

Pursuing Development through Connectivity:  
An Analysis of India's Northeast Region

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## Abstract

Geographical isolation has traditionally been seen as the main stumbling block to economic progress and development in India's Northeast region. In recent years, the Indian government has sought to overcome this problem by launching a number of connectivity initiatives such as the India-Myanmar-Thailand Trilateral Highway (IMTTH) and the Kaladan Multi-modal Transit Transport Project (KMTTP). Aimed at improving the Northeast's linkages to its neighbor, Myanmar, and further into the rest of Southeast Asia, it was hoped that greater connectivity would bring increased trade and investment, and propel economic development in the region. However, the Northeast's development woes stem from much deeper problems than just geographical isolation. Other barriers to cross-border trade also make it highly questionable whether simply improving connectivity alone would be sufficient to fulfilling the promise of increased trade and investment. Moreover, successful completion of these projects could themselves create more problems that could have wide social, economic and security implications. Overall, pursuing greater connectivity is indeed a positive step forward for the region. However, sustainable development in the Northeast requires not just these connectivity initiatives, but also overcoming the region's other deep-rooted problems, as well as managing any potential negative impact of these projects.

## I. Introduction

When India launched its Look East Policy (LEP) in 1991, its aim was to deepen its economic engagement with its neighbours in the East. In search of much needed foreign investments and trade, New Delhi was attracted by the strong performance of the 'tiger economies' and the Association of Southeast Asian Nations (ASEAN). Integration with these

booming economies was seen as a way to power India's own economic growth and transformation. While Myanmar was not an ASEAN member at the time, it shared a contiguous land border with Northeast India and thus, had the potential to serve as a bridge linking India to the rest of Southeast Asia. However, Myanmar at the time was seen as a pariah state and ostracized by the international community. Its role in driving any regional integration process was thus, believed to be severely limited. India's own Northeast region was also plagued by internal problems related to multiple ongoing insurgencies, severe poverty and chronic underdevelopment. Having to transit through this difficult region to access Southeast Asia seemed impractical and unfeasible.<sup>1</sup>

During the first decade of the LEP, India's relations with ASEAN progressed rapidly. By 2002, India-ASEAN relations had been upgraded to that of a Summit Level Partnership.<sup>2</sup> Bilateral trade also grew from USD 2.9 billion in 1993 to USD 12.1 billion in 2003.<sup>3</sup> Booming trade and investment drove India's economic growth, which averaged 5.5% per year during the 1990s and early 2000s, compared to 4.4% in the previous two decades.<sup>4</sup> Despite these positive results, New Delhi was increasingly concerned by Beijing's competing influence in Southeast Asia. Other than being a major source of trade, the region also hosted some of the busiest sea lanes in the world. Nearly half of India's total international trade by volume passed through the strategically located Malacca Straits.<sup>5</sup> Any disruption to this vital economic artery could be potentially catastrophic for India. Thus, in order to protect its

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<sup>1</sup> Laldinkima Sailo, "Look East Through Northeast: The Ultimate Challenge of Development," in *The Agartala Doctrine: A Proactive Northeast in Indian Foreign Policy*, ed. Subir Bhaumik (New Delhi: Oxford University Press, 2016), 73.

<sup>2</sup> ASEAN Secretariat, "Celebrating 20 Years of ASEAN-India Dialogue Relations," *Associate of Southeast Asian Nations*, December 21, 2012, <http://asean.org/celebrating-20-years-of-asean-india-dialogue-relations/> (accessed April 4, 2018).

<sup>3</sup> ASEAN Secretariat, Association of Southeast Asian Nations, *Overview: ASEAN-India Dialogue Relations*, May 2012, <http://asean.org/storage/2012/05/Overview-ASEAN-India-as-of-July-2017-r2-cl.pdf> (accessed April 8, 2018).

<sup>4</sup> Poonam Gupta and Florian Blum, "India's remarkably robust and resilient growth story," *The World Bank*, April 12, 2018, <http://blogs.worldbank.org/endpovertyinsouthasia/india-s-remarkably-robust-and-resilient-growth-story>

<sup>5</sup> Chietigj Bajpae, "Reaffirming India's South China Sea Credentials," *The Diplomat*, August 14, 2013, <https://thediplomat.com/2013/08/reaffirming-indias-south-china-sea-credentials/?allpages=yes>

interests, New Delhi saw the need to further integrate itself with the region and contest Beijing's growing presence.<sup>6</sup>

A focus on India's Northeast also began to re-emerge due to changes in the region's geopolitical landscape. Myanmar's pro-democracy and liberalization reforms began to open up new commercial opportunities and soften international opinion towards the governing military junta. The situation in Northeast India was also stabilising, with insurgent activities gradually decreasing.<sup>7</sup> With these developments, the possibility of Myanmar and the Northeast region serving as a land bridge between India and Southeast Asia became less far-fetched.

For India, using the Northeast to link up to these booming economies was also seen as a way to end the isolation and poverty that has plagued this region. The Partition of India in 1947 had deprived the Northeast of its access to the sea. It left the region almost completely surrounded by foreign countries, only connected to the rest of India by the 28 km Siliguri Corridor, known colloquially as the 'chicken's neck'. Landlocked and isolated, the region's geographical inaccessibility has often been blamed for its development woes. Improved connectivity to larger regional markets was seen as a way to increase trade and investments in the region, thereby promoting economic growth and reducing poverty.<sup>8</sup>

These different factors made pursuing connectivity through India's Northeast region and Myanmar not just feasible, but *desirable*. Thus, in 2003, India launched the second phase of the LEP identifying the Northeast as a "gateway and an economic bridgehead" into Southeast Asia.<sup>9</sup> New Delhi's new connectivity push consisted of a two-pronged approach.

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<sup>6</sup> K. Yhome, "The Burma Roads: India's Search for Connectivity through Myanmar," *Asian Survey* 55, no. 6 (2015): 1221-1222.

<sup>7</sup> Sailo, "Look East Through Northeast," 73.

<sup>8</sup> *Ibid.*, 74.

<sup>9</sup> Thongkhohal Haokip, "India's Look East Policy: Prospects and Challenges for Northeast India," *Studies in Indian Politics* 3, no.2 (2015): 204

Firstly, enhancing ‘soft’ connectivity through trade and movement facilitating policies, like the Trilateral Transit Transport Agreement or India-Myanmar-Thailand Motor Vehicles Agreement. Secondly, improving ‘hard’ connectivity through the construction and upgrading of physical transport infrastructures such as the India-Myanmar-Thailand Trilateral Highway (IMTTH) and the Kaladan Multi-modal Transit Transport Project (KMTTP).<sup>10</sup>

Once completed, the various connectivity projects are expected to greatly enhance the accessibility of Northeast India into Southeast Asia and provide the landlocked region with access to the sea.<sup>11</sup> However, given the time, effort and huge costs involved, it is prudent to look more closely at these connectivity initiatives and their impact on the Northeast. What are the factors that has caused the Northeast to remain underdeveloped after all this time? Will enhancing connectivity increase trade and thus, promote development in the region? What are the issues that may affect the success of these connectivity projects?

This paper will explore these important questions focusing on the Northeast’s connectivity with Southeast Asia, particularly Myanmar. The paper will be split into five parts. The first will explore the concept of connectivity in existing literature. The second will look at the Northeast, providing some historical background to understanding some of the developmental challenges it faces today. The third will look at India’s international trade, focusing on the prospects for enhancing trade in the Northeast. The fourth will explore some measures taken to enhance connectivity in the Northeast and will discuss in detail the two major connectivity projects – the IMTTH and the KMTTP. The final part will look at the factors that may continue to impede India’s pursuit of connectivity with Southeast Asia.

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<sup>10</sup> Pabir De, “India: building connectivity under the Act East Policy,” in *Connecting Asia: Infrastructure for Integrating South and Southeast Asia*, ed. Michael G. Plummer, Peter J. Morgan and Ganeshan Wignaraja (Northampton, MA: Edward Elgar, 2016), 245.

<sup>11</sup> Subir Bhaumik, “Introduction: Agartala Doctrine—The ‘Tripura Line’ of Appropriate Response in Foreign Policy,” in *The Agartala Doctrine: A Proactive Northeast in Indian Foreign Policy*, ed. Subir Bhaumik (New Delhi: Oxford University Press, 2016), 35-36.

## II. The Role of Connectivity

The term “connectivity” has been described by the Asian Development Bank (ADB) as a concept that consists of both ‘hard’ and ‘soft’ aspects. Hard connectivity refers to the physical infrastructure that provides access to space such as roads, bridges and railways; while soft connectivity refers to the facilitating policies that complement the physical infrastructure, such as efficient customs procedures, effective enforcement of laws, and regulations and non-tariff measures.<sup>12</sup> The concept has been seen as an important pillar of economic development and regional integration, particularly in ASEAN. In 2010, its leaders adopted the *Master Plan on ASEAN Connectivity* which recognised how connectivity “promotes economic growth, narrows the development gaps by sharing the benefits of growth with poorer groups and communities, enhances the competitiveness of ASEAN, and connects its Member States within the region and with the rest of the world”.<sup>13</sup>

The idea that enhanced connectivity promotes economic growth and development has been supported by many scholars. For Biswa Nath Bhattacharyay and Prabir De, improving the flow of people, goods and services would allow for greater efficiency in the distribution of resources. Creating better access to larger markets would also increase trade and production, encouraging the growth of local economies.<sup>14</sup> De himself has also noted how ease of movement could lower transport costs and increase supply reliability, strengthening a region’s comparative advantages. Reduced costs also encouraged the creation of stronger production networks, which in turn, could drive trade and investment. For De, improving

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<sup>12</sup> Biswa Nath Bhattacharyay, “Institutions for Asian Connectivity,” *ADB Working Paper Series 220* (Tokyo: Asian Development Bank Institute, 2010), p.1, <https://www.adb.org/sites/default/files/publication/156075/adbi-wp220.pdf>.

<sup>13</sup> ASEAN Secretariat, “Master Plan on ASEAN Connectivity: One Vision, One Identity, One Community,” *Association of Southeast Asian Nations*, December 2010, p. 5, [https://www.asean.org/storage/images/ASEAN\\_RTK\\_2014/4\\_Master\\_Plan\\_on\\_ASEAN\\_Connectivity.pdf](https://www.asean.org/storage/images/ASEAN_RTK_2014/4_Master_Plan_on_ASEAN_Connectivity.pdf).

<sup>14</sup> Biswa Nath Bhattacharyay and Prabir De, “Restoring the Asian Silk Route: Toward an Integrated Asia,” *ADB Working Paper Series No. 140*, (Tokyo: Asian Development Bank Institute, June 2009), p.1, <https://www.adb.org/sites/default/files/publication/155995/adbi-wp140.pdf>.

connectivity was thus “essential for the region’s prosperity, continued growth and, most importantly, poverty reduction”.<sup>15</sup>

Despite its many purported benefits, several considerations regarding connectivity infrastructure have also been addressed. Firstly, it is often tempting to view infrastructure building as a ‘silver bullet’ for curing all socio-economic problems. As Jonathan Dawson and Ian Barwell argue, a region’s economic problems may have its roots in deep, underlying factors, for which, improving accessibility may not necessarily be the solution. Even if connectivity was indeed the issue, physical infrastructure must be complemented with the right facilitating policies in order to bring about the desired results.<sup>16</sup> Secondly, enhancing connectivity could itself bring highly detrimental effects. Aaron deGrassi in his study of Africa noted how the development of transport infrastructure could actually worsen conditions for the poor:

Rising productivity may not raise rural wages if new roads increase labour supplies. Increased food production may not lower prices for poor consumers if improved transport increases food exports. And extra income may not be multiplied into local jobs if it is spent on imported commodities (e.g. clothing or rice).<sup>17</sup>

Other harmful effects associated with improved transport infrastructure include increased environmental degradation, widening of gender and class gap, exploitation of local people and resources, and increased speed of disease transmission.<sup>18</sup> These issues have led scholars like deGrassi and Bryceson et al. to caution against an overly simplistic ‘just build roads’

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<sup>15</sup> Prabir De, “ASEAN-India Connectivity: An Indian Perspective,” in *ASEAN - India Connectivity: The Comprehensive Asia Development Plan, Phase II*, ERIA Research Project Report 2010-7, ed. Fukunari Kimura and So Umezaki (Jakarta: Economic Research Institute for ASEAN and East Asia, 2011), pp.96-98.

<sup>16</sup> See Johnathan Dawson and Ian Barwell, *Roads Are Not Enough: New Perspectives on Rural Transport Planning in Developing Countries* (London: Intermediate Technology Publications, 1993).

<sup>17</sup> Aaron deGrassi, “Transport, Poverty and Agrarian Change in Africa: Models, Mechanisms and New Ways Forward,” *IDS Bulletin* 36, no.2 (2005): 53.

<sup>18</sup> David Smethurst, “Mountain geography,” *Geographical Review* 90, no. 1 (2000); James Fairhead, “Paths of Authority: Roads, the State and the Market in Eastern Zaire,” *The European Journal of Development Research* 4, no. 2 (1992); deGrassi, “Transport, Poverty and Agrarian Change in Africa,” 53.

mentality for economic development and poverty reduction.<sup>19</sup> The next section will provide a general overview of the Northeast region, and analyse its developmental problems.

### III. The Northeast Region

India's Northeast region consists of the eight states of Arunachal Pradesh, Assam, Manipur, Meghala, Mizoram, Nagaland, Sikkim and Tripura. As shown in Figure 1, the region is almost completely surrounded by its foreign neighbours - Bangladesh, Bhutan, China, Myanmar and Nepal - with whom they share 98% of their land borders.<sup>20</sup> This was the result of Partition in 1947, which saw the region losing its direct access to the sea and retaining only a tenuous connection to the rest of India via the Siliguri Corridor. However, the Northeast has been blessed with abundant natural resources such as coal, oil, natural gas, limestone and sillimanite.<sup>21</sup> Its vast areas of forested land are known for their rich biodiversity, where rare medicinal and aromatic herbs can be found.<sup>22</sup> Yet, despite its abundance in resources, the region has remained in a perpetual state of underdevelopment and chronic poverty.

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<sup>19</sup> deGrassi, "Transport, Poverty and Agrarian Change in Africa," 56; Deborah Fahy Bryceson, Annabel Bradbury and Trevor Bradbury, "Roads to Poverty Reduction? Exploring Rural Roads' Impact on Mobility in Africa and Asia," *Development Policy Review* 26, no. 4 (2008): 461.

<sup>20</sup> MDONER, "North Eastern Region Vision 2020 Volume 1", *North Eastern Council, Government of India*, 2008, pp. 2-6, [http://necouncil.gov.in/sites/default/files/about-us/Vision\\_2020.pdf](http://necouncil.gov.in/sites/default/files/about-us/Vision_2020.pdf)

<sup>21</sup> *Ibid.*, 218.

<sup>22</sup> *Ibid.*, 39.

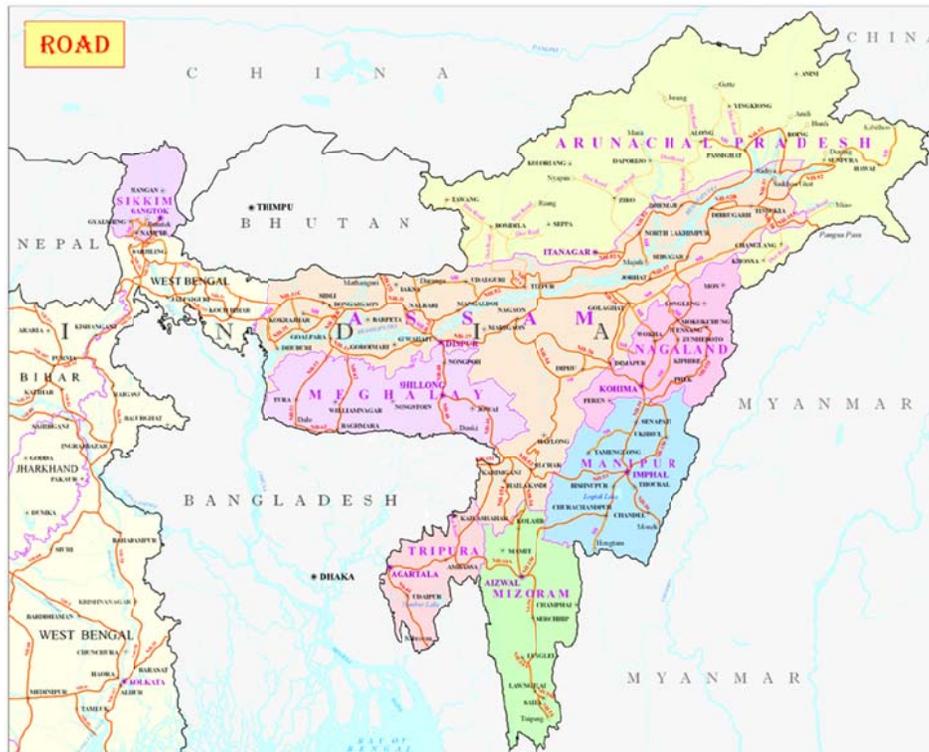


Figure 1: Map of Northeast India. MDONER, “Road Map (Only NH),” *Ministry of Development North Eastern Region, Government of India*, <http://mdoner.gov.in/infrastructure/road-map-only-nh-> (Accessed October 10, 2018).

During the colonial era, the British saw the area’s difficult terrain and general inaccessibility as a good buffer against the Chinese as well as the French who were then expanding up the Mekong River from Saigon.<sup>23</sup> Any industries set up were focused on exploiting the local resources and there was little investment in economic development for the benefit of the local populace.<sup>24</sup> After Partition, Indian policymakers continued with the belief that the region’s inaccessibility was a good barrier against external threats. Conflict with China coupled with the subsequent proliferation of insurgencies in the region only further strengthened this line of thinking.<sup>25</sup> Security officials argued that greater physical connectivity would increase the region’s vulnerability to external threats as well as internal

<sup>23</sup> Sailo, “Look East Through Northeast,” 76.

<sup>24</sup> Thongkholal Haokip, *India’s Look East Policy and the Northeast* (New Delhi: Sage, 2015), 96-97.

<sup>25</sup> Sailo, “Look East Through Northeast,” 76.

disruption by armed infiltrators from across the border.<sup>26</sup> This led local governments to close off and regulate their national borders more rigorously, greatly restricting the flow of trade and investment. This loss of connectivity and market access has been said to have set the region's economy back by at least a quarter of a century.<sup>27</sup>

It was not until the 1980s that New Delhi began to focus on improving the Northeast's economic development, seeing it as a means of combating the local insurgencies.<sup>28</sup> Construction of schools, bridges, technical institutions were announced and generous funds were set aside for various development packages.<sup>29</sup> The government mandated that 10% of the total budgets of ministries and departments would be allocated for development projects in the Northeast.<sup>30</sup> Yet, despite the large sums of money pouring into the region, it continues to be one of India's most economically backward regions contributing just 3% of the country's GDP.<sup>31</sup> In terms of per capita income, the Northeastern states were already 27% below the national average in 1980, and further declined to 46.38% lower by 2008-09.<sup>32</sup> Unemployment in the region is also exceptionally high. From 2005 to 2012, employment growth remained stagnant at 0.13%. During 2009-10, the youth unemployment rate of 10.24% was double the national average.<sup>33</sup> It has been estimated that between 2011 and 2021, there will only be 2.6 million jobs available for 17 million job-seekers in the region.<sup>34</sup> There are also high levels of poverty in the region. In 2011-2012, the poverty levels in three

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<sup>26</sup> Haokip, *India's Look East Policy*, 98-99.

<sup>27</sup> *Ibid.*, 99.

<sup>28</sup> *Ibid.*, 106.

<sup>29</sup> Sailo, "Look East Through Northeast," 78-79; Haokip, *India's Look East Policy*, 106.

<sup>30</sup> Sailo, "Look East Through Northeast," 81.

<sup>31</sup> Prabir De and P K H Singh, "Look East to Act East: Connectivity Challenges to India's Northeast," in *Celebrating the Third Decade and Beyond: New Challenges to ASEAN-India Economic Partnership*, eds. Prabir De and Suthiphand Chirathivat (Abingdon: Routledge, 2018), 259.

<sup>32</sup> Sailo, "Look East Through Northeast," 74.

<sup>33</sup> Bhagirathi Panda, "Act East Policy and Northeast India: The Role of Transaction Costs," in *Mainstreaming the Northeast in India's Look and Act East Policy*, eds. Atul Sharma and Saawati Choudhury (Singapore: Palgrave Macmillan, 2018), 162.

<sup>34</sup> Indian Chamber of Commerce and PricewaterhouseCoopers, "India's North-East Diversifying Growth Opportunities," *PricewaterhouseCoopers*, January 2013, [https://www.pwc.in/assets/pdfs/publications/2013/north-east\\_summit-2013.pdf](https://www.pwc.in/assets/pdfs/publications/2013/north-east_summit-2013.pdf) (accessed April 8, 2018).

Northeastern states - Assam (32%), Manipur (36.9%), Mizoram (20.4%) - either exceeded or were close to India's national average of 21.9%.<sup>35</sup>

Many factors have played a part in constraining the region's development. One is bureaucratic inefficiency. Poor monitoring and oversight has led to a general lack of accountability and adherence to project time-frames.<sup>36</sup> Within India, multiple agencies are entrusted with coordinating development of the Northeast, making it difficult to assign responsibility. For instance, while each government ministry has to set aside 10% of their budget for projects in the Northeast, the Ministry of Development of North Eastern Region is tasked to liaise with all of them. The Planning Commission works with individual state governments and the Northeast Council is also mandated to coordinate development among the Northeast states. The involvement of so many parties has made accountability and proper oversight a major challenge. As a result, cronyism and rampant corruption is known to be prevalent at various levels of government in the Northeast, and has led to the leakage of development funds.<sup>37</sup>

A related problem is the lack of a clear direction undertaken to address the long-term developmental needs of the region.<sup>38</sup> There is little consultation with the local communities over their developmental needs. Instead, decisions are taken in a highly bureaucratic manner. The result is a focus on building infrastructure without investment in sustainable development. The Northeast today suffers from an absence of local productive industries and trained personnel due to weak capacity development. As such, local governments spend vast sums of money importing everything from consumables to manufactured goods - ironically,

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<sup>35</sup> Shankaran Nambiar, "India's Connectivity with ASEAN: What Role for Northeast India?" in *Mainstreaming the Northeast in India's Look and Act East Policy*, eds. Atul Sarma and Saswati Atul (New Delhi: Palgrave Macmillan, 2018), 146.

<sup>36</sup> Haokip, *India's Look East Policy*, 107.

<sup>37</sup> Ibid.

<sup>38</sup> Sailo, "Look East Through Northeast," 84.

helping to create industries and generate jobs *outside* the region.<sup>39</sup> The lack of sustainable development coupled with the generous inflow of cash has led the Northeast to develop an “opium-like” dependence on the mainland.<sup>40</sup>

A final issue concerns the continued securitization of the Northeast. The prevalence of problems related to insurgencies, drug traffickers, illegal migrants, etc., has understandably transformed the border into a highly securitized area. While necessary to enforce law and order, the heightened security measures also contradict many of the developmental aims for the region, and exacerbate socio-economic conditions.<sup>41</sup> For instance, no vehicles from either the India or Myanmar side may drive across the land border at Moreh-Tamu and Zokhawthar-Rhi. Hence, vehicles transporting cargo has to be unloaded at the border and then transshipped across - either hand carried or using pushcarts. Movement of people at the border is also severely restricted. Many who live in the border villages on both sides cross over regularly for trade, medical consultation, or family visits. However, they have to obtain a border pass which is valid for only three days and limits travel to within 16 km of the crossing point. Until recently, other Indian citizens could only visit the Myanmar border town of Tamu on a day pass and had to obtain a special permit to travel further. They also had to be accompanied by a licensed guide in Myanmar whom they had to hire for USD 60 a day.<sup>42</sup> Such measures limited trade and people-to-people interaction across the border, reducing investment interest and developmental opportunities for the region. The next section will elaborate more on this by looking at India’s international trade with ASEAN and specifically Myanmar.

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<sup>39</sup> Haokip, *India’s Look East Policy*, 105.

<sup>40</sup> *Ibid.*, 107.

<sup>41</sup> Haokip, “India’s Look East Policy,” 203.

<sup>42</sup> Nirupama Subramanian, “Simply Put: On road to Mandalay, beyond,” *The Indian Express*, August 14, 2018, <https://indianexpress.com/article/explained/india-myanmar-land-border-crossing-open-sushma-swaraj-imphal-mandalay-bus-service-5305229/>; Jimmy Leivon, “Myanmar officially opens Indo-Myanmar land border, special land entry permissions abolished,” *The Indian Express*, August 9, 2018, <https://indianexpress.com/article/india/myanmar-officially-opens-indo-myanmar-land-border-special-land-entry-permissions-abolished/>.

## IV. International Trade

As mentioned, the promise of improved trade relations with Southeast Asia was one of the drivers for India's push for greater connectivity. ASEAN constitutes one of India's largest and most important trade partners. As shown in Table 1, India's trade with the multilateral grouping grew from USD 21.3 billion in 2005-06 to USD 74.4 billion in 2013-14. Even though bilateral trade dipped slightly to USD 71.6 billion in 2016-17, ASEAN's share of India's global trade has been increasing and stands at 10.84% according to the latest figures. These positive figures are reinforced by the type of commodities being traded. As shown in Table 2, there is a good mix of capital goods (such as electrical machinery and equipment) and intermediate goods (such as iron, steel, plastics), as well as consumer goods (such as vehicles, clothing, pharmaceuticals), and various parts and components being bought and sold between the two. Such trade patterns are an indication of emerging production sharing networks as well as deepening production fragmentation. This suggests that there is huge potential for further increases in economic trade that can be tapped by strengthening connectivity networks.

Table 1: India-ASEAN Trade in USD millions

Year	Imports			Exports			Total Trade		
	From ASEAN	Total India Imports	% share	Exports to ASEAN	Total India Exports	% share	Total India-ASEAN Trade	Total Indian Trade	% share
2016-17	40,617.31	384,355.55	10.50%	30,961.62	275,851.00	11.22%	71,578.93	660,206.55	10.84%
2013-14	41,278.09	450,199.79	9.17%	33,133.55	314,405.30	10.54%	74,411.64	764,605.09	9.73%
2009-10	25,797.96	288,372.88	8.95%	18,113.71	178,751.43	10.13%	43,911.67	467,124.31	9.40%
2005-06	10,883.67	149,165.73	7.30%	10,411.30	103,090.53	10.10%	21,294.97	252,256.26	8.44%

Table 2: Top Commodities traded between India and ASEAN (2016-17)

India's Top 15 Imports from ASEAN			India's Top 15 Exports to ASEAN		
Commodity	USD Millions	% Share	Commodity	USD Millions	% Share
Mineral Fuels, Mineral Oils and Products of their distillation	8,466.72	20.8%	Precious or semiprecious stones	3,652.82	6.86%
Animal or Vegetable Fats and Oils	6,196.08	15.3%	Nuclear reactors, boilers, machinery parts thereof.	3,607.36	6.77%
Electrical Machinery and Equipment and Parts	4,563.59	11.2%	Organic chemicals	3,548.51	6.66%
Nuclear reactors, boilers, machinery parts	3,404.68	8.4%	Mineral fuels, mineral oils and products of their distillation	3,519.25	6.61%
Organic chemicals	2,026.66	5.0%	Vehicles other than railway and parts	3,420.58	6.42%
Plastic and Articles thereof.	1,697.14	4.2%	Articles of apparel, not knitted or crocheted.	3,172.26	5.96%
Ships, Boats and Floating Structures.	1,237.63	3.0%	Articles of apparel, knitted or crocheted.	3,043.49	5.71%
Rubber and articles thereof.	973.54	2.4%	Iron and steel	2,666.72	5.01%
Copper and articles thereof.	941.40	2.3%	Electrical machinery and equipment and parts thereof	2,039.41	3.83%
Miscellaneous Chemical products.	874.93	2.2%	Aircraft, spacecraft, and parts thereof.	1,794.87	3.37%
Ores, slag and ash.	837.31	2.1%	Pharmaceutical products	1,623.00	3.05%
Edible Vegetables and certain roots and tubers.	812.37	2.0%	Articles of iron or steel	1,586.02	2.98%
Iron and steel	798.23	2.0%	Footwear, gaiters and the like; parts of such articles.	1,545.95	2.90%
Wood and articles of wood; wood charcoal.	768.63	1.9%	Articles of leather, saddlery and harness; travel goods,	1,400.60	2.63%
Precious or semiprecious stones	742.46	1.8%	Plastics and articles thereof.	1,235.73	2.32%

Source: Based on data obtained from India Department of Commerce, “Export Import Data Bank,” *Ministry of Commerce and Industry*, <http://commerce-app.gov.in/eidb/Default.asp> (accessed June 1, 2018).

### *India-Myanmar Bilateral Trade*

India's trade with ASEAN however, is not evenly distributed among its members. As in Table 3, Singapore, Indonesia and Malaysia account for the lion's share of trade with India. In 2016-2017, these three members alone accounted for two-thirds of total India-ASEAN trade. At the other end of the spectrum, trade with Myanmar, Cambodia and Laos have remained low and failed to gain any momentum despite their geographical proximity to India. Among those in the latter group, India's trade figures with Myanmar stand out as being particularly disappointing. As the only ASEAN member to share a contiguous land border with India, it possessed a unique geographical advantage. Moreover, after the launch of the

second phase of the LEP, enhancing trade links with Myanmar became seen as an important means to develop further inroads into continental Southeast Asia. Yet, bilateral figures have remained disappointingly low – hovering at around 3% of total India-ASEAN trade over the last decade.

Table 3: India-ASEAN Trade by Country in USD millions

Country	2005-2006		2009-2010		2013-2014		2016-2017	
	Value	% Share						
<b>Indonesia</b>	4,388.31	20.61%	11,720.02	26.69%	19,598.50	26.34%	16,916.11	23.63%
<b>Singapore</b>	8,779.06	41.23%	14,046.74	31.99%	19,273.03	25.90%	16,651.15	23.26%
<b>Malaysia</b>	3,577.47	16.80%	8,012.19	18.25%	13,427.81	18.05%	14,158.45	19.78%
<b>Vietnam</b>	822.07	3.86%	2,360.76	5.38%	8,036.19	10.80%	10,107.12	14.12%
<b>Thailand</b>	2,286.89	10.74%	4,671.68	10.64%	9,043.47	12.15%	8,548.84	11.94%
<b>Myanmar</b>	636.66	2.99%	1,497.77	3.41%	2,182.68	2.93%	2,175.14	3.04%
<b>Philippines</b>	730.15	3.43%	1,061.84	2.42%	1,810.59	2.43%	1,977.14	2.76%
<b>Brunei</b>	43.82	0.21%	453.09	1.03%	796.05	1.07%	670.73	0.94%
<b>Laos</b>	5.57	0.03%	36.98	0.08%	89.29	0.12%	233.10	0.33%
<b>Cambodia</b>	24.97	0.12%	50.59	0.12%	154.03	0.21%	141.16	0.20%
<b>Total</b>	21,294.97	100.00%	43,911.67	100.00%	74,411.64	100.00%	71,578.94	100.00%

Source: Ibid.

Part of the reason for the low bilateral trade figures has to do with the import/export patterns of the two neighbours. Although Myanmar has emerged as one of the fastest growing economies in Southeast Asia in recent years, it remains dominated by primary industries like agriculture farming and resource extraction (natural gas, precious stones, etc.). Between 2006 and 2010, 88.5% of Myanmar’s global exports consisted of food, fuel and non-food agriculture products, while manufactured exports accounted for just 11.5% as shown in Table 4. Indeed, despite improvements, Myanmar’s manufacturing sector has remained relatively weak and the Southeast Asian state has been forced to look overseas to meet rising domestic demand. This is reflected in Table 5 which shows manufactured goods accounting for 71.5% of Myanmar’s global imports for the same period. This import pattern gives manufacturing hubs like China a clear advantage in trade. The Asian giant accounted for 35.7% of

Myanmar's total imports, of which, 90% was manufactured products. Imports from India similarly focused on manufactured items (82.7%). However, its smaller manufacturing base meant that the South Asian state only accounted for 3.4% of Myanmar's imports.

Table 4: Myanmar's Exports by country, 2006-10

Country/region	Total exports (\$ million)	Share of total (%)	Food (%)	Fuels (%)	Agriculture (non-food) (%)	Manufactured goods (%)
Thailand	13615	48.4	3.3	91.3	4.5	0.9
India	4722	16.8	62.8	0.0	36.1	1.1
PRC	2891	10.3	25.0	3.6	67.5	4.0
Japan	1583	5.6	32.7	0.0	7.0	60.3
Malaysia	812	2.9	48.1	0.1	43.1	8.8
Rep. of Korea	532	1.9	10.9	26.8	5.1	57.2
Germany	515	1.8	2.5	0.0	6.9	90.6
Singapore	421	1.5	37.8	0.7	46.3	15.2
United Kingdom	304	1.1	30.2	0.7	2.2	66.9
Others	2763	9.8	41.4	0.1	26.2	32.4
World	28157	100.0	23.1	45.1	20.3	11.5

Table 5: Myanmar's Imports by country, 2006-10

Country/region	Total exports (\$ million)	Share of total (%)	Food (%)	Fuels (%)	Agriculture (non-food) (%)	Manufactured goods (%)
PRC	10622	35.7	3.1	5.1	1.3	90.5
Thailand	6659	22.4	23.4	16.9	1.5	58.2
Singapore	4677	15.7	11.6	40.3	2.4	45.7
Rep. of Korea	1542	5.2	0.2	1.6	5.0	93.1
Malaysia	1268	4.3	39.4	15.3	3.3	42.0
Indonesia	1110	3.7	58.6	0.3	0.3	40.8
India	1005	3.4	13.2	2.2	1.9	82.7
Japan	931	3.1	0.5	0.3	1.4	97.8
Others	1977	6.6	16.6	5.2	2.7	75.5
World	29792	100.0	13.6	13.1	1.9	71.5

Source: Benno Ferrarini, "Myanmar's Trade and its Potential," *ADB Economics Working Paper Series* No.325 (Manila: ADB, 2013), 4, <https://www.adb.org/sites/default/files/publication/30195/ewp-325.pdf>. (accessed November 3, 2017).

This trade pattern is reflected in the composition of items traded between India and Myanmar as shown in Table 6. India's exports consist of a mixture of capital and intermediate goods as well as parts and components - sugar confectionary, pharmaceutical

products, vehicles, electrical machinery equipment and parts, etc. Imports from Myanmar however, are dominated by agriculture and timber products. Edible vegetables alone account for 75.84% of bilateral imports. This suggests a much lower potential for formation of production fragmentation and sharing networks.

Table 6: Top Commodities traded between India and Myanmar (2016-17)

India's Top 15 Imports from Myanmar			India's Top 15 Exports to Myanmar		
Commodity	USD Millions	% Share	Commodity	USD Millions	% Share
Edible vegetables	809.45	75.84%	Sugars and sugar confectionery.	423.7	38.24%
Wood and articles of wood	156.39	14.65%	Pharmaceutical products	183.85	16.59%
Aircraft, spacecraft, and parts.	50.76	4.76%	Vehicles other than railway parts and	63.77	5.76%
Edible fruit and nuts	17.78	1.67%	Electrical machinery and equipment and	54.12	4.88%
Coffee, tea, mate and spices.	9.59	0.90%	Nuclear reactors, boilers, machinery parts	46.73	4.22%
Oil seeds and olea. Fruits; misc.	6.49	0.61%	Cotton.	40.82	3.68%
Lead and articles thereof.	5.46	0.51%	Iron and steel	34.18	3.09%
Fish and crustaceans	4.19	0.39%	Residues and waste from the food industries;	29.56	2.67%
Zinc and articles thereof.	1.73	0.16%	Products of animal origin,	26.31	2.37%
Rubber and articles thereof.	0.73	0.07%	Mineral fuels, mineral oils and products of	21.64	1.95%
Vehicles other than railway parts and	0.61	0.06%	Articles of apparel and clothing accessories,	16.95	1.53%
Raw hides and skins (other than furskins) and	0.52	0.05%	Plastic and articles thereof.	13.94	1.26%
Miscellaneous manufactured articles.	0.45	0.04%	Articles of iron or steel	13.27	1.20%
Optical, photographic cinematographic parts	0.44	0.04%	Miscellaneous chemical products.	12.87	1.16%
Ores, slag and ash.	0.40	0.04%	Tobacco and manufactured tobacco	9.81	0.89%

Source: Data obtained from India Department of Commerce, "Export Import Data Bank".

### *India-Myanmar Border Trade*

Another interesting aspect of India-Myanmar bilateral trade is the imbalance between border trade and sea trade. Despite sharing a common border stretching over 1,643 km, border trade between the two countries remains miniscule. At its peak in 2016-2017, border trade reached just USD 87.9 million – 4% of total bilateral trade as shown in Table 7. Trade levels witnessed a decline in absolute terms the following year, although the proportion of

border trade remained the same. Border trade is conducted at two locations. The first is at the Moreh Land Customs Station (LCS) in Manipur, opposite Tamu in Myanmar. The second is at Zokhawthar LCS in Mizoram, corresponding to Rhikhawdar on the Myanmar side. The main items traded at the Moreh LCS are listed in Table 8. India's main imports include betel nuts, ginger, beans, and medicinal herbs. Its main exports consist of Cumin seeds, cotton yarn, auto parts, soya bean meal, wheat flour and pharmaceuticals.

Table 7: India-Myanmar Border Trade

Year	Total Bilateral Trade (USD Millions)	India-Myanmar Border Trade (USD Millions)	
		Value	Share of Bilateral Trade
2017-2018	1,605.84	64.9	4.04%
2016-2017	2,175.14	87.9	4.04%
2015-2016	2,054.92	71.64	3.49%
2014-2015	2,004.78	60.73	3.03%
2013-2014	2,182.68	45.14	2.07%
2012-2013	1,957.35	12.03	0.61%

*Source:* Data obtained from Ministry of Commerce, “Export/Import Border Trade Situation of Myanmar in 2012-2013 Fical Year to 2017-2018 Fical Year (up to March monthly),” *Ministry of Commerce, The Republic of the Union of Myanmar*, <https://www.commerce.gov.mm/en/article/exportimport-border-trade-situation-myanmar-2012-2013-fical-year-2017-2018-fical-year-march> (accessed November 15, 2018).

Table 8: Major commodities traded between India and Myanmar 2012-2013

	Exports	Imports
Moreh LCS	Cumin seeds, cotton yarn, auto parts, soya bean meal, wheat flour and pharmaceuticals	Betel nuts dry ginger, green mung beans, black matpe beans, tumeric roots, resin and medicinal herbs

*Source:* Panda, “Act East Policy and Northeast India,” 165.

### *Challenges to Border Trade*

A major barrier to border trade is the lack of trade complementarity between India's Northeast region and Myanmar. Both regions share very similar economic structures where

agriculture and resource extraction dominate. The Northeast produces mainly tea, coal, limestone, fruits and vegetables, etc., and lacks the industrial capacity to produce the manufactured goods that Myanmar needs.<sup>43</sup> This is underscored by the fact that none of India's border exports has a production facility in the Northeast.<sup>44</sup> Most of its exports to Myanmar are instead produced in Kolkata. Similarly, the timber and vegetables which make up the majority of Myanmar's exports to India are mostly bound for Chennai.<sup>45</sup> This would suggest that most of the border trade consists of transit trade which brings arguably lower economic benefits for the region. Yet, even as a transit route for goods, the overland route is associated with high transaction costs which make it a far less desirable option compared to sea transport.

The high transaction costs are due to a combination of several factors. For one, the geographical layout of the region makes transporting goods to the border a highly challenging and circuitous journey. From Kolkata, the shortest possible route to Moreh would be through Bangladesh, along Asian Highway 1 (AH1), which covers a distance of 1,102 km as seen in Figure 2. However, the absence of a land transit agreement between India and Bangladesh means that goods cannot be transported along this route. Instead, they will have to go *around* Bangladesh, and through the Siliguri Corridor, which increases the travel distance by nearly one-third to 1,558 km.<sup>46</sup> From Moreh, it would be another 500 km to Myanmar's trade and logistics hub at Mandalay and over 1,000 km to Yangon.

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<sup>43</sup> Ashish Nath, "Integration with Regional Blocks Through Intra-Industry Production Networks: Boosting the Growth Prospects of Northeast India," in *Mainstreaming the Northeast in India's Look and Act East Policy*, eds. Atul Sarma and Saswati Atul (New Delhi: Palgrave Macmillan, 2018), 190-194; Manas Chaudhuri, "Strategies for Development and Export Promotion in the North-East," *The Shillong Times*, April 6, 2016, <http://www.theshillongtimes.com/2016/04/06/strategies-for-development-and-export-promotion-in-the-north-east/>.

<sup>44</sup> Panda, "Act East Policy and Northeast India," 164.

<sup>45</sup> Hector Florento and Maria Isabela Corpuz, "Myanmar: the land bridge," in *Connecting Asia: Infrastructure for Integrating South and Southeast Asia*, ed. Michael G. Plummer, Peter J. Morgan and Ganeshan Wignaraja (Northampton, MA: Edward Elgar, 2016), 236.

<sup>46</sup> ADB and ADBI, *Connecting South Asia and Southeast Asia* (Tokyo: Asian Development Bank Institute, 2015): 58, 59.

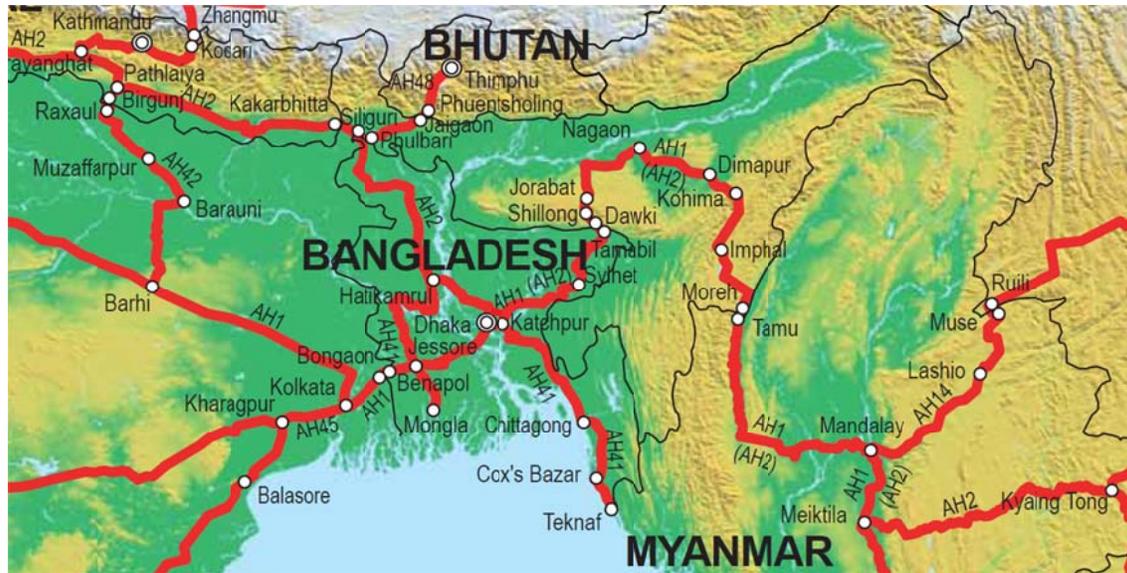


Figure 2: Asian Highway through Bangladesh. Based on UN map from UNESCAP, “Asian Highway Route Map,” *United Nations Economic and Social Commission for Asia and the Pacific*, November 1, 2016, [https://www.unescap.org/sites/default/files/AH-map\\_2018-2.pdf](https://www.unescap.org/sites/default/files/AH-map_2018-2.pdf) (accessed November 15, 2018).

The long overland distance is further compounded by poor infrastructure. Moreh is connected to the state capital of Imphal by a 109 km road that was poorly constructed.<sup>47</sup> Particularly, the final 60 km section between Pael and Moreh consists of a single-lane road passing through a mountainous region which is in need of repairs.<sup>48</sup> On the Myanmar side, the 160 km India-Myanmar Friendship road links Tamu to Kalewa, an inland waterway hub, and Kalemyo, a large town with an airport and rail head as shown in Figure 3. However, along this important road are about 70 baily bridges built during the Second World War which are almost impassable, particularly during the monsoon season.<sup>49</sup> The situation at the Zokhawthar LCS is not much better. The crossing is linked to the nearest Indian town of

<sup>47</sup> ADB and ADBI, *Connecting South Asia and Southeast Asia*, 72.

<sup>48</sup> *Ibid.*, 69.

<sup>49</sup> V. S. Seshadri, “Transforming Connectivity Corridors between India and Myanmar into Development Corridors,” *Research and Information System for Developing Countries*, (New Delhi: RIS, 2014), 20, <http://www.ris.org.in/sites/default/files/Trans%20Report.pdf>; Anasua Basu Ray Chaudhury and Pratinshree Basu, “India-Myanmar Connectivity: Possibilities and Challenges,” *ORF Working Paper*, (Kolkata: Observer Research Foundation, 2015), 31, <https://www.orfonline.org/wp-content/uploads/2015/12/IndiaMyanmar.pdf>

Champai by a 27.2 km single laned road which is paved only for the first few kilometres.<sup>50</sup>

On the Myanmar side, the LCS links to Kalemryo via Tiddim by a single-lane *kutch*a or dirt road that can only be used during dry season.<sup>51</sup>

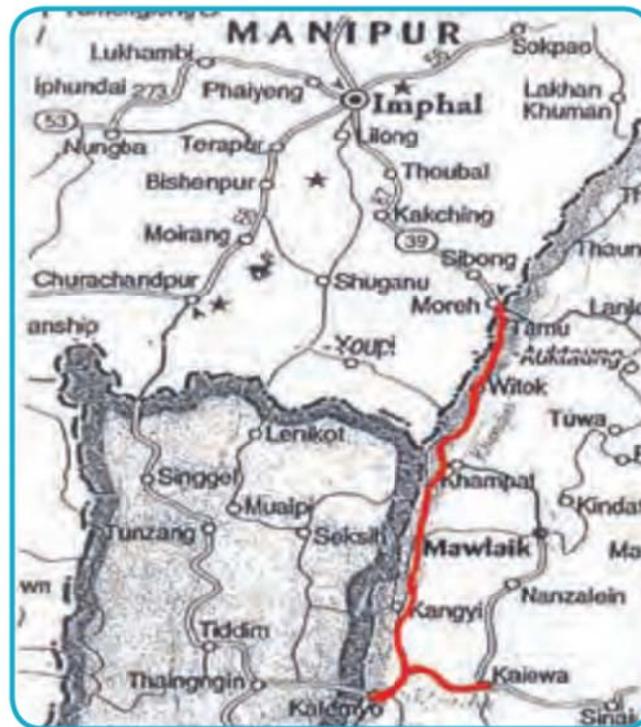


Figure 3: India-Myanmar Friendship Road. Seshadri, “Transforming Connectivity Corridors,” 20.

Poor infrastructure is also a problem that plagues the border crossings themselves. Until recently, customs stations at Moreh and Zokhawthar were infamous for lacking basic facilities necessary for international trade and were described as “among the most inefficient in the world”.<sup>52</sup> For instance, cold storage and food testing laboratories were not available

<sup>50</sup> Seshadri, “Transforming Connectivity Corridors,” 25.

<sup>51</sup> Chaudhury and Basu, “India-Myanmar Connectivity,” 33.

<sup>52</sup> Kavita Iyengar, “India and Bangladesh Connectivity with Myanmar,” in *Regional Integration in South Asia: Essays in Honour of Dr. M. Rahmatullah*, eds. Prabir De and Mustafizur Rahman (New Delhi: KW Publishers, 2017), 228.

even though food products formed the bulk of the border imports.<sup>53</sup> Electricity supply was also unreliable with power outages sometimes lasting for more than a week. Logistic facilities like warehouses, weighbridges, transshipment platforms, etc. were also either inadequate or totally absent.<sup>54</sup> One report described how traders resorted to arranging for their own temporary warehouse due to the limited storage capacity at the Moreh LCS.<sup>55</sup>

Border trade is also plagued by the restrictive trade regime. When border trade was formalized between the two countries in 1994, only 22 items could be traded. Barter trade was permitted, but each transaction was limited to USD 20,000 and traded items had to be produced locally in either Myanmar or India.<sup>56</sup> Subsequently, the list of tradable items was increased to 40 in 2008, and then 62 in 2012.<sup>57</sup> The slow pace of trade liberalization (over two decades) coupled with the huge demand for cheap, easily affordable everyday items in the border regions inevitably resulted in a high volume of informal trade. A study found that despite the restriction on third country goods, items like electronics, footwear, and garments from China, Korea, and parts of Southeast Asia could be found in Indian markets along the border. Most of these third country goods were imported by Myanmar legally then smuggled illegally into India where they fetched a higher profit.<sup>58</sup> While it is impossible to know the exact value of informal trade that goes on, some have estimated that it exceeds formal trade by several times.<sup>59</sup>

In late 2015, two major regulatory changes were introduced that had significant impact on the border trade regime. First, was the abandoning of barter trade in November

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<sup>53</sup> Ram Upendra Das, *Enhancing India-Myanmar Border Trade: Policy and Implementation Measures* (New Delhi: Department of Commerce, Ministry of Commerce and Industry, Government of India, 2016), xv.

<sup>54</sup> Iyengar, "India and Bangladesh Connectivity with Myanmar," 228.

<sup>55</sup> Das, *Enhancing India-Myanmar Border Trade*, xvi.

<sup>56</sup> Ryan Maim Rodrigues, "Indian rule change cuts off Myanmar border trade," *Nikkei Asian Review*, March 8, 2016, <https://asia.nikkei.com/Economy/Indian-rule-change-cuts-off-Myanmar-border-trade>.

<sup>57</sup> Das, *Enhancing India-Myanmar Border Trade*, 10.

<sup>58</sup> *Ibid.*, 20-21.

<sup>59</sup> Iyengar, "India and Bangladesh Connectivity with Myanmar," 229; see also Pratim Ranjan Bose, "The Reality behind Mizoram's Trade Hotspot," *The Hindu Business Line*, July 1, 2015, <https://www.thehindubusinessline.com/economy/the-reality-behind-mizorams-trade-hotspot/article7375439.ece>

2015. The move was made in order to formalize border trade and keep track of transactions. All traded goods now had to be settled through the formal banking system or the Asian Clearing Union, a regional cross-border payment network.<sup>60</sup> The problem with this was that while the banking network had been steadily improving in the Northeastern regions, those on the Myanmar side remained relatively underdeveloped.<sup>61</sup> The barter system had also been popular as most traders were reluctant to trade in their national currencies and wanted to avoid the difficult issue of currency settlement. Moreover, transactions now required banks to issue Letters of Credit which increased the costs and complexity of doing trade at the border.<sup>62</sup>

The other change was the transition from ‘border trade’ to ‘normal trade’ in December 2015. This meant that restrictions on the volume of transactions as well as type of items permitted for trade were lifted. However, a condition that remained was that items had to be produced or packaged in India or Myanmar.<sup>63</sup> While this move was a positive step towards liberalizing border trade, its execution was poorly implemented. The official notice mentioned only Moreh, leaving the trade policy at Zokhawthar unclear. Furthermore, information regarding the change in policy was poorly disseminated. In July 2016, nearly seven months after the supposed implementation of ‘normal trade’, it was reported that traders at Moreh still thought border trade was confined to the previous 62 items.<sup>64</sup> Overall, the two policy changes did little to curb informal trade across the border, and instead,

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<sup>60</sup> Das, *Enhancing India-Myanmar Border Trade*, 20.

<sup>61</sup> Ryan Maim Rodrigues, “Indian rule change cuts off Myanmar border trade,” *Nikkei Asian Review*, March 8, 2016, <https://asia.nikkei.com/Economy/Indian-rule-change-cuts-off-Myanmar-border-trade>.

<sup>62</sup> Das, *Enhancing India-Myanmar Border Trade*, 20; Rodrigues, “Indian rule change cuts off Myanmar border trade”.

<sup>63</sup> “Indo-Myanmar border trade via Moreh Formal trade ceases, informal trade flourishes,” *The Sangai Express*, July 5, 2018, <http://www.thesangaiexpress.com/indo-myanmar-border-trade-via-moreh-formal-trade-ceases-informal-trade-flourishes/>.

<sup>64</sup> “Traders in dark about RBI rules,” *The Telegraph*, July 13, 2016, <https://www.telegraphindia.com/states/north-east/traders-in-dark-about-rbi-rules/cid/1415285>.

contributed to a subsequent fall in formal trade.<sup>65</sup> Cross-border trade took another blow in May 2018, when India hiked tariffs on betel nuts – Myanmar’s main border export – from 5% to 40% in an effort to curb illegal imports of the crop.<sup>66</sup> This move is likely to result in further decreases in cross-border trade.

The final issue is the prevalence of crime and general lawlessness in the Northeast region. Politically motivated strikes or demonstrations - known as *bandhs* - are a common occurrence which frequently leads to road blockades and brings commerce to a standstill. Between 1995 to July 2010, Manipur alone witnessed 628 such incidents which were estimated to cost the state a combined loss of Rs 2,828 crore.<sup>67</sup> The lack of good governance has also contributed to widespread corruption and rent-seeking.<sup>68</sup> While insurgent groups in the area are not as active as before, they have been known to run extortion rackets, kidnap and ransom operations, as well as drug and arms trafficking.<sup>69</sup>

Over the past two decades, these problems have severely limited the growth of India-Myanmar border trade. By raising the transaction costs of conducting overland trade, they made seaborne trade and informal trade much more desirable alternatives, in turn, resulting in the disproportionately low levels of border trade figures. With the launch of the second phase of the LEP, the Indian government has taken a number of steps to mitigate many of the problems mentioned. This will be discussed in the next section.

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<sup>65</sup> Das, *Enhancing India-Myanmar Border Trade*, 20.

<sup>66</sup> “Indo-Myanmar border trade via Moreh Formal trade ceases, informal trade flourishes,” July 5, 2018.

<sup>67</sup> Panda, “Act East Policy and Northeast India,” 171.

<sup>68</sup> *Ibid.*

<sup>69</sup> Sailo, “Look East Through Northeast,” 85; Panda, “Act East Policy and Northeast India,” 171.

## IV. Improving Connectivity to Northeast India

Since the early 2000s, India has sought various means to improve connectivity to its Northeast regions. The India-Myanmar Friendship Road mentioned in the previous section was built and funded entirely by India to improve connectivity at the Moreh-Tamu border. Constructed over three years, the project was inaugurated in February 2001 and given as a gift to the Myanmar government.<sup>70</sup> The Friendship Road will form part of the Trilateral Highway and India has undertaken upgrading and repair works for major sections as part of this project. The 109 km Imphal-Moreh road section will also be widened and upgraded at an estimated cost of Rs 1,630 crores.<sup>71</sup> At the Zokhawthar-Rhi border, India is also involved in the development of the 80 km Rhi-Tiddim Road that will facilitate movement between Mizoram and Myanmar's Chin state.<sup>72</sup> In 2012, both sides also agreed to implement a bus service between Imphal and Mandalay. Following a trial run in December 2015 however, the service has been put on hold pending the conclusion of the Motor Vehicles Agreement. Until then, bus services will only ferry passengers to and from the border on either side.<sup>73</sup>

India has also been strengthening rail links to the region. Since 1901, Guwahati in Assam has been the only state capital in the Northeast to be linked by rail. This remained unchanged for more than a century until rail connectivity was extended to Agartala in Tripura in 2008, and Itanagar in Arunchal Pradesh in 2014.<sup>74</sup> Work is progressing on a 111 km railway line linking Jiribam in Assam to Imphal. Expected to be completed sometime in

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<sup>70</sup> Amit Baruah, "India, Myanmar road opened," *The Hindu*, February 14, 2001, <http://www.thehindu.com/2001/02/14/stories/01140004.htm> (accessed April 7, 2018).

<sup>71</sup> Express News Service, "Rs 1600 crore for India-Myanmar connectivity," *The New Indian Express*, July 12, 2017, <http://www.newindianexpress.com/nation/2017/jul/12/rs-1600-crore-for-india-myanmar-connectivity-1627801.html>.

<sup>72</sup> V.S. Seshadri, "Delhi to Yangon," *The Indian Express*, September 5, 2017, <http://indianexpress.com/article/opinion/columns/delhi-to-yangon-narendra-modi-modi-myanmar-visit-india-myanmar-relations-brics-summit-4828859/> (accessed April 7, 2018).

<sup>73</sup> Subramanian, "Simply Put".

<sup>74</sup> Samudra Gupta Kashyap, "North East on track to connect capitals by train," *The Indian Express*, August 19, 2016, <http://indianexpress.com/article/india/india-news-india/north-east-on-track-to-connect-capitals-by-train-2984267/>

2020, there are plans to eventually extend the line to Moreh on the India-Myanmar border.<sup>75</sup> The Indian government's ultimate goal is to connect all state capitals of the Northeast by rail – a task consisting of 15 separate new rail line projects stretching over 1,385 km, and costing Rs 47,000 crore.<sup>76</sup> In 2017, it was reported that over 900 km of rail track in the Northeast had already been converted from metre gauge to the standard broad gauge, reducing delays caused by transferring goods across different freight cars.<sup>77</sup>

Air connectivity has also undergone important changes. In May 2012, India and Myanmar signed the Air Services Agreement allowing direct flights between the two countries. This opened the way for weekly Air India flights connecting Kolkata and Delhi to Yangon.<sup>78</sup> In October 2018, it was announced that new flights would be connecting Guwahati in Assam with Singapore, Bangladesh, Bhutan, Nepal, Myanmar, Malaysia and Vietnam. This was an important milestone as passengers would no longer need to transit at Kolkata or Delhi.<sup>79</sup> The Assam state government has also aside USD 13 million annually for three years to increase international flights between Guwahati and ASEAN.<sup>80</sup> Airports in the Northeast are also undergoing major refurbishment works to upgrade their existing facilities and improve their passenger capacities. This will be largely funded by the Airports Authority of

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<sup>75</sup> Sobhapati Samom, "Manipur CM inspects rail bridge project," *The Assam Tribune*, <http://www.assamtribune.com/scripts/detailsnew.asp?id=oct1317/oth051> (accessed April 7, 2018); Sangeeta Barooah Pisharoty, "Suresh Prabhu Will Be Remembered as Minister Who Provided Rail Connectivity to People of Northeast," *The Wire*, September 5, 2017, <https://thewire.in/government/suresh-prabhu-northeast-railway-infrastructure-connectivity> (accessed April 7, 2017).

<sup>76</sup> Indo Asian News Service, "Centre has 15 new rail projects for Northeast: PM Modi," *Hindustan Times*, December 16, 2017 <https://www.hindustantimes.com/india-news/centre-has-15-new-rail-projects-for-northeast-pm-modi/story-9LRqrTPepkdHLL4ria51BL.html>

<sup>77</sup> Pisharoty, "Suresh Prabhu Will Be Remembered".

<sup>78</sup> Walter Fernandes, "Look (Act) East Policy: With or Through the Northeast," in *Mainstreaming the Northeast in India's Look and Act East Policy*, eds. Atul Sharma and Saawati Choudhury (Singapore: Palgrave Macmillan, 2018), 234.

<sup>79</sup> Bikash Singh, "Guwahati airport to be directly connected to seven countries," *The Economic Times*, October 15, 2018, <https://economictimes.indiatimes.com/industry/transportation/airlines/-aviation/guwahati-airport-to-be-directly-connected-to-seven-countries/articleshow/66210876.cms>.

<sup>80</sup> Rupakjyoti Borah, "Northeast India Gets Closer to ASEAN, Courtesy of Bhutan," *The Diplomat*, September 28, 2018, <https://thediplomat.com/2018/09/northeast-india-gets-closer-to-asean-courtesy-of-bhutan/>.

India which has allocated Rs 3,400 crore for these projects.<sup>81</sup> In particular, there are plans to turn Guwahati airport into the regional air hub catering mainly to countries in Southeast Asia.<sup>82</sup>

India has also achieved important breakthroughs with Bangladesh regarding the transit of goods through its territory. In 2016, a new arrangement was made whereby vessels carrying Indian goods could be unloaded at the transshipment port of Ashuganj along the Meghna River, and then transported overland to Tripura via the border checkpoint at Akhaura. The new route reduced transport times to the Northeast region by two-thirds and cut transport costs by half.<sup>83</sup> In September 2018, a draft agreement allowing India the use of the ports at Chittagong and Mongla to transport cargo to the Northeastern states was approved by the Bangladeshi Cabinet. In both cases, only Bangladeshi vehicles could be used to carry goods in Bangladesh.<sup>84</sup> Despite the restrictions, the new arrangements are important steps towards reducing the costs and delivery times of transporting goods between Kolkata and the Northeast.

Changes have also been made to facilitate cross-border movement at Moreh-Tamu and Zokhawthar-Rhi. In August 2018, the Land Border Crossing Agreement came into effect, easing border restrictions at these two points. Under the agreement, local residents of the border villages would continue to be able to cross and travel within 16 km. But for other visitors, the requirement for special permits was removed and they could now travel

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<sup>81</sup> Press Trust of India, "Rs 3400 crore for airports in North East: AAI chairman Guruprasad Mahapatra," *The Economic Times*, January 29, 2018, <https://economictimes.indiatimes.com/industry/transportation/airlines/-aviation/rs-3400-crore-for-airports-in-north-east-aa-chairman-guruprasad-mahapatra/articleshow/62699643.cms>

<sup>82</sup> Press Trust of India, "Guwahati airport to be upgraded for international operations," *The Economic Times*, December 19, 2017, <https://economictimes.indiatimes.com/industry/transportation/airlines/-aviation/guwahati-airport-to-be-upgraded-for-international-operations/articleshow/62135392.cms>

<sup>83</sup> Press Trust of India, "Bangladesh, India launch transshipment operations," *The Times of India*, June 16, 2016, <https://timesofindia.indiatimes.com/business/india-business/Bangladesh-India-launch-transshipment-operations/articleshow/52782294.cms>

<sup>84</sup> Press Trust of India, "Bangladesh Cabinet clears deal with India for port usage," *The Economic Times*, September 17, 2018, <https://economictimes.indiatimes.com/news/politics-and-nation/bangladesh-cabinet-clears-deal-with-india-for-port-usage/articleshow/65845913.cms>

anywhere within the other country, so long as they had a valid passport and visa. Driving across the border however, remains impossible until the finalization of the Motor Vehicles Agreement. Regardless, the agreement is an important step towards enhancing trade and tourism along the border.<sup>85</sup>

The facilities at the border crossings are also undergoing upgrades. A new Integrated Check Post (ICP) is being constructed at Moreh at an estimated at Rs 136 crore. The ICP will boast new facilities like passenger terminals, security and surveillance systems, cold storage, quarantine laboratories, warehouses, weigh bridges, cargo buildings, drivers rest area, etc.<sup>86</sup> Proposed back in 2003, the project has faced continued delays but has entered its final stages and is expected to be completed by end 2018.<sup>87</sup> Besides these initiatives, two major projects focusing on strengthening connectivity in the Northeast region are the IMTTH and the KMTTP, which will be elaborated in next section.

#### *India-Myanmar-Thailand Trilateral Highway (IMTTH)*

In 2002, India, Myanmar and Thailand decided to extend the India-Myanmar Friendship Road to Mae Sot.<sup>88</sup> This project would become known as the India-Myanmar-Thailand Trilateral Highway (IMTTH). The cross-border network is being financed by the three governments. Covering over 1,360 km, the highway would join Moreh in India, to Mae Sot in Thailand via Bagan and Mandalay in Myanmar.<sup>89</sup> The route of the IMTTH falls under the alignment of the Asian Highways 1 and 2 which are projects being pursued by the United

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<sup>85</sup> Subramanian, "Simply Put."

<sup>86</sup> Das, *Enhancing India-Myanmar Border Trade*, 26; Seshadri, "Transforming Connectivity Corridors," 46.

<sup>87</sup> Pratim Ranjan Bose, "Lack of inter-ministerial coordination impedes land port projects on the border," *The Hindu Business Line*, January 3, 2018, <https://www.thehindubusinessline.com/economy/logistics/lack-of-interministerial-coordination-impedes-land-port-projects-on-the-border/article10010305.ece>.

<sup>88</sup> Sudha Ramachandran, "The Trouble With India's Projects in Myanmar," *The Diplomat*, September 21, 2016, <https://thediplomat.com/2016/09/the-trouble-with-indias-projects-in-myanmar/>.

<sup>89</sup> De, "India: building connectivity under the Act East Policy," 258.

Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). Thus, its construction will contribute to segments of both highways.<sup>90</sup>

Construction of the highway began in 2005 and was estimated to cost USD 700 million.<sup>91</sup> As part of this project, India's Border Roads Organisation (BRO) conducted upgrades and repairs on the 160 km India-Myanmar Friendship Road (Tamu-Kalemyo-Kalewa section), at a cost of USD 27.28 million.<sup>92</sup> In September 2017, the National Highway Authority of India (NHAI) awarded a USD 176 million tender for upgrading of the 132 km Kalewa-Yargi section to a two lane highway, to be completed over three years, as shown in Figure 4.<sup>93</sup> India is also upgrading 69 bailey bridges built during the Second War World along the Tamu-Kalewa section.<sup>94</sup> New Delhi has committed almost Rs 4,000 crore in grant-in-aid assistance to Myanmar out of a total of a total commitment of USD 1.726 billion to support its various development projects including the IMTTH and the KMTTP.<sup>95</sup>

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<sup>90</sup> Yhome, "The Burma Roads," 1230.

<sup>91</sup> Ibid.

<sup>92</sup> De, "India: building connectivity under the Act East Policy," 258.

<sup>93</sup> "India awards tender for \$176m road upgrade in Sagaing Region," *Frontier Myanmar*, September 7, 2017, <https://frontiermyanmar.net/en/india-awards-tender-176m-road-upgrade-sagaing>.

<sup>94</sup> De, "India: building connectivity under the Act East Policy," 258.

<sup>95</sup> "PM Modi arrives in Myanmar on 3-day visit, meets President Htin Kyaw," *Hindustan Times*, September 5, 2017, <https://www.hindustantimes.com/india-news/pm-modi-arrives-in-myanmar-on-3-day-visit-rohingya-issue-to-figure-during-talks/story-n7JV0JgshI0WROCQaJeqKN.html>; Jyotika Sood, "India puts Myanmar highway project on the fast track," *Livemint*, September 7, 2017, <https://www.livemint.com/Companies/IPUpgapYWuqhH07OokYWIM/Punj-Llyod-JV-wins-Rs1177-crore-NHAI-project-in-Myanmar.html>

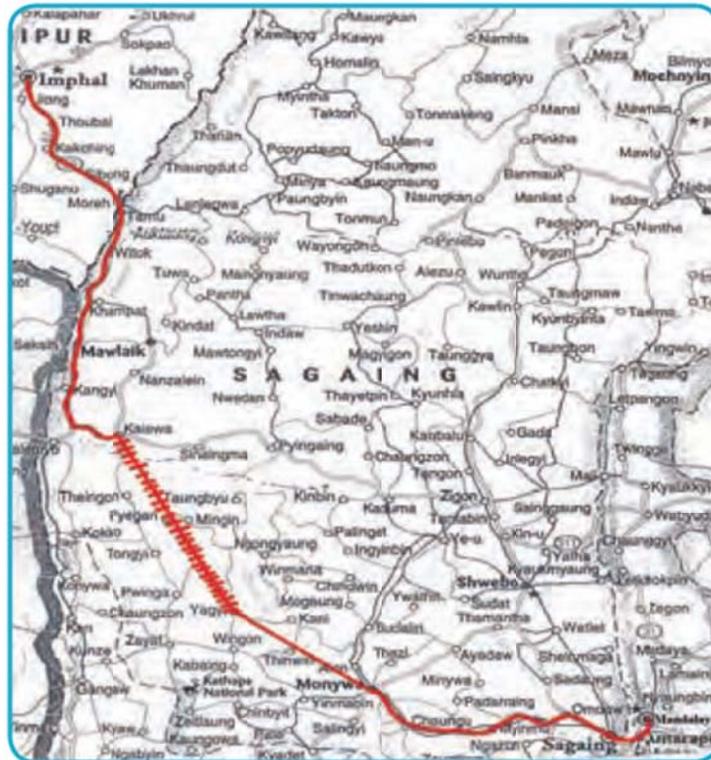


Figure 4: Section of the Trilateral Highway with Kalewa-Yargi highlighted. Seshadri, “Transforming Connectivity Corridors,” 21.

Myanmar will be responsible for upgrading the 65 km Yargi-Monywa section to highway standards shown in Figure 4. This will link to the Monywa-Mandalay-Hpa-An road which has already been completed.<sup>96</sup> In 2016, Myanmar also began upgrading works on the 66 km Eindu-Karaweik section after securing a USD 100 million loan from the ADB.<sup>97</sup> Thailand’s responsibility will cover the section from Hpa-An to Mae Sot on the Myanmar-Thai border.<sup>98</sup> The Thai government provided USD 4 million in aid to Myanmar for the upgrade and repair of a 17.4 km section at the Mae Sot-Myawaddy border crossing that was completed in 2008. This was followed by another grant of USD 37 million in 2012 for further

<sup>96</sup> Kiran Sharma, “Modi backs India-Myanmar-Thailand highway’s Indochina extension,” *Nikkei Asian Review*, December 29, 2017, <https://asia.nikkei.com/Politics-Economy/Economy/Modi-backs-India-Myanmar-Thailand-highway-extension>.

<sup>97</sup> Ibid.

<sup>98</sup> De, “India: building connectivity under the Act East Policy,” 258.

upgrading works at the border including the construction of a 28.6 km road linking the border to the town of Kawkareik and was completed in December 2013.<sup>99</sup> In February 2017, the Myanmar government also agreed to let Thailand finance the upgrade the 68 km Thaton-Ein Du section at a cost of USD 51 million.<sup>100</sup>

Since 2014, the three governments have been in negotiation to finalize and implement the India-Myanmar-Thailand Motor Vehicle Agreement which provides a framework for facilitating cross-border transport. Once completed, this agreement is expected to complement the physical road infrastructure on the IMTTH and greatly enhance connectivity between India and Southeast Asia.<sup>101</sup> There are also plans to extend the highway to Cambodia, Laos and Vietnam, which would eventually bring its total length to 3,200 km.<sup>102</sup> However, the project has been mired by slow progress. Despite the purported benefits of the project, delays have resulted from a “lack of essential institutional support and government commitments”.<sup>103</sup> The original completion date of 2015 has been pushed back repeatedly and the IMTTH is now expected to be ready only in 2020.<sup>104</sup>

#### *Kaladan Multi-modal Transit Transport Project (KMTTP)*

The KMTTP is a major project envisioned to allow goods to be transported from eastern Indian ports to Sittwe port in Myanmar and then to be carried multi-modally to Mizoram. The entire project is estimated to cost USD 450 million and will be entirely funded

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<sup>99</sup> Ibid.

<sup>100</sup> Ye Aung Thu, “Thailand offers \$51m highway upgrade, as trade mission boosts bilateral ties,” *Frontier Myanmar*, February 6, 2017, <https://frontiermyanmar.net/en/thailand-offers-51m-highway-upgrade-as-trade-mission-boosts-bilateral-ties>.

<sup>101</sup> Press Trust of India, “Govt, Asean in talks to take IMT highway up to Vietnam,” *The Indian Express*, December 12, 2017, <http://indianexpress.com/article/india/govt-asean-in-talks-to-take-imt-highway-up-to-vietnam-4979373/>.

<sup>102</sup> Sharma, “Modi backs India-Myanmar-Thailand.”

<sup>103</sup> De, “India: building connectivity under the Act East Policy,” 259.

<sup>104</sup> Sharma, “Modi backs India-Myanmar-Thailand.”

by the Indian government.<sup>105</sup> As shown in Figure 5, the project consists of two main parts: (1) the development of inland waterways transport (IWT) along the 158 km section of Kaladan River between the Sittwe and Paletwa in Myanmar; and (2) construction of a 109 km highway from Paletwa in Myanmar's Rakine state to Zorinpui in Mizoram on the India-Myanmar border. The entire project requires the construction of an integrated port at Sittwe to handle both sea traffic and IWT, development of the river channel between Sittwe and Paletwa, construction of another IWT-highway transshipment terminal at Paletwa and six IWT barges to transport cargo between Sittwe and Paletwa.<sup>106</sup>



Figure 5: The Kaladan Multi-modal Transit Transport Project. Seshadri, “Transforming Connectivity Corridors,” 31.

<sup>105</sup> “India blames Myanmar for Kaladan project delays,” *Frontier Myanmar*, November 24, 2017, <https://frontiermyanmar.net/en/india-blames-myanmar-for-kaladan-project-delays>.

<sup>106</sup> Seshadri, “Transforming Connectivity Corridors,” 29-32; De, “India: building connectivity under the Act East Policy,” 258.

India and Myanmar began discussions for the project in 2003 and signed a framework agreement in 2008 for the implementation of the KMTTP.<sup>107</sup> Protocols were also signed on issues related to facilitation, maintenance and administration of the KMTTP. However, further discussions will need to be made on issues such as licenses, authorization for transporters, insurance issues, exit and entry formalities, fixing of transit fees, etc. The agreement was also vague on whether goods from Mizoram and other Northeastern states could be traded with the Chin and Rakhine States through the use of this corridor.<sup>108</sup>

Construction of the projection formally began in December 2010 and was scheduled for completion by 2015.<sup>109</sup> Unfortunately, it faced problems right from the beginning. The original plan had called for the transshipment terminal to be built at Kaletwa, further inland. However, the early feasibility surveys had been poorly done and it was only after work began that authorities discovered that the Kaladan River was unnavigable beyond Paletwa. This meant that the transshipment terminal had to be relocated from the original Kaletwa to Paletwa, and the highway section lengthened from 48.5 km to 109 km.<sup>110</sup> Unsurprisingly, the changes resulted in significant delays and increases to the project costs. In October 2015, the project budget was escalated to Rs. 2,904 crore (USD 450 million) – nearly six times the 2008 estimate of Rs. 536 crore.<sup>111</sup> It was not until mid-2017 that the Sittwe port and Paletwa

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<sup>107</sup> Ramachandran, “The Trouble With India's Projects in Myanmar.”

<sup>108</sup> Seshadri, “Transforming Connectivity Corridors,” 31-32.

<sup>109</sup> Pratim Ranjan Bose, “Connectivity with Myanmar — the wait gets longer,” *The Hindu Business Line*, August 23, 2016, <https://www.thehindubusinessline.com/news/national/connectivity-with-myanmar-the-wait-gets-longer/article9022490.ece>.

<sup>110</sup> Ramachandran, “The Trouble With India's Projects in Myanmar.”

<sup>111</sup> Bose, “Connectivity with Myanmar”; Pratim Ranjan Bose, “India starts construction of India starts construction of ₹1,600-cr Mizoram-Myanmar Kaladan road,” *The Hindu Business Line*, April 17, 2018, <https://www.thehindubusinessline.com/news/india-starts-construction-of-1600-cr-mizoram-myanmar-kaladan-road/article23577107.ece>.

transshipment terminal were operational and the six promised barges handed over to Myanmar authorities.<sup>112</sup>

The construction of the highway section has also faced similar delays. The project was not taken up until the budget increase in October 2015. After a tendering process, the Rs 1,600 crore project was awarded to Delhi-based C&C Constructions in June 2017, with an expected completion date of 36 months. However, ground work could not begin until January 2018 due to the delayed issue of clearances from Myanmar authorities. Given Myanmar's monsoon season from April-May to September-October, the delay had cost a valuable portion of the window for favorable weather.<sup>113</sup>

Even then, simply bringing materials to the site proved a challenging task. Supplies were supposed to be transported overland via the town of Lawngtlai, in Mizoram. However, the construction of the 87 km Lawngtlai-Zorinpui road has itself faced delays over land acquisition difficulties, bad weather, diseases, and supply problems which have led to repeated work stoppages. In March 2018, it was reported that construction of the road from Lawngtlai had reached to within 3 km of Zorinpui. However, blacktopping had only been done on 41 km of the route, and official records listed the project as only 70% complete.<sup>114</sup>

With the delays in completing the Lawngtlai-Zorinpui supply route, the contractors working on the Zorinpui-Paletwa highway has been forced to focus efforts on the Paletwa end first. This necessitated shipping equipment by barges from Sittwe to Paletwa. However, the project continued to face bureaucratic delays in obtaining clearances from the Myanmar

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<sup>112</sup> "India to hand over six vessels worth \$81 million to Myanmar," *The Myanmar Times*, June 26, 2017, <https://www.mmtimes.com/national-news/26541-india-to-hand-over-six-vessels-worth-81-million-to-myanmar.html>.

<sup>113</sup> Bose, "India starts construction."

<sup>114</sup> Rajeev Bhattacharyya, "Road to nowhere: Agitating Mizoram landowners, escalating costs, dearth of records stall Kaladan project," *Firstpost*, March 15, 2018, <https://www.firstpost.com/india/road-to-nowhere-agitating-mizoram-landowners-escalating-costs-dearth-of-records-stall-kaladan-project-4388959.html>; Rajeev Bhattacharyya, "Road to nowhere: Kaladan project chugs ahead on treacherous terrain at high cost to human lives, resources," *Firstpost*, March 15, 2018, <https://www.firstpost.com/india/road-to-nowhere-kaladan-project-chugs-ahead-on-treacherous-terrain-at-high-cost-to-human-lives-resources-4391079.html>.

government to transport equipment to the site. In one instance, contractors had to wait two months to import some urgent spares from India. Currently, only the road component of the KMTTP remains outstanding but is expected to be completed by 2019-2020.<sup>115</sup>

## V. Factors influencing the success of connectivity initiatives

As the previous section has shown, there exist many barriers to the successful implementation of connectivity initiatives in the region. Their impact on the project can be felt in several ways. Firstly, they could increase the complexity and financial costs of completing the initiative, leading to delays and even cancellation. Secondly, they could hamper the implementation and utilization of the infrastructure, limiting its effectiveness. Lastly, the issues are themselves potential problems that can arise out of the *successful* implementation of the project. In some of these cases, the problems could be seen as offsetting the potential benefits of greater connectivity, resulting in a lack of interest in pursuing these initiatives. This in turn, can manifest as poor institutional support or funding, affecting the successful outcome of the project. This section will explore some of the factors.

### *Environmental Issues*

Some connectivity projects have faced resistance due to the potential impact they might have on the environment. The KMTTP for instance, lies in a region that is both isolated and ecologically diverse. Four environmentally protected areas – three in Myanmar and one in Mizoram – are situated in its vicinity.<sup>116</sup> Environmental protection groups, such as the Kaladan Movement have brought attention to the threat that coastal development would have

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<sup>115</sup> Bose, “India starts construction.”

<sup>116</sup> Kaladan Movement, *One cannot step into the same river twice: making the Kaladan Project people centred* (Chiang Mai: Wanida Press, June 2013), 36.

on the fragile marine and freshwater ecosystems. The route of the KMTTP's highway also requires clearing parts of Myanmar's evergreen rainforest – home to many rare species of plants, mammals and reptiles. Dredging of the Kaladan river could also result in pollution and destruction of habitats of local freshwater wildlife.<sup>117</sup> This could in turn, impact many of the local residents, 90% of whom depend on fishing and riverbank cultivation for their livelihood.<sup>118</sup> In fact, a major criticism of the project has been its opacity. Local residents have neither been consulted nor informed about the project and its potential ramifications.<sup>119</sup>

### *Land Acquisition*

An aspect of building connectivity infrastructure that has been rarely discussed is the need to acquire the necessary land for development. In cases where the required land is already occupied, the responsible authorities have to find means to vacate the area, which may be a challenge in itself; and if not handled carefully, could provoke public backlash against the project. In Myanmar for instance, there have been reports of residents being offered little to no compensation for lands, and even being forcefully evicted from their homes to make way for the development of the KMTTP and IMTTH.<sup>120</sup> In one case, villagers were reportedly offered 50 Kyats (0.6 of 1 US cent) for each banana tree lost.<sup>121</sup> The lack of transparency in Myanmar further creates opportunities for corrupt local officials as well as crony capitalists to confiscate land under the pretext of these projects. Unsurprisingly, this has fueled feelings of injustice and resentment among displaced local residents which has resulted in large-scale protests. The influence of such public demonstrations of anger should not be underestimated. In 2011, then-President Thein Sein was forced to suspend the

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<sup>117</sup> Ibid., 35.

<sup>118</sup> Ibid., 32.

<sup>119</sup> Ibid., 31.

<sup>120</sup> Ibid., 30-32; Sharma, "Modi backs India-Myanmar-Thailand."

<sup>121</sup> Kaladan Movement, *One cannot step*, 31.

Myitsone hydropower dam after widespread protests over the project's potential social and environmental impact.<sup>122</sup> Operations at the Letpadaung copper mine in Myanmar have also been repeatedly disrupted by protests over land compensation and environmental damage.<sup>123</sup>

India, which is accelerating its road building projects in its Northeast region has also faced land acquisition difficulties. Upgrading work on the 66 km Lawngtlai-Zorinpui road has been hindered by local residents demanding better compensation for land. *Bandhs* and blockades were organized to hinder movement of supplies and workers. The lack of land records further complicated the matter. One official described how huts began appearing near the alignment of the highway and cases of fraudulent 'land owners' trying to claim compensation.<sup>124</sup> Projects in other parts of India also face similar difficulties. In January 2018, it was reported that in Mizoram alone, Rs 6,000 crores worth of projects were facing delays due to land acquisition hurdles.<sup>125</sup>

### *Social Issues*

There are concerns that greater connectivity could lead to certain social problems. In India, there are fears that there would be an influx of illegal migrants like the Rohingyas from Myanmar and the Chakmas from Bangladesh. Not only could this lead to higher crime rates and greater competition for jobs, but their increased presence might cause latent ethnic issues to flare up. This is a major concern for state authorities in the Northeast, where ethnic

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<sup>122</sup> Nan Lwin, "Chinese Company Lobbies Locals on Reboot of Suspended Myitsone Dam Project," *The Irrawaddy*, September 13, 2018, <https://www.irrawaddy.com/news/burma/chinese-company-lobbies-locals-reboot-suspended-myitsone-dam-project.html>

<sup>123</sup> Aung Hla Tun, "Hundreds protest restart of China-backed copper mine in Myanmar," *Reuters*, May 6, 2016, <https://www.reuters.com/article/us-myanmar-mine-protests/hundreds-protest-restart-of-china-backed-copper-mine-in-myanmar-idUSKCN0XX15A>.

<sup>124</sup> Bhattacharyya, "Agitating Mizoram landowners."

<sup>125</sup> Press Trust of India, "States told overcome land hurdles in NE road projects," *The Economic Times*, January 26, 2018, <https://economictimes.indiatimes.com/news/economy/infrastructure/states-told-overcome-land-hurdles-in-ne-road-projects/articleshow/62661613.cms>

nationalism has fueled insurgencies and delayed economic progress in the region.<sup>126</sup> Opinion over connectivity projects has thus been divided in many Northeastern states, particularly Assam, which borders Myanmar.<sup>127</sup>

Ethnic division is also a major issue in Myanmar. The Rohingya are largely viewed as illegal migrants from neighbouring Bangladesh, although many have roots in Myanmar that goes back centuries.<sup>128</sup> Moreover, as a predominately Muslim group, they are often vilified by local ultra-nationalist Buddhist organizations like the Ma Ba Tha, which spread anti-Muslim rhetoric and encourage religious intolerance.<sup>129</sup> Tensions flared up in 2012 when there were large-scale riots between local communities of Buddhists and Rohingya Muslims in Myanmar's Rakhine State – which lies on an important section of the KMTTP – and resulted in the mass displacement of tens of thousands of people.<sup>130</sup> The subsequent nationalist backlash and international fallout from the incident made Myanmar extremely reluctant to pursue connectivity initiatives with neighbours, particularly Bangladesh, for fear of aggravating the 'Rohingya problem'.<sup>131</sup>

Myanmar also fears the effect of greater connectivity on its labour force. For the last few decades, there have been increasing numbers of Myanmar nationals migrating illegally into Thailand where wages are higher.<sup>132</sup> Today, these migrant workers number about two million and fill important gaps in the Thai labour market. However, this has created labour

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<sup>126</sup> Moe Thuzar, Rahul Mishra, Francis Hutchinson, Tin Maung Maung Than, and Termsak Chalermpanupap, "Implementation challenges and coordination arrangements," in *Connecting Asia: Infrastructure for Integrating South and Southeast Asia*, ed. Michael G. Plummer, Peter J. Morgan and Ganeshan Wignaraja (Northampton, MA: Edward Elgar, 2016), 174.

<sup>127</sup> ADB and ADBI, *Connecting South Asia and Southeast Asia*, 253.

<sup>128</sup> Thuzar et al., "Implementation challenges," 173; Eleanor Albert, "The Rohingya Crisis," *Council on Foreign Relations*, April 20, 2018, <https://www.cfr.org/background/rohingya-crisis>.

<sup>129</sup> Poppy McPherson, "'We must protect our country': extremist Buddhists target Mandalay's Muslims," *The Guardian*, May 8, 2017, <https://www.theguardian.com/cities/2017/may/08/buddhist-extremists-anti-muslim-mandalay-ma-ba-tha>.

<sup>130</sup> Mohammad Nurul Islam and Wa Lone, "Hundreds more Myanmar Rohingya flee to Bangladesh: aid workers," *Reuters*, November 22, 2016, <https://www.reuters.com/article/us-myanmar-rohingya/hundreds-more-myanmar-rohingya-flee-to-bangladesh-aid-workers-idUSKBN13H0EG>.

<sup>131</sup> ADB and ADBI, *Connecting South Asia and Southeast Asia*, 58, 252.

<sup>132</sup> Florento and Corpuz, "Myanmar: the land bridge," 237.

shortages of both skilled and unskilled workers in Myanmar. There is thus less incentive to pursue regional connectivity projects, which is seen as accelerating the outflow of labour from the country.<sup>133</sup>

The greater movement of people could also facilitate the spread of diseases across international borders. Strains of drug-resistant malaria first emerged in Myanmar and has subsequently appeared in Laos, Thailand and Vietnam, likely carried by the large numbers of Myanmar foreign workers.<sup>134</sup> Elephantiasis which was previously thought to be eradicated in Thailand resurfaced in September 2018, when a Myanmar migrant worker was diagnosed with the disease in Mae Sot.<sup>135</sup> Myanmar also has one of the world's highest prevalence rates of tuberculosis and HIV/AIDS.<sup>136</sup> Neighboring governments will need to have measures in place to prevent the spread of these diseases into their own countries.

### *Security Issues*

A major security concern in India's Northeast is China. The Northeast state of Arunachal Pradesh shares a long border with the Tibet Autonomous Region of China. The porous border is difficult to police, and Chinese drugs and weapons have been known to make their way across and into the hands of local insurgents.<sup>137</sup> China, which has made claims over Arunachal Pradesh, has also tried to assert its position, such as giving stapled visas to athletes visiting China from Arunachal Pradesh and setting up camps within the

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<sup>133</sup> ADB and ADBI, *Connecting South Asia and Southeast Asia*, 252.

<sup>134</sup> Panu Wongcha-um and Prapan Chankaew, "Thailand battles drug-resistant malaria strains that imperil global campaign," *Reuters*, December 15, 2017, [https://www.reuters.com/article/us-thailand-malaria/thailand-battles-drug-resistant-malaria-strains-that-imperil-global-campaign-idUSKBN1E90YR?utm\\_content=buffer7fa74&utm\\_medium=social&utm\\_source=twitter.com&utm\\_campaign=buffer](https://www.reuters.com/article/us-thailand-malaria/thailand-battles-drug-resistant-malaria-strains-that-imperil-global-campaign-idUSKBN1E90YR?utm_content=buffer7fa74&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer).

<sup>135</sup> Assawin Pinitwong, "Elephantiasis case in Tak," *Bangkok Post*, September 17, 2018, <https://www.bangkokpost.com/news/general/1541158/elephantiasis-case-in-tak>.

<sup>136</sup> Country Office for Myanmar, WHO, "Tuberculosis in Myanmar: Progress, Plans and Challenges," *World Health Organization*, 2018, <http://www.searo.who.int/myanmar/areas/TBinMyanmar.pdf?ua=1>

<sup>137</sup> Lyle Morris, "Is China Backing Indian Insurgents?" *The Diplomat*, March 22, 2011, <https://thediplomat.com/2011/03/is-china-backing-indian-insurgents/>.

territory itself. The ever-present fear of Chinese infiltration has made New Delhi hesitant in opening up the region fully.<sup>138</sup>

Another concern is that improving connectivity could aggravate problems such drug trafficking. India's Northeast region has one of the highest drug addiction rates in the country. Given its proximity to the Golden Triangle – the tri-junction of Myanmar, Thailand and Laos, which accounts for over 60% of the global drug trade – enhancing connectivity infrastructure could make it easier to bring drugs into India and South Asia.<sup>139</sup>

With multiple insurgent groups operating along the India-Myanmar and Myanmar-Thai border regions, there is a danger that their activities could threaten ongoing developments. In fact, clashes between Myanmar security forces and the Arakan Army insurgent group in late 2017 are likely to have been the cause of the delay in issuing clearances for the highway section of the KMTTP.<sup>140</sup> Moreover, there is also the possibility of connectivity infrastructures being misused by insurgent groups in the area. Enhanced cross-border movement could allow them to link up with different groups and evade monitoring by authorities much more easily.<sup>141</sup>

### *Economic Issues*

An important incentive for pursuing connectivity with regional neighbours is the promise of improved trade relations. However, this is also one of the main reasons why Myanmar seems to have shown less enthusiasm for connectivity projects with India.

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<sup>138</sup> Sampa Kundu, "India-Myanmar-Northeast India: Challenges and the Way Forward," *Himalayan and Central Asian Studies* 18, nos. 1-2 (2014): 128.

<sup>139</sup> ADB and ADBI, *Connecting South Asia and Southeast Asia*, 253; "Drug abuse on a high in Northeast," *The Telegraph*, June 27, 2016, <https://www.telegraphindia.com/states/north-east/drug-abuse-on-a-high-in-northeast/cid/1414157>.

<sup>140</sup> "1,300 Chin State villagers flee to India to escape Tatmadaw, Arakan Army clashes," *Frontier Myanmar*, November 29, 2017, <https://frontiermyanmar.net/en/1300-chin-state-villagers-flee-to-india-to-escape-tatmadaw-arakan-army-clashes>.

<sup>141</sup> ADB and ADBI, *Connecting South Asia and Southeast Asia*, 254.

Myanmar's border trade with India which peaked at USD 88 million in 2016-2017, is minuscule when compared to that with China at USD 6 billion, and even Thailand at USD 1.37 billion for the same year.<sup>142</sup> Moreover, as previous sections have mentioned, there is little trade potential even if connectivity is enhanced, given the low trade complementarity. The potentially low economic returns provide little motivation to invest more time and resources into these projects.

Similarly, the fear of greater competition in certain economic sectors might also weaken interest in connectivity initiatives. India and ASEAN signed a Free Trade Agreement (FTA) in goods in 2009, and implemented it in 2010. However, progress on a FTA for services and investment has progressed much slower. Signed in 2014, two out of the ten ASEAN countries – Indonesia and Cambodia – have yet to ratify the agreement. Their reluctance is due to India's advantage across specific service sectors, such as information technology, engineering, education and medical care. Liberalization of trade in services would lead to an influx of these professionals from India and compete for jobs with the locals.<sup>143</sup>

### *Facilitating Policies*

The importance of having good policies in place to complement the physical infrastructure cannot be underestimated. In the case of Bangladesh, the signing of transit agreements allowed India to transport goods through its territory and shortened delivery times to the Northeast region. Similarly, it was only with the relaxation of border security regulations that movement between India and Myanmar was made easier. While India has

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<sup>142</sup> Data obtained from Ministry of Commerce, "Export/Import Border Trade Situation of Myanmar."

<sup>143</sup> Nayanima Basu, "Trade remains sore point between India, ASEAN," *The Hindu Business Line*, January 24, 2018, <https://www.thehindubusinessline.com/economy/policy/trade-remains-sore-point-between-india-asean/article10049949.ece>; ADB and ADDBI, *Connecting South Asia and Southeast Asia*, 256.

made significant progress in pursuing policies to open up the Northeast region, it still has a long road ahead. The Motor Vehicles Agreement will need to be finalized to complement the IMTTH and allow the highway to be utilized to its full potential. The protocols for administering the KMTTP must also be further discussed and discrepancies ironed out for smooth implementation.

### *Poor Coordination*

By its very nature, the complexity and scope of developing connectivity infrastructure requires the close coordination of multiple agencies, and even different national governments. Unfortunately, poor coordination among responsible stakeholders has plagued many of India's connectivity projects. The Indian ICP project for instance, has been plagued by inter-ministerial issues such as disagreements over facility design, disputes over land use, and poor communication, which have all resulted in unnecessary delays and cost overruns.<sup>144</sup> At the state level, a border dispute with Myanmar in December 2013 even caused work on the Moreh ICP to be temporarily halted.<sup>145</sup> Moreover, although works on the Moreh ICP is nearing completion, Myanmar has yet to even begin construction of corresponding facilities at Tamu, nor has the agreement for ICP-based trade been finalized.<sup>146</sup> Until India resolves these issues with Myanmar, completion of the Moreh ICP will have little impact on trade.

Poor coordination has also cost delays for the KMTTP. As mentioned, it took seven years of discussions between India and Myanmar before construction finally began in 2010. It was only then that the location of the transshipment terminal was found to be unsuitable, necessitating changes to the plans and escalation of costs. After the terminal was completed

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<sup>144</sup> Bose, "Lack of inter-ministerial coordination."

<sup>145</sup> Times News Network, "Checkpost site at Moreh our land, says Myanmar," *The Times of India*, December 25, 2013, <https://timesofindia.indiatimes.com/city/guwahati/Checkpost-site-at-Moreh-our-land-says-Myanmar/articleshow/27872516.cms>.

<sup>146</sup> Bose, "Lack of inter-ministerial coordination."

by India and handed over to Myanmar, the latter failed to continue dredging activities, leading to a drop in the port draft, and making the river section unnavigable. India was forced to take over operations to resolve the issue. Work on the highway section has also faced delays from Myanmar authorities in obtaining clearances to start work and even transporting equipment to the work site.<sup>147</sup>

## VI. Conclusion

This paper has shown that the link drawn between connectivity and development in the Northeast is highly questionable. Many factors have contributed to the Northeast's present state of poverty and underdevelopment. Despite large amounts of funding, issues such as poor management and corruption has resulted in low levels of industrialization and human capacity development, in turn, creating a relationship of dependence on the central government. This problem is further exacerbated by the highly securitized environment, making the movement of people and goods difficult.

This is reflected in the international trade figures. While there is potential for the future growth of India-ASEAN trade, there are far more barriers to India-Myanmar trade. Compared to other bilateral partners, their economies have less trade complementarity, making them seem more like competitors. India's Northeast region – the bridge into Myanmar and the rest of Southeast Asia – lacks the industrial capacity to produce the manufactured goods that Myanmar most demands. Instead, most of Myanmar's imports from India are produced in the mainland, and are transported via sea, bypassing the Northeast entirely. Even if greater land connectivity is established, the Northeast will merely be seen as

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<sup>147</sup> Pratim Ranjan Bose, "Delay in Myanmar approvals holds up Kaladan road project," *The Hindu Business Line*, November 23, 2017, <https://www.thehindubusinessline.com/economy/logistics/delay-in-myanmar-approvals-holds-up-kaladan-road-project/article9970931.ece>

a ‘transit point’ before the goods arrive at their destination elsewhere. To avoid this, priority must be given to development of industries which improve trade complementarity with Myanmar and other Southeast Asian members. Otherwise, the Northeast will benefit little in terms of trade or the promised ‘development’.

Another assumption is that land traffic across the border will increase once the transport infrastructures are in place. This is uncertain. Despite improvements in border infrastructure in the form of roads and facilities, the region remains plagued by problems such as the prevalence of crime and violence, issues with the border trade regime, etc., which will continue to drive up transaction costs. Indeed, as examples in this paper has demonstrated, good policies – i.e. *soft* connectivity – is just as, if not more important than physical infrastructure – i.e. *hard* connectivity. For traders to be enticed away from using sea transport, New Delhi would have to demonstrate that using the overland route is *cheaper* and *safer*. This will require India adopting policies to calm its restive border region, as well as coordinating a more liberal trade regime with Myanmar.

The connectivity initiatives themselves have not been smooth sailing. Many face resistance from local communities over potential environmental damage and unfair land acquisition. Implementation of initiatives also experience delays due to fear of economic competition, the long negotiation process for agreements, and poor coordination among parties at various levels. Moreover, it is possible that once completed, these connectivity infrastructures could create additional problems such as aggravating social, economic and security issues.

In short, enhancing connectivity alone is not the silver bullet to solving the Northeast’s development problems. Instead, it should be pursued in tandem with solving other underlying problems like creating viable industries and enforcing greater oversight.

Also, policies need to be in place to facilitate the movement of people and goods once the physical infrastructure is ready. This includes easing trade restrictions and also reducing the criminal activities along the border. Authorities must also have plans in place to counter any negative ramifications of their connectivity projects so that their benefits are not offset by more problems. Once all this is in place, then *perhaps*, the Northeast would begin to reap the benefits of ‘connectivity’.

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