

BORDER TRADE OF ASSAM

- 1. INTRODUCTION:** Assam and the North Eastern Region of India shares a long international border with 5 (five) countries – viz. Bangladesh, Myanmar (Burma), China, Bhutan and Nepal. While Sikkim shares an international border with Nepal and China, and has reasonably good amount of trade (especially through the Nathu La Pass); such trade does not involve the constriction of the Chicken Neck Corridor and does not involve Assam.

Regarding Bangladesh, out of the 4096 Km border the country shares with Bangladesh, almost 1880 Km pertains to four North Eastern States (viz. Assam, Meghalaya, Tripura and Mizoram) – out of which 1434 Km is land border and 446 Km is riverine tract. Therefore, North East India has the potentiality to benefit immensely from increased trade relations with Bangladesh. India-Bangladesh trade has grown steadily over the last few years. India's exports to Bangladesh in the financial year 2018-19 were US\$ 9210.32 million and imports from Bangladesh during the same period were US\$ 1044.8 million, which grew by 17% and 15% respectively in the last three years (from FY 2015-16 to FY 2018-19) from US\$ 5452.90 million and US\$ 689.62 million respectively.

Regarding Myanmar, the entire 1600 Km Indo-Burmese land border is with four North Eastern States (viz. Arunachal Pradesh, Nagaland, Manipur and Mizoram). What really lends gravitas to this relationship is that Myanmar is the only ASEAN country adjoining India, and therefore forms our actual gateway to the emerging economies of South East Asia. When we project Assam as “India's Expressway to the ASEAN”, it is quite obvious that that expressway passes through the Burmese terrain. Indo-Myanmar bilateral trade had grown substantially over the years to reach US\$ 2,175.14 million in FY 2016-17, out of which Indian exports amounted to US\$ 1,107.89 million and Indian's imports to US\$ 1,067.25 million. However, the next two years saw a steady decrease in the trend with the overall trade amounting to only US\$ 1,727.10 – registering a fall of almost 21%. Irrespective of the factors – transient or long-term – that may have effected such a fall, even otherwise the bilateral trade remains far below potential.

Regarding Bhutan, India is Bhutan's largest trading partner. The bilateral trade with that country stood at IN` 9227 crores in 2018. Regarding China, there is no formal/ legal trade taking place through Arunachal Pradesh.

2. STATUS OF CROSS-BORDER TRADE THROUGH THE LAND ROUTE:

In spite of growth of bilateral trade with Bangladesh and Myanmar over the years, the cross-border trade through the land route – *which should have been the mainstay of the trade considering the long borders with these countries* – is measly meagre. With respect to Bangladesh, the figures for bilateral trade over the last 3 financial years are as follows.

India's Trade with Bangladesh

Values in USD Million

| Fin. Year | Exports | Imports | Total Trade | Trade Balance |
|-----------|---------|---------|-------------|---------------|
| 2016-17 | 6820.13 | 701.68 | 7521.81 | 6118.45 |
| 2017-18 | 8614.52 | 685.65 | 9300.17 | 7928.87 |
| 2018-19 | 9210.32 | 1044.80 | 10255.12 | 8165.52 |

There are 2 (two) Integrated Check Posts on the NE-Bangladesh Border [*viz.* Akhaura and Sutarkandi] and 4 (four) other Land Custom Stations [*viz.* Dalu, Dawki, Mankachar and Golokganj]. The trade between the NE and Bangladesh through these ICPs and LCSs stood at only USD 74 million in 2018-19 – as per the records of the Office of the Commissioner of Customs, Shillong; which is a mere 0.72% of the total trade between India and Bangladesh. The figures for bilateral trade through the 6 Land Custom Stations for NE India over the last 3 financial years are as follows.

Values in USD Million

| Port | 2016-17 | | 2017-18 | | 2018-19 | |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Export | Import | Export | Import | Export | Import |
| AGARTALA | | 20.92 | 0.04 | 30.28 | 0.15 | 39.07 |
| DALU | 1.23 | 0.20 | 0.70 | 0.09 | 0.33 | 0.22 |
| DAWKI | 17.14 | | | | | |
| GOLOKGANJ | 1.18 | | 1.81 | | 4.42 | |
| MANKACHAR | 0.18 | 0.15 | 0.12 | 0.77 | 0.56 | 1.27 |
| SUTARKANDI | 6.89 | 10.70 | 8.40 | 19.02 | 4.66 | 23.44 |
| Total | 26.62 | 31.97 | 11.07 | 50.17 | 10.11 | 64.00 |

Source: DGCI&S

With respect to Myanmar, the trade figures with India as a whole are as follows:

| Bilateral trade with Myanmar (in Million US\$) | | | | |
|---|---|------------------|------------------|------------------|
| Sl. No. | Country's | 2016-2017 | 2017-2018 | 2018-2019 |
| 1 | India's EXPORT to Myanmar | 1,107.89 | 966.19 | 1,205.60 |
| 2 | India's IMPORT from Myanmar | 1,067.25 | 639.64 | 521.49 |
| 3 | India's TOTAL TRADE with Myanmar | 2,175.14 | 1,605.84 | 1,727.10 |
| 4 | India's TRADE BALANCE with Myanmar | 40.64 | 326.55 | 684.11 |

However, the bilateral trade through the 2 Land Custom Stations of Moreh in Manipur and Zokhawthar in Mizoram is very minimal, although informal trade flourishes to some extent at the local level. The figures of cross-border trade vary in case of statistics maintained by Indian and Burmese authorities. Yet in case of both the figures, the percentage of trade through land ports account for less than 1% of the overall trade between India and Myanmar..

Table 10: Total Border Trade between India and Myanmar as Reported by Different Authorities (Values in US\$ million)

| Year | Myanmar Stats | India Stats | |
|-------------|----------------------|--------------------|------------------|
| | | DGCI&S | LCS Stats |
| 2012-13 | 12 | 9 | 9 |
| 2013-14 | 45 | 13 | 13 |
| 2014-15 | 60 | 24 | 26 |
| 2015-16 | 72 | 20 | 23 |
| 2016-17 | 88 | 18 | 22 |
| 2017-18 | 91 | 0.02 | 0.4 |

There are other border openings like Pangsau Pass in Arunachal Pradesh (crossing for the Stillwell Road), Longwa Village in Nagaland and Zoringpui in Mizoram (crossing for the Kaladan Project). But Land Custom Stations and ICPs are yet to be set up.

In case of Bhutan, trade takes place formally through the Darrangamela – Sandrup Jhonkar border. An LCS has been set up over there, which has been proposed to LPAI with offer of land by the Assam Govt. for being upgraded to an ICP. Another LCS is learnt to have been approved for Kawadaisa. There are other border openings like Bhairabkunda, Gelephu and Sarfang – wherein LCS may be set up for formal trade.

In case of China, no cross-border trade is allowed for tactical and logistic reasons. However, if trade is opened up with Tibet Autonomous Region of China through the multitude of age-old mountain passes, it will shore up cross-border trade with India's largest trading partner considerably.

3. PROBLEMS OF CROSS-BORDER TRADE THROUGH THE LAND ROUTE:

In case of **Bangladesh**, the following issues hinder growth of cross-border trade through the land route with the North Eastern Region.

1. **Lack of Infrastructure of LCS and ICP on both sides** – There are 3 (three) ICP/ Land Custom Stations (LCS) in Assam with Bangladesh. Infrastructures therein on both sides of the border are not up to the mark. Facilities required are:

(i) Sutarkandi ICP in Karimganj District:

- Renovation of administrative building;
- Dedicated power line and DG set;
- Weigh-bridges installed to be made functional;
- Telecommunications including data availability;
- ATM and Currency Exchange facility;
- Laboratory and quarantine facilities;
- Civic amenities like waiting shed, toilets, and drinking water;
- Adequate parking space for loading & transshipment of trucks; and
- All-weather metalled approach roads on both sides.

(ii) Sahapara (Mankachar) in South Salmara-Mankachar District:

- Proper land customs office building;
- Parking space for loading & transshipment of trucks;
- All-weather metalled approach roads on both sides;
- DG set;
- Weigh bridges;
- Warehouse;
- Telecommunications including data availability;
- ATM and Currency Exchange facility;
- Laboratory facilities; and
- Civic amenities like waiting shed, toilets, and drinking water.

(iii) Lakhimari (Golokganj) in Dhubri District:

- Two weigh-bridges installed to be made functional;
- DG set;
- Parking space for loading & transshipment of trucks;
- Proper land customs office building;
- All-weather metalled approach roads on both sides;
- Telecommunications including data availability;
- ATM and Currency Exchange facility;
- Laboratory and quarantine facilities; and
- Civic amenities like waiting shed, toilets, and drinking water.

Besides, laboratories and quarantine units need to be set up at the LCS; or have a quarantine system where goods are centrally checked at the place of origin and certificates of one another accepted.

2. **Removal of Land Port Restrictions** – Presently, there is a specific list of Imports & Exports which are allowed in any LCS or ICP or River Port. However, such restrictions on tradable items need to be lifted. Rather, we need to have a negative list of items which cannot be traded.
3. **Reduction/ Removal of Import Duties & Minimum Import Price:** Custom duties have been heavily loaded against exports to Bangladesh while in favour of imports from there. That has very adversely affected the trade with NE India.

Besides, Bangladesh has imposed an MIP (i.e. Minimum Import Price) on certain exports of India. This is the price below which the goods cannot be imported in Bangladesh. That has artificially shored up prices of exported goods of India in Bangladesh.

4. **Off Border Clearance** - Electronic Cargo Tracking System, Central Quarantine System need to be activated. Based on our exportable goods, the State Govt. may then submit list of goods for that.
5. **Congestion of Land Ports:** Most of the Land Ports are congested, because of poor amenities, storage facilities, parking facilities and roads. These need to be bolstered with more facilities, and Off Border Clearance need to be started.
6. **Recognition of Certificates of BIS and other Indian Quality Monitors by Bangladesh:** This will simplify clearance at the LCPs, and unnecessary duplicity of quality checking of goods at the Border can then be avoided. That would make cross-border trade through the land route more seamless.
7. **Bilateral Trade Agreement** – In place of SAFTA, there can be a bilateral trade agreement with Bangladesh in line with the Indo-Sri Lankan Free Trade Agreement. This would shore up the bilateral trade through the land route in the North East.

In case of **Myanmar**, the following issues hinder growth of cross-border trade through the land route with the North Eastern Region.

1. Three-Tier System of Border Trade: Trade Agreement laid down a three-tier system for cross-border trade at Moreh and Zokhawthar:

- A. Traditional/ Free Exchange of locally produced items up to a maximum value of US\$ 1000 between people living within 40 km of the border on both sides under simplified documentation and by way of head or non-motorized transport system. Under this system, import/export was to be balanced by corresponding export/import goods of equivalent value within two days. No duty was chargeable on the exchange of these goods. In 2000, RBI issued a circular which required custom authorities to report import/export transactions to the Exchange Control Department, RBI on a monthly basis.
- B. Barter Trade involving the non-monetary exchange of goods between India and Myanmar via the land route. Initially, in 1995, the DGFT permitted the export and import of 22 agreed upon exchangeable items, up to the value of USD 20,000/- by the people living along both sides of the Indo-Myanmar border as per the prevailing customary practices.

Barter trade was to be carried out only by way of head load or non-motorised transport system. The imports from Myanmar to India were to precede the exports from India to Myanmar and the export/import value had to be balanced within a period of six months. Exporters needed to have an Import Export Code (I.E.C) and had to comply with the GR formalities along with all commercial documents which had to be submitted to the designated bank. The designated banks were required to maintain a record of the transactions and submit them to RBI on a monthly basis. Importers though did not need an I.E.C and were not bound to comply with the GR requirements. However, importers were required to submit the required documentary evidence to the designated bank where the value exceeded USD 5,000/-.

- C. Normal Trade was also allowed under the Indo-Myanmar Border Trade Agreement. 17 In addition to the list of 62 items permissible for border trade at a concessional duty rate of 5 per cent, regular/normal trade was also

allowed via LCS Moreh in all other commodities subject to the payment of customs duties as applicable.

The three tier system has proved a hindrance for growth of formal/ normal trade with all proper documentation and customs duty payment.

- 2. Lack of Infrastructure of LCS and ICP on both sides** – There is 1 (one) ICP [*i.e.* Moreh-Tamu (Manipur)] and 1 (one) Land Custom Station (LCS) [*i.e.* Zokhawthar-Rhi (Mizoram)] in Assam with Bangladesh. While Moreh ICP has developed a lot of infrastructure, it is lying more or less unutilised or underutilized due to predominance of the traditional and barter trade. Infrastructure issues are also present therein.

In case of Zokhawthar LCS, the infrastructure on both sides of the border are not up to the mark.

- 3. Inadequate Financial Services and Banking Mechanism:** A key constraint that has for a long time impeded formal trade across the land border between India and Myanmar is the limited availability of trade finance instruments for companies on the Myanmar side. The practice so far has been that international trade transactions are settled through countries such as Singapore using TT (telegraphic transfer) which is expensive on account of brokerage fees. Due to banking services being rendered expensive, trade suffers. The bank charge for an average transaction of less than \$100,000 through Singapore is \$60-70. Direct settlement with Indian banks could reduce costs to \$20-25.

The RBI Notification - RBI/2016-17/9322, dated October 20, 2016, has allowed export import payments with regard to India-Myanmar trade using the Asian Clearing Union (ACU) mechanism. The ACU is a payment arrangement whereby the participants settle payments for intra-regional transactions among the participating central banks. However the MoU between RBI and Central Bank of Myanmar on currency exchange rate fixation is yet to be finalized. This has come in the way of direct banking settlements between India and Myanmar and both the Indian banks present in Myanmar - State Bank of India and United Bank (representative office) - route transactions through Singapore.²³

Additionally, Indian banks are reluctant in accepting letters of credit (LC) from Myanmar banks. Indian banking norms require strict due diligence to

avail credit facilities (as in LC), which many small and medium business operating in Myanmar fail to comply with.²⁴ However, most Indian importers insist on either advance payment or confirmed LC to do business with Myanmar, thereby increasing the cost of trade.

4. Predominance of Informal Payments (Bribe/ Ransom Money): Informal payments to personnel from various government departments and agencies are widely prevalent on both sides of the border. The reasons provided by traders for these payments include:

- avoid the documentation process that they perceive to be cumbersome;
- evade custom duties;
- speed up testing process or simply dodge the lab testing expenses since lab testing facilities are not available at the border;
- reduce the transportation time through multiple check points set up by police and security forces on the highways to curb illegal trade in arms and ammunition, drugs etc.

The share of informal payments in the transaction costs is further compounded by the payments that traders and transporters have to regularly pay to the various militant/insurgent groups. For example, in Manipur, the Indian state that has historically been one of the worst affected by secessionist insurgencies as well as ethnic conflict in NER, the various militant groups have come to view the Moreh-Imphal route as a lucrative source of collecting funds for their 'cause'. This is especially so with outfits who have signed the Suspension of Operations (SoO) Agreement with the government and their 'social groups' justify such collections/tax as a means of sustenance for the surrendered cadres.

4. PROSPECTS OF CROSS-BORDER TRADE THROUGH THE LAND ROUTE:

A. **PROSPECTS OF HORTICULTURAL EXPORTS:** Assam produces a lot of fresh fruits and vegetables which have tremendous scope for exports. The data of Directorate of Horticulture, Government of Assam, shows that during the financial year 2015-16, the State produced 882706 metric tonnes of banana, 285165 metric tonnes of pineapples, 210141 metric tonnes metric tonnes of oranges, 145476 metric tonnes of papaya, 108492 metric tonnes of assam lemon, 95615 metric tonnes of guava, 49597 metric tonnes of litchis, 197203 metric tonnes of jackfruits, 141441 metric tonnes of ginger, and so on. Considering domestic consumption of such items, and demand for such products both in neighbouring BBN – CLMV bloc countries as well as the niche markets of UAE, UK, Hong Kong, Singapore and Canada; the prospects of export of fresh fruits are quite evident. However, primary processing, cold chain storage facilities, and proper packaging are areas that need to be addressed not only for value addition of the horticultural products of Assam, but also for attracting and retaining the niche markets through air cargo mechanism.

In this regard, it is important to consider exports to BBN and CLMV countries as a priority matter.

B. **PROSPECTS OF EXPORTS OF FOOD PROCESSING ITEMS:** Establishment of food processing industries have been quite few and far between in the State, on account of a variety of factors. These include improper field-factory linkage, lack of adequate quantity of fruits, etc. coming on a regular basis, etc. But these can be addressed if staggered plantation is adopted, contract farming is attempted, and facilities like primary processing, cold chain storage facilities are created. There are several incentives under the Ministry of Food Processing which may be exploited. Once we have food processing industries on a large scale, naturally exports are the obvious next step. **APEDA** is the nodal Central Government organization offering facilitation in this regard.

In this regard also, it is important to consider exports to BBN and CLMV countries as a priority matter.