or principally with compression-ignition internal combustion	86.2	5.9	6.8	544.8
848180	Appliances for pipes, boiler shells, tanks, vats or the like (excluding pressure - reducing valves)	65.3	5.8	8.9	587.9
847330	Parts and accessories of automatic data - processing machines or for other machines	64.3	0.2	0.4	92.5
841480	Air pumps, air or other gas compressors and ventilating or recycling hoods	61.9	2.5	4.0	211.9
842959	Self-propelled mechanical shovels, excavators and shovel loaders	35.0	2.4	6.9	154.0
843041	Self-propelled boring or sinking machinery for boring earth or extracting minerals or ores	31.8	1.0	3.2	76.5
841950	Heat-exchange units (excluding instantaneous heaters, storage water heaters, boilers and equipment)	27.8	1.9	6.8	140.2
841490	Parts of air or vacuum pumps, air or other gas compressors, fans and ventilating	27.3	2.0	7.4	218.5
843149	Parts of machinery of heading 8426, 8429 and 8430	26.6	0.8	3.2	226.8
842139	Machinery and apparatus for filtering or purifying gases (excluding isotope separators)	25.6	1.7	6.8	79.4

Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Table 6.4: Bangladesh's Major Sources of Imports of Electrical Machinery and Equipment (HS-85)

Partner Country	2010		2017	
	Value (US$ mn)	% Share	Value (US$ mn)	% Share
World	**2,046.3**	**100.0**	**3,471.3**	**100.0**
China	899.9	44.0	1608.1	46.3
Hong Kong	162.6	7.9	543.7	15.7
Singapore	204.6	10.0	295.4	8.5
India	**58.0**	**2.8**	**214.4**	**6.2**
Finland	121.7	5.9	108.4	3.1
Germany	90.0	4.4	108.2	3.1
Russia	0.7	-	78.2	2.3
Japan	54.4	2.7	73.7	2.1
South Korea	84.0	4.1	67.4	1.9
UK	32.3	1.6	61.3	1.8

Note: '-' indicates not available/negligible
Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Table 6.5: Electrical Machinery and Equipment (HS-85) - Potential Exports to Bangladesh

HS Code	Product Label	Bangladesh's Imports from World, 2017 (US$ mn)	Bangladesh's Imports from India, 2017 (US$ mn)	India's Share in Bangladesh's Imports, 2017 (%)	India's Exports to World, 2017 (US$ mn)
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	612.4	0.0	0.0	105.3
851762	Machines for the reception, conversion and transmission or regeneration of voice, images	202.6	1.9	1.0	368.4
850440	Static converters	126.6	10.2	8.0	415.0
850300	Parts suitable for use solely or principally with electric motors and generators	95.1	7.9	8.3	210.4
851770	Parts of telephone sets, telephones for cellular networks or for other wireless networks	79.9	5.0	6.2	204.1
854140	Photosensitive semiconductor devices, incl. photovoltaic cells whether or not assembled	62.3	0.6	1.0	126.6
854449	Electric conductors, for a voltage <= 1.000 V, insulated, not fitted with connectors	37.9	1.3	3.3	144.3
853690	Electrical apparatus for switching electrical circuits, or for making connections	33.2	0.8	2.4	166.6
853890	Parts suitable for use solely or principally with the apparatus of heading 8535, 8536 or 8537	28.7	1.5	5.1	281.2

Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Table 6.6: Bangladesh's Major Sources of Imports of Animal or Vegetable Fats and Oils (HS-15)

Partner Country	2010		2017	
	Value (US$ mn)	% Share	Value (US$ mn)	% Share
World	**1,090.5**	**100.0**	**1,648.9**	**100.0**
Indonesia	639.3	58.6	840.7	51.0
Argentina	203.0	18.6	407.2	24.7
Malaysia	156.0	14.3	193.7	11.7
Paraguay	45.1	4.1	90.1	5.5
Brazil	32.9	3.0	85.6	5.2
South Korea	0.3	-	7.0	0.4
Ukraine	-	-	7.0	0.4
China	0.2	-	3.6	0.2
Spain	0.9	0.1	2.5	0.1
Italy	0.7	0.1	2.3	0.1
India	**0.7**	**0.1**	**2.0**	**0.1**

Note: '-' indicates not available/negligible

Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Machinery and mechanical appliances constitute India's 3rd largest global exports in 2017, amounting to US$ 13.6 billion, with a share of 5.9 percent in India's total exports to the world, highlighting high global export capability of India for this commodity. India has the potential to further enhance export of these items to Bangladesh, keeping in view Bangladesh's high demand for these commodities. With a view to increasing India's exports to Bangladesh, potential items for exports at 6-digit HS commodity code have been identified and presented in **Table 6.3**.

Electrical Machinery and Equipment (HS-85)

Bangladesh's total imports of electrical machinery and equipment have increased from US$ 2 billion in 2010 to US$ 3.5 billion in 2017, indicating an increasing import demand for the commodity. Nearly half of the imports of electrical machinery and equipment have been sourced from China **(Table 6.4)**.

Electrical machinery and equipment form India's 8th largest global exports in 2017, amounting to US$ 6.6 billion, with a share of 3.1 percent in India's total exports to the world, highlighting India's global export capability of this commodity. Keeping in view high demand of the commodity in Bangladesh, and given India's export capability, the potential items for enhancing such exports (at 6-digit HS code) have been identified and presented in **Table 6.5**.

Animal or Vegetable Fats and Oils (HS-15)

Bangladesh's imports of animal or vegetable fats and oils are sourced from Indonesia, which has a share of 51 percent in Bangladesh's imports of the commodity in 2017, followed by Argentina, which has a share of 24.7 percent **(Table 6.6)**.

India's exports of the commodity to Bangladesh has increased from US$ 0.7 million in 2010 to US$ 2 million in 2017, with India's share remaining the same at 0.1 percent. In line with India's export capability, the potential items (at 6-digit HS code) for enhancing India's exports to capture the untapped market for this commodity in Bangladesh have been identified and presented in **Table 6.7.**

Knitted or Crocheted Fabrics (HS-60)

As can be noted from **Table 6.8**, there has been a steady rise in Bangladesh's total imports of knitted or crocheted fabrics, which has increased by more than three-fold from US$ 393 million in 2010 to US$ 1.2 billion in 2017. However, majority of these imports have been sourced from China, with a share of 70.8 percent in Bangladesh's imports of the commodity in 2017, followed by Hong Kong and Taiwan.

Table 6.7: Animal or Vegetable Fats and Oils (HS-15) – Potential Export Items to Bangladesh

HS Code	Product Label	Bangladesh's Imports from World, 2017 (US$ mn)	Bangladesh's Imports from India, 2017 (US$ mn)	India's Share in Bangladesh's Imports, 2017 (%)	India's Exports to World, 2017 (US$ mn)
151620	Vegetable fats and oils and their fractions, partly or wholly hydrogenated and inter-esterified	8.0	0.04	0.5	57.5
151800	Animal or vegetable fats and oils and their fractions, boiled, oxidised, dehydrated and sulphurised	4.3	0.1	1.7	29.3
151319	Coconut oil and its fractions, whether or not refined, but not chemically modified	1.9	0.04	2.2	16.2

Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Table 6.8: Bangladesh's Major Sources of Imports of Knitted or Crocheted Fabrics (HS-60)

Partner Country	2010		2017	
	Value (US$ mn)	% Share	Value (US$ mn)	% Share
World	**393.0**	**100.0**	**1,165.8**	**100.0**
China	210.1	53.5	825.8	70.8
Hong Kong	93.9	23.9	177.0	15.2
Taiwan	50.5	12.8	53.0	4.5
India	**6.9**	**1.8**	**36.5**	**3.1**
South Korea	16.3	4.2	31.4	2.7
Bangladesh	1.1	0.3	12.2	1.0
Japan	0.4	0.1	9.6	0.8
Thailand	3.0	0.8	5.8	0.5
Pakistan	4.5	1.2	3.7	0.3
Indonesia	1.6	0.4	2.3	0.2

Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

India's share in Bangladesh's imports of the commodity witnessed marginal increase from 1.8 percent in 2010 to 3.1 percent in 2017. In order to further increase India's exports to Bangladesh, considering India's export capability of the commodity, the potential items for exports at 6-digit HS commodity code have been identified and presented in **Table 6.9**.

Table 6.9: Knitted or Crocheted Fabrics (HS-60) - Potential Export to Bangladesh

HS Code	Product Label	Bangladesh's Imports from World, 2017 (US$ mn)	Bangladesh's Imports from India, 2017 (US$ mn)	India's Share in Bangladesh's Imports, 2017 (%)	India's Exports to World, 2017 (US$ mn)
600410	Knitted or crocheted fabrics, of a width of > 30 cm, containing >= 5% by weight	249.4	6.1	2.5	44.3
600632	Dyed fabrics, knitted or crocheted, of synthetic fibres, of a width of > 30 cm	237.3	1.5	0.6	7.2
600631	Unbleached or bleached fabrics, knitted or crocheted, of synthetic fibres	6.1	-	-	5.5

Note: '-' indicates not available/negligible

Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Table 6.10: Bangladesh's Major Sources of Imports of Sugars and Sugar Confectionery (HS-17)

Partner Country	2010		2017	
	Value (US$ mn)	% Share	Value (US$ mn)	% Share
World	**473.7**	**100.0**	**1,135.0**	**100.0**
Brazil	419.6	88.6	1,081.6	95.3
India	**0.4**	**0.1**	**22.7**	**2.0**
China	6.4	1.3	11.7	1.0
Australia	2.7	0.6	3.4	0.3
Italy	0.6	0.1	2.7	0.2
Malaysia	0.6	0.1	2.5	0.2
Germany	1.1	0.2	2.2	0.2
Thailand	34.8	7.4	1.5	0.1
Singapore	1.2	0.2	1.2	0.1
Netherlands	0.3	0.1	1.2	0.1

Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Table 6.11: Sugars and Sugar Confectionery (HS-17) – Potential Export Items to Bangladesh

HS Code	Product Label	Bangladesh's Imports from World, 2017 (US$ mn)	Bangladesh's Imports from India, 2017 (US$ mn)	India's Share in Bangladesh's Imports, 2017 (%)	India's Exports to World, 2017 (US$ mn)
170114	Raw cane sugar, in solid form, not containing added flavouring or colouring matter	1,079.5	0.02	0.001	25.3
170230	Glucose in solid form and glucose syrup, not containing added flavouring or colouring matter	10.7	0.1	1.0	42.6
170490	Sugar confectionery not containing cocoa, incl. white chocolate (excluding chewing gum)	3.5	0.2	5.9	79.5
170290	Sugars in solid form, incl. invert sugar and chemically pure maltose, and sugar and sugar syrup	3.3	0.1	2.2	4.1

Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Sugars and Sugar Confectionery (HS-17)

95 percent of Bangladesh's imports of sugars and sugar confectionery are sourced from Brazil **(Table 6.10)**. Other major sources of imports of sugars and sugar confectionery for Bangladesh include India, China and Australia.

Though India exports US$ 814.8 million worth sugars and sugar confectionery globally, its share in Bangladesh's imports of sugars has been marginal at 2 percent in 2017. With a view to enhance exports of sugars and sugar confectionery to Bangladesh in line with India's export capabilities, the potential items for exports at 6-digit HS commodity code have been identified and presented in **Table 6.11**.

Table 6.12: Bangladesh's Major Sources of Imports of Paper and Paperboard (HS-48)

Partner Country	2010		2017	
	Value (US$ mn)	% Share	Value (US$ mn)	% Share
World	**409.0**	**100.0**	**658.4**	**100.0**
China	46.0	11.3	213.4	32.4
South Korea	141.7	34.6	78.8	12.0
Hong Kong	40.4	9.9	60.6	9.2
Singapore	19.7	4.8	39.7	6.0
Australia	14.6	3.6	37.2	5.6
Taiwan	11.4	2.8	33.4	5.1
India	**13.8**	**3.4**	**33.4**	**5.1**
Indonesia	40.0	9.8	29.2	4.4
USA	1.9	0.5	25.1	3.8
Thailand	15.3	3.8	17.2	2.6

Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Paper and Paperboard (HS-48)

The imports of paper and paperboard by Bangladesh has increased from US$ 409 million in 2010 to US$ 658.4 million in 2017, indicating a high demand for the commodity in Bangladesh. Nearly one-third of these imports are sourced from China, which has a share of 32.4 percent in Bangladesh's imports of this commodity in 2017, followed by South Korea, which has a share of 12 percent **(Table 6.12)**.

India's share in Bangladesh's imports of paper and paperboard has increased from 3.4 percent in 2010 to 5.1 percent in 2017. With a view to enhance exports of the commodity to Bangladesh in line with India's export capabilities, the potential items for exports at 6-digit HS commodity code have been identified and presented in **Table 6.13**.

Optical, Photographic, Cinematographic, Medical or Surgical Instruments (HS-90)

Bangladesh's total imports of optical, photographic, medical and surgical apparatus has increased by nearly three-folds from US$ 225.5 million in 2010 to US$ 620.9 million in 2017, with major import sources being China, Singapore and Germany **(Table 6.14)**.

India's global exports of optical, photographic, medical & surgical apparatus amounted to US$ 2.2 billion in 2017. India's share in Bangladesh's imports of the commodity has increased marginally from 5.3 percent in 2010 to 5.8 percent in 2017. In order to boost India's exports to Bangladesh, considering India's global export capability of the commodity, the potential items for exports at 6-digit HS commodity code have been identified and presented in **Table 6.15**.

Table 6.13: Paper and Paperboard (HS-48) – Potential Export Items to Bangladesh

HS Code	Product Label	Bangladesh's Imports from World, 2017 (US$ mn)	Bangladesh's Imports from India, 2017 (US$ mn)	India's Share in Bangladesh's Imports, 2017 (%)	India's Exports to World, 2017 (US$ mn)
482110	Paper or paperboard labels of all kinds, printed	73.2	1.7	2.4	15.3
480256	Uncoated paper and paperboard, of a kind used for writing, printing or other graphic purposes	35.9	0.04	0.1	40.8
481019	Paper and paperboard used for writing, printing or other graphic purposes, not containing fibres	33.3	0.4	1.3	36.8
481920	Folding cartons, boxes and cases, of non-corrugated paper or paperboard	10.5	0.7	6.6	35.9
481910	Cartons, boxes and cases, of corrugated paper or paperboard	10.2	0.5	5.3	30.2
480257	Uncoated paper and paperboard, of a kind used for writing, printing or other graphic purposes	9.8	0.1	0.7	75.3
480431	Unbleached kraft paper and paperboard, uncoated, in rolls of a width > 36 cm	6.5	0.4	6.6	13.0

Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Table 6.14: Bangladesh's Major Sources of Imports of Optical, Photographic, Medical and Surgical Apparatus (HS-90)

Partner Country	2010		2017	
	Value (US$ mn)	% Share	Value (US$ mn)	% Share
World	**225.5**	**100.0**	**620.9**	**100.0**
China	53.2	23.6	230.6	37.1
Singapore	35.2	15.6	63.9	10.3
Germany	17.4	7.7	46.9	7.5
USA	25.8	11.4	40.1	6.5
Japan	16.1	7.2	37.2	6.0
India	**11.9**	**5.3**	**36.0**	**5.8**
Netherlands	9.4	4.2	23.3	3.8
South Korea	4.7	2.1	19.7	3.2
UK	11.0	4.9	16.3	2.6
Hong Kong	5.4	2.4	15.9	2.6

Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Potential for Enhancing Bangladesh's Exports to India

The previous section highlighted potential for enhancing India's exports to Bangladesh for tapping the untapped markets for Indian exporters. With a view to enhancing overall bilateral trade with Bangladesh, this section attempts to identify potential items of exports from Bangladesh to India, based on an analysis of Bangladesh's top exports, India's share in Bangladesh's exports, and India's global import demand. The criteria for identification of potential items of Bangladesh's exports to India is broadly similar to the previous analysis and is given as under:

- Identification of major items in Bangladesh's export basket, and share of India in each product line of exports, based on 2-digit HS commodity code; and
- Selection of potential items of Bangladesh's exports based on low share of India in Bangladesh's export basket of major commodities, keeping in view India's global import demand & Bangladesh's export capability.

Table 6.16 depicts India's share in Bangladesh's exports of the major commodities, which is marginal, therefore, highlighting the potential to enhance these exports from Bangladesh, in light of the demand in India, and also Bangladesh's export capability. Some of these potential items of Bangladesh's exports to India would include:

- Articles of apparel and clothing accessories, knitted or crocheted (HS-61)
- Articles of apparel and clothing accessories, not knitted or crocheted (HS-62)
- Other made-up textile articles (HS-63)
- Footwear, gaiters and the like (HS-64)
- Articles of leather; saddlery and harness (HS-42)
- Raw hides, skins and leather (HS-41)
- Furniture; bedding, mattresses and similar stuffed furnishings (HS-94)

Table 6.15: Optical, Photographic, Medical and Surgical Apparatus (HS-90) – Potential Export Items to Bangladesh

HS Code	Product Label	Bangladesh's Imports from World, 2017 (US$ mn)	Bangladesh's Imports from India, 2017 (US$ mn)	India's Share in Bangladesh's Imports, 2017 (%)	India's Exports to World, 2017 (US$ mn)
902830	Electricity supply or production meters, incl. calibrating meters	69.7	0.8	1.2	115.3
901890	Instruments and appliances used in medical, surgical or veterinary sciences	37.1	3.0	8.2	139.6
902890	Parts and accessories for gas, liquid or electricity supply or production meters	33.8	0.2	0.6	52.8
903180	Instruments, appliances and machines for measuring or checking, not elsewhere specified	21.1	1.2	5.5	58.2
901580	Instruments and appliances used in geodesy, topography, hydrography, oceanography, hydrology	17.1	0.2	1.3	43.0
902214	Apparatus based on the use of X-rays, for medical, surgical or veterinary uses	13.6	0.4	2.6	30.1
902300	Instruments, apparatus and models designed for demonstrational purposes, e.g. in education	12.3	0.1	1.0	38.3
902810	Gas meters, incl. calibrating meters	11.8	0.001	0.01	67.1
901819	Electro-diagnostic apparatus, incl. apparatus for functional exploratory examination	9.5	0.3	2.9	46.1
902790	Microtomes; parts and accessories of instruments and apparatus for physical or chemical analysis	9.0	0.1	1.3	22.2
902139	Artificial parts of the body (excluding artificial teeth and dental fittings)	8.1	0.5	5.6	26.9

Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Table 6.16: Bangladesh's Major Exports and India's Share in 2017

HS Code	Product label	Bangladesh's Exports to World (US$ mn)	India's Imports from Bangladesh (US$ mn)	India's Share in Bangladesh's Exports (%)	India's Imports from World (US$ mn)
	All products	**39,659.6**	**459.4**	**1.2**	**337,414.1**
61	**Articles of apparel and clothing accessories, knitted or crocheted**	**17,521.4**	**34.0**	**0.2**	**254.4**
62	**Articles of apparel and clothing accessories, not knitted or crocheted**	**16,598.5**	**89.0**	**0.5**	**287.5**
63	**Other made-up textile articles**	**1,044.4**	**15.4**	**1.5**	**352.6**
64	**Footwear, gaiters and the like**	**933.5**	**6.8**	**0.7**	**498.3**
53	Other vegetable textile fibres, paper yarn and woven fabrics	726.7	95.1	13.1	245.7
42	**Articles of leather; saddlery and harness**	**272.6**	**5.9**	**2.1**	**303.2**
41	**Raw hides, skins and leather**	**143.7**	**5.0**	**3.5**	**469.0**
39	Plastics and articles	92.0	7.3	7.9	10,191.1
90	Optical, photographic, cinematographic, medical or surgical instruments	85.5	1.4	1.6	6,426.0
87	Vehicles other than railway or tramway	83.5	3.1	3.8	4,287.0
95	Toys, games and sports requisites	63.5	-	-	429.2
94	**Furniture; bedding, mattresses and similar stuffed furnishings**	**62.8**	**1.4**	**2.3**	**1,369.2**
30	Pharmaceutical products	61.5	-	-	1,394.6
69	Ceramic products	57.5	0.8	1.3	447.1
85	Electrical machinery and equipment	54.6	2.7	4.9	35,625.0
74	Copper and articles	46.6	11.3	24.3	3,352.8
27	Mineral fuels, mineral oils and products	43.3	10.4	24.1	91,427.4
07	Edible vegetables, certain roots and tubers	42.6	-	-	2,706.7
84	Machinery and mechanical appliances	37.9	3.4	9.0	27,237.0

Note: '-' indicates not available/negligible

Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Identifying Commodities with High Potential for Export from India to Myanmar

Bilateral trade between India and Myanmar have witnessed a rising trend in recent years, with total trade between the two having doubled to US$ 2.2 billion in 2016, from US$ 1.1 million in 2008. In 2017, however, bilateral trade has declined to US$ 1.3 billion due to fall in both exports and imports. While there is a need to enhance trading of existing key commodities such as electrical machinery and equipment, iron and steel, sugar and sugar confectionary and pharmaceutical products, focus could be made on some of Myanmar's major imported items which have potential to be sourced from India.

Accordingly, commodities (HS-6 Digit) which have export potential from India to Myanmar under normal trade have been identified through the following criteria: Identification of major items in Myanmar's import basket, and share of India in each product line (based on HS-code); and selection of potential items, based on relatively low share of India in Myanmar' import basket of major commodities despite India's global export capability.

Table 6.17 presents Myanmar's major import items in 2017, in terms of 2-digit HS code, and India's share in Myanmar's global imports of these items. As can be seen from the table, India has achieved a respectable share only in few products out of the major import categories of Myanmar. India's share in the other major import items of Myanmar remains marginal. This essentially highlights the potential for enhancing such exports to Myanmar.

Table 6.17: Myanmar's Major Imports and India's Share in 2017

HS Code	Product Label	Myanmar's Imports from World, 2017 (US$ mn)	Myanmar's Imports from India, 2017 (US$ mn)	India's Share in Myanmar's Imports, 2017 (%)	India's Exports to World, 2017 (US$ mn)
	All Products	**22,028.9**	**685.9**	**100.0**	**216,913.5**
85	Electrical machinery and equipment	2,458.2	51.2	7.5	6,627.8
27	**Mineral fuels, mineral oils and productsof their distillation**	**2,456.8**	**33.5**	**4.9**	**25,172.7**
84	Machinery and mechanical appliances	2,313.0	34.6	5.0	12,694.7
87	Vehicles other than railway or tramway	1,989.1	45.8	6.7	12,351.1
72	Iron and steel	975.6	70.0	10.2	8,323.9
39	**Plastics and articles**	**842.3**	**10.0**	**1.5**	**4,490.0**
15	**Animal or vegetable fats and oils**	**654.6**	**0.1**	**-**	**945.2**
73	**Articles of iron or steel**	**647.2**	**10.6**	**1.5**	**4,984.4**
17	Sugars and sugar confectionery	525.6	64.6	9.4	814.8
21	**Miscellaneous edible preparations**	**459.0**	**1.2**	**0.2**	**527.3**
22	Beverages, spirits and vinegar	421.3	-	-	255.3
30	Pharmaceutical products	416.1	123.4	18.0	9,713.0
55	**Man-made staple fibres**	**414.8**	**4.1**	**0.6**	**1,542.7**
54	**Man-made filaments, strip and textile materials**	**414.0**	**2.6**	**0.4**	**1,579.1**
60	Knitted or crocheted fabrics	395.1	0.4	0.1	238.0
52	Cotton	326.6	35.8	5.2	4,706.5
48	Paper and paperboard	301.5	1.8	0.3	1,015.9
90	Optical, photographic, cinematographic, medical or surgical instruments	293.0	6.3	0.9	2,185.0
40	Rubber and articles	264.8	4.8	0.7	2,141.4

Note: -indicates not available/negligible
Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Based on the above criteria, potential items of export to Myanmar would include the following categories of exports:

- Mineral fuels, mineral oils and products of their distillation (HS-27)
- Plastics and articles (HS-39)
- Animal or vegetable fats and oils (HS-15)
- Articles of iron or steel (HS-73)
- Miscellaneous edible preparations (HS-21)
- Man-made staple fibres (HS-55)
- Man-made filaments, strip and textile materials (HS-54)

Based on the above analysis, identification of potential items of India's exports to Myanmar under the above identified categories (up to 6-digit HS Commodity codes) has been undertaken below.

Mineral fuels, Mineral Oils and Products of their Distillation (HS-27)

Myanmar primarily imports medium and light oil preparations, paraffin wax and hydrocarbons, mainly from Singapore, Thailand, and Malaysia, among others (**Table 6.18**). India's share is marginal at 1.4 percent. This is in spite of the fact that petroleum products form the second top export product for India.

Table 6.18: Myanmar's Import Sources of Mineral fuels, Mineral Oils and Products of their Distillation (HS-27)

Partner Country	2010		2017	
	Value (US$ mn)	% Share	Value (US$ mn)	% Share
World	**1,098.9**	**100.0**	**2,456.8**	**100.0**
Singapore	516.0	47.0	1,430.1	58.2
Thailand	328.6	29.9	413.2	16.8
Malaysia	24.1	2.2	374.2	15.2
China	158.0	14.4	155.9	6.3
India	**2.8**	**0.3**	**33.5**	**1.4**
Indonesia	0.5	0.0	11.3	0.5
South Korea	1.6	0.1	10.2	0.4
Australia	-	-	5.8	0.2
Japan	-	-	4.5	0.2
Russia	-	-	4.2	0.2

Note: - indicates nil/negligible

Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Table 6.19: Mineral fuels, Mineral Oils and Products of their Distillation (HS-27) – Potential Export Items to Myanmar

HS Code	Product Label	Myanmar's Imports from World, 2017 (US$ mn)	Myanmar's Imports from India, 2017 (US$ mn)	India's Share in Myanmar's Imports, 2017 (%)	India's Exports to World, 2017 (US$ mn)
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel	1,531.4	29.3	1.9	15,789.6
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume	796.4	-	-	8,228.5
271600	Electrical energy	35.4	-	-	301.0
271119	Gaseous hydrocarbons, liquefied (excluding natural gas, propane, butane, ethylene)	33.9	-	-	151.3
270119	Coal, whether or not pulverised, non-agglomerated (excluding anthracite and bituminous coal)	8.9	-	-	53.3
270400	Coke and semi-coke of coal, of lignite or of peat, whether or not agglomerated; retort carbon	1.5	-	-	14.6

Note: - indicates nil/negligible
Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Therefore, with the objective of increasing India's exports of petroleum products to Myanmar, potential items identified at 6-digit HS code classification are summarized in **Table 6.19**.

Table 6.20: Myanmar's Import Sources of Plastics and Articles (HS-39)

Partner Country	2010		2017	
	Value (US$ mn)	% Share	Value (US$ mn)	% Share
World	**334.1**	**100.0**	**842.3**	**100.0**
China	62.7	18.8	266.2	31.6
Thailand	99.5	29.8	166.2	19.7
Malaysia	26.6	8.0	77.7	9.2
Saudi Arabia	21.0	6.3	76.9	9.1
Singapore	43.4	13.0	68.2	8.1
Hong Kong	2.0	0.6	55.7	6.6
South Korea	41.9	12.5	39.3	4.7
Taiwan	8.9	2.7	19.2	2.3
USA	-	-	11.2	1.3
Oman	-	-	10.4	1.2
India	**8.2**	**2.5**	**10.0**	**1.2**

Note: - indicates nil/negligible
Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Table 6.21: Plastics and Articles (HS-39) – Potential Export Items to Myanmar

HS Code	Product Label	Myanmar's Imports from World, 2017 (US$ mn)	Myanmar's Imports from India, 2017 (US$ mn)	India's Share in Myanmar's Imports, 2017 (%)	India's Exports to World, 2017 (US$ mn)
390210	Polypropylene, in primary forms	122.9	0.4	0.3	372.9
390120	Polyethylene with a specific gravity of >= 0,94, in primary forms	70.5	0.9	1.3	151.8
392190	Plates, sheets, film, foil and strip, of plastics, reinforced, laminated, supported	67.0	0.01	0.01	195.6
392690	Articles of plastics and articles of other materials of heading 3901 to 3914	43.0	0.4	0.8	420.1
390110	Polyethylene with a specific gravity of < 0,94, in primary forms	42.5	3.3	7.7	198.2
390761	Poly"ethylene terephthalate", in primary forms, having a viscosity number of >= 78 ml/g	36.2	0.5	1.3	635.2
392010	Plates, sheets, film, foil and strip, of non-cellular polymers of ethylene, not reinforced	27.9	0.4	1.3	40.6
392020	Plates, sheets, film, foil and strip, of non-cellular polymers of ethylene, not reinforced	27.4	0.0	0.04	180.5
392329	Sacks and bags, incl. cones, of plastics (excluding those of polymers of ethylene)	12.0	0.2	2.0	240.1
392321	Sacks and bags, incl. cones, of polymers of ethylene	11.0	-	-	110.3
392390	Articles for the conveyance or packaging of goods, of plastics	10.7	0.05	0.4	77.7

Note: - indicates nil/negligible
Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Plastics and Articles (HS-39)

Myanmar's imports of plastics and articles increased over two-fold to US$ 842.3 million in 2017 from US$ 334.1 million in 2010. The top four sources of imports of plastics and articles account for 70 percent of Myanmar's imports of the plastics and articles in 2017 (**Table 6.20**).

India's share in Myanmar's imports of the plastics and articles was marginal at 1.2 percent in 2017. Potential exports from India to Myanmar of plastics and articles are highlighted in **Table 6.21**.

Animal or Vegetable Fats and Oils (HS-15)

Myanmar's imports of animal or vegetable fats and oils increased from US$ 360.5 million in 2010 to US$ 654.6 million in 2017. The key sources for Myanmar's imports of animal or vegetable fats and oils are Indonesia and Malaysia, together accounting for 91 percent of total imports of the commodity in 2017 **(Table 6.22).** India's share stood marginal at 0.02 percent in 2017.

Therefore, with the objective of increasing India's exports, potential items identified at 6-digit HS code classification are listed in **Table 6.23**.

Table 6.22: Myanmar's Import Sources of Animal or Vegetable Fats and Oils (HS-15)

Partner Country	2010		2017	
	Value (US$ mn)	% Share	Value (US$ mn)	% Share
World	**360.5**	**100.0**	**654.6**	**100.0**
Indonesia	131.4	36.4	489.8	74.8
Malaysia	165.9	46.0	107.9	16.5
Thailand	61.7	17.1	47.3	7.2
Turkey	-	-	3.0	0.5
Singapore	1.1	0.3	1.3	0.2
Ukraine	-	-	1.1	0.2
Spain	0.1	0.03	1.0	0.2
South Korea	0.02	0.01	0.8	0.1
Russia	-	-	0.8	0.1
Italy	-	-	0.5	0.1

Note: - indicates nil/negligible
Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Table 6.23: Animal or Vegetable Fats and Oils (HS-15) – Potential Export Items to Myanmar

HS Code	Product Label	Myanmar's Imports from World, 2017 (US$ mn)	Myanmar's Imports from India, 2017 (US$ mn)	India's Share in Myanmar's Imports, 2017 (%)	India's Exports to World, 2017 (US$ mn)
151219	Sunflower-seed or safflower oil and their fractions, whether or not refined	10.4	0.01	0.1	3.5
151790	Edible mixtures or preparations of animal or vegetable fats or oils	10.1	-	-	4.1
151620	Vegetable fats and oils and their fractions, partly or wholly hydrogenated	4.4	-	-	57.5
151800	Animal or vegetable fats and oils and their fractions, boiled, oxidised, dehydrated and sulphurised	1.3	0.1	4.4	29.3

Note: - indicates nil/negligible
Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Table 6.24: Myanmar's Import Sources of Articles of Iron or Steel (HS-73)

Partner Country	2010		2017	
	Value (US$ mn)	% Share	Value (US$ mn)	% Share
World	**409**	**100**	**647.2**	**100**
China	249.5	61	336.1	51.9
Thailand	46.5	11.4	181.9	28.1
Malaysia	30.3	7.4	18.9	2.9
Indonesia	45.9	11.2	17.0	2.6
Singapore	8.5	2.1	16.5	2.6
Turkey	0.01	-	13.4	2.1
Japan	3.5	0.8	12.0	1.8
India	**5.8**	**1.4**	**10.6**	**1.6**
Taiwan	2.0	0.5	8.2	1.3
South Korea	13.1	3.2	7.5	1.2

Note: - indicates nil/negligible
Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Articles of Iron or Steel (HS-73)

Table 6.24 highlights the global sources for Myanmar's imports of articles of iron or steel. As can be seen from the table, China has a dominant share of 51.9 percent, followed by Thailand and Malaysia. Though India's imports of the commodity to Myanmar have doubled, India's share continues to be low at 1.6 percent.

Therefore, potential exports from India to Myanmar of the commodity, identified at 6-digit HS code classification is given in **Table 6.25**.

Miscellaneous Edible Preparations (HS-21)

Myanmar's imports of miscellaneous edible preparations increased over two-fold during the period 2010 to 2017. Thailand accounts for the bulk of Myanmar's imports of miscellaneous edible preparations in 2017, though its share has come down compared to 2010 **(Table 6.26)**.

Table 6.25: Articles of Iron or Steel (HS-73) – Potential Export Items to Myanmar

HS Code	Product Label	Myanmar's Imports from World, 2017 (US$ mn)	Myanmar's Imports from India, 2017 (US$ mn)	India's Share in Myanmar's Imports, 2017 (%)	India's Exports to World, 2017 (US$ mn)
730890	Structures and parts of structures, of iron or steel	87.9	2.0	2.2	302.0
732690	Articles of iron or steel (excluding cast articles or articles of iron or steel wire)	75.1	0.1	0.1	561.1
730630	Tubes, pipes and hollow profiles, welded, of circular cross-section, of iron or non-alloy steel	25.0	0.1	0.5	144.6
731815	Threaded screws and bolts, of iron or steel, whether or not with their nuts and washers	21.6	0.1	0.2	191.8
730799	Tube or pipe fittings, of iron or steel (excluding cast iron or stainless steel products; flanges)	15.3	0.1	0.5	69.7
730640	Tubes, pipes and hollow profiles, welded, of circular cross-section, of stainless steel	13.7	0.01	0.1	39.2
732393	Table, kitchen or other household articles, and parts thereof, of stainless steel	13.6	0.8	5.6	255.9
730840	Equipment for scaffolding, shuttering, propping or pit-propping	12.0	0.2	1.3	141.9
730690	Tubes, pipes and hollow profiles	9.8	0.1	1.0	92.9
731210	Stranded wire, ropes and cables, of iron or steel (excluding electrically insulated products	9.5	0.03	0.3	55.7

Note: - indicates nil/negligible
Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Table 6.26: Myanmar's Import Sources of Miscellaneous Edible Preparations (HS-21)

Partner Country	2010		2017	
	Value (US$ mn)	% Share	Value (US$ mn)	% Share
World	**211.7**	**100.0**	**459.0**	**100.0**
Thailand	127.4	60.2	189.9	41.4
China	22.2	10.5	119.6	26.1
Malaysia	2.9	1.4	51.8	11.3
Singapore	36.7	17.3	43.0	9.4
Taiwan	0.1	0.0	12.1	2.6
Indonesia	1.6	0.7	12.0	2.6
Brazil	12.5	5.9	8.3	1.8
Philippines	0.1	0.1	5.3	1.2
South Korea	0.4	0.2	4.0	0.9
USA	0.3	0.2	2.3	0.5
India	**2.4**	**1.1**	**1.2**	**0.3**

Note: - indicates nil/negligible
Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Myanmar's imports of the miscellaneous edible preparations from India are negligible. Therefore, potential exports from India to Myanmar of miscellaneous edible preparations are analyzed in **Table 6.27**.

Table 6.27: Miscellaneous Edible Preparations (HS-21) - Potential Export Items to Myanmar

HS Code	Product Label	Myanmar's Imports from World, 2017 (US$ mn)	Myanmar's Imports from India, 2017 (US$ mn)	India's Share in Myanmar's Imports, 2017 (%)	India's Exports to World, 2017 (US$ mn)
210690	Food preparations	258.7	0.4	0.2	169.1
210390	Preparations for sauces and prepared sauces; mixed condiments and seasonings	89.7	-	-	38.2
210120	Extracts, essences and concentrates, of tea or mate, and preparations	32.0	-	-	38.8
210111	Extracts, essences and concentrates, of coffee	26.2	0.8	2.9	230.5
210610	Protein concentrates and textured protein substances	2.7	0.01	0.3	22.5

Note: - indicates nil/negligible
Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Table 6.28: Myanmar's Import Sources of Man-made Staple Fibres (HS-55)

Partner Country	2010		2017	
	Value (US$ mn)	% Share	Value (US$ mn)	% Share
World	**221.6**	**100.0**	**414.8**	**100.0**
China	175.7	79.3	338.9	81.7
Thailand	17.5	7.9	33.7	8.1
Japan	11.5	5.2	15.3	3.7
Singapore	1.0	0.4	6.9	1.7
Indonesia	5.5	2.5	5.9	1.4
South Korea	5.7	2.6	4.2	1.0
India	**0.1**	**0.02**	**4.1**	**1.0**
Hong Kong	0.5	0.2	2.0	0.5
Malaysia	0.2	0.1	1.6	0.4

Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Man-made Staple Fibres (HS-55)

Myanmar's imports of man-made staple fibres increased over two-fold from US$ 221.6 million in 2010 to US$ 414.8 million in 2017. China accounted for 82 percent of Myanmar's imports of man-made staple in 2017 **(Table 6.28).** India's share stood marginal at 1 percent in 2017.

Therefore, potential exports from India to Myanmar of man-made staple fibres are analyzed in **Table 6.29**.

Table 6.29: Man-made Staple Fibres (HS-55) – Potential Export Items to Myanmar

HS Code	Product Label	Myanmar's Imports from World, 2017 (US$ mn)	Myanmar's Imports from India, 2017 (US$ mn)	India's Share in Myanmar's Imports, 2017 (%)	India's Exports to World, 2017 (US$ mn)
551219	Woven fabrics containing >= 85% polyester staple fibres by weight, dyed	121.0	-	-	11.6
550932	Multiple "folded" or cabled yarn containing >= 85% acrylic or modacrylic staple fibres	26.8	1.5	5.5	20.8
551513	Woven fabrics containing predominantly, but < 85% polyester staple fibres by weight	25.7	1.2	4.8	31.8
551612	Woven fabrics containing >= 85% artificial staple fibres by weight, dyed	17.3	-	-	60.0
551511	Woven fabrics containing predominantly, but < 85% polyester staple fibres by weight	11.1	0.4	3.9	243.0
550922	Multiple "folded" or cabled yarn containing > = 85% polyester staple fibres by weight	9.9	-	-	53.6
550320	Staple fibres of polyesters, not carded, combed or otherwise processed for spinning	9.2	-	-	182.0

Note: - indicates nil/negligible

Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Table 6.30: Myanmar's Import Sources of Man-made filaments, Strip and Textile Materials (HS-54)

Partner Country	2010		2017	
	Value (US$ mn)	% Share	Value (US$ mn)	% Share
World	**104.2**	**100.0**	**414.0**	**100.0**
China	39.7	38.1	275.1	66.4
Thailand	20.2	19.4	56.8	13.7
South Korea	18.5	17.7	29.8	7.2
Japan	14.9	14.3	22.5	5.4
Taiwan	7.6	7.3	19.8	4.8
Hong Kong	0.9	0.9	3.1	0.8
India	**0.1**	**0.1**	**2.6**	**0.6**
Indonesia	0.1	0.1	2.3	0.5
Italy	-	-	1.0	0.2
Malaysia	0.9	0.9	0.5	0.1

Note: - indicates nil/negligible

Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Man-made filaments, Strip and Textile Materials (HS-54)

Myanmar's imports of man-made filaments, strip and textile materials increased over three-fold from US$ 104.2 million in 2010 to US$ 414 million in 2017. The key source for Myanmar's imports of made filaments, strip and textile materials is China, accounting for 66 percent of total imports of the commodity in 2017 **(Table 6.30).** India's share stood marginal at 0.6 percent in 2017.

In order to boost India's exports to Myanmar, considering India's global export capability of the commodity, the potential items for exports at 6-digit HS commodity code have been identified and presented in **Table 6.31**.

Potential for Enhancing Myanmar's Exports to India

In order to enhance overall bilateral trade with Myanmar, this section attempts to identify potential items of exports from Myanmar to India, based on an analysis of Myanmar's top exports, India's share in Myanmar's exports, and India's global import demand. The criteria for identification of potential items of Myanmar's exports to India is analysed of major items in Myanmar's export basket, and share of India in each product line of exports, based on 2-digit HS commodity code; and selection of potential items of Myanmar's exports based on low share of India in Myanmar's export basket of major commodities, keeping in view India's global import demand & Myanmar's export capability. This would entail identification of potential items for Myanmar's exports under each 2-digit HS code.

Table 6.32 depicts India's share in Myanmar's exports of the identified commodities, which is marginal, therefore, highlighting the potential to enhance these exports from Myanmar, in light of the demand in India, and also Myanmar's export capability. Some of these potential items of Myanmar's exports to India would include:

- Mineral fuels, mineral oils and distillation products (HS-27)
- Ores, slag and ash (HS-26)
- Copper and articles (HS-74)
- Iron and steel (HS-72)
- Rubber and articles (HS-40)
- Pearls, precious or semi-precious stones, precious metals (HS-71)

Table 6.31: Man-made filaments, Strip and Textile Materials (HS-54) – Potential Export Items to Myanmar

HS Code	Product Label	Myanmar's Imports from World, 2017 (US$ mn)	Myanmar's Imports from India, 2017 (US$ mn)	India's Share in Myanmar's Imports, 2017 (%)	India's Exports to World, 2017 (US$ mn)
540761	Woven fabrics of yarn containing >= 85% by weight of non-textured polyester filaments	84.8	0.1	0.1	15.9
540752	Woven fabrics of yarn containing >= 85% by weight of textured polyester filaments	82.5	0.3	0.4	112.2
540782	Woven fabrics of yarn containing predominantly, but < 85% synthetic filament by weight	21.3	0.02	0.1	26.1
540772	Woven fabrics of yarn containing >= 85% synthetic filament by weight	18.0	0.1	0.4	59.4
540754	Woven fabrics of yarn containing >= 85% by weight of textured polyester filaments	11.7	0.7	5.5	45.4
540792	Woven fabrics of yarn containing predominantly, but < 85% synthetic filament by weight	11.7	-	-	33.8
540720	Woven fabrics of strip or the like, of synthetic filament, incl. monofilament of >= 67 decitex	4.6	-	-	71.4
540793	Woven fabrics of yarn containing predominantly, but < 85% synthetic filament by weight	3.9	0.01	0.1	12.9
540710	Woven fabrics of high-tenacity yarn, nylon, other polyamides or polyesters	3.4	0.1	3.0	155.8
540774	Woven fabrics of yarn containing >= 85% synthetic filament by weight	3.2	0.02	0.5	42.0

Note: - indicates nil/negligible
Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

Table 6.32: Myanmar's Major Exports and India's Share in 2017

HS Code	Product label	Myanmar's Exports to World (US$ mn)	India's Imports from Myanmar (US$ mn)	India's Share in Myanmar's Exports (%)	India's Imports from World (US$ mn)
	All products	**13,024.0**	**578.3**	**4.4**	**337,414.1**
27	**Mineral fuels, mineral oils and products of distillation**	**3,144.8**	**-**	**-**	**91,427.4**
62	Articles of apparel and clothing accessories, not knitted or crocheted	2,232.8	0.4	0.02	287.5
26	**Ores, slag and ash**	**1,167.2**	**0.9**	**0.1**	**4,578.7**
61	Articles of apparel and clothing accessories, knitted or crocheted	989.5	0.8	0.1	254.4
07	Edible vegetables, roots and tubers	672.3	414.8	61.7	2,706.7
74	**Copper and articles**	**498.0**	**-**	**-**	**3,352.8**
72	**Iron and steel**	**363.2**	**13.2**	**3.6**	**7,870.9**
10	Cereals	351.6	-	-	398.2
64	Footwear, gaiters and the like	346.8	0.3	0.1	498.3
44	Wood and articles of wood	291.2	111.5	38.3	1,793.2
40	**Rubber and articles**	282.7	0.9	0.3	2,563.3
71	**Natural or cultured pearls, precious or semi-precious stones, precious metals**	**265.0**	**0.02**	**0.01**	**56,809.5**
42	Articles of leather, saddlery and harness	170.4	0.4	0.2	303.2
12	Oil seeds and oleaginous fruits	157.1	2.8	1.8	243.4
85	Electrical machinery and equipment	141.3	0.2	0.2	35,625.0
90	Optical, photographic, cinematographic, medical or surgical instruments	108.2	0.2	0.2	6,426.0
08	Edible fruit and nuts	51.6	-	-	2,632.3

Note: - indicates nil/negligible
Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

7. EXIM BANK'S PRESENCE IN BANGLADESH AND MYANMAR

As the apex financial institution in India for financing, promoting and facilitating India's international trade and investments, Export-Import Bank of India's (Exim Bank or the Bank) vision has evolved from financing, facilitating and promoting trade and investment to a conscious and systematic effort at creating export capabilities. Since Exim Bank commenced operations in 1982, the developing and least developed countries have always been a focus area, and thus formed a critical component of Exim Bank's strategy to promote and support South-South cooperation, trade and investment. Exim Bank's commitment towards building relationships and fostering cooperation among southern countries is reflected in the various activities and programmes which Exim Bank has set in place. Exim Bank operates a comprehensive range of financing, advisory and support programmes to promote and facilitate India's trade and investment.

Exim Bank has supported various projects and activities in Bangladesh, Myanmar and other countries in South Asia and Southeast Asian Regions through its various programmes and initiatives. Exim Bank's presence in the East and the North East region at Kolkata and Guwahati also enable the Bank to support MSMEs in the region to export through its ranges of financing and capability building programmes.

Financing Programmes

Lines of Credit

Exim Bank is the implementing agency for extending Lines of Credit (LOCs) under Government of India's (GOI) India Development and Economic Assistance Scheme (IDEAS). To promote bilateral and regional commercial relations, Exim Bank extends LOCs to governments, parastatal organizations, financial institutions, commercial banks and regional development banks to support export of eligible goods on deferred payment terms. As on March 31, 2018, a total of 13 LOCs were extended by Exim Bank, at the behest of and on behalf of the Government of India to Bangladesh and Myanmar, amounting to US$ 7.9 billion (**Table 7.1**).

Supporting Project Exports

Exim Bank plays a pivotal role in promoting and financing Indian companies in execution of projects. Towards this end, the institution extends funded and non-funded facilities for overseas industrial turnkey projects, civil construction contracts, supplies as well as technical and consultancy service contracts. These projects, in turn, facilitate and support infrastructure development in host countries, thereby contributing to the overall development process in the region. Exim Bank has financed several Indian project exporters in the region in various sectors including, among others, water resources development and power projects; irrigation and power projects; gas pipeline and power projects; and hydropower projects.

Buyers Credit Under National Export Insurance Account (NEIA)

In order to provide further impetus to project exports from India on medium- or long-term basis, especially in the infrastructure sector, in April 2011, a product called Buyer's Credit under National Export Insurance Account (BC-NEIA) was introduced. Under this programme, Exim Bank facilitates project exports from India by way of extending credit facility to overseas sovereign governments and government-owned entities for import of goods and services from India on deferred credit terms. Indian exporters can obtain payment of eligible value from Exim Bank, without recourse to them, against negotiation of shipping documents. NEIA is a Trust, set up by Ministry of Commerce and Industry and administered by ECGC. Bangladesh and Myanmar feature among the positive list of 88 countries identified by ECGC for which Indian exporters can avail BC-NEIA.

Table 7.1: Exim Bank's Operative Lines of Credit in Bangladesh and Myanmar

Country	Key Sectors/Projects Covered	Amount of Credit (US$ mn)
Bangladesh	1. Financing export of goods and projects including development of railway infrastructure, dredging, construction of bridges, procurement of buses, locomotives, coaches and rehabilitation of Saidpur Workshop.	862.0
	2. Financing various social and infrastructure development projects in Bangladesh (such as power, railways, road transportation, information and communication technology, shipping, health and technical education sectors)	2,000.0
	3. Developmental Projects	4,500.0
Myanmar	1. Upgradation of the Yangon – Mandalay Railway System, as also upgradation and maintenance of workshops and railway tracks in Myanmar	56.4
	2. Moreh-Tamu OFC link with Cor-DECT System at Yangon and Mandalay urban centers	7.0
	3. Thanlyin Refinery	20.0
	4. Railway projects to be executed by RITES Ltd.	60.0
	5. Setting up an assembly/manufacturing plant for assembly and manufacturing of Tata vehicles in Myanmar	20.0
	6. Oakshitpin — Taungup 230 KV Transmission Line and Substation project; Taungup – Maei – Ann – Mann 230 kv Transmission Line and Substation project; and Maei – Kyaukpyu 230 kv Transmission Line and Substation project	64.1
	7. Upgradation of Thanbayakan Petrochemical Complex	20.0
	8. 16 ongoing irrigation schemes and 2 rehabilitation schemes in the irrigation project in Myanmar	199.0
	9. Procurement of rolling stock, equipment and up-gradation of three major Railway Workshops by procurement of machinery	86.3
	10. Implementation of a Microwave Radio Link on the Rhi - Mindat route in Myanmar	6.2
Total		**7,900.9**

Source: Exim Bank

Finance for Joint ventures

With a view to support Indian companies in their endeavour to globalise their operations, Exim Bank operates a programme to support overseas investments by Indian companies through JVs and WOS. Such supports include loans and guarantees, equity finance and in select cases direct participation in equity along with Indian promoter, to set up such ventures overseas. As on March 31, 2018, Exim Bank has provided finance to three Indian companies for setting up ventures in Bangladesh in engineering goods and textile/garments sectors and three Indian companies for setting up ventures in Myanmar in timber and capital goods sector, with sanctioned amount of ₹ 109.3 million.

Special Purpose Facility for Financing Strategic Infrastructure Projects in Neighbouring Countries

Maitree Super Thermal Power Project: Exim Bank with the support of GOI has extended commitment to finance the strategic Maitree Power Project in Bangladesh. Bharat Heavy Electricals Ltd. (BHEL) has emerged as the lowest bidder, against global competition. The project known as Bangladesh India Friendship Power Company Ltd. (BIFPCL) is a 50:50 joint venture between NTPC Ltd. and the Bangladesh Power Development Board (BPDB). Once commissioned, it is expected to be the largest power plant in Bangladesh. The project was the first overseas project in which BHEL has been involved and the first super critical power plant that is being developed by NTPC overseas.

Research Studies

Exim Bank carries out research on areas related to bilateral trade and investment, sector/ product/country and regional studies, as also policy issues related to the external sector with a view to enhancing competitiveness of Indian exporters. The published research studies related to Bangladesh and Myanmar include:

- Bangladesh: A Study of India's Trade and Investment Potential;
- SAARC: An Emerging Trade Bloc;
- India's Trade and Investment Relations with LDCs (Least Developed Countries): Harnessing Synergies;
- Fresh Fruits, Vegetables and Dairy Products: India's Potential for Exports to Other Asian Countries;
- Indian Ocean Rim Association for Regional Cooperation (IOR-ARC): A Study of India's Trade and Investment Potential;
- Potential for Enhancing Intra - SAARC Trade: A Brief Analysis;
- BIMSTEC Initiative: A Study of India's Trade and Investment Potential with Select Asian Countries;
- Enhancing India-Myanmar Trade and Investment Relations: A Brief Analysis;
- Act East: Enhancing India's Engagements with Cambodia, Lao PDR, Myanmar, Vietnam (CLMV);
- India's Engagements with CLMV: Gateway To ASEAN Markets; and
- Enhancing India's Engagement in Healthcare Sector of CLMV Countries.

Exim Bank as an International Consultant

Exim Bank is well positioned to share its experience and expertise in the fields of capacity creation, institutional strengthening, export development and export capability creation. It is thus well placed to provide a range of technical assistance in these fields. Exim Bank has rendered consultancy services to a number of institutions related to Bangladesh and Myanmar such as:

- Strategy paper for SAARC Development Fund to promote intra-regional projects in the South Asian Region;
- Pre-feasibility study for setting up Commonwealth Trade and Development Bank (CTIB);
- Developing National Export Strategy of Myanmar; and
- Study on Regional Cooperation in Export Finance and Export Credit Guarantees for the Economic and Social Commission for Asia and Pacific (ESCAP) (including Myanmar).

Institutional Linkages

Exim Bank has fostered a network of alliances and institutional linkages with multilateral agencies, export credit agencies, banks and financial institutions, trade promotion bodies, and investment promotion boards in various countries to help create an enabling environment for supporting trade and investment. With a view to building institutional linkages, Exim Bank has entered into a Memoranda of Understanding (MOU) with Industrial Promotion and Development Corporation of Bangladesh Ltd.

Global Procurement Consultants Ltd.

Exim Bank has taken the initiative of setting up of Global Procurement Consultants Ltd. (GPCL), in partnership with leading consultancy firms in India, for providing procurement related services to multilateral agencies such as the World Bank and Asian Development Bank. GPCL has undertaken a number of assignments including:

- Independent Procurement Review (IPR) of 4 World Bank financed projects in Bangladesh;
- Assisted an US entrepreneur in procurement of a joint venture partnership in Bangladesh for setting up an industrial unit to manufacture water conservation valves used in large sprinkler irrigation schemes; and
- South Asia Enterprise Development Facility (SEDF) commissioned GPCL to undertake techno-economic feasibility study for a foundry coke project being put up by a Bangladeshi entrepreneur in Dhaka.

Project Development Fund for CLMV Countries

Ministry of Commerce and Industry, Government of India had engaged Exim Bank for conducting a study for developing a framework to identify opportunities for India in trade and investments in Cambodia, Lao PDR, Myanmar and Vietnam (CLMV) countries. For this study, Exim Bank had mounted a Mission to CLMV countries to gather inputs from all stakeholders in those countries and submitted the final report to MOCI. Subsequently, the Union Finance Minister in his Budget Speech for 2015-16 announced in the parliament that “in order to catalyze investments from the Indian private sector in this region, a Project Development Company will, through separate Special Purpose Vehicles (SPVs), set up manufacturing hubs in CLMV countries, namely, Cambodia, Lao PDR, Myanmar and Vietnam”.

In compliance with the Finance Minister's announcement and to catalyse Indian private sector investments in the CLMV countries, under the 'Act East' policy of the Government of India, a Project Development Fund (PDF) with a corpus of ₹ 500 crore has been created in August 2016. The PDF, housed in Department of Commerce, will be operated through Exim Bank, which will act as the Empowered Institution under the Initiative. The PDF shall be governed by an Inter-Ministerial Committee under the chairpersonship of the Commerce Secretary. The primary objective of the PDF is to facilitate Indian investments and broaden the manufacturing base of Indian companies in CLMV countries. The PDF will be used to identify projects, which support Regional Value Chain (RVC) and help integrate Indian companies into the RVC. The projects identified under the initiative, if found feasible/ viable, will be incorporated/ implemented through SPVs in CLMV countries.

Asian Exim Banks Forum

With a view to enhance cooperation and forge a stronger link among its member institutions, the Asian Exim Bank's Forum (AEBF), a grouping of Asian Exim Banks, was conceived and initiated by Exim Bank in 1996. Since 1996, the Forum meets every year at an Annual event hosted by Export Credit Agencies' (ECA), in rotation. Members comprise ECAs from Australia, China, India, Indonesia, Japan, Korea, Malaysia, Philippines, Thailand, Turkey and Vietnam. Asian Development Bank is a Permanent Observer.

The task of Asian ECA Forum is to enhance cooperation and forge a stronger link among its member institutions, thereby fostering a long-term relationship with the Asian ECA community. The Annual meetings serve as a forum for discussing a wide range of issues focused on fostering common understanding as well as exchanging and sharing information. Together, the endeavour is to meet the challenges faced as an export credit agency in Asia and explore possible areas for further regional cooperation. Bangladesh Bank and Myanma Foreign Trade Bank have attended meetings of the AEBF as Observers.

Representative Offices

Exim Bank has representative offices in Dhaka and Yangon, which seeks to establish and maintain relationships with multilateral agencies, regional development institutions, trade and investment promotion bodies, international banks, chambers of commerce, government departments and institutions in Bangladesh and Myanmar and identify areas of co-operation.

The representative offices also play a role in facilitating India's economic co-operation with Bangladesh and Myanmar, while keeping close coordination with Indian Missions in the region. The offices project Exim Bank's capabilities in financing India's international trade and investment, as also keeps the Bank abreast of the developments in the economic and banking/ financial sectors in Bangladesh and Myanmar.

Exim Bank in East and North East Region of India

With a view to assist entrepreneurs in harnessing the tremendous export potential of the East and the North Eastern region of India, Exim Bank has its representative offices at Kolkata and Guwahati. While the Kolkata Office covers Exim Bank's activities in the states of Bihar, Chhattisgarh, Jharkhand, Odisha and West Bengal; the Guwahati Office covers the Bank's activities in the eight states of the NER, namely, Assam, Arunachal Pradesh, Meghalaya, Mizoram, Manipur, Nagaland, Sikkim and Tripura. These two offices are strategically placed to play vital roles in promoting exports from the Eastern and the North Eastern region ranging from creating awareness of export potentials of the regions and capacity building, to financing of exports and export oriented units. In order to enhance export potential of MSMEs in industrial clusters in the North East Region, Exim Bank has recently collaborated with the United Nations Development Programme (UNDP). The Exim Bank-UNDP programme for the North East Region seeks to develop, among others, bankable export clusters in the North East region, based on local resource availability and comparative advantage of the identified clusters.

8. STATUS OF INFRASTRUCTURE AT BANGLADESH AND MYANMAR BORDERS: BASED ON FIELD VISIT

This chapter delineates key observations on the current status and major challenges of infrastructure based on field visits conducted by Exim Bank Officials to major trading points at India-Bangladesh border at ICP Petrapole, West Bengal during December 2017, and India-Myanmar borders at LCS Moreh, Manipur and at LCS Zokhawthar, Mizoram during December 2017 and May 2018, respectively.[33]

I. BORDER TRADING INFRASTRUCTURE AT BANGLADESH BORDER

ICP Petropole

The Integrated Check Post (ICP) Petrapole, which was operationalised on February 12, 2016, was jointly inaugurated by the Hon'ble Prime Minister of India, Shri Narendra Modi and the Hon'ble Prime Minister of Bangladesh, Ms. Sheikh Hasina on July 21, 2016, through video-conferencing, at the presence of the Chief Minister of West Bengal, Smt. Mamata Banerjee[34]. ICP Petrapole is considered to be the biggest Land Port in South Asia. According to the Ministry of External Affairs (MEA), trade worth more than ₹ 15,000 crore takes place through the Petrapole ICP, which is more than the trade taking place through all the other Indian Land Ports and Land Customs Stations put together. Approximately, 15 lakh people and 1.5 lakh trucks cross Petrapole-Benapole annually.

The ICP Petrapole has been developed by Land Port Authority of India (LPAI) on a 100 acres land with a view to increase and encourage trade between India and Bangladesh. According to the LPAI, the total capacity of ICP Petrapole is around 2.2 lakh MT and can accommodate 1500 Export Trucks and 200 Foreign (Bangladesh) Trucks. The capacity of the import yard is 27,583 MT while the export yard's capacity stood at 1.9 lakh MT. The cover area is 5,402 MT (**Exhibit 8.1**).

Exhibit 8.1: ICP Petrapole

Facilities

The facilities available at the ICP include Diesel Generator Sets to ensure uninterrupted power supply; water treatment plant; CCTV surveillance camera at ICP Cargo Terminal; Specific Shed for animals; Canteen Facilities; and other Basic amenities. Further, web-based online software has been introduced by Central Warehousing Corporation, and adequate manpower has been deployed at all points to support activities in the ICP round the clock (24x7). Automation of entire work has facilitated faster service to the users, day to day accounting and zeroing revenue loss. The Border Security Force (BSF) is stationed to ensure safety and security at the ICP. Major commodities generally traded across the border at ICP Petrapole are given in **Table 8.1**.

Current Status and Challenges

- According to the officials at the ICP Petrapole, the cargo complex of the ICP has the capacity to handle 700-750 export trucks, but clears only 370 trucks as the present infrastructure in Benapole cargo complex at Bangladesh side could not match the facilities of its Indian counterpart. In the recent past, the number of trucks exiting the

[33] Key officials met during the field visits are given in Annexure-I.
[34] Ministry of External Affairs, "Joint Dedication of the Petrapole Integrated Check Post (ICP)", Press Release dated July 21, 2016

Table 8.1: Major Commodities Traded at ICP Petrapole

Major Export Commodities	Major Import Commodities
Raw Cotton, Cotton Fabrics, Chemicals, Machinery, Rice, Onion, Garlic, Potato, Betel Leaf, Flowers, Printed Books, Tyres and Tubes, Cycle Parts, Two Wheeler, Chassis, Motor Car, Tractor, Dry Chilly, Electronic Items, Writing Paper, Paperboard, Petrochemical Products, Sulphuric Acid, Sodium Sulphate, Fabrics, Stone Chips	Raw Jute, Jute Bag, Jute Carpet, Packing Cloth, Cotton Rag, Cable Wire, Jardani Saree, Betel Nut, Textile Goods, Soap, Batteries, Metals

Source: ICP Petrapole.

cargo complex to Benapole side has gone upto 450.

- It was observed that export trucks generally took around 7-14 days to reach Benapole Border, after spending 7-10 days in private parking area in Bongaon and 5-7 days at ICP Petrapole, reflecting lower truck handling capacity at Benapole side. (**Exhibit 8.2)**.
- Further, warehousing capacity at the ICP Petrapole cargo complex, which currently has 5,000 MT capacity, is unable to match that of Benapole, which is around six to seven times bigger in terms of capacity compared to ICP Petrapole.
- On an average 70 – 80 trucks carrying imported items are handled daily at the cargo complex of ICP Petrapole. The time taken for transshipment of imported items, i.e. transferring the imported goods from Bangladesh Truck to Indian Truck and moving out towards India is roughly 7-8 hours (**Exhibit 8.3)**.
- The Immigration Check post at Haridasspur handles the movement of passengers from India to Bangladesh, and vice versa. The non-air-conditioned old terminal handles on an average around 3,000 passengers on a normal working day. During the special occasions viz. Dusshera or during Muslim festivals the number touch a peak of 10,000 passengers. Except for festive seasons, majority of the tourists arriving Haridasspur check post are for medical reasons. According to the officials, the said complex is likely to get

Exhibit 8.2: Trucks waiting for Transshipment at ICP Petrapole

Exhibit 8.3: Transshipment between Indian and Bangladeshi Trucks at ICP Petrapole

modernised on the model of Chennai Airport for which blue print is already in place. Development of the proposed state of the art passenger terminal will facilitate greater movement of passengers between the two countries.

II. BORDER TRADING INFRASTRUCTURE AT MYANMAR BORDER

Following the Border Trade Agreement (BTA) which was signed between India and Myanmar on January 21, 1994, border trade came into effect on April 12, 1995. Under this agreement, border trade between two countries is permitted for select identified items that attracts a duty of five percent, to be routed through designated trading points.

Between India and Myanmar there are three prominent land connectivity points for cross-border trade which merit deeper attention viz. LCS Moreh in Manipur and Tamu in Sagaing Division of Myanmar; LCS Zokhawthar in Mizoram and Rih in Chin State of Myanmar; and LCS Zorinpui (Lawngtlai), the latest addition to the list of LCSs at Myanmar border, set up for the Kaladan Multi Modal Transit Transport Project (KMTTP). Successful development of these points would turn around the economic bottleneck of these region and brings India and Myanmar closer to each other. Currently, only two trading points, Moreh-Tamu and Zokhawthar-Rih, are fully functional between India and Myanmar.

The Nampong-Pangsu LCS at Arunachal Pradesh border is opened on 15th and 30th day of every month in the form of Melas or Bazaar under the supervision of district administration and the Para-Military forces. Indian citizens could visit a market at Pangsau village on these days. On the other hand, every Friday, Myanmarese citizens are allowed to cross over to India to visit a market at the Nampong LCS. The Avangkhu-Somara LCS at Nagaland border is yet to be notified.

1. Land Custom Station (LCS) Moreh, Manipur

The LCS Moreh is housed in a Departmental Building located near Gate No. 1 along Asian Highway (AH)-1 and is contemplated to be shifted to the Integrated Check Post (ICP) which is at the advanced stage of completion. Plant quarantine facility is available at LCS Moreh. Immigration work is manned by State government. Major commodities generally traded at the Moreh LCS is presented in **Table 8.2**.

Current Status and Challenges[35]

- **Banking Facility:** Banking Facility is available with United Bank of India (UBI), Moreh. Other commercial banks such as State Bank of India (SBI), Axis Bank and UCO Bank also made their presence at Moreh. Yet, the absence of foreign exchange facility is a major constraint for conducting international trade.
- **Warehouse:** There is no operational warehouse at LCS Moreh since the State government warehouse, which is the only available warehouse at LCS Moreh, has become non-operational due to non fulfillment of conditions as required under the Warehousing Regulations 2016. The weighbridge provided by the State Government is not functioning.
- **Internet Connectivity:** LCS Moreh is a non-EDI Station, and lack of internet connectivity causes hindrance to facilitating trade.

Table 8.2: Major Commodities Traded at LCS Moreh

Major Export Commodities	Major Import Commodities
Wheat Flour, Bleaching Powder, Dry Chilli, Dry Grapes, Ideal Booster, Strident Detonators, Chemicals for Conservation & Restoration of Ananda Temple, Bagan, Myanmar, Bleaching Powder, Lead Acid Flooded Batteries, 500 ppm Sulphur (HSD03)	Betel Nut

Source: Imphal Customs Division

[35]Include feedbacks from Customs Division: Imphal

- **Road Condition:** Roads are not well weathered and narrow. At the same time, bridges are also weak and in dilapidated condition, and therefore, could not support heavy load. The only major functional railhead linking Manipur with the rest of India is at Dimapur, Nagaland, which is 215 km away from Imphal. Road connecting Imphal with the mainland India through Dimapur and Silchar are in a poor condition and need an upgrade.
- **Law and Order Situation:** Volatile law and order situation is also considered one of the main reasons for lack of participation from big business firms and traders. In fact, frequent bandhs and economic blockade deter their participations in trade and investment.
- **Quality Testing Facility:** A major bottleneck for border trade is a lack of laboratory testing facilities for imported food items at the Moreh border, which is crucial from the point of view of health and sanitary and phytosanitary concerns.
- **Storage Facility:** There are not enough storage facilities at the land ports. There is a need to extend storage capacity by providing proper warehousing, cold storage and logistics facilities at Moreh.
- **Need to formalizing Border Trade:** Border trade through Tamu/Moreh needs to become more formalised with single-window clearances and easier currency arrangements.
- **Infrastructure Deficit:** The Moreh LCS have been found to be beset with infrastructure deficit. Several factors such as unavailability of electricity, bad road, manual handling of goods, unfriendly exchange rate and many such barriers, among others, are making trade at border expensive, thus, resulting in increasing incidence of unofficial (informal) trade.

ICP Moreh

- According to the Land Port Authority of India (LPAI), ICP Moreh is located at NH -39, at a distance of 110 km from Imphal, spreading over a total area of 38.34 acres (**Exhibit 8.4)**. The work relating to construction of ICP commenced on August 13, 2014.
- The ICP has, among others, Passenger Terminal, Cargo Building, Warehouse for Imports, Parking for Trucks, Bank counters, Drivers Rest Area, Rummaging Sheds, Weigh Bridge(s), Customs and Immigration, Electric Sub-Station, Water Tank, and Sewage System.
- According to officials at ICP Moreh, the ICP was declared operational after its inauguration scheduled on March 15, 2018 was postponed. Construction of the ICP is, however, yet to be completed.

Exhibit 8.4: ICP Moreh

2. Land Custom Station (LCS) Zokhawthar, Mizoram

Zokhawthar is located at the Champhai District, in the Eastern border of Mizoram. The Zokhawthar – Rih sector, which is the second border trade point at the India-Myanmar Border after Moreh, was formerly inaugurated on January 30, 2004 by the Hon'ble Commerce Minister of Myanmar Brig. Gen. Pyi Sone and the acting Chief Minister of Mizoram Mr. Tawnluia. The office of the LCS Zokhawthar started functioning from the date of opening border trade i.e since January 30, 2004 from a temporary Assam type building constructed by the Mizoram government at Zero point Zokhawthar – Rih Sector.

On March 25, 2015, the composite building of LCS Zokhawthar was officially inaugurated by the then Union Minister of State for Commerce and Industry, Smt. Nirmala Sitharaman, in the presence of Shri Lalthanhawla, the Chief Minister of Mizoram (**Exhibit 8.5**).

The present structures and building i.e the composite land custom building, Zokhawthar were constructed in later years by the Border Road Organisation (BRO) for accommodation of different trade related departments and agencies. The composite land custom building, after completion, was handed over by the BRO to the Trade and Commerce Department, Government of Mizoram on September 14, 2007.

Infrastructure includes Administrative building, Warehouse, Bank, Godown, Weighbridge, Plant Quarantine Station, Security Barracks, Staff Quarters etc. Central and State government line departments such as Customs, Security, Immigration, Agriculture, SBI and Portals have already deployed their staff at Composite Land Custom Station.

The composite land custom building is situated facing the iron bridge at the border, which is located at a distance of 30 meters. The LCS has Custom Check Post and Immigration Check Post, which is manned by the Mizoram State Police Department. In addition, army personnel from the 14th Bn Assam Rifles are being deployed at the Zero-point area.

The iron bridge crosses the Tiau river, which acts as a natural boundary between India and Myanmar. At the other end of the bridge, there are immigration and trade check post, belonging to the Myanmar security (**Exhibit 8.6**).

Major items traded at Zokhawthar LCS are given in **Table 8.3.**

Table 8.3: Major Commodities Traded at LCS Zokhawthar

Major Export Commodities
Soyabari
Major Import Commodities
Betel Nut, Reed Broom, Black Pepper

Source: Aizawl Customs Division

Exhibit 8.5: LCS Zokhawthar

Exhibit 8.6: Bridge Connecting India and Myanmar at Zokhawthar

Current Status and Challenges[36]

1. **Construction of Rih-Tiddim Road**: The MOU was signed between Government of India and Government of Myanmar to construct/upgrade the Rih-Tiddim Road along the Myanmar-India border. There is a need for speedy implementation of the MOU as the road connecting LCS Zokhawthar to Myanmar is a single lane road with bad grade and poor condition. Transportation of tradeable commodities in bulk quantity is simply not possible. According to the Government of Mizoram, a project for improvement of Rih-Kalemyo road via Tiddim-Falam was proposed in the past and survey of the same was done by Border Road Organisation. A comprehensive DPR was submitted to the Ministry of External Affairs (MEA), GOI. The total cost of this road, as per National Highway Single Lane specification is ₹ 711.47 crore, which was approved by Government of India and the work is to be taken up by IRCON Ltd. However, the actual work on the proposed road is yet to commence.

2. **Reconstruction of Bailey Bridge over Tiau at LCS Zokhawthar**: Zokhawthar and Rih (Myanmar) lie on the banks of river Tiau which forms the natural boundary between India and Myanmar. The two points are connected by a bailey bridge. The bridge is not capable of handling heavy goods traffic. The existing bailey bridge which is 55 meters in length, and 3.27 meters in width was constructed in 2001. There is a need to reconstruct the bridge in RCC .

3. **Border Haats**: The meeting of Joint committee on Border Haats between Myanmar and India in Nay Pyi Taw agreed in principle to set up Border Haat at Hnahlan-Darkhai, Zote Farthang, Vaphai-Leilet and Pangkhua-Thau border points, which is yet to be implemented.

4. **Weighbridge:** Weighbridge has been set up and it was tested by Customs officers and was working fine. Later, in May 2013 it was found not working anymore and it needs a repair.

5. **Warehouse:** Bonded warehouse is not available. State warehouse is available which is taken care of by the Department of Trade and Commerce, Government of Mizoram after permission was obtained from Customs, Aizawl Division.

6. **Banking Arrangement:** One SBI Branch is functional at the composite Land Custom Building since February 22, 2016, as a lone Bank Branch available in the entire Zokhawthar Village. It is run by two officers, but without any Forex facility. Till date, its system cannot accept Government challan or deposit. The bank avail internet through its own VSAT disc antennae.

7. **Telephone Connectivity:** The BSNL Station at Champhai town has provided landline connectivity to the composite customs building which is not carrying any signal. Mobile phone network from BSNL, Vodafone and Airtel are available with frequent call drops. One designated tower for phone connectivity is under construction in the site of the composite custom building.

8. **Electric and Water Supply:** Electricity connection is already provided, but is irregular due to its remote location. Water supply is directly taken through a pipeline from the Tiau river which is unhygienic and dirty especially after every rainfall and pipeline is frequently damaged by the World Bank road construction which is underway.

9. **Food Testing Mechanism:** At present, food testing facility is not available at the LCS Zokhawthar, and has to be done at Imphal, Manipur which is costly and time consuming.

10. **Country of Origin:** Under normal trade mechanism, government has done away with limited 62 tradable items. All items except some restricted or prohibited items are tradable. However, country of origin (COO) is necessary for importing any items or commodities from Myanmar. The Assistant Director, Foreign Trade, Haimual, Myanmar is authorised to issue COO. While the AD issues COO on betel nut and black pepper, he is not ready to issue COO on manufactured commodities.

[36]Include feedbacks from Customs Division: Aizawl.

11. **Land Connectivity:** The connecting road between Champhai (the District Headquarters) and Zokhawthar, LCS (28 Km) is in a very poor and rough condition and needs substantial upgradation and maintenance, for which the state Government is preparing DPR for allocation of fund from Central Government. Currently, World Bank has constructed alternative road bypassing the Champhai town (**Exhibit 8.7)**.
12. LCS Haimual (Myanmar), adjacent to Zokhawthar LCS, needs to be equipped with necessary infrastructure and banking facilities.

Exhibit 8.7: World Bank Road Connecting Zokhawthar LCS Bypassing Champhai

9. KEY OBSERVATIONS AND WAY FORWARD

1. Need for Improving Border Related Infrastructure

Strong infrastructure and trade facilitation are crucial for ensuring growth in trade. There is an urgent need to improve the necessary border infrastructure at trading points to facilitate cross-border movement of goods between India and its neighbouring countries. Major infrastructure facilities required include development of land port with modern warehousing facility, food testing facility, IT and telecom support, regular power supply, weighbridge,and development of the connecting roads and bridges. Infrastructure bottlenecks and constraints at the ICP and the LCSs have to be addressed, and trade facilitation needs to be promoted, to increase flow of goods across border between India and its neighbours. Further, implementation of Country of Origin (COO) is critical. Coordination with partner countries in terms of development of infrastructure facilities is also critical to addressing these issues.

- It may be noted that exports trucks generally took around 7-14 days to reach Benapole Border, after spending 7-10 days in private parking area in Bongaon and 5-7 days at ICP Petrapole. One important step would be to increase the capacity of cargo terminal of ICP Petrapole to reduce congestion in and around Bongaon considerably. In fact, the complex has about 20 acres of land which at present comprises of low lying land and water body and which may be converted into parking bay after reclamation of the water body. According to the ICP officials, this area once developed would provide parking space for around 3,500 export trucks.
- Warehousing facility at the ICP Petrapole cargo complex, which currently has 5,000 MT capacity, may be upgraded to support seamless movement of goods across the border. Similarly, warehousing facilities need to be developed at the LCS Moreh and LCS Zokhawthar, while the existing warehousing facility at the ICP Petrapole may be expanded to support trade facilitation.
- Absence of food testing facility at LCS Zokhawthar and LCS Moreh resulted in delay on quality testing, which is costly and time consuming and adds to NTB. This needs to be addressed on a priority basis given the fact that many traded items produced by the locals are edible items, and quality needs to be ensured.
- Development of roads connecting the nearest LCSs to the district headquarters, the state capital and the nearest ports (rail/air) should be a priority of the State governments. Bridges at LCS Moreh and LCS Zokhawthar need to be upgraded.

2. North East as a Gateway to Markets in the Asian Region

There is a need to seriously look at the North East region more as a gateway to bigger markets across the border rather than a consumer market. NER has the potential to serve as a major springboard to penetrate neighbouring markets in Asia region. Endowed with abundant rivers, the region offers perfect opportunity to implement a multi-modal mode of transport with the mix of road, rail and river based cargo movement. With right kind of infrastructure and policy support in place, and given its strategic location, the NER has a potential to facilitate trade and commerce between India and its neighbouring countries and other Asian countries.

- Coastal shipping, supported by logistics service provider, could be considered for effective movement of cargo between ports in Bangladesh and Myanmar and the NER.
- In Myanmar, transit is permitted through Myanmar to another country for which customs assesses a fee of 2.5 percent of the value of the cargo.[37] Goods produced in the NER and those that comes from mainland India could be conveniently exported through the region.

[37]National Trade Portal, Myanmar, http://www.myanmartradeportal.gov.mm/index.php?r=site/display&id=919#Transit

- In this connection, it may be noted that under a revised protocol on "Inland Water Transit and Trade", as part of a bilateral agreement between India and Bangladesh signed during Prime Minister of India's visit to Dhaka in June 2015, India and Bangladesh agreed to let each other use their territories for transiting goods to a third country. This will allow transportation of goods to Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura, from West Bengal through Bangladesh at a shorter time. While trucks from Kolkata generally travel around 1,600 km within the Indian boundary to reach Agartala, through Bangladesh, the distance is reduced to 500 km only.

3. Need to Enhance Connectivity and related Infrastructure Support

Ensuring seamless movement of goods through regional connectivity and multimodal transport facility would help ensure growth in trade while shrinking geographical distance. Development of surface transport is important for regional connectivity in the landlocked NER. There is a need to strategically build connectivity within and across the states of NER and link with the border trading points. The Kaladan Multi Modal Transit Transport Project (KMTTP), which is currently underway, will connect Kolkata with Sittwe seaport in Rakhine State, Myanmar by sea. In Myanmar, it will then link Sittwe seaport to Paletwa, Chin State via the Kaladan river boat route, and then from Paletwa by road to Mizoram state. It thus uses sea, river and road transport modes to facilitate a development corridor in Myanmar and also movement of cargo between Indian mainland and the NER.

The current road infrastructure in the region is however not sufficient to support and sustain such kind of activities. For example, the dilapidated condition of Champhai-Zokhawthar road could be majorly attributed to heavy cargo vehicles which carry goods from the Zokhawthar LCS. Harnessing the full benefit would necessitate upgrade of transport infrastructure within the region. There is, therefore, an urgent need to upgrade the roads especially trade routes to withstand regular movements of cargo vehicles. In this regards, the ongoing NFR Bairabi-Sairang Broad Gauge Railway line, which would link Assam with Sairang, near Aizawl assume significant. On completion, these projects are expected to encourage investment and trade and also provide much needed connectivity.

4. Banking Facility to be Streamlined

A major shift that has taken place regarding border trade between India and Myanmar is the shift from Border trade to Normal Trade. Barter trade was initially permitted to facilitate exchange of locally produced commodities along the Indo-Myanmar border. However, since these were not captured in the banking system or reflected in the trade statistics, and given that over a period of time trade basket has diversified and adequate banking presence is in place to support normal trade with Myanmar, the RBI eventually abolished barter trade at the Border trading points on November 5, 2015. Trade transactions now need to be carried out in permitted currencies only, in addition to Asian Clearing Union mechanism. Accordingly, border trade at Moreh, Manipur was upgraded to normal trade on December 17, 2015, and DGFT revoked all other former Public Notice relating to Indo-Myanmar Border Trade, implying that the Circular is applicable to all other border trading points at the Indo-Myanmar border, including LCS Zokhawthar.

However, one major issue is that there is no standard exchange rate at the LCSs at Indo-Myanmar border. Further, there is high fluctuation of exchange rate of Kyat in the market with high deviation from official exchange rate and thus traders are reluctant to hold it for long, and found it more economical to do business through unofficial channels. Number of Banks authorised in NER to handle foreign currency transaction and L/C facilities is also limited. Myanmar Economic Bank in Myanmar and United Bank of India are designated banks for trade to put in facilities for foreign exchange and opening of Letter of Credit by the traders. However, there has been a lack of banking facilities and necessary infrastructure on both sides of the border, due to which normal trade has not been started. According to one bank official, normal trade may take years to happen unless the upcoming ICP Moreh managed to change the situation. Since barter trade has been abolished, trade through official channel came close to a standstill. Moreover, the only major item imported officially across the border, areca nut has not entered the Moreh border since the recent past due to high custom duty imposed on its imports to India. On the Bangladesh side, it has been noted that Indian banks cannot carry on transaction directly with banks in Bangladesh for trading across border.[38]

The issues need to be resolved on a priority basis if trading across border is to be continued through normal route. To address these issues, conducting joint workshop for stakeholders including banks, traders, government officials, diplomats, and industry representatives, among others, could be a way forward.

5. Need for Increasing Border Haat

With the normalisation of cross-border trade between India and Myanmar, there is an urgent need to strengthen and increase the presence of Border Haats at strategic points. Border Haats allow people from both countries to buy each other's products on a fixed day each week, with items traded limited to select locally grown agricultural and manufactured finished products.

Currently, four Border Haats are operational along India-Bangladesh border, at Kalaichar and Balat in Meghalaya, and Srinagar and Kamalasagar in Tripura. In addition to the four functional Border Haats, Government of India and Government of the People's Republic of Bangladesh have agreed to set up six more Border Haats - two in Tripura and four in Meghalaya. The Government of India and the Government of the Republic of Union of Myanmar entered into an agreement to open up Border Haats at nine mutually agreed locations which are yet to be operationalised. Setting up of Border Haat at the India-Myanmar border will support higher economic activities and engagements between people living in these areas. In addition, an avenue for regular cross-border bus services can also be explored to promote people-to-people connectivity.

6. Make in India in the NER

Border trade statistics especially at the LCS Moreh and LCS Zokhawthar suggests the need for setting up of manufacturing hub in the NER. While official imports from Myanmar at the LCS Zokhawthar in the last nine years were confined mostly to areca nut, and occasionally reed broom and black pepper, only one item, i.e. soyabari was officially exported. The number of exported items are more diversified at Moreh border, which include imports of wheat flour, bleaching powder, dry chilli and dry grapes, while the only item imported is areca nut. The number is still alarming.

However, it has been learned that large quantities of other items have been exported from Zokhawthar to Myanmar through informal channel, which include, among others, fertilizers (locally known as *lei chi*), medicines, motorcycles, pesticides, cycle parts, and solar gears. In fact, several truckloads of fertilizers and medicines are being supposedly shipped to Myanmar side every week. Similarly, large informal trade also happen at the Moreh border.

With the border trade getting the priority of policy makers, there is an urgent need to prepare the NE region as a trade and production hub. While the policy direction of the Government slowly puts the North East Region as significant transit point for goods, it is opportune time for North East states to start focussing on producing regionally or globally competitive products, and find its own place in the global value chain.

Efforts could also be directed towards formalising the informal trade items. The very fact that informal and unauthorised trade could flourish in the border area suggests that there is also a possibility to create a formal channel of trade, and that also on a larger scale with state support. Informal trade could happen due

[38]Agreed Minutes of the 10th Meeting of India-Bangladesh Joint Working Group on Trade held in New Delhi on 8-9 June 2016, http://commerce.gov.in/writereaddata/UploadedFile/MOC_636014410789638795_10th_meeting_JWG_between_India_Bangladesh_8th_9th_June_2016.pdf

to various reasons including rent-seeking activities of public servants, inadequate banking facility, or cultural linkages. The root of the rampant informal trade over years needs to be examined and carefully addressed.

Setting up manufacturing hub in the region to meet growing demand across the border could help in promoting "Make in India" initiative of the Government, and supporting local job creation in respective states, while establishing business linkages with neighbouring countries.

7. Promotion of Entrepreneurship in the NE Region

The lack of exports across border in the North East region testifies the need for capacity developments in entrepreneurship. Entrepreneurship is one of the critical areas where special focus could be given by the region, and necessary steps may be taken by the State governments, financial institutions, and trade promotion bodies to create awareness about entrepreneurship and entrepreneurial opportunities, and impart necessary knowledge and skills to people in the region, through trainings and awareness campaigns. Spreading awareness about the various schemes and initiatives of State governments in the region to support entrepreneurship development is also critical. The New Economic Development Policy (NEDP), a long-term growth strategy of the Government of Mizoram to promote entrepreneurship in the State, among others, could be one example of such initiatives, which could even be replicated in other states. Workshops relating to exports such as export procedures and documentations, seminars relating to export potential, export markets, how to trade across borders, among others, could be organised at various districts in the states periodically.

8. Promotion of Organic Agro-based Industry in the North East Region

One of the key industries that the North East states could focus for exports is the Organic Industry. Major importers of Organic products include, among others, China, Japan, Philippines, Singapore and Sri Lanka. The North East region of India, where agricultural production is predominantly organic by default, can be instrumental in increasing India's organic agricultural exports. Realising the potential for the development of organic farming, a sum of ₹ 100 crore had been allocated by the Government of India for the development of organic farming in the NE states way back in 2014-15. This initiative is anticipated to enable the NE states to benefit from the development of commercial organic farming and alter the agricultural mode from inorganic to organic.

In fact, the Mizoram Government also made an effort towards organic farming by introducing the Organic Farming Act way back in 2004. Through the Act the State has encouraged the farmers to use organic inputs like vermin-composts, bio-fertilisers and has strategically reduced the use of chemical inputs to make the State completely organic, thus giving a healthy alternative for many farmers to utilize. Organic farming methods are being promoted by the Government of Meghalaya taking into account the benefits that could be garnered from this method of agriculture. The State had launched a new initiative called 'Mission Organic' in January 2015. In 2016, Sikkim became India's first fully organic state in India.

Amongst the North Eastern States, Sikkim is the leading State, constituting around 73 percent of the total organic area in the region, followed by Nagaland (15 percent). Since most of the traditional methods of cultivation in the NER are generally organic by default, organic focus agro-based Industry could be set up in the region and transform the region into organic hub in India.

9. Investment in Healthcare Infrastructure in Bangladesh and Myanmar

Both Bangladesh and Myanmar have shortage of hospitals and have to rely on facilities in the neighbouring countries for healthcare related services. The basic infrastructure requirement for both the countries could include establishment of hospitals, specialist centers and clinics at the province as well as the central level. There is a need for super-specialty hospitals and advanced healthcare technologies, owing to the epidemiological shift.

Many Indian hospital chains have established hospitals in countries abroad. For example, African region has been a hub of Indian investment in healthcare. Fortis Healthcare operates two hospitals in Mauritius and is in management agreements with few hospitals in Uganda and Nigeria. Manipal Hospitals has presence in Nigeria. Indus healthcare opened office in South Africa in 2008 for catering to the medical tourism traffic to India. Apollo hospitals has telemedicine peripheral centers in Nigeria and Sudan. Both Bangladesh and Myanmar too could become another investment hub for the Indian entities. According to a research study by Observer Research Foundation, India has assisted Myanmar in the improvement of Yangon Children Hospital and Sittwe General Hospital. India supplied medical equipment, and imparted training to staff in these hospitals. An Indian company has prepared the Detailed Project Report (DPR) for these hospitals. In similar fashion, India's investment in the two countries could focus on healthcare infrastructure, among others.

10. Promoting Medical Tourism

At the same time, medical tourism to India from Bangladesh and Myanmar could also be encouraged. This will be another springboard for building people to people contact, trust and cooperations. Medical tourism sector has emerged as one of major components in India's services trade, which is known for its low cost and high quality services. Features such as low cost healthcare solutions, availability of skilled healthcare professionals, reputation for treatment in advanced healthcare segments, India's traditional wellness systems, and strengths in information technology makes India an ideal destination for patients from the two countries. While there have been significant flows of medical tourists to mainland India from Bangladesh through Petrapole, medical tourism to the NER has been limited except for Guwahati. At the same time, Myanmarese nationals started reaping benefits through the Moreh border.

Medical tourism between India and Bangladesh and Myanmar offers a lot of potential. Nationals from the two countries could take advantage of the region's proximity with India and visit the country for medical treatment. In fact, the Government of India has already made an effort to connect India through Manipur to Myanmar and Thailand. Visa charge fees for visiting are waived off for Myanmar nationals (except e-visas). Similar initiative could be replicated with Bangladesh nationals in the NER.

In fact, Guwahati has emerged as one of the destinations of health services with presence of prominent hospitals like Narayana Superspeciality Hospital, Apollo Hospitals, Ayursundra Hospital, and Sri Sankar Nethralaya. Further, Shija Hospitals and Research Institute in Imphal has been treating patients from Myanmar. According to Shija Hospital authorities, on an average around 70 patients from Myanmar visit the hospital for treatment in a month. Under its Mission Myanmar venture, Shija Hospitals has been conducting free medical camps in Myanmar in collaboration with the Monywa General Hospital. As of now, the hospital has conducted three medical missions for providing quality medical care, and has performed a number of medical treatments such as cleft lip, palate, cataract blindness and key hole surgeries free of cost. With the NER sharing border with Bangladesh and Myanmar, citizens from the two nationals could come to these states for timely medical assistance across the border.

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Annexure-I

ROLES AND FUNCTIONS OF LAND PORTS AUTHORITY OF INDIA (LPAI)

While India has over 15,000 km long international land border with its neighbouring countries such as Afghanistan, Bangladesh, Bhutan, China, Myanmar, Nepal and Pakistan, there are several designated entry and exit points for cross border movement of persons, goods and vehicles. Existing infrastructure for discharge of various sovereign functions at these points is neither adequate nor coordinated. No single agency is responsible for coordination of various Government functions including those of Security, Immigration, Customs, Plant & Animal Quarantine etc., as also for the provision of support facilities such as warehousing, parking, banking, foreign exchange bureau among others.

Concerned at inadequate infrastructure for cross border movement of persons, vehicles and goods, Committee of Secretaries in 2003 recommended setting up of Integrated Check Posts (ICPs) at major entry points on India's land borders which would house all the regulatory agencies like Immigration, Customs, Border Security etc. together with support facilities in a single complex equipped with all modern amenities and serve as a single window facility as is prevalent at Airports and Seaports.

An Inter Ministerial Working Group (IMWG), comprising representative of the NSCS, Ministries of External Affairs, Finance, Commerce and Road Transport & Highways, Intelligence Bureau, SSB and State Governments, was constituted to recommend the nature and structure of an autonomous agency to undertake this task. IMWG considered various alternatives and recommended a Statutory Authority as the most suitable model for an agency to oversee and regulate construction, management and maintenance of ICPs.

Committee of Secretaries eventually considered the report of the IMWG on April, 27, 2005, approved the approach suggested by the IMWG and proposed setting up of the LPAI.

Roles and Functions

Land Ports Authority of India (LPAI) is a statutory body established under Land Ports Authority of India Act, 2010. The provisions of the Act came into force w.e.f. March 1, 2012. Section 11 of the Act gives powers to LPAI to develop, sanitize and manage the facilities for cross-border movement of passengers and goods at designated points along the international borders of India.

As per sub-section (2) of section 11 of the Act, LPAI's function include, among others, to:

- Put in place systems, which address security imperatives at the integrated check posts (ICPs) on the border; plan, construct and maintain roads, terminals and ancillary buildings other than national highways, State highways and railways, at an integrated check post.
- Plan, procure, install and maintain communication, security, goods handling and scanning equipment at an integrated check post;
- Provide appropriate space and facilities for immigration, customs, security, taxation authorities, animal and plant quarantine, warehouses, cargo and baggage examination yards, parking zones, banks, post offices, communication facilities, tourist information centres, waiting halls, canteen, refreshment stalls, public conveniences, health services and such other services, as may be deemed necessary;

- Construct residential buildings for its employees as well as residential accommodation for staff deployed at integrated check posts;
- Establish and maintain hotels, restaurants and restrooms;
- Establish and maintain warehouses, container depots and cargo complexes for the storage or processing of goods;
- Arrange for postal, money exchange, insurance and telephone facilities for the use of passengers and other persons at integrated check posts;
- Make appropriate arrangements for the security of integrated check posts and provide for regulation and control of movement of vehicles, entry and exit of passengers and goods in accordance with the respective law concerning them;
- Ensure prevention and control of fire and other hazards and other facilities as deemed necessary; and
- Regulate and control the movement of vehicles, and the entry and exit of passengers, transportation workers, handling agents, clearing and forwarding agents and goods at the integrated check post with due regard to the law, security and protocol of the Government of India.

Source: www.lpai.gov.in

Annexure-II

LIST OF OFFICIALS CONSULTED DURING FIELD TRIP

ICP Petrapole

Mr. Suvojit Mondal, Manager, Integrated Check Post, Petrapole

Mr. L S Narnaulia, Custodian, Integrated Check Post Petropole

Mr. L Songate, Assistant Commissioner, Customs

Mr. Pranab Kumar Roy, Customs

Mr. Tushar Biswas. Senior Immigration Officer, Immigration Check Post, Haridaspur

LCS Moreh/ Imphal

Mr. Marancha Luikham, IAS, Director, Directorate of Commerce & Industries, Government of Manipur

Mr. Gaikhunlung Panmei, IRS, Deputy Commissioner, Customs, Imphal Division

Mr. Thangzamuan Hauzel, Officer-in-Charge, Imphal Branch, Reserve Bank of India

Mr. P.S. Khual, General Manager, Imphal Branch, Reserve Bank of India

Mr. Robin Gangte, Manager, Integrated Check Post, Moreh

Mr. Lila Banta, Dy. Manager, State Bank of India, Imphal

Mr. Nanaocha, Branch Manager, UBI, Moreh

LCS Zokhawthar/ Aizawl

Dr. C. Vanlalramsanga, Secretary, Planning, Government of Mizoram

Mr. J. Luophul, Superintendent, Land Custom Station, Zokhawthar

Mr. H.D. Lalrintluanga, Joint Director, Trade and Commerce Department, Government of Mizoram

Mr. B. Zoramchhana, District Marketing Officer, Trade and Commerce Department, Government of Mizoram

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HEAD OFFICE

Centre One Building, 21st Floor, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005.
Phone: (91 22) 22172600 Fax : (91 22) 22182572
E-mail : ccg@eximbankindia.in Website: www.eximbankindia.in

LONDON BRANCH

5th Floor, 35 King Street, London EC2V 8BB United Kingdom
Phone : (0044) 20 77969040 Fax : (0044) 20 76000936 E-Mail :eximlondon@eximbankindia.in

DOMESTIC OFFICES

Ahmedabad
Sakar II, 1st Floor,
Next to Ellisbridge Shopping Centre,
Ellisbridge P. O.,
Ahmedabad 380 006
Phone : (91 79) 26576843
Fax : (91 79) 26578271
E-mail : eximahro@eximbankindia.in

Bangalore
Ramanashree Arcade, 4th Floor,
18, M. G. Road,
Bangalore 560 001
Phone : (91 80) 25585755
Fax : (91 80) 25589107
E-mail : eximbro@eximbankindia.in

Chandigarh
C- 213, Elante offices, Plot No. 178-178A,
Industrial Area phase 1,
Chandigarh 160 002
Phone : (91 172) 2641910
Fax : (91 172) 2641915
E-mail : eximcro@eximbankindia.in

Chennai
Overseas Towers,
4th and 5th Floor,
756-L, Anna Salai,
Chennai 600 002
Phone : (91 44) 28522830/31
Fax : (91 44) 25224082
E-mail : eximchro@eximbankindia.in

Guwahati
NEDFi House, 4th Floor, GS Road,
Dispur, Guwahati 781 006
Phone : (91 361) 2237607/609
Fax : (91 361) 2237701
E-mail : eximgro@eximbankindia.in

Hyderabad
Golden Edifice, 2nd Floor,
6-3-639/640, Raj Bhavan Road,
Khairatabad Circle,
Hyderabad 500 004
Phone : (91 40) 23379060
Fax : (91 40) 23317843
E-mail : eximhro@eximbankindia.in

Kolkata
Vanijya Bhawan, 4th Floor,
(International Trade Facilitation Centre),
1/1 Wood Street,
Kolkata 700 016
Phone : (91 33) 22891728/29/30
Fax : (91 33) 22891727
E-mail : eximkro@eximbankindia.in

New Delhi
Statesman House, Ground Floor,
148, Barakhamba Road,
New Delhi 110 001.
Phone : (91 11) 23326375
Fax : (91 11) 23322758
E-mail : eximndro@eximbankindia.in

Pune
44, Shankarseth Road, Pune 411 037.
Phone : (91 20) 26403000 / 26403106
Fax : (91 20) 26458846
E-mail : eximpro@eximbankindia.in

OVERSEAS OFFICES

Abidjan
5th Floor,
Azur Building,
18-Docteur Crozet Road,
Plateau,
Abidjan,
Côte d'Ivoire
Phone : (225) 20 24 29 51
Mobile : (225) 79707149
Fax : (225) 20 24 29 50
Email : eximabidjan@eximbankindia.in

Addis Ababa
House No. 46,
JakRose Estate Compound,
Woreda 07,
Bole Sub-city,
Addis Ababa,
Ethiopia.
Phone : (251 116) 630079
Fax : (251 116) 610170
E-mail : aaro@eximbankindia.in

Dhaka
Madhumita Plaza, 12th Floor,
Plot No. 11, Road No. 11, Block G,
Banani, Dhaka, Bangladesh - 1213.
Phone : (088) 0170820444
E-mail : eximdhaka@eximbankindia.in

Dubai
Level 5, Tenancy 1B,
Gate Precinct Building No. 3,
Dubai International Financial Centre,
PO Box No. 506541, Dubai, UAE.
Phone : (971 4) 3637462
Fax : (971 4) 3637461
E-mail : eximdubai@eximbankindia.in

Johannesburg
2nd Floor, Sandton City Twin Towers East,
Sandhurst Ext. 3, Sandton 2196,
Johannesburg, South Africa.
Phone : (27) 716094473
Fax : (27 11) 7844511
E-mail : eximjro@eximbankindia.in

Singapore
20, Collyer Quay, #10-02,
Tung Centre, Singapore 049319.
Phone : (65) 65326464
Fax : (65) 65352131
E-mail : eximsingapore@eximbankindia.in

Washington D.C.
1750 Pennsylvania Avenue NW,
Suite 1202, Washington D.C. 20006,
United States of America.
Phone : (1 202) 223 3238
Fax : (1 202) 785 8487
E-mail : eximwashington@eximbankindia.in

Yangon
House No. 54/A, Ground Floor,
Boyarnyunt Street, Dagon Township,
Yangon, Myanmar
Phone : (95) 1389520
Mobile : (95) 1389520
Email : eximyangon@eximbankindia.in

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