

Chapter – XI

BORDER TRADE: NEED TO TAP GROWTH POTENTIAL**11.1 Introduction**

Owing to its geographical location and proximity to the neighbouring countries, the Northeastern Region has a natural trading advantage. The neighbouring countries were the traditional markets for a variety of goods and services produced by the Northeastern Region, before its traditional links were disrupted by the partition of the country. There is, however, a renewed focus on border trade in order to forge closer commercial and economic links with the larger markets in the fast developing East and Southeast Asian economies. The Northeastern region, it shares only 2 per cent of the border with the Indian mainland and 98 per cent with the international border of India with Bangladesh, Myanmar, China and Bhutan. Border trade with Myanmar and Bangladesh is specially important.

Conventionally, the Central government's policy towards the Northeast was largely shaped and influenced by the existing geo-political realities. Militant excesses and geopolitics have acted as barriers to realization of its economic potential. However, the gradual shift in favour of a trade-oriented market economic policy is indicative of the Central government's recognition of the importance of this region as a gateway to better trade and economic relations with the East and Southeast Asian countries. Initiatives taken by the government of India, like the formulation of its 'look east policy' and organizing various ministerial meetings, at the regional level, are some of the indicators of the growing desire to develop border trade in the sub-continent.

Trade between the people living along the Indo-Myanmar border existed even prior to the British Rule. With the creation of international boundaries and the emergence of hostile neighbours in the sub-continent, trade between the two countries became increasingly difficult and complicated. However, informal trade of household consumption items such as salt, *lungis*, sewing machines, precious stones, *agar*, other forest products, buffaloes, soap, etc. continued. After India's Independence in 1947, the informal trade between India and Myanmar became the international border trade between the two countries. Today, this trade is governed by certain rules and regulations made and enforced by the state from both sides. Overtime, trade has become increasingly commercialized. due to the government's initiative in constructing a network of modern roads and communication on both sides¹. There is now widespread smuggling of arms and drugs along with other more innocuous consumer durables, electronics and spare parts.

¹ N. Basanta, (1998), *Socio-Economic Change in Manipur 1891-1947*. Wangkhai Angom Leikai, Imphal. P. 145.

¹ Moreh is a small town in Chandel, a hill district of Manipur. It is situated on the border between Manipur (India) and Myanmar in the easternmost corner of India. It spreads over an area of 1sq. Km. It is 110 Kms away from Imphal. It is connected by the National Highway No. 39. This border town had a population of 9673 in 1991. It increases to 16,737 in 2001. Cited from N. Monindro Singh, ed. (2002)

¹ Ibid. p. 193 and see S.P. Shukla, (1997) *Transforming the Northeast – High Level Commission Report to the Prime Minister*. New Delhi. Pp.83-84

¹ B.G Verghese, 1996 *India's Northeast Resurgent (Ethnicity, Insurgency, Governance and Development)* Konark Publishers,. p.123. newly constructed Tamu-Kalewa-Kalamayo road (160 Kms) is one example. This road was constructed on the Myanmar side with financial assistance from the Government of India.

11.2 Border Trade in Moreh Town

Both legal and ‘informal’ trade is carried on between Manipur and Myanmar especially in the border town of Moreh² on the Indian side and Tamu on the Myanmar side. The value of informal border trade transacted through Moreh is estimated at about Rs. 2000 crores a year³. Legitimate trade includes the following items: handloom textiles, stainless steel, utensils, auto spares, cycle parts and pharmaceuticals are being exported from India in exchange for fruits, vegetables, fish, grain, colourful Burmese parasols and sundry gadgetry from Myanmar, China, Thailand and others in Moreh bazaar⁴. The Government of India entered into a trade agreement with the Myanmar Government on 12th April 1994 to strengthen the legal trade. The development of Moreh border trade is expected to expand several fold and contribute to the growth of Manipur’s economy in the near future. It may well become the nodal point for international trade links with the rest of the East and South East Asian countries. The items of export potential available in Manipur are: handlooms, cane and bamboo products, ginger, dry chilly, fruits, vegetables, limestone, etc.

Four major ethnic groups namely, Kuki, Naga, Meitei and Tamils controlled Border trade.⁵ A large number of Muslims and others (from mainland India) were also engaged in this border trade⁶. There is growing competition among these different communities living in the border areas for acquiring control over trade. This led to a conflict between the Nagas and the Kukis and between the Tamils and the Kukis in Moreh. Violent clashes occurred between the Nagas and the Kukis in 1993. Again, in 1995 there were ethnic clashes between the Kukis and the Tamils due to the Kuki militants attempt to impose heavy taxes on the Tamil business community in this area. Although roadways are the main channel for border trade in Manipur, waterways through the Barak valley in the southern most sub-division of Tipaimukh (Churachandpur district) were also used.

11.3 Importance of Trade for Manipur

The barter system is time – tested and is still practiced. Exchanges other than the barter trade are transacted through the Indian Rupee and the Myanmar Kyat ; the exchange rate is arrived at by mutual agreement between the traders every day. This is done through recognized local moneychangers. It is estimated that on an average trade valued at Rs. 50 crores is

² Moreh is a small town in Chandel, a hill district of Manipur. It is situated on the border between Manipur (India) and Myanmar in the easternmost corner of India. It spreads over an area of 1sq. Km. It is 110 Kms away from Imphal. It is connected by NH 39. This border town had a population of 9673 in 1991. It increases to 16,737 in 2001. See N. Monindro Singh, ed. (2002)

³ Ibid. p. 193 and see S.P. Shukla, (1997) *Transforming the Northeast – High Level Commission Report to the Prime Minister*. New Delhi. Pp.83-84

⁴ B.G Verghese, 1996 *India’s Northeast Resurgent (Ethnicity, Insurgency, Governance and Development)* Konark Publishers., p.123.

⁵ It is estimated that there are some 17,000 Tamils living in and around Moreh, and some across the border in Tamu. Some are World War II refugees; others left Myanmar following the nationalization of trade and business by the Ne Win government in the early 1960s. They are fluent in all languages spoken locally by the Nagas, Kukis, Meities, in Myanmar, and Hindi and, of course, Tamil and English. They have relatives and business contacts in Myanmar, India and other parts of Southeast Asia, which is a valuable network that facilitates commerce. Along with smaller numbers of Punjabis, Marwaris and Nepalese they control the Myanmar trade, both legitimate and clandestine, the latter being by far the larger. The rest of Moreh is made up of Meiteis and Kukis, but dominated by the Tamils. It was through Moreh that Subhas Bose entered India in April 1944. See, B.G Verghese, Ibid. P.123.

⁶ For detail see, N. Monindro Singh, ed. (2002).

exchanged/converted every day at Moreh alone⁷. A huge portion of this money is black money, which is one important reason why the border trade could not contribute much to Manipur's economy. With more careful planning and execution this can change. However, it must not become a substitute for domestic industrial and agricultural growth. Trade by itself may reduce Manipur (or Moreh) to a transit point between Asia and the rest of India, without catalyzing growth. If this happens, only a few traders or trading corporations will benefit. Other illegal practices such as dumping might hamper industrial development in the region. Trade in primary commodities without value addition and processing will severely inhibit the potential advantages and result in unequal and unfair trade.

11.4 Role of State and Central Governments

The state and Central Governments need to intervene to develop this area as an effective international trade center. The main players actively engaged directly and indirectly in the Indo-Myanmar border trade are the traders, the underground workers, the police and the forest officials. It is reported that these groups form part of a strong network and as such regulating it will not be an easy task.

Existing initiatives to boost trade and commerce in the Northeast are:

1. An empowered Committee under the chairmanship of the Commerce Secretary functions in the Department of Commerce, to monitor and implement initiatives for the Northeast following the announcement in January, 2000 of a specific set of measures for the development of this region known as "PM's Action Plan for the Northeast".
2. For creation of infrastructure under the Assistance to States for Infrastructure Development for Exports and other activities (ASIDE) Schemes, during 2004-05, an amount of Rs. 36 crore constituting 10% of the outlay under the Scheme was allocated by the Department of Commerce for the region.
3. Land customs stations are gateways for the transit of goods, services and human beings between neighbouring countries. Among the border towns, four towns, namely – Moreh, Sutarkandi, Dawki and Zokhawthar were given priority for development. The Central Warehousing Corporation (CWC) has conducted a study of the infrastructure facilities required at Moreh (Manipur).

11.5 Suggestions for Policy Initiatives

Some suggestions for strengthening trade ties within the Northeast and the bordering countries, namely, Myanmar, China and Bangladesh, are given below:

- Industrialization must precede the opening up of trade.
- There is ample scope for the development of manufacturing/processing units for medicines, rubber goods, cycles and cycle parts, pharmaceuticals, edible oils, petroleum products, cement, cotton yarns, etc.

⁷ *Indian Institute of Foreign Trade, IIFT* (1995) cited in Sachedeva, (2000). P. 153.

- Trade in simple daily use commodities (in headloads) often through barter is immediately beneficial to local people and must not be lost sight of in discussions around more substantive inter-country trade.
- A facilitative infrastructure needs to be developed in the Moreh-Tamu area by initiating steps for upgrading the existing network of roads and strengthening banking with facilities for currency exchange, etc.
- The border should not become merely a transit point for export and import of goods. The local people should not be reduced to mere head load workers. Local industry like agro-processing, horticulture, textiles, etc. must be encouraged through the employment-led expansion of the regional market, replacement of outside product with local produce and servicing external demand.
- Border Trade is mostly illegal, with the total legal trade standing at Rs 20 crores.
- The Burmese currency is a 140 times overvalued. This is the main reason why the trade is in black. The currency must float for beneficial trade from the Indian viewpoint.
- At the moment, there is a circuitous transaction between the Myanmar Central Bank in Rangoon and its office in Kolkata. This may be smoothened.
- Letter of Credit (L/C) facilities have been provided between UBI, Moreh and Myanmar Economic Bank (MEB), Tamu and US Dollar settlement Accounts have been opened by both sides. However, it has not been operationalised because of the US sanctions on Myanmar. It appears to be difficult to open L/C in Euro or any other currency because of US sanctions on Myanmar. As the transactions through the UBI Bank and L/C cannot be operationalised, the Ministry of Commerce may examine the possibility of other methods of operationalising the trade through Banks. One way to operationalise the trade could be if transactions are conducted in Indian Rupees and if this is acceptable to Myanmarese authorities.
- There is a proposal to increase the exchangeable items under Barter trade by including other items like bicycle and its parts, life saving drugs, insecticides, cotton fabrics including lungies, stainless steel utensils, menthol, agarbati & perfumery compounds, spices, chemicals, cosmetics, cotton yarns, textiles & dress materials, pan masala and zarda, animal skins and hides, motor cycles & parts, ready-made trousers/shirts, leather footwear, paints & varnishes, sugar, nails, bulbs, mosquito coils, fish, essence, hing, salts, blades, x-ray papers, imitation jewellery. This should be considered by the Ministry of Commerce.
- Business delegates from Myanmar should be allowed to visit Moreh in Manipur in groups of 30, as they allow our business delegates to visit Tamu. A delegation of Indian traders and officials from Manipur should go upto Yangon by road from Moreh (and from Myanmar to India) and judge the export potential from India to Myanmar and vice versa.
- Local traders of Manipur may be provided short-term training in the Indian Institute of Foreign Trade or any other suitable Institute to the various elementary issues of Border Trade.