

Background Papers **1**

Trilateral Highway and Northeast India: Economic Linkages, Challenges and Way Forward

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The Trilateral Highway and Northeast India: Economic Linkages, Challenges, and the Way Forward

Background paper

By Prabir De, Priyadarshi Dash, and Durairaj Kumarasamy

1. Introduction

The North Eastern Region of India (NER), consisting of the states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim (Figure 1), is India's natural resource powerhouse. The region is endowed with not only vast natural resources, such as oil, natural gas and hydropower, but also agro-climatic conditions that help the region to grow some of the country's best agro-forestry products. A well-educated labour force, relatively high literacy rate, and access to clean water are some of its unique strengths over other Indian states. The NER is also surrounded by an international border, serving as India's gateway to the east. Against these strengths, there are weaknesses and threats that emanate to a large extent from the difficult terrain of the region and inadequate infrastructure.¹ These pose some of the greatest constraints to economic growth, thereby nullifying the NER's border advantage. Transport and logistics bottlenecks have long been identified as serious constraints to the growth of the NER.²

Figure 1: North Eastern Region of India



Source: Maps of India (www.mapsofindia.com).

¹ See, for example, Sarma and Bezbaruah (2009).

² See, for example, De (2011), Brunner (2010), RIS (2012a), and De and Kunaka (2019), to mention a few.

Overall, trade and transportation infrastructure in the NER is dominated by the distribution of goods and products that are sourced mostly from the rest of India. The region lags behind the rest of India in the pace of economic growth and has a relatively small regional market.³ Trade has special significance for the economies of the NER states. However, the region's growth potential is considerably high due to its geographical proximity to the growing Southeast and East Asian markets. Given its geographical location, an enhanced engagement with the Association of Southeast Asian Nations (ASEAN) under the Act East Policy (AEP) may generate new economic opportunities, thereby fuelling growth in the NER, *ceteris paribus*.⁴

The NER is central to the AEP. The AEP is designed to provide economic opportunities to the NER to benefit from its vast border and vibrant neighbours. The NER's value chain potential can be unlocked if border infrastructure and transportation networks, in particular, are improved.⁵ In other words, improvements in the border infrastructure coupled with enhanced transportation networks with Southeast Asia may provide new economic opportunities to the NER.⁶

To strengthen the connectivity between India and ASEAN, the Trilateral Highway (TLH) between India, Myanmar, and Thailand is being developed, and there is a plan to extend the TLH to Cambodia, the Lao People's Democratic Republic (Lao PDR), and Viet Nam.⁷ Completion of the TLH is likely to facilitate faster movement of goods and people between India and ASEAN⁸ and add growth impetus to the NER.⁹

The aim of this study is to shed light on the economic principles underlying the NER market and to offer new ideas on how its potential can be better exploited in view of the TLH development. As the NER will be at the forefront of the TLH on the Indian side, this study aims to assess the status of the economic linkages of the NER, identify the constraints behind and at the India–Myanmar border, and recommend policy measures to augment the linkages between the NER and Southeast Asia. This study also reviews the institutional arrangements and identifies key elements that may hinder the movement of goods and people across the India–Myanmar border along the TLH.

The rest of the study is organised as follows. Section 2 discusses the rationale for an integration synergy for the NER, followed by a presentation of the trade scenario between India and Myanmar with particular focus on the NER in Section 3. Section 4 reviews the physical and institutional infrastructures profile of the NER in view of current and envisaged infrastructure linkages between the NER and Myanmar. Section 5 then discusses the developmental impact of the Trilateral Highway on the NER. Challenges to development and integration are then briefed in Section 6 along with a set of recommendations. Finally, Section 7 concludes.

³ The total population is around 46 million (2011 census), with 70% living in Assam alone.

⁴ See, for example, Kathuria and Mathur (2019)

⁵ See De and Majumdar (2014), Singh (2020), and Das (2020).

⁶ See, for example, Sarma and Choudhury (2018).

⁷ At the ASEAN–India Informal Breakfast Summit on 15 November 2018, the Leaders welcomed India's proposal for a study by the Economic Research Institute for ASEAN and East Asia (ERIA) on developing an economic corridor along the TH and the feasibility of its extension to Cambodia, the Lao PDR and Viet Nam. See <https://asean.org/chairmans-statement-asean-india-informal-breakfast-summit/>.

⁸ See Kimura and Umezaki (2011), Kumagai and Isono (2011), and De (2016), to mention a few.

⁹ See, for example, De et al. (2019).

2. Rationale of an Integration Synergy for the NER

The NER is a US\$43 billion economy, contributing about 2% to Indian GDP. Assam is the largest economy in the NER; the state alone contributes 57% of the NER's gross domestic product (GDP) (Table 1). Services are the mainstay of the economies of the NER states, accounting for 62% of the region's GDP and comprising a major source of employment and livelihood in the region. Except for Sikkim, the remaining NER states are services-driven, which is very much consistent with the national trend. The agriculture sector contributes almost 27% to the NER's GDP, which is another lifeline to the region's economy.

In contrast, industry has a small share (10%) in the NER's economy. The existing industries of the NER include coke and refined petroleum products, food products, and a range of manufactured products including wood, furniture, beverages, pharmaceuticals, metal products, rubber, and plastics products.¹⁰ Industries requiring large-scale production, such as petrochemicals, cement, steel, and sugar, are not present despite the fact that the region is a rich source of the basic raw materials required as inputs for such industries.

Table 1: Economic Profile of the NER

State	Per Capita NSDP [§] (2017–18)	NSDP [§] (2017–18)	Share of GSDP [#]			Annualised Growth Rate of NGDP (2011–12 to 2017–18)
			Agriculture	Industry	Services	
	US\$	US\$ billion	%			%
Arunachal Pradesh	1,528.0	2.29	38.84	3.78	57.37	6.7
Assam*	781.5	24.45	30.68	14.60	54.72	6.2
Manipur	784.9	2.48	16.78	3.44	79.78	5.9
Meghalaya	989.1	2.91	27.25	6.89	65.86	1.6
Mizoram	1,590.6	1.87	29.97	0.86	69.18	10.6
Nagaland*	947.8	1.94	29.69	1.57	68.73	4.7
Sikkim	3,073.9	2.10	7.80	48.05	44.13	6.2
Tripura	2,151.2	4.84	37.11	5.57	57.32	10.6
NER**	1,480.88	42.88 [^]	27.27	10.10	62.14	6.5
India	1533.8	2,018.60	20.29	17.84	61.87	6.7

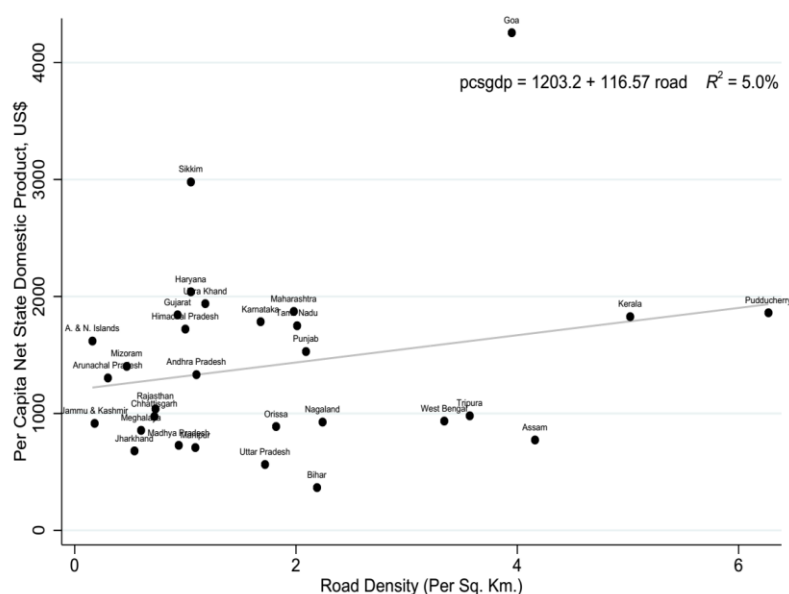
Notes: GSDP = gross state domestic product; NSPD = net state domestic product.

*Values for 2016–17; # share of GSDP is based on 2016–17; § taken at constant price at base 2011–12; ** simple average of eight NER states as applicable; ^ total of NER states.

Source: Calculated based on the Economic Survey of India, Ministry of Finance, Government of India; and The Handbook of Indian Economy, Reserve Bank of India

¹⁰ Based on NEC Databank.

Figure 2: Per Capita Income vs. Infrastructure Development, 2016–17



Source: Authors' own based on the Handbook of Indian Economy, Reserve Bank of India; and National Highway Authority of India (NHAI).

The per capita income of most of the NER states is relatively higher than the average for other Indian states, except Mizoram, Sikkim, and Tripura (Table 1).¹¹ In terms of per capita income, Sikkim is the richest state in the NER, followed by Tripura and Mizoram. The economic growth rates of most of the NER states are growing close to the average growth rate of other Indian states, except Mizoram and Tripura. Today, the rise in construction of public utilities in the NER is, thus, a manifestation of the NER's growth. The region is presently seeing the construction of roads and highways, bridges, railways, airports, land port, and many other such projects.¹²

However, the NER suffers from infrastructure deficits. The region requires more quality infrastructure, both physical and social. A high level of infrastructure investment is a precursor to economic growth.¹³ The scatter diagram in Figure 1 shows a positive association between road density and per capita income amongst the Indian states, thereby suggesting enormous scope for further improving the income level of Indian states with higher capital accumulation. At the same time, the NER lags behind other Indian states in terms of technological progress and capital accumulation, which are essential for growth and development. The NER's capital accumulation base is abysmally low, and technological progress is rather slow. Infrastructure investment is, therefore, needed not only to build the national infrastructure but also to strengthen its capital accumulation.¹⁴

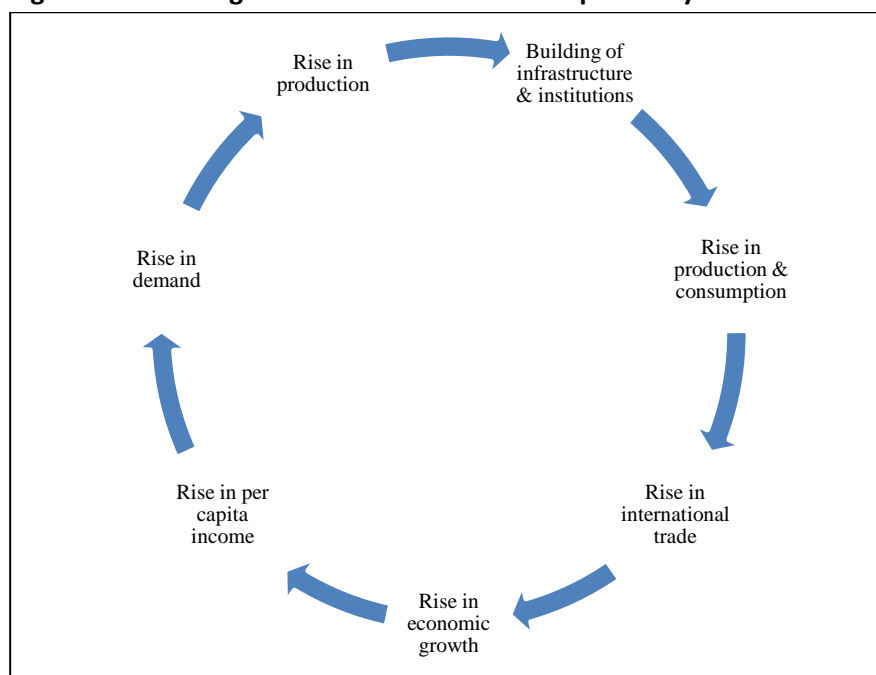
¹¹ The data are based on per capita NSDP in US dollars at the current price for the year 2017–18.

¹² See, for example, NITI Aayog (2018).

¹³ See, Barro (1990), for example.

¹⁴ Several studies argue that the NER needs major improvements in its border infrastructure, particularly to facilitate trade and investment with Bangladesh and Myanmar. See, for example, Das and Purkaystha (2010), RIS (2012a, 2012b), De and Ray (2013), De and Majumdar (2014), Dutta (2015), and Das (2020).

Figure 3: Removing Economic Isolation: Development Cycles for the NER



Source: De and Majumdar (2014).

From the supply side, strengthening the NER's current level of trade and economic linkages with the neighbouring countries would need infrastructure and institutional support, which gradually will facilitate growth and remove the region from economic isolation (Figure 2). Investment in physical and institutional infrastructure may augment production, both within and across borders, and enhance the growth of the region.

Considering the above, building infrastructure networks, such as the TLH and its potential extension to the Mekong subregion, may facilitate trade and integration between India and Mekong (CLMV-T) countries. Synergy between them may enable them to realise the benefits of economic integration and generate new growth potential for the NER.

3. India's Trade with Myanmar: Trends and the Changing Profile

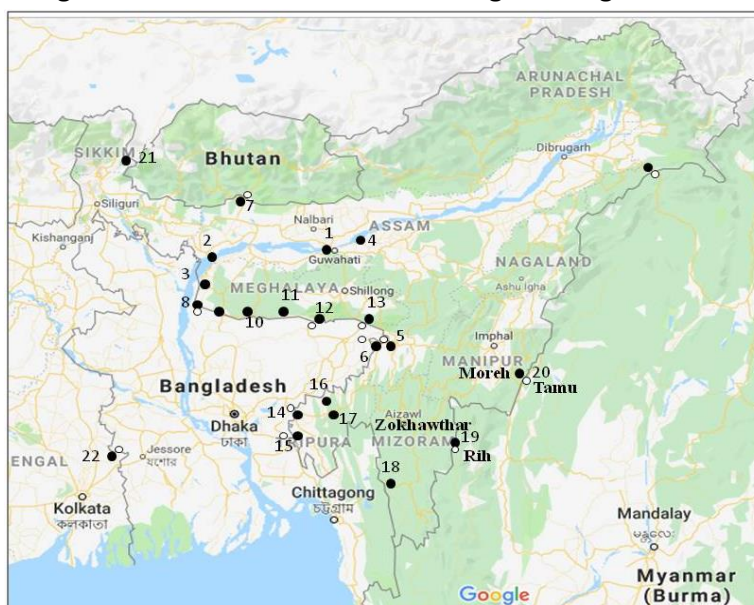
Trade has special significance for the NER's states. The NER's border is 98%, international with neighbouring countries like China, Bhutan, Myanmar, and Bangladesh (Table 2). Myanmar shares a 1,643 km international border with the NER in the states of Arunachal Pradesh (520 km), Manipur (389 km), Mizoram (510 km), and Nagaland (215 km). India and Bangladesh share 4,091 km of international borders, out of which the NER's share is almost 1,880 km (wherein 1,434 km is land border and 446 km is riverine tract). Four NER states, Assam, Meghalaya, Tripura and Mizoram, have international borders with Bangladesh. The NER conducts border trade with Bangladesh, through multiple land custom stations (LCSs), and also with other neighbouring countries such as Bhutan, Nepal, China and Myanmar, respectively (Figure 4). However, a large part of the NER's international border with Bangladesh is porous.

Table 2: Length of International Borders of NER States (km)

State/Country	Bangladesh	Bhutan	China	Myanmar	Nepal	Total
Arunachal Pradesh	-	217	1,080	520	-	1,817
Assam	263	267	-	-	-	530
Manipur	-	-	-	389	--	398
Meghalaya	443	-	-	-	-	443
Mizoram	318	-	-	510	-	828
Nagaland	-	-	-	215	-	215
Sikkim	-	32	220	-	97.8	350
Tripura	856	-	-	-	-	856
Total	1,880	516	1,300	1,643	97.8	-

Source: Ministry of Development of North Eastern Region, Government of India.

Figure 4: NER's Border Posts with Neighbouring Countries



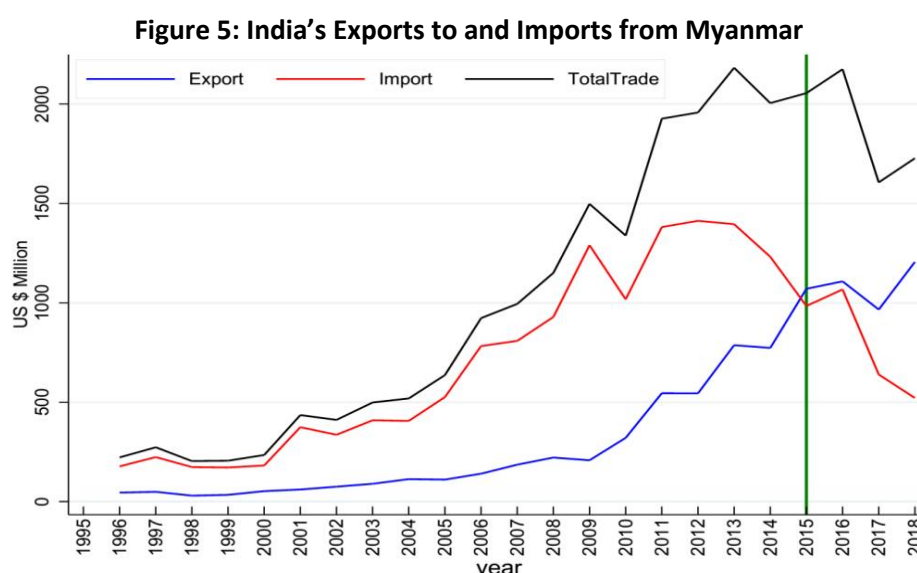
Note: ● Indian-side Land Custom Station (LCS); ○ Neighbouring country-side LCS. Refer to Appendix 1 for the list of border posts.

Source: ASEAN–India Centre (AIC), RIS.

Although four NER states share an international border with Myanmar, border trade with Myanmar only happens through Moreh in Manipur and Zokhawthar in Mizoram. The India–Myanmar Border Trade Agreement was signed on 21 January 1994, and trade started through the LCSs of Moreh in Manipur, Zokhawthar in Mizoram, and Nampong in Arunachal Pradesh. Out of the three LCSs, only Moreh and Zokhawthar are functional border posts. Border trade through Moreh in Manipur (India) to Tamu in Myanmar was formally started on 12 April 1995, while border trade through Zokhawthar in Mizoram began operating on 30 January 2004, with a new LCS built by the Border Roads Organisation (BRO) on 14 September 2007.

3.1 Trends in Bilateral Trade

India and Myanmar signed a trade agreement in 1970. Myanmar is India's FTA partner in ASEAN. In addition, India offers duty-free and quota-free market access to Myanmar. Bilateral trade between them has grown steadily and reached US\$2.17 billion in 2016 (Figure 3). India's introduction of quotas on pulses imports and hikes in duty prices of about 40% on imports of betel nuts from Myanmar led to a decline in India's formal imports from Myanmar from 2016 onwards. Myanmar maintained a trade surplus with India until 2015, which turned into a trade deficit thereafter.



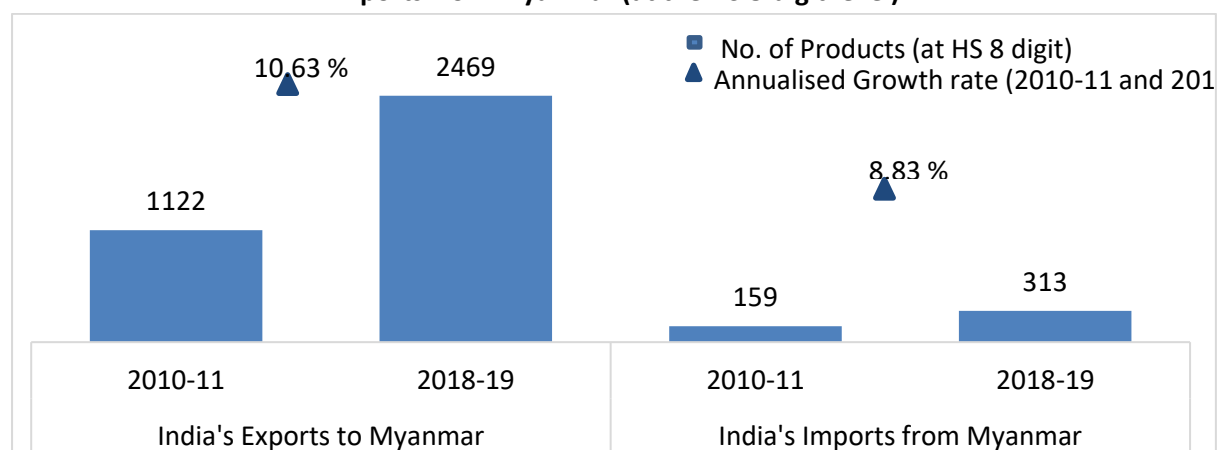
Source: Export–Import Databank, Government of India.

Notwithstanding the decline of bilateral trade in recent years, both India and Myanmar have significantly increased their exchange of goods. For instance, India has significantly increased its number of products exported to Myanmar from 1,122 in 2010–11 to 2,469 in 2018–19, showing a rise of 10.63% per annum between 2010–11 and 2018–19. Similarly, Myanmar has almost doubled the number of products exported to India from 159 in 2010–11 to 313 in 2018–19 (Figure 4). This suggests higher consumer confidence in the economies, thereby opening further scope for trade creation between the two countries.

The rising merchandise trade between the two countries also indicates that India's exports to Myanmar are relatively well-diversified, whereas India's imports from Myanmar are concentrated amongst a few products. India's exports to Myanmar at the HS 2-digit level primarily includes pharmaceuticals, iron and steel, electrical equipment, sugars and sugar confectionery, minerals,

machinery and mechanical appliances, cotton, and food processing, amongst others, which together accounted for about 84% of India's total exports to Myanmar in 2017–18 (Table 3). On the other, India's imports from Myanmar at the HS 2-digit level are edible vegetables, roots and tubers, wood and wood products, iron and steel, lead articles, coffee and tea, seafoods, medicinal seeds and plants, and rubber, amongst others, which together accounted for about 99% of India's total imports from Myanmar in 2017–18 (Table 4). Most of the bilateral trade is, however, routed through the ocean.

Figure 6: Number of Products Traded in India's Exports to and Imports from Myanmar (at the HS 8-digit level)



Source: Export–Import Databank, Government of India.

Table 3: India's Major Commodity Exports to Myanmar (at the HS 2-digit level)

HS Code	Commodity	2018–2019 (US\$ million)	Share in 2018–19, %	CAGR (2010–11 to 2018–19), %
30	Pharmaceutical Products	199.67	16.56	15.76
27	Mineral Fuels, Mineral Oils and Products of Their Distillation; Bituminous Substances; Mineral Waxes	198.29	16.45	68.03
17	Sugars and Sugar Confectionery	126.12	10.46	25.10
2	Meat and Edible Meat Offal	124.11	10.29	7.14
87	Vehicles Other Than Railway or Tramway Rolling Stock, and Parts and Accessories Thereof	71.67	5.94	37.53
85	Electrical Machinery and Equipment and Parts Thereof; Sound Recorders and Reproducers, Television Image and Sound Recorders and Reproducers, and Parts	61.86	5.13	17.63
84	Nuclear Reactors, Boilers, Machinery and Mechanical Appliances; Parts Thereof	55.91	4.64	14.00
23	Residues and Waste from the Food Industries; Prepared Animal Fodder	46.66	3.87	13.65
52	Cotton	46.49	3.86	22.18
5	Products of Animal Origin, Not Elsewhere Specified or Included	26.94	2.23	34.54
72	Iron and Steel	23.95	1.99	1.21
61	Articles of Apparel and Clothing Accessories, Knitted or Crocheted	21.03	1.74	34.03
39	Plastic and Articles Thereof	16	1.33	13.31
73	Articles of Iron or Steel	15.62	1.30	8.01

Source: Export–Import Databank, Government of India.

Table 4: India's Major Commodity Imports from Myanmar (at the HS 2-digit level)

HS Code	Commodity	2018–19 (US\$ million)	Share in 2018–19, %	CAGR (2010–11 to 2018–19), %
7	Edible Vegetables and Certain Roots and Tubers	370.43	71.03	-5.26
44	Wood and Articles of Wood; Wood Charcoal	92.25	17.69	-17.24
79	Zinc and Articles Thereof	12.05	2.31	-
72	Iron and Steel	8.86	1.70	-
40	Rubber and Articles Thereof	6.07	1.16	11.40
12	Oil Seeds and Olea. Fruits; Misc. Grains, Seeds and Fruit; Industrial or Medicinal Plants; Straw and Fodder	5.76	1.10	36.79
9	Coffee, Tea, Mate, and Spices	5.23	1.00	7.47
3	Fish and Crustaceans, Molluscs and Other Aquatic Invertebrates	4.08	0.78	57.09
76	Aluminium and Articles Thereof	3.94	0.76	77.49
41	Raw Hides and Skins (Other Than Fur Skins) and Leather	2.16	0.41	-8.89
62	Articles of Apparel and Clothing Accessories, Not Knitted or Crocheted	1.45	0.28	-
61	Articles of Apparel and Clothing Accessories, Knitted or Crocheted	1.4	0.27	-
64	Footwear, Gaiters and the Like; Parts of Such Articles	1.25	0.24	-
51	Wool, Fine, or Coarse Animal Hair, Horsehair Yarn and Woven Fabric	0.96	0.18	-
26	Ores, Slag, and Ash	0.91	0.17	21.63
87	Vehicles Other Than Railway or Tramway Rolling Stock, and Parts and Accessories Thereof	0.75	0.14	49.53
84	Nuclear Reactors, Boilers, Machinery and Mechanical Appliances; Parts Thereof	0.67	0.13	35.20
96	Miscellaneous Manufactured Articles	0.52	0.10	8.05

Source: Export–Import Databank, Government of India.

Table 5: India's Exports to Myanmar and the Potential in 2018 (at the HS 6-digit level)

HS Code	Product Label	India's Actual Exports to Myanmar	India's Export Potential
		(US\$ million)	
	All products	1,234.65	1,447.1
871120	Motorcycles, incl. mopeds, with reciprocating internal combustion piston engine of a cylinder	6.23	249.5
210111	Extracts, essences and concentrates, of coffee	0.76	31.0
300450	Medicaments containing provitamins, vitamins, incl. natural concentrates and derivatives thereof	12.89	22.4
300420	Medicaments containing antibiotics, put up in measured doses, incl. those in the form of transdermal	18.96	21.3
870422	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston	0.32	19.5
730820	Towers and lattice masts, of iron or steel	6.43	19.4
840890	Compression-ignition internal combustion piston engine 'diesel or semi-diesel engine'	0.05	18.7
390210	Polypropylene, in primary forms	5.99	15.4
842959	Self-propelled mechanical shovels, excavators and shovel loaders (excluding self-propelled)	1.58	14.3
670300	Human hair, dressed, thinned, bleached or otherwise worked; wool, other animal hair or other	2.99	13.8
050100	Human hair, unworked, whether or not washed or scoured; waste of human hair	24.79	12.9
300410	Medicaments containing penicillin or derivatives thereof with a penicillanic acid structure,	10.72	11.6
840999	Parts suitable for use solely or principally with compression-ignition internal combustion	0.40	10.8
721049	Flat-rolled products of iron or non-alloy steel, of a width of ≥ 600 mm, hot-rolled or cold-rolled	0.38	10.7
850421	Liquid dielectric transformers, having a power handling capacity ≤ 650 kVA	0.22	9.3

Source: ITC.

Overall, India's total export potential was about US\$1.45 billion in 2018, compared to India's actual exports of US\$1.23 billion to Myanmar. India has export potential in sectors such as automobiles, pharmaceuticals, food processing items, mineral products, and iron and steel (Table 5). This unmet potential may offer new business opportunities, provided the barriers to trade are removed.

Comparing the major exports and imports between India and Myanmar, there are very few products that are traded through the land borders of India and Myanmar. Border trade potential between India and Myanmar is yet to be unlocked. Myanmar is the entry/exit point to and from ASEAN. Therefore, the completion of the TLH may generate new demand for trade through the land border, particularly via Moreh and Tamu.

Trade improves the social and economic conditions of the people who are directly participating in the trade.¹⁵ To boost exports from the NER in general and Manipur in particular, the northeastern states have to create adequate infrastructure for the promotion of export-oriented units and a business environment that facilitates cross-border linkages. For instance, some of the small and medium-sized enterprises (SMEs) located in and around Imphal city engaging in production activities such as for PVC pipes, plastics, garments, processed foods, electrical, etc. also export to Myanmar through the Moreh Integrated Check Post (ICP). Local industries may switch over to the land border for their trade with overseas partners once the TLH is completed. Therefore, assessing the current profile of border trade between India and Myanmar is important in order to make an appropriate strategy-driven connectivity programme for stimulating regional development in the NER.

3.2 Trade and Movement of Passengers at the India–Myanmar Border

Border trade started operating between the two countries in 1969. From 1990 to 1992, only Indian goods were exported to Myanmar. There were no exports coming from Myanmar to India. In 1992, legal trade based on barter systems on locally produced items within the radius of 40 km on either side of the border started between the two countries and continued till 2006. The agreement initially allowed 22 items to be traded under this system in 1995 (Table 6) with the mandate that imports and exports had to be balanced by exporting/importing goods of equivalent value within six months. Both exporters and importers trading up to US\$20,000 had to produce an Importer Exporter Certificate from the Director General of Foreign Trade (DGFT), and complete Guarantee Receipt (GR) formalities (required only if the value exceeded US\$1,000 and by way of head-load cargoes or a non-motorized transport system).¹⁶ In addition, 18 more items in 2008 and 22 items in 2012 were added to the list of tradable items for border trade (Table 6). Since 2015, formal trade based on the most-favoured-nation principle started between the two countries. Even though normal trade started at the border, no duty drawbacks or trade preferences were extended to traders at the border.

¹⁵ There is plenty of literature to show the relation between trade and poverty linkages. See, for example, World Bank (2018).

¹⁶ See Kshetrimayum (2010) for more details.

Table 6: Number of Permitted Items for Border Trade between India and Myanmar

Sr. No.	Old and Additional Items Permitted for Border Trade
1	A total of 22 commodities/items notified by DGFT Public Notice No. 289(PN)/92-97 dated 10 April 1995
	1. Bamboo, 2. Betel nuts and leaves, 3. Chillies, 4. Coriander seeds, 5. Food items for local consumption, 6. Fresh vegetables, 7. Fruits, 8. Garlic, 9. Ginger, 10. Katha, 11. Minor forest products (excluding teak), 12. Mustard/rapeseed, 13. Onions, 14. Pulses and beans, 15. Reed brooms, 16. Resin, 17. Roasted sunflower seeds, 18. Sesame, 19. Soya beans, 20. Spices (excluding nutmeg, mace, cloves, cassia, and cinnamon), 21. Tobacco, 22. Tomatoes.
2	A total of 18 commodities/items notified by DGFT Public Notice No. 106(RE-2008)/2004-2009 dated 7 November 2008
	1. Agarbatti, 2. Bicycle spare parts, 3. Blades, 4. Bulbs, 5. Cosmetics, 6. Cotton fabrics, 7. Fertilisers, 8. Imitation jewellery, 9. Insecticides, 10. Leather footwear, 11. Life-saving drugs, 12. Menthol, 13. Mosquito coils, 14. Paints and varnishes, 15. Spices, 16. Stainless steel utensils, 17. Sugar and tomato, salt, 18. X-ray paper and photo paper.
3	A total of 22 new commodities/items added and notified by DGFT Public Notice No. 30 (RE2012)/2009-2014 dated 16 November 2012
	1. Agricultural machinery/equipment/tools, 2. Bicycles, 3. Bleaching powder, 4. Coal, 5. Edible oil, 6. Electrical and electric appliances, 7. Fabricated steel products, 8. Garments/readymade garments/cloths, 9. Handlooms and handicraft items, 10. Hardware/minor construction materials and electrical fittings, 11. Lime, 12. Medicines, 13. Milk powder, tea, edible oil, beverages, 14. Motor cycles and motor cycle spare parts, 15. Other items, such as electronic/musical instruments, stationery items, torch lights, 16. Plastic items: water tanks, buckets, chairs, plastic pipes and briefcase, 17. Rice, wheat, maize, millets and oats, 18. Scented tobacco, 19. Semi-precious stones, 20. Sewing machines, 21. Textile fabrics, 22. Two/three wheelers/cars below 100 CC.

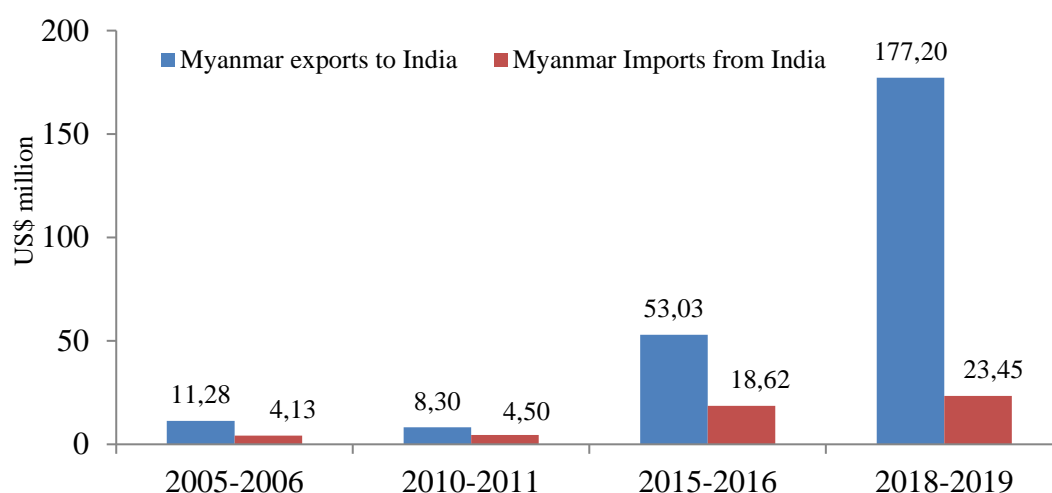
Source: Authors, based on secondary sources.

The border trade between India and Myanmar has increased significantly since 2005 (Figure 7(a)). However, the bilateral border trade volume between India and Myanmar is not substantial when compared with Myanmar's border trade with China or Thailand (see Figure 7(b)).¹⁷ The bilateral border trade volume may go up if we factor in the volume of informal trade between India and Myanmar. A substantial part of the bilateral trade at the Moreh–Tamu border is carried out informally. In the formal sector, Myanmar's exports to India through the Tamu border have increased from US\$11.28 million in 2005–06 to US\$177.20 million in 2018–19. Meanwhile, India's exports to Myanmar through Moreh have increased from US\$4 million in 2005–06 to only US\$23.45 million in 2018–19. India's major exports to Myanmar through Moreh are high-speed diesel, wallpaper, wheat flour, methyl bromide, and fertiliser; whereas, India's major imports from Myanmar through Moreh are betel nuts, fresh vegetables, and fruits¹⁸ (Table 7).

¹⁷ See Annexe 2 for port trade and the growth in total trade between 2015 and 2018.

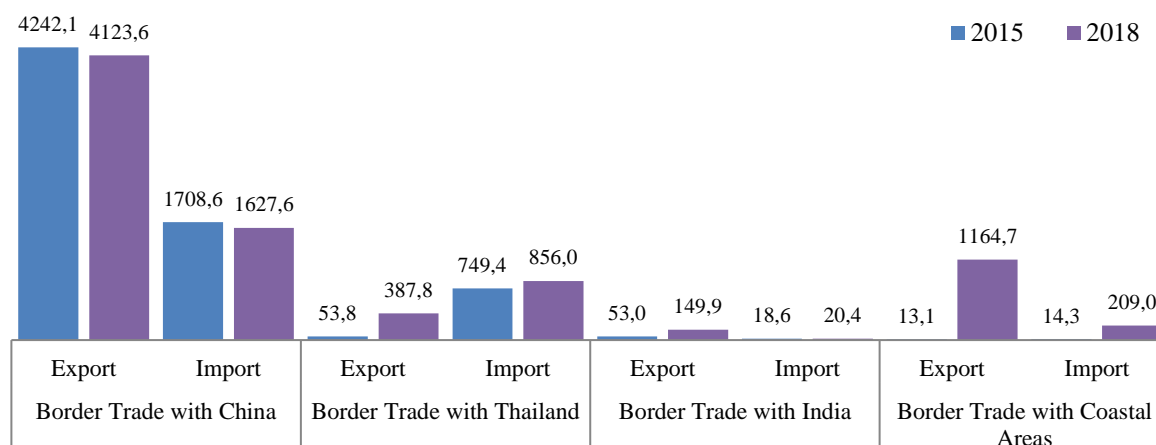
¹⁸ Exports through the ICP in 2018–2019: (i) February 2019: pesticides (methyl bromide), one cargo of 5,000 kg, US\$36,600; (ii) March 2019: wallpaper, one consignment of 940 kg, US\$37,000; and (iii) April 2019: High-speed diesel, 16.95 metric tons, US\$11,230

Figure 7(a): India–Myanmar Border Trade at the Moreh–Tamu Border



Source: Embassy of India, Yangon (from 2005–06 onwards) and 2018–19 data from Myanmar Customs, Ministry of Commerce, Myanmar.

Figure 7(b): Myanmar's Border Trade with Neighbouring Countries (US\$ million)



Note: China: Muse, Lwejel, Chin Shwehaw, Kanpitete, Kyaing Tong; Thailand: Tarchileik, Myawaddy, Mawtaung, Mese; India: Tamu and Rhi and Coastal Areas: Nabulae/Htee Khee, Mawtaung, Mese, Sittwe, Maung Daw.

Source: Ministry of Commerce, Government of Myanmar.

Table 7: Major Commodities Traded between India and Myanmar via the Land Border

India's Exports to Myanmar	India's Imports from Myanmar
High-speed diesel, wheat flour, wallpaper, methyl bromide, fertiliser, soya bean meal, pharmaceuticals, motorbikes, non-alloy steel, oil cakes, cotton yarn and auto parts	Betel nuts, dry ginger, green mung beans, turmeric roots, ginger, saffron, bay leaves, medicinal herbs, fresh vegetables and fruits, fishery items

Note: Data collected during January–December 2019.

Source: RIS Survey (2019).

Table 8: Indian Exports to Myanmar

Sr. No.	HS Code	Commodity	2018–19		2017–18	
			Value	Share in Total Bilateral Exports	Value	Share in Total Bilateral Export
			(US\$ million)	(%)	(US\$ million)	(%)
1	27101930	High-speed Diesel	46.210	3.833	21.000	2.173
2	38089122	Methyl bromide	0.070	0.006	-	0.000
3	48149000	Other wallpaper and wall coverings	0.010	0.001	0.020	0.002
		Total bilateral export	1,205.60		966.19	

Source: Export–Import Databank, Government of India.

Table 9: Trends in Indian Imports of Betel Nuts from Myanmar

Year	Import of Betel Nuts		Total Imports from Myanmar	Share of Betel Nut Imports in Total Imports from Myanmar
	HS 8028010 – Whole	HS 8028020 – Split		
	(US\$ million)			(%)
2018–19	-	-	457.10	
2017–18	-	-	639.64	
2016–17	0.91	5.50	1,067.25	0.006
2015–16	2.05	12.65	984.27	0.015
2014–15	2.87	4.81	1,231.54	0.006
2013–14	0.64	0.70	1,395.67	0.001
2012–13	3.93	-	1,412.69	0.003
2011–12	0.20	-	1,381.15	0.000
2010–11	0.82	-	1,017.67	0.001
2009–10	1.71	-	1,289.80	0.001
2008–09	0.12	-	928.97	0.000
2007–08	3.14	-	808.63	0.004
2006–07	0.59	-	782.65	0.001
2005–06	0.62	-	525.96	0.001
2004–05	1.00	-	405.91	0.002
2003–04	1.49	-	409.01	0.004
2002–03	2.23	0.01	336.04	0.007
2001–02	1.18	-	374.43	0.003
2000–01	1.91	0.68	181.69	0.014

Note: Data are on imports through official routes.

Source: Export–Import Databank, Government of India.

Myanmar's exports to India do not pay any export duty for those items that are allowed to be exported to India. However, some of Myanmar's exports pay 2% duty to the Myanmar government. At present, 13 items are not allowed to be exported from Myanmar to India, and three items are not allowed to be imported from India to Myanmar. Out of the 10,000 tariff line export products, only 3,500 tariff line products need an export license. On the other hand, only 4,800 tariff line products need an import license. The rest of the products do not require any license and can be exported and imported without major documentation or compliance. The Tamu Chamber of Commerce is the nodal agency involved in facilitating Myanmar's trade with India through the Tamu border.

The major export item from Myanmar to India is primarily betel nuts (Table 9). Myanmar, being a least developed country (LDC), receives duty-free quota market access from India. However, India has raised the import duty on betel nuts from 0% to 40%. As a result, imports of betel nuts from Myanmar to India through formal channels has considerably fallen from US\$1067.25 million in 2016–17 to US\$457 million in 2018–19. However, this has encouraged the rise of informal trade of betel nuts through the land border.¹⁹

A major disadvantage to border trade is the lack of trade complementarities between India's NE and Myanmar. Both regions share very similar economic structures, where agriculture and resource extraction dominate. Northeast India produces mainly tea, coal, limestone, fruits and vegetables, etc. and lacks the industrial capacity to produce the manufactured goods that Myanmar needs.²⁰ This suggests that most of the border trade consists of informal trade (third-country goods), which brings arguably lower economic benefits to the region. Additionally, the overland route carries high transaction costs, which make it a far less desirable option compared to ocean transport.²¹

3.3 Passenger Movement between India and Myanmar through Moreh

Passenger movement through the Tamu and Moreh border has increased considerably over the last few years (Figure 8a). The passenger movement has picked up since the border was opened for passenger movement between the two countries at Moreh and Tamu on 8 August 2018.²² The monthly passenger movement between Tamu and Moreh has increased significantly from about 200 in August 2018 to 800 in March 2019 (Figure 8b). Passenger movement at Moreh declined in 2019–20 compared to 2018–19. About 40–45% of annual visas have been issued by the Indian Missions in Myanmar to Myanmar nationals only to travel to India through the land border. Most of the Myanmar nationals visit India for the purposes of business, tourism, pilgrimage, medical, etc. Medical tourism between the two countries has been successful (e.g. the case of Shija Hospital in Imphal). People from Manipur, on the other hand, would like to visit Myanmar for the purposes of culture, tourism, business, etc. For Myanmar nationals, travel to India via Tamu is relatively cheaper. The movement of people via the Tamu border has gone up, particularly after the opening of the ICP at Moreh.

¹⁹ Indian Customs claim that betel nut consignments that enter into India through Moreh are not necessarily of Myanmar origin. While Indian Customs insist on COO for imports of betel nuts, the Myanmar authority at Tamu claims that the green betel nut variety is produced in Kalay town in Sagaing region and areas along the Chindwin River (RIS Survey, 2019).

²⁰ See, for example, Nath (2018).

²¹ See, for example, Chong (2018).

²² This benefit was also extended to all other border points across Myanmar. Third-country nationals with valid visas can enter and/or exit from any land border post that has been notified by Myanmar.

Figure 8(a): Passenger Movement at the Moreh–Tamu Border

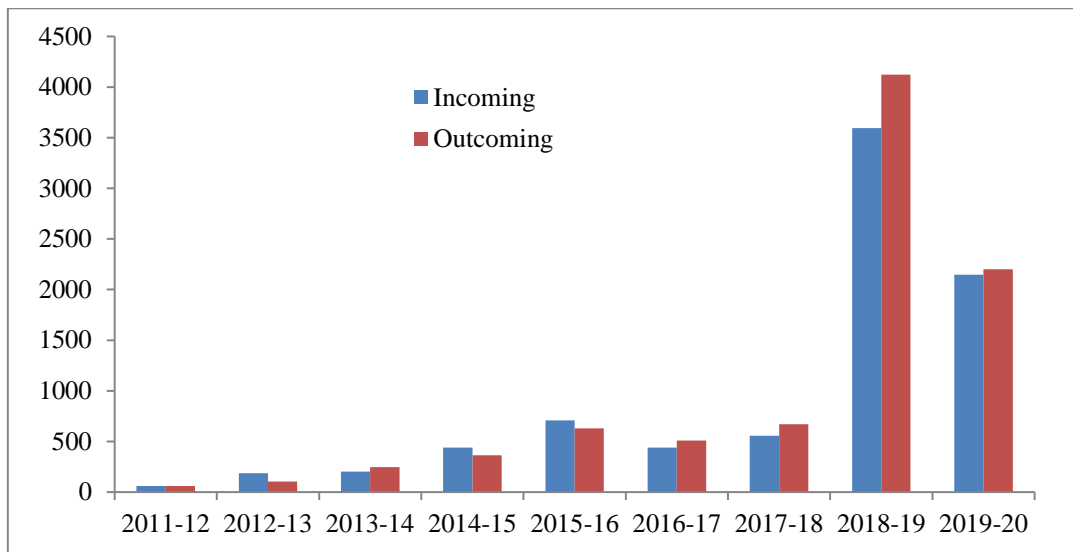
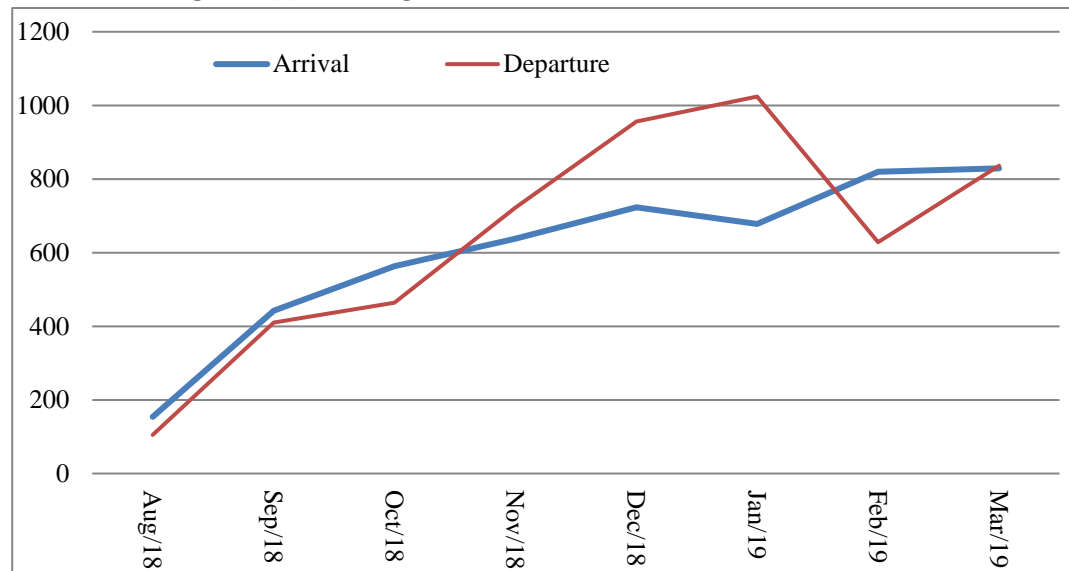


Figure 8(b): Passenger Movement at the Moreh–Tamu Border



Source: RIS Survey based on the Land Port Authority of India (LPAI), Government of India.

4. Border Infrastructure and Behind the Border Linkages

The distance between Moreh and Imphal, the capital of Manipur, is 110 km. Road is the only mode of transportation for goods and services. The widening of the highway linking Imphal to Moreh (NH 102) is under construction. This is the main highway that connects India with Southeast Asia and carries the trade between them.

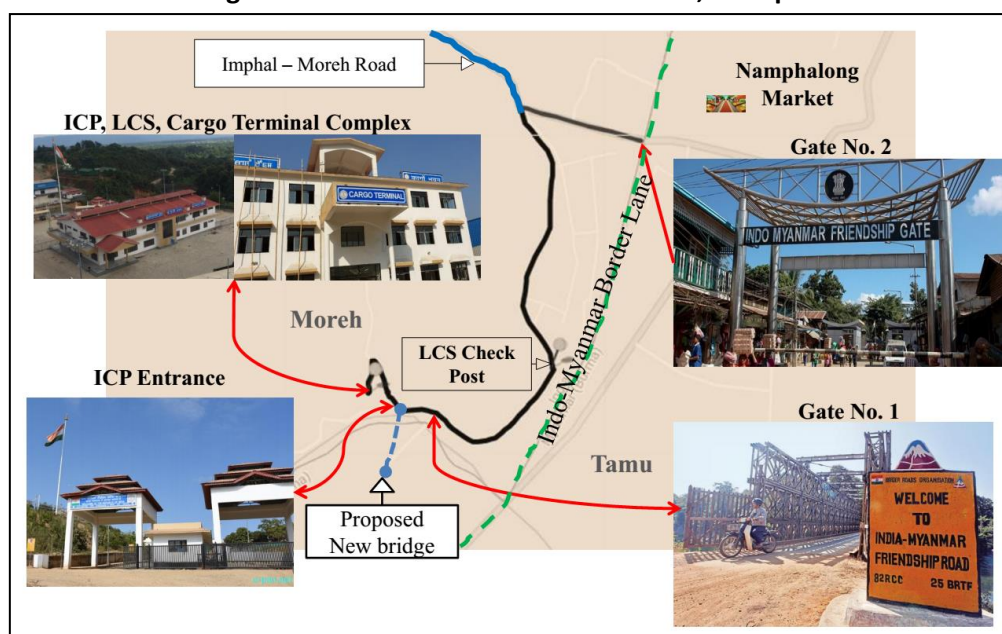
4.1 Border Infrastructure

Moreh and Tamu are two important border towns. India and Myanmar signed the Border Trade Agreement (BTA) on 21 January 1994, and the agreement came into effect on 12 April 1995. Under this agreement, border trade between the two countries is permitted for select items that attract a duty of 5% to be routed through designated trading points. The cross-border trade is fully functional between India and Myanmar in two LCSs they are LCS Moreh in Manipur and Tamu in the Sagaing Division of Myanmar and LCS Zokhawthar in Mizoram and Rih (or Rhi) in the Chin State of Myanmar.

4.1.1 Moreh Market

The border town Moreh is located in the Chandel district of Manipur. It lies to the southeast of Manipur on the Indo-Myanmar border. Tamu town in the Sagaing district in Myanmar is the corresponding border town of Moreh. About 81% of the local population is involved in non-agricultural activities.²³ Located on Asian Highway I, Moreh is India's entry point to Southeast Asian countries.

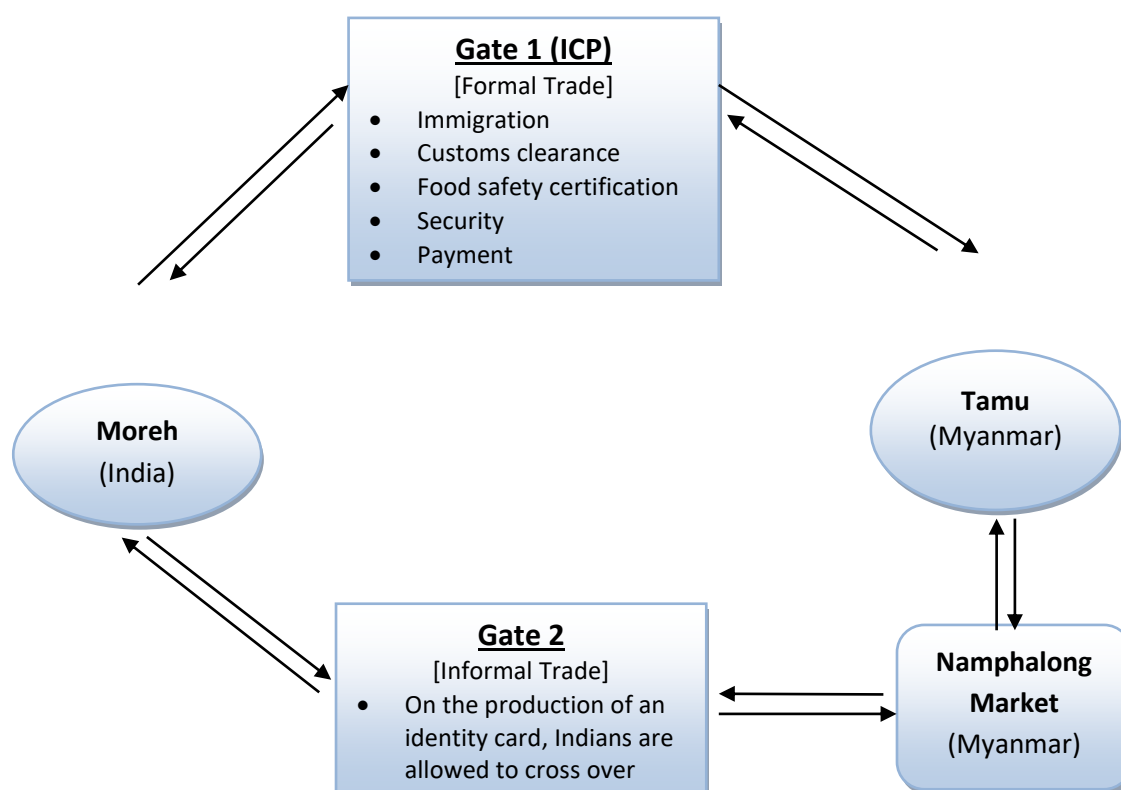
Figure 9: Border Infrastructure at Moreh, Manipur



Source: RIS Survey (2019).

²³ According to the 2011 census.

Figure 10: Trade Procedures at Moreh



Source: RIS Survey (2019).

The cross-border trade at Moreh takes place through Gate No.1 and Gate No. 2 (Figure 9). The current trade procedures are illustrated in Figure 10. Gate No.1 is the regulated trade route as per the standard operating procedure (SOP) between the two countries. LCS Moreh and ICP Moreh are located near Gate No. 1. Gate No. 2 is an entry or exit for passengers and head-load cargoes between India and Myanmar. Namphalong Market in Tamu is adjacent to Gate No. 2, and is a well-developed market. It sells not only goods from Myanmar but also goods originating from third countries, such as China, the Republic of Korea, Japan, and Thailand, amongst others. Namphalong market has active Indian buyers who take a permit from the gate for entry, pay for the goods purchased in Indian rupees, and return with head-loads. There is an absence of customs checks and a lack of health and safety checks of the products that are coming through Gate No. 2. Trade through Gate No. 2 is permitted for local residents who are settled within a radius of 40 km on both sides of the border of India and Myanmar. Moreh's main market, commonly known as the Morning Bazaar, is located near border Gate Number 2.

4.1.2 Tamu Market

Tamu, erstwhile Kabaw Valley, is situated in Sagaing Division in northwest Myanmar. It is an important commercial town for cross-border business between the two countries. It was also a hub for smuggled goods from Thailand and China that are transported to India. It is the counterpart LCS of Moreh. On average, 30 cargo trucks come to Tamu every day with export cargoes to India.²⁴ At Tamu, the border infrastructure is relatively sufficient. However, the infrastructure at Tamu should

²⁴ The weight of each truck is about 12–13 tons. Source: RIS Survey (2019).

be enhanced to meet the rising trade and passengers between the two countries in view of the operation of the TLH from 2021 onwards. In Tamu, there are only eight customs officials, which are sufficient at present, but the number must be increased once the TLH becomes operational. Tamu provides warehouses, cargo sheds, parking for vehicles, immigration, customs, and plant and quarantine facilities. Unlike the ICP at Moreh, Tamu does not have border infrastructures in one place. Nevertheless, both the countries need to work together for the improvement of the trading infrastructure at the border and to update the SOP to deal with the rising trade. The documents required for import are an invoice, packing list, sales contract, and company profile. Licenses for exports and imports are also needed. The items that do not need a license can go straight to customs and then can be exported to India.

4.1.3 ICP at Moreh

The Integrated Check Post (ICP) is a trade centre for the facilitation of bilateral trade between India and Myanmar as well as for the movement of passengers between the borders. The ICP started its operations from 8 August 2018. ICP Moreh is located on NH 102 on the India–Myanmar border in the Tengnoupal district, about 110 km from Imphal. The total area of the ICP is 38.34 acres. The Land Port Authority of India (LPAI) is yet to get physical possession of the ICP from the Government of Manipur. The Government of India has approved about Rs130 million for the development of ICP Moreh.

The operations at ICP Moreh commenced with the Passengers Terminal on 15 March 2018, and immigration facilities started functioning from 8 August 2018. Since then, Moreh ICP has started handling passengers coming to India. In 2018–19, ICP Moreh handled 1,436 incoming passengers from Myanmar and 1,620 outgoing passengers from India to Myanmar.²⁵ The majority of the Myanmar nationals come to Manipur for medical treatment, and some of them also enter India for tourism purposes. For example, when there is a sports festival (football), tourist flows from Myanmar to India go up. ICP Moreh is expected to generate employment, promote trade between India and Myanmar, and foster connectivity and trade facilitation with the neighbouring countries.

Table 10: Current Status of Facilities at ICP Moreh

Sl. No.	Facilities	Present Status
1	Warehousing	Cargo terminal construction is in the completion stage, with an 800 square metre capacity storage area for dry cargo. It will be ready by the end of 2020.
2	Cold Storage	Construction is ongoing with a 400 square metre capacity storage area for perishable goods.
3	Banking	Provision for a banking space is ready and rental free but not yet functional. The Land Customs Station (LCS) has invited State Bank of India (SBI) and Union Bank of India (UBI) to open a branch.
4	Foreign Exchange Facility	UBI is authorised to do foreign exchange.
5	Weighing Bridge	Completed

²⁵ See the Land Port Authority of India website (www.lpai.gov.in) for further details.

6	Plant Quarantine	Not ready yet
7	Food Safety and Standard Authority of India (FSSAI)	Space is allotted for the laboratory of FSSAI and is yet to come. FSSAI activities are managed by the Manipur State Food Safety Department. All the laboratories under the FSSAI should be National Accreditation Board for Testing and Calibration Laboratories (NABL) certified.
8	Internet Bandwidth	The current internet speed is only 8 Mbps, which has to be enhanced further. At present, trade at Moreh through the LCS is handled on a manual basis. The LCS is planning to introduce an Electronic and Data Interchange, which requires more internet speed.
9.	Human Resources	At ICP: one regular post and 13 people are presently working on a contractual basis. At LCS: 3 inspectors, 2 havildars, and 1 superintendent
10.	Security	Four security persons deployed by Assam Rifles
11.	Electricity	Power supply is available but with occasional power cuts. In the case of a power cut, a diesel generator is available.
12.	Medical facility	Not yet ready
13.	Public Conveniences	Space for public conveniences is available and already functional
14.	Parking Space	Available

Source: RIS Survey (2019).

The construction of the ICP is almost in the completion stage and includes a passenger terminal, cargo terminal, customs processing, immigration clearance, import warehouse, electric sub-station, parking, rummaging sheds, weighbridge, security and surveillance, banks/ATMs, drivers' rest area, public conveniences, and a monumental national flag. The current status of the facilities at ICP Moreh is given in Table 10.

LCS Moreh is housed in a departmental building located near Gate No. 1 but is under consideration to be shifted to the ICP complex. Plant and quarantine facilities are available at LCS Moreh. However, the plant and quarantine facilities are yet to be used. Moreh and Tamu border posts should be kept open 24/7 for trade and tourism purposes.

4.2 Financial Infrastructure

Four banks are currently operating in Moreh: State Bank of India (SBI), United Bank of India (UBI), UCO Bank, and Axis Bank. These four banks mostly cater to the demand for banking and other financial services. The four banks have one ATM each placed in different locations of Moreh town. Amongst the four, UBI is the officially designated foreign exchange dealer in Moreh. Banking and financial transactions are substantial, taking into account the level of economic activities in Moreh and the reported border trade taking place between the two countries through the Moreh–Tamu border.

Based on preliminary sources, the current average daily deposits of SBI and UBI are to the tune of between Rs4–5 million and Rs10 million, respectively. SBI has approximately 7,000 savings accounts and 300 current accounts, whereas UBI maintains 8,000 savings accounts and 300 current accounts. In the case of border trade, no special payment arrangement, including a letter of credit, exists between India and Myanmar. Although there is no provision of a letter of credit, trade-related transactions, which are mostly conducted through current accounts, constitute a substantial part of the banking business in Moreh. The RIS Survey (2019) found that around 90% of the total deposit mobilisation of UBI per day (approximately Rs9 million) is linked to border trade. Likewise, current account transactions of SBI are approximately Rs3–4 million per day.

Banks operating in Moreh expect that local business and trade will grow once the Trilateral Highway (TLH) becomes operational. While the need for more human resources is often highlighted, with technological modernisation and proper clearing and settlement mechanisms, the banks would be able to handle the possible rise in demand for financial services associated with higher border trade.

Banks also provide financing to local traders and businesses along with mandated commitments of priority sector lending and Micro Units Development and Refinance Agency (MUDRA) loans.²⁶ Loans extended by SBI are approximately Rs170 million, and about 100 SMEs are financed by the bank. Similarly, UBI has provided 300 MUDRA loans, mostly for the purpose of variety stores/shops. While the lending portfolio of UBI has grown over the years, the bank does not have any large exposure to a single borrower, thereby reducing the cumulative risk of default.

In the case of trade-linked banking services, both SBI and UBI are considering the proposal of opening extension counters at ICP Moreh, especially for foreign exchange-related services. Both SBI and UBI underscore the importance of improving the trade environment in the Imphal–Moreh region and suggest a number of policy and institutional reforms. As informal trade with Myanmar through Moreh continues to remain a challenge, banks believe in positive outcomes of incentives, like bank guarantees, letters of credit, faster payment settlement, bilateral banking arrangements, rupee trade, and so on. In particular, UBI is keen to provide bank guarantees for local traders engaged in border trade. Since foreign exchange transactions are likely to increase in the future, UBI needs proper technology for validating the foreign currency notes as the risk of fake currency circulation is high. Despite being the official dealer of foreign exchange, the bank does not sell any foreign currency to the traders. The customers and traders are only allowed to convert foreign currencies to the Indian rupee.

Summary

There are several challenges, including shortages of staff, lack of electricity, lack of good-quality internet, absence of accommodation for officials, and other social infrastructure. At the moment, only the passenger terminal has been opened. Moreh ICP has started accepting people coming from Myanmar to India and vice versa. The cargo terminal is not yet ready. However, construction is in the final stage. The biggest challenge is bank transfers. Trade does not happen through a bank Letter of

²⁶ MUDRA is a refinancing Institution. MUDRA does not lend directly to micro-entrepreneurs/individuals. Mudra loans under Pradhan Mantri Mudra Yojana (PMMY) can be availed from nearby branch offices of a bank, NBFC, MFIs, etc.

Credit (LC). There must be a formal banking facility. Transactions between the two countries should follow the LC system.

The Government of India may extend a transport subsidy to the exporters located in Imphal and Moreh. This subsidy would help them to compete with bigger exporters who are not from the region.

The Sagaing province of Myanmar is a big market for Indian goods. Greater cooperation to promote trade and investment is needed between Manipur and Sagaing. Completion of the construction of the TLH and the replacement of bridges will strengthen the trade and investment linkages between India and Myanmar.

Tourism is another potential for business and is yet to be unlocked. People from Myanmar would like to travel to Bodh Gaya. They can cross the border at Moreh and reach Imphal, then take a flight for Kolkata or Guwahati for their onward journey to Patna or Bodh Gaya. The Manipur government may also consider setting up a guest house for Buddhist travellers.

Greater linkages between SMEs in the two countries, particularly in the border areas, will pave the way for higher trade and value chains. Some potential exporters have been SMEs, which can do business between the two countries in the areas of processed foods, automobiles, steel items, textiles, and apparel, etc.

E-visas are yet to be accepted at the Moreh border by Indian Immigration. However, the border pass is pending from the Indian side, whereas the Myanmar side has already started the border pass.

An electronic mode of trade, instead of a manual system, must be introduced. India–Myanmar trade can also be conducted in the local currencies (rupee-kyat).

In view of international trade at Moreh and Tamu, food safety should be strengthened, both at the Moreh border and Imphal. The activities of the Food Safety and Standard Authority of India (FSSAI) are managed by the Manipur State Food Safety Department. All the laboratories under the FSSAI should be National Accreditation Board for Testing and Calibration Laboratories (NABL) certified. A microbiology section of the FSSAI Lab is not yet developed. A small office opened in Moreh last December 2018 to check the chemicals in processed food items. However, this office is now closed. FSSAI Manipur office is issuing NABL certificates from time to time.

A Joint Task Force between India and Myanmar should be created, and a Joint Trade Committee could be set up to give support to trade and connectivity.

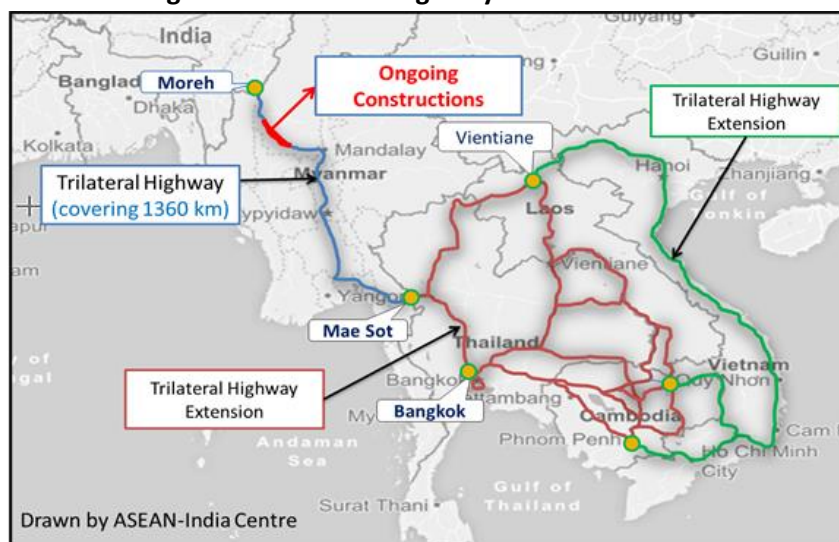
5. The Trilateral Highway and Its Extension to Cambodia, the Lao PDR, and Viet Nam

Enhancing connectivity between ASEAN and India is a major thrust of ASEAN's Master Plan on ASEAN Connectivity 2025 and India's Act East Policy. In order to foster regional cooperation and integration through deeper economic relations and people-to-people linkages, it is important to establish well-designed connectivity in the region by developing strategies to enhance economic, industrial, and trade relations between ASEAN and India. The current foundations of ASEAN-India connectivity are required to be updated and synced with the progress in physical connectivity within ASEAN, and between India and ASEAN. In this context, the ongoing connectivity project of the TLH between India, Myanmar, and Thailand and the proposed extension of the TLH towards Cambodia, the Lao PDR, and Viet Nam (CLV) would enable an increased exchange of goods, services, and the movement of people between India and ASEAN. Besides, connecting India's NER with Southeast Asia would contribute to higher trade and investment, strengthen regional value chains, create jobs, and increase people-to-people contact, amongst others, and the NER would further strengthen the relationship with Myanmar for enhancing ASEAN-India connectivity.

5.1 Trilateral Highway

The Trilateral Highway (TLH) is aimed to build connectivity from Moreh in India to Mae Sot in Thailand via Myanmar (Figure 11). The India-Myanmar-Thailand TLH project involves the construction of a 1,360 km highway connecting Moreh in Manipur to Mae Sot in Thailand through Myanmar. The cost of the construction of the Trilateral Highway is estimated at US\$140 million. The TLH road is further proposed to be extended to Cambodia, Lao PDR, and Viet Nam.

Figure 11: Trilateral Highway and Its Extension



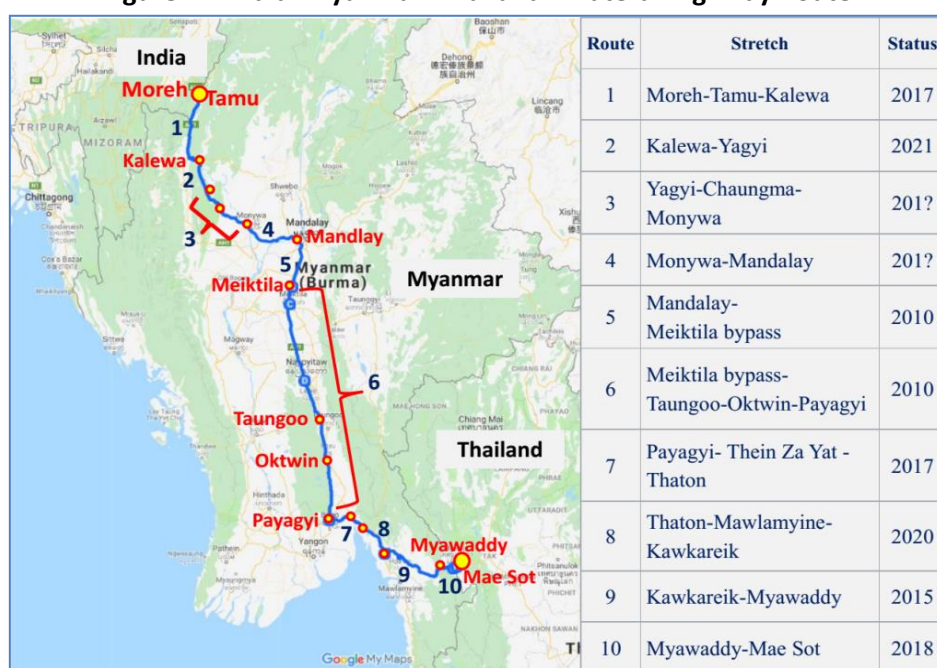
Source: ASEAN-India Centre at RIS.

5.2 Tamu–Kalewa–Kalemyo Road

The Tamu–Kalewa–Kalemyo road, or the India–Myanmar Friendship Road, was inaugurated in 2001. The road, built entirely by India, was a gift to Myanmar and is a part of the Asian Highway. The Tamu–Kalewa–Kalemyo Friendship Road has been built by the Border Roads Organisations (BRO) and was transferred to the Government of Myanmar in 2009. The related agreements between India and Myanmar suggest that India would widen and repave the existing roads in the area, while Myanmar would upgrade the single-lane bridges along the route. Myanmar, however, was unable to carry out the upgrading work. In 2012, India agreed to repave the existing highway and upgrade all 70 weak/vintage bridges along the road, of which only one has been repaired by Myanmar till date. The construction of the remaining 69 bridges in the Tamu–Kyigone–Kalewa section (149.70 km) of the highway and upgrading the Kalewa–Yagyi section (120.74 km) are being undertaken by India. It is a part of the Trilateral Highway, which is likely to be completed by May 2021. The route of the TLH is as follows (Figure 12): Moreh (India)–Tamu–Kalewa–Yargi–Monywa–Mandalay–Meiktila bypass–Taungoo–Oktwin–Payagyi–Theinzayat–Thaton–Hpaan–Kawkareik–Myawaddy–Mae Sot.

The National Highway Authority of India (NHAI) has issued a letter of award to Punj Lloyd and Varaha Infra joint venture for the construction of a two-lane highway in the Kalewa–Yargi section of the TLH. The 122 km road is estimated to cost Rs11.20 billion. The project is funded by the Ministry of External Affairs, Government of India. Out of a total 122 km road length, about 20–25 km of road falls in the hilly terrain. The project commenced on 28 May 2018 and is expected to be completed by 2021. The contractors under the NHAI's supervision would carry out the maintenance of the road until 2028. So far, they have made 11% progress on the project.²⁷ The project is primarily focused on improving the curves that would reduce the length by 50 km and also reduce the travel time by 1–2 hours from the present 6–7 hours and also increase the speed of the truck by 80 km per hour.

Figure 12: India–Myanmar–Thailand Trilateral Highway Route



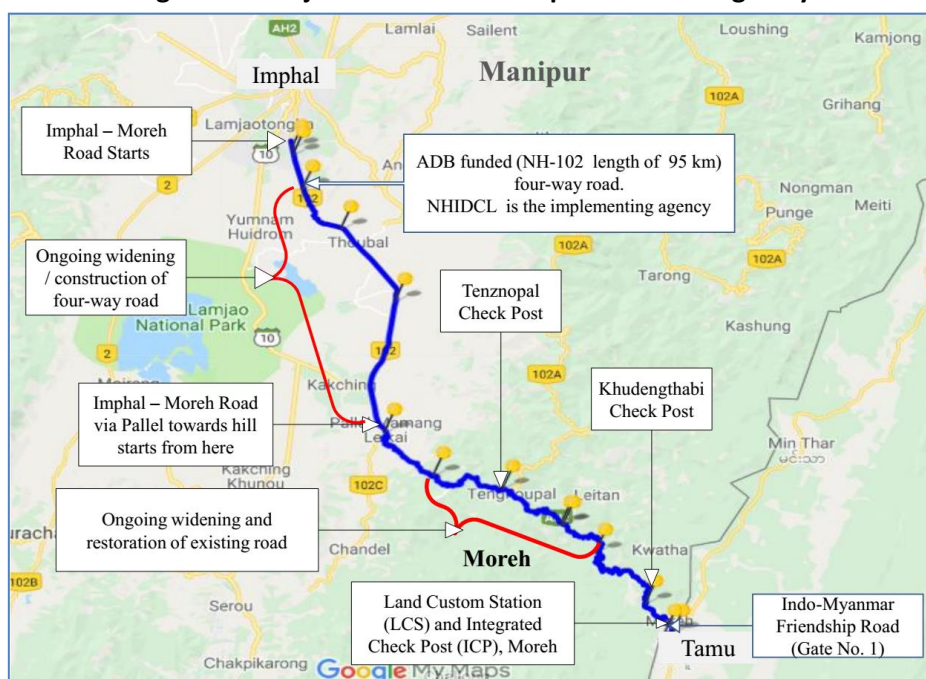
Source: AIC at RIS.

²⁷ As of May 2019. Source: RIS Survey (2019).

5.3 Imphal–Moreh Highway

The Government of India and ADB signed a US\$125.2 million loan that has been used to upgrade the roads in northeast India. National Highway and Infrastructure Development Corporation Limited (NHIDCL) is implementing the ADB-funded highway project between Imphal and Moreh. The total estimated cost is Rs11.88 billion. About US\$160 million is the loan agreement amount between ADB and the Government of India. The length of the road (NH 102, which was previously known as NH31) is 110 km. Construction of the first phase (Point 330 to Point 350) is under the tendering process. Construction of the second phase (Point 350 to Point 395) is undergoing construction. For the construction of the third phase (Point 395 – Moreh Border), the loan has not yet been sanctioned. The construction of the second phase is likely to be completed by October 2021, whereas the first and third phases are likely to be completed by 2022. Gurgaon-based GR Infrastructure has been awarded the construction of the second phase of the highway.

Figure 13: Project Status of the Imphal–Moreh Highway



Source: RIS Survey (2019).

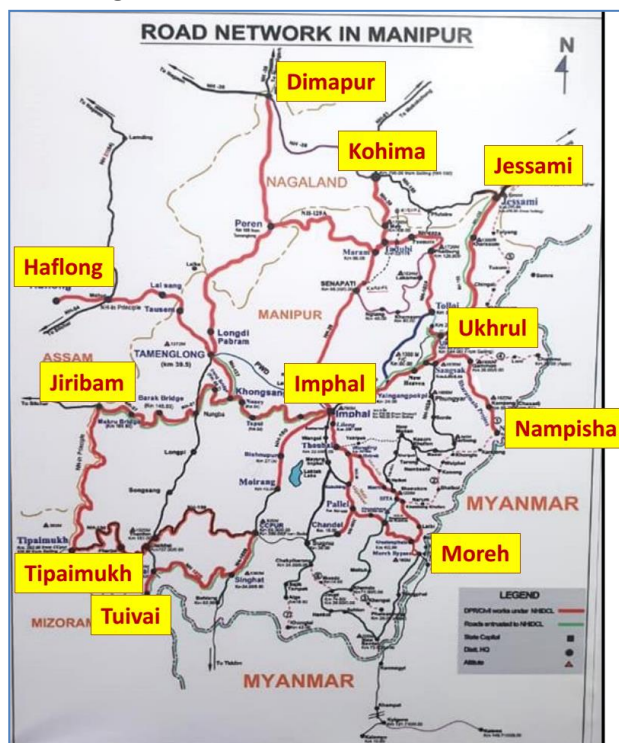
There are issues regarding the ongoing construction of the project; for example, land acquisition in some of the places between Imphal and Pallel. Another example is the old bridge (known as Lilong Bridge), which is a single lane at Lilong Bazar and is heavily congested and has to be reconstructed. Similarly, the bridge at Thoubal (Thoubal Bridge) and Wangjing is too narrow and have to be widened. The second phase of the ADB project starts from this place (Figure 13). Road construction under the ADB project from Kaching to Pallel Bazaar is ongoing. The hill starts from Pallel, and the bridge at Pallel Bazaar needs replacement. While on the hill between Pallel and Moreh there used to be seven check posts, now there are only two check posts in operation. The first vehicle check post is located at Tenznoupal, and the second check post is located at Khudengthabi. At the second check post, Assam Rifles has introduced a cargo scanner for the goods to be imported through Moreh and transported to Imphal. Under this project, there is a plan to build a bypass of 2 km in Moreh to avoid the congested part of the Moreh town. The bypass will connect NH 102 straight to the India–Myanmar Friendship Bridge. The Imphal–Moreh road connects the ICP at Moreh, which is close to

the Indo–Myanmar Friendship Road at Gate No.1. The current speed of vehicles is 40 km/hour in the valley and 20 km/hour on hills. Once the project is completed, the speed will be enhanced to 100 km in the valley and 65 km on hills for passenger vehicles.

5.4 Road Networks between Imphal/Moreh to Major Growth Centres in the NER

In the last 3–4 years, several road connectivity projects have been taken up in the NER under the Bharatmala project and economic corridor schemes. Under the Bharatmala Pariyojana, a 5,300 km long road will be developed as a border road and international corridors. Of this, about 2,000 km is being implemented under Phase 1, which started in October 2017. It is expected that by 2023, almost 80%–90% of the road connectivity in the NER under Bharatmala Pariyojana will be completed. It is important to consider the internal connectivity of the northeast to the border town of Moreh in Manipur. Moreh is connected to Imphal by NH 39. National Highways 36, 37, and 39 connect Imphal with Guwahati, which is the main hub of the NER (Figure 14). The journey from Imphal to Guwahati at present takes about 12 hours, with many sections of the road being in disrepair. Another option for travelling from Imphal to Guwahati via Haflong is also being considered, which is a shorter but more difficult route. Suggestions for upgrading the Imphal–Silchar road have also considered. In fact, a Detailed Project Report is under preparation for road connectivity between Imphal and Dimapur. Road connectivity between Imphal and Silchar is good and the expansion of two small bridges and one large bridge is ongoing. Internal connectivity would be vital for boosting bilateral links, and considerable attention should be given to this by both the state and central governments.

Figure 14: Growth Centres in the NER



Source: NHIDCL.

The NHIDCL has been awarded to complete the construction and maintenance of the National Highways in the NER. The NHIDCL is also working to improve the roads between Imphal to Kohima and Imphal to Jiribam. In addition, the NHIDCL is implementing the Aizawl to Tuipang (NH 54) road connectivity project of about Rs67.21 billion, which is funded by the Japan International Cooperation Agency (JICA). The project has realigned the existing 250 km and stretches for about 380 km in length. The project was approved in March 2019 and is being carried out through eight packages. So far, two packages have been signed, and the rest of the packages have been initiated for signing. The project is implemented under the Engineering Procurement Construction (EPC) mode through different contractors.²⁸ There is a possibility of connecting the TLH with the Kaladan Project. Imphal can be connected with Aizawl by road via Churachandpur and Tipaimukh in Manipur.

There are many challenges: (i) land acquisition and encroachment are the main challenge for development and highways. Although the land is acquired by the NHIDCL, it requires the support of respective state governments to take over the land for the road construction project; (ii) unlawful activities of insurgent groups, particularly between Imphal and Jiribam and between Imphal and Dimapur; (iii) high replacement costs of standing structure/horticulture/ forest land; and (iv) lack of cooperation from state line departments.

5.5 Imphal–Mandalay Bus Service

The proposed bus service is expected to take 14 hours to cover the 579 km distance between Imphal and Mandalay. The initial proposal for the bus service was submitted to the Ministry of Road Transport and Highways and the Ministry of Development of North Eastern Region (MDoNER) in 2009. The Imphal–Moreh section of the road is about 110 km, while the section from Moreh to Mandalay is about 469 km. The MoU for the bus service between India and Myanmar was amended in 2012, and in 2014, a technical committee meeting was held for the second time. A joint special team by members of both countries was formed, and it was found that the road between Imphal to Moreh is in good condition, but the route from Moreh to Yargi is not in good condition. There are three routes proposed for the bus service, of which the second route is not usable during the rainy season, whereas in the first route, there are about 70 bridges in the Yargi–Kalewa section that need repair.²⁹ In 2014, Route 1 from the three options was finalised, and the service was expected to begin in 2019.³⁰ Finally, an MoU was signed between Yangon-based Shwemandalar Express and Imphal-based Seven Sisters Holiday on 14 February 2020 for the commencement of a bus service between the two neighbouring countries by April 2020.³¹ According to the MoU, the Shwe Mandalay Express will provide service from Mandalay to the border town of Tamu in Chin State, and Seven Sister Holidays will provide service from Tamu to Moreh and Imphal. The journey from Mandalay to Tamu will take about 11 hours, while the Tamu to Imphal journey may take about 2 hours and about an hour for security clearances at Tamu–Moreh, making a total 14-hour trip. Once the road repairs are completed in India and Myanmar, the trip from Mandalay to Imphal will take only 5 hours.³² Tour

²⁸ Letter of Agreement (LoA) issued for seven phases in the EPC mode: one package for Gammon; three packages for ABCI; two packages for Bhartya; and one package for the National Project Construction and Cooperation (NPCC).

²⁹ See Chaudhury and Basu (2015).

³⁰ Ibid.

³¹ See Myanmar Times (2020).

³² Quoted in Myanmar Times (2020).

operators in Imphal have suggested that following Dhaka–Kolkata or Agartala–Kolkata bus services, immigration and check-in should be done on an end-to-end basis, which will drastically reduce the commuting time between the two cities.

5.6 Rail Connectivity

Establishing rail connectivity with Myanmar is important both in terms of increasing bilateral commerce and improving people-to-people contact. Rail links will significantly reduce journey times, especially for longer-distance cargoes and passengers. The study for a rail link from Jiribam in Manipur to Mandalay in Myanmar was conducted by Rail India Technical and Economic Service (RITES) in 2005. According to the study, the total length of rail line from Jiribam to Mandalay is 885.4 km, out of which the length of the Jiribam–Imphal–Moreh route is 219 km, and the length of Tamu–Kalay route is 127.4 km. This rail project is part of the southern corridor of the Trans-Asian Railway network.

Within India, there is no rail link between Jiribam and Moreh, while on the Myanmar side, there is also no link between Tamu and Kalay. Connectivity between these points in the respective countries would contribute to increasing communication and commerce. The Jiribam–Tupul–Imphal broad gauge line is expected to be completed by 2020. The route involves several minor and major bridges and tunnels, of which a special feature is the construction of Bridge No.164, which has a pier height of 141 metres and is the tallest girder rail bridge in the world.³³ Initial survey work on a broad gauge rail link between Imphal and Moreh was already completed by the North East Frontier Railway.³⁴ International bodies like the JICA and the Korea International Cooperation Agency have shown interest in improving the railway system in Myanmar.

5.7 Air Connectivity

Air connectivity between India and Myanmar needs to be improved to promote religious and medical tourism. For instance, people from Myanmar are interested in visiting Bodh Gaya. The present air connectivity is a direct flight from Kolkata to Yangon and between New Delhi to Yangon via Gaya. During the months of October to March every year, Myanmar Airways and another privately operated service, the Myanmar Golden Airlines, operate flights thrice a week from Yangon to Gaya for the Buddhist pilgrimage in Myanmar.³⁵ Myanmar Airlines is slated to begin a new flight on the Kolkata–Bodh Gaya–Yangon route, mainly targeting religious tourism. The Indian diaspora is concentrated mainly in Yangon and Mandalay and employed in various fields like education, trade and commerce, and civil services. Many families are engaged in trading businesses and have families in India and Myanmar. Indigo has recently started daily flights between Kolkata and Yangon.

Air connectivity will play an important role in fostering multi-modal connectivity in the region. According to an RIS Study, ‘with Imphal now becoming an international airport, it will be important to include it as an option in the Bilateral Air Services Agreement to enable airline companies to consider operating flights between Imphal and Mandalay. Likewise, by the time the Zokhawthar border trade point begins to show greater levels of activity and the Rhi–Tiddim road gets going,

³³ See Financial Express (2018).

³⁴ See Chaudhury and Basu (2015).

³⁵ See Myanmar Times (2019).

flights from Aizawl to Kalemmyo and Mandalay would help in further promoting trade. It has already been indicated that the Myanmar government would be further strengthening the Kalemmyo airport.³⁶

There are no flights between Imphal and Mandalay or Imphal and Yangon. There are nine flights between Mandalay and Yangon. It is possible to connect Imphal with Mandalay and Imphal with Yangon by air, and there was a trial run in the past. Air KBZ and KB Enterprises are likely to start Imphal to Mandalay flights. The Government of India may consider extending the E-visa to Myanmar citizens for coming to India through Moreh and Tamu. In addition, a Visa Collection Centre may be set up at Moreh and Tamu. Direct air connectivity between Imphal and Mandalay is likely to be started soon.

5.8 Digital Connectivity

Myanmar has set up cross-border fibre optic links with many of its neighbouring countries, including India. The first cross-border fibre optic link between India and Myanmar was set up in February 2009, running from Moreh in Manipur to Mandalay in Myanmar, for a distance of 500 km. The 640-km-long link passes through Tamu, Kambatwa, Kyi Gone, Shwebo, Monywa, and Sagaing. The optical fibre link is a high-speed broadband link for voice and data transmission.³⁷

5.9 Trade Facilitation, Cooperation on the Trilateral Motor Vehicle Agreement, and Technical Assistance

The Trilateral Motor Vehicle Agreement (MVA) is crucial for the TLH. In particular, the TLH MVA is important for facilitating trade, economic cooperation, and people-to-people contact through enhanced regional connectivity, including through the facilitation of regional cross-border road transport. Without the MVA, the TLH will be non-operational. In general, the MVA protocols allow the safe and secure movement of vehicles along the TLH. Three countries have to reach consensus and reaffirm their understanding that the TLH MVA safeguards the rights and obligations of all parties under other international agreements (e.g. the World Trade Organization (WTO) Trade Facilitation Agreement) and bilateral/regional agreements within the group. However, the reality is that progress in the negotiation of the MVA between India, Myanmar, and Thailand for the TLH has been slow.

³⁶ See RIS (2014: 42).

³⁷ See Global Times website (www.globaltimes.com).

Table 11: World Trade Organization Trade Facilitation Agreement

Country	Ratified	Notified on					
		Category A	%	Category B	%	Category C	%
India	22 April 2016	23 March 2016	72	23 January 2017	28	-	0
Myanmar	16 December 2015	27 February 2018	6	27 February 2018	9	27 February 2018	85
Thailand	5 October 2015	25 July 2014	92	24 May 2017	8	-	0

Notes: Developing and LDC members can request more time and capacity-building support to implement the agreement. To benefit from these flexibilities, they must designate all measures into categories A, B and/or C, which have the following implementation timings: Category A = Developing Members will implement the measure by 22 February 2017 and LDCs by 22 February 2018; Category B = Members will need additional time to implement the measure; Category C = Members will need additional time and capacity-building support to implement the measure.

Source: www.tfadatabase.org.

The objective of trade facilitation at the Moreh border should be to transform the cross-border clearance ecosystem through efficient, transparent, risk-based, coordinated, digital, seamless, and technology-driven procedures that are supported by state-of-the-art land border crossings, roads, and other logistics infrastructure; and also to bring down the overall cargo release time.³⁸ While India and Thailand have opted for Category A of the WTO TFA (Table 11), Myanmar selected Category C, thereby indicating that it needs additional time and capacity-building support. Given that all three TLH countries have ratified the WTO TFA, they may resume the MVA negotiations at the earliest possibility and complete the negotiations before the TLH comes into operation. In many areas, the WTO TFA and TLH MVA are interrelated. Myanmar's progress in implementing the WTO TFA has been slow. Myanmar needs technical assistance and capacity building while implementing the WTO TFA. Both India and Thailand shall offer adequate technical assistance and capacity building to Myanmar while implementing the TLH MVA. The technical assistance to Myanmar will also serve the WTO TFA obligations. To effectively implement the technical assistance, India's National Committee for Trade Facilitation may be engaged to design an appropriate strategy for technical assistance.

³⁸ See the Vision Report, CBIC, Government of India.

6. Illustration of the Developmental Impacts of the Trilateral Highway on Northeast India

6.1 Benefiting from Trade–Development Linkages

The extension of the Trilateral Highway (TLH) to Cambodia, the Lao PDR, and Viet Nam may further strengthen road connectivity between the NER states and Southeast Asian countries. The operationalisation of the TLH will have an immediate impact on businesses and commercial activities in the Moreh–Tamu area at the India–Myanmar border as a spin-off of the improved connectivity, and, hence, faster transportation of goods between Moreh and Imphal on the Indian side of the border and subsequently to the Myanmar side. As a result of the reduced cost of transportation and faster processing of documents at the ICP Moreh, Indian exports to Myanmar, Thailand, and other countries are likely to increase. Increased trade between India and the Southeast Asian countries would propel economic activities along the TLH. The trade-induced rise in business in Moreh–Imphal has the strong potential to generate a centripetal force around Imphal and attract exports from other parts of the NER, which is possible because of notable progress in rail connectivity in the NER connecting all the capitals of the NER states. This spurt in commercial activity would then require improved supply chains and the strengthening of existing corridors in the region. Moreh could become a critical node in the growth corridor that has been emerging with the TLH and its possible extension to Mekong countries.

6.2 Leveraging the Growth Corridor Advantage

The larger developmental gains from the TLH and its extension to the Mekong subregion can be visualised from the growth corridor perspective. In a growth corridor, connectivity facilitates the integration of urban centres/growth centres/nodes with the hinterland/less-developed areas. Connectivity-led integration in the form of a growth corridor has the potential to expand economic activities along the Moreh–Imphal zone. Very often, local industrialisation, especially SMEs, is affected due to a lack of technical know-how, uncertainty of markets, and lack of scale. Rural markets in most cases are fragmented and thereby offer little scope for the growth and diversification of local businesses. Therefore, improved and faster connectivity may unleash new dynamism in the rural economy in the NER. It may generate wider economic benefits through new enterprises, jobs, and greater inclusion. However, to gain such welfare, countries have to invest in transport, agriculture, tourism, energy, urban development, and other multi-sector/border zone development.

6.3 Gaining from the Trade–Industry Linkages

The most immediate impact anticipated from the operationalisation of the TLH is the rise in bilateral trade amongst the partner countries. Once export possibilities increase, it would be cost-effective for the exporters in Manipur and other states in the NER to use the land corridor to trade with Myanmar and other Southeast Asian countries. Sagaing Province of Myanmar is a big market for Indian goods. Along with higher exports, the TLH may generate a conducive business environment for the growth of industries in the NER. This is based on the logic that local firms in the NER would not only be able to export to Southeast Asian countries and beyond without the hassle of transporting goods to ports and waiting long for meeting formalities and customs clearances but

also to source raw materials and intermediates from the neighbouring countries at cheaper prices. In view of such a scenario, a strong case for trade-induced industrialisation is being visualised in the NER. To assess the potential of the industrialisation that could be attributed to the TLH, it is imperative to examine the trends and patterns in industrialisation in the NER states.

6.4 Sectors Offering Business Opportunities

The sector that is significant for the NER states is the food processing industry. The NER is known for agriculture and horticulture crops, including organic farming. In recent years, the region has witnessed significant growth in the production of fruits, spices, and plantation crops. Amongst the NER states, Assam and Tripura have more units in food processing than other states.³⁹ There are several challenges that food processing industries face in the NER, including a lack of transportation, inadequate cold storage facilities, lack of post-harvest technologies and processing of farm produce, lack of market access, and other factors.⁴⁰

The central and state governments have implemented several schemes for the promotion and development of food processing industries in the NER. The schemes cover an entire spectrum of issues, such as food parks, cold chain, value addition and preservation infrastructure, food testing laboratories, research and development, and the modernisation of food processing industries. The number of projects sanctioned under two schemes, the National Mission on Food Processing and Technology Upgradation and Modernization of Food Processing Industries schemes are higher than other schemes. For instance, there are only one or a few projects under the Mega Food Parks scheme, Integrated Cold Chain, Value Addition & Preservation Infrastructure and Research & Development for all the northeastern states, except for 19 projects for Assam under the Research & Development scheme.⁴¹

In terms of the potential for industrial development, the NER is well-endowed with natural resources. In particular, the rich mineral resources of the northeastern states can be harnessed properly for planned industrial development in the region. The mineral resources in the NER include coal, limestone, petroleum, natural gas, chromite, zinc, lead, copper, iron ore, and others.

In view of a possible spurt in economic activity post-implementation of the TLH extension, a number of steps can be taken to promote industrial development in the NER. Manipur State could develop Special Economic Zones (SEZs) for timber, food processing, and other sectors. For the ease of payments and settlements in bilateral trade, normal banking facilities between Myanmar and Manipur should be opened. Some of the sectors having high business potential in Manipur are health care, education, tourism, infrastructure development, construction, and food processing.

The business opportunities are likely to trickle down to the entire NER through better connectivity and business marketing. There is a possibility of connecting the TLH with the Kaladan Project and Imphal with Aizawl by road via Churachandpur and Tipaimukh in Manipur. This would perhaps boost industrial development in the neighbouring states, such as Mizoram, Assam, and Tripura.

³⁹ Based on NEC (2019).

⁴⁰ See Rais et al. (2014) and Kathuria and Mathur (2019).

⁴¹ Based on NEC (2019).

In addition, the industrial units in and around Imphal have witnessed significant growth and have the potential to grow further. The industrial units broadly cover sectors such as garment making, including fabric, tailoring, embroidery, papad making, PVC pipe manufacturing, electrical transformer manufacturing, plastics products, drinking water, bread, and so on. Although the industries' department in Manipur has provided industrial sheds in the designated industrial estates, local firms face a number of challenges in expanding their businesses, which including a lack of on-time availability of working capital, uncertainty in the delivery of raw materials and finished goods, power supply interruptions, logistics problems, and insurgency.

Table 12: Major Tourist Attractions in the NER

State	Major Tourist Places
Arunachal Pradesh	Tawang, Dirang, Bomdila, Tipi, Itanagar, Malinithan, Likabali, Pasighat, Along, Tezu, Miao, Roing, Daporijo, Namdapha, Bhismaknagar Kund and Khonsa
Assam	Kamakhya Temple, Umananda, Navagraha, Basisth Ashram, Dolgobinda, Gandhi Mandap, State Zoo, State Museum, Sukreswar Temple, in Guwahati, Kaziranga National Park, Manas, Orang, Sivasagar, Tezpur, Bhalukpong, Hajo, Batadrava
Manipur	Imphal, Bishnupur, Loktak Lake, Sirori Hills, Keibul Lamjao National Park
Meghalaya	Shillong, Jowai, Cherrapunji
Mizoram	Aizawl, Champhai, Tamdil, Thenzawl
Nagaland	Kohima, Dimapur, Khonoma, Dzukou Valley, Dzulekie, Japfu Peak, Tseminyu, Longkhum, Ungmaveda Peak, Shilloi LakeMount Tostu
Sikkim	Gangtok, Bakhim, Yamthang, Dubdi, Dzongri, Varsey, Tashiding
Tripura	Agartala, Old Agartala, Tripura Sundari Temple

Source: NEDFi Databank.

6.5 Tourism Opportunities

The geographical location of the NER states, surrounded by the Himalayas and vast natural flora and fauna, makes the region attractive to tourists, both for the domestic and foreign visitors. There are numerous tourist locations spread over the eight different states in the NER. Some of the major tourist attractions in the region are listed in Table 12. Tourism is also a key income-generating activity in the region, which offers employment and people-to-people linkages. Completion of the TLH and the strengthening of air connectivity with neighbouring countries will certainly expand tourism in Manipur and other neighbouring states in the NER. Amongst the factors that are likely to accelerate tourist flows, the ease of travel between the border towns of both India and Myanmar would open greater people-to-people interactions and attract tourists from Thailand, Viet Nam, Cambodia, and the Lao PDR.

The operationalisation of the TLH and its extension to Cambodia, the Lao PDR, and Viet Nam would yield promising results for Indian tourism. In addition to the TLH is the remarkable progress in road and rail connectivity as a result of the successful completion of road projects under the *Bharatmala* economic corridor programme and the railway projects connecting the state capitals in the NER. The Ministry of Tourism, Government of India, introduced two new schemes in 2014–15 called Pilgrimage

Rejuvenation and Spiritual Augmentation Drive (PRASAD) and Swadesh Darshan, i.e. Integrated Development of Theme-Based Tourist Circuits. Kamakhya in Assam has been identified as a project under the PRASAD scheme. Likewise, the North-East India Circuit is one of the 15 thematic circuits that have been identified under the Swadesh Darshan scheme.⁴² The Government of India also offers certain incentives to promote tourism in the NER. These include the provision of complimentary space for the northeastern states in India Pavilions to set up at major international travel fairs and exhibitions, 100% financial assistance to organising fairs and festivals, and special campaigns on the NER on TV channels to promote tourism in the region. Two tourist circuits that link Manipur with other states in the NER are Guwahati–Kaziranga–Kohima–Imphal–Moreh–Guwahati and Kolkata–Imphal–Moreh–Kolkata. The initial effects of the TLH would be generated in Manipur and, subsequently, other tourist circuits in the region would either strengthen feeder tourists to Manipur from other parts of the region for the India–Southeast Asia route via Moreh or would increase the movement of Southeast Asian tourists to the NER and other parts of India through the Moreh–Tamu border. The National Highways and Infrastructure Development Corporation (NHIDCL) have been improving the roads from Imphal to Kohima and Imphal to Jiribam that would connect different places in the NER.

In the context of the TLH, several steps are warranted to address the connectivity challenges with an aim to promote tourism. A Motor Vehicle Agreement (MVA) between India, Myanmar, and Thailand should be signed at the earliest. India may consider providing on-arrival visas at Moreh, which could facilitate tourism between India and Myanmar, and between India and Southeast Asian countries. Visa Collection Centres may be set up at Moreh (India) and Tamu (Myanmar). There have been strong historical and cultural linkages between Manipur and the Sagaing province of Myanmar. Both sides share a geographical border, and people of Sagaing province visit Manipur for health care, tourism, and trade, and vice versa. People from Myanmar also participate in sports festivals on the Manipur side every year. Regular bus services (private) have started from Tamu to Mandalay, Yangon and Naypyidaw in Myanmar, which will pick up the demand once the TLH is completed. Completion of the TLH will also resume point-to-point bus services between the two countries, such as Imphal and Mandalay or Yangon and Imphal through the Moreh border. In particular, people from the Sagaing region can travel to Bodh Gaya via Imphal. Further travel to Kolkata and Patna is possible either by road or by air. Therefore, Buddhist pilgrimages will receive a fillip with the completion of the TLH and the MVA between the three countries.

Medical tourism between India and Myanmar is another services sector that offers immense business opportunities in the NER. Today, a good number of patients from Myanmar visit Imphal for the treatment of health ailments. For instance, about 600 patients from Myanmar have been treated at the Shija Hospital in Imphal in the past few years.⁴³ Medical tourism will expand further once the TLH comes into operation.

Despite a good number of initiatives taken by the governments, there are several challenges to promoting tourism activities in the NER. Amongst others, a lack of proper infrastructure, lack of road-side amenities, lack of comprehensive marketing and promotion, uncertain law and order situation due to insurgency, negative travel advisories, and blockades affect tourism in the NER.

⁴² See PIB (2020).

⁴³ Based on discussions had with Shija Hospital in Imphal.

6.6 Employment Generation

The creation of adequate employment opportunities, including self-employment as well as wage-employment, is being viewed as the most tangible and desirable output of the TLH and related projects. As argued above, trade at the India–Myanmar border at Moreh would act as a regional gateway for higher trade, investment, and other forms of economic engagement between the NER states and Southeast Asia. The growth corridor impact of the TLH in the NER is likely to yield positive results drawing on the success stories of economic corridors in the Greater Mekong Sub-region (GMS), SASEC and CAREC countries, the Indonesia–Malaysia–Thailand Growth Triangle, and others. Although the size of the employment impact cannot be measured at this stage, the historical trends in employment in the NER may shed more light on the likely impact of the TLH-inspired rise in economic activities and/or the nature of government intervention required to activate the regional value chains for job creation.

6.7 Education and Skill Development

The TLH will certainly raise the demand for higher education and better-skilled resources. The issues of industrialisation, trade, and development in the NER require a comprehensive approach to addressing education and skill development. Skilling is a big challenge in the NER. The short-term response to the opening of the TLH would be mostly demand-side measures. For instance, given the current and envisaged trade liberalisation, any possibility of an export rise can be met with higher production utilising existing industrial capacity and human resources. However, in the long run, the supply side measures would matter most. Two important areas need special attention in this regard. Formal education, especially technical and vocational education, would ensure the sustained flow of a trained workforce in different industrial fields. At the same time, focus on skilling, both for fresh candidates and for the augmentation of the existing workforce, is vital.

Skill development may exclusively focus on food processing, garment manufacturing, small and village industries, tourism, trading of goods and services, and construction activities, amongst others. Women self-help groups can be suitably employed in the mission of skilling and contributing to income-generating activities. As part of long-term entrepreneurship development, technical and management graduates from the northeastern states may be offered technical guidance and credit support to explore the establishment of SMEs.

7. Dealing with the Challenges and Recommendations

7.1 Improvement of the Road Infrastructure, Completion of the TLH, and the Replacement of 69 Bridges

The road between Imphal and Moreh should be made into a six-lane road. In particular, the Moreh–Pallel section of the road has to be improved. Widening of the road in Monywa–Yargi section in Myanmar should be carried out to make it a four-lane road. Road conditions in Manipur, particularly those connecting neighbouring countries, should be made higher quality. Timely completion of the TLH and the replacement of 69 bridges is critical to the NER's linkages with Southeast Asia and vice versa. At present, the 122 km road of the TLH is under construction under the supervision of the NHAI. The project was commenced on 28 May 2018 and is expected to be completed by May 2021. The replacement of 69 weak/vintage bridges along the Tamu–Kyigone–Kalewa Road section of the TLH was suspended due to a legal case at the Manipur High Court. The Government of India won the case in October 2019, and the work for the rehabilitation of the bridges is about to start. Without the completion of the bridges, the TLH cannot be made operational for cargo vehicles and passenger bus services between India and Myanmar.

7.2 Completion of the Negotiation of the Trilateral Motor Vehicle Agreement

Progress in the negotiation of the Motor Vehicle Agreement (MVA) between India, Myanmar, and Thailand for the TLH has been slow. Given that all the three countries have ratified the WTO Trade Facilitation Agreement (TFA), TLH countries may resume the MVA negotiations at the earliest time and complete the negotiations before the TLH comes into operation. In many areas, the WTO TFA and TLH MVA are interrelated. Myanmar's progress in implementing the WTO TFA has been slow. Myanmar needs technical assistance and capacity building while implementing the WTO FTA. Both India and Thailand may offer adequate technical assistance and capacity building to Myanmar while implementing the TLH MVA.

7.3 Promotion of Tourism

Myanmar and Manipur have strong cultural and civilizational links. The people of Myanmar, particularly from the Sagaing region, would like to travel to Bodh Gaya via Imphal. They can come in groups by road to Imphal and then fly to Bodh Gaya via Kolkata or Patna. Once the bus service between Mandalay to Imphal is started, tourism will expand drastically.

In the case of health tourism, about 600 patients from Myanmar were treated in Imphal's Shija Hospital in the last few years. Shija Hospital has been receiving patients from Mandalay and several parts of Myanmar. Shija Hospital has conducted health missions in Myanmar. Jointly with Monywa General Hospital in Myanmar, it has conducted 179 operations. Through this mission, several surgeons and nurses were also trained. Health care facilities may also be developed at Moreh. Tamu General Hospital in Myanmar provides basic health care facilities. Therefore, the development of a super-speciality hospital in Moreh will promote health services between the two countries. In this case, patients would not need to go to Imphal for treatment. At the moment, visa collection takes 10–15 days. To facilitate the health services, the E-visa at the Moreh border shall be extended to Myanmar citizens for entering through the Moreh and Tamu border.

More hotel rooms will be added as tourism is promoted. At the moment, Manipur does not have any five-star hotels, whereas Manipur has high tourism prospects in the medium-to-high range.⁴⁴ Most of the foreign tourists in Manipur are from Japan and the United Kingdom.

Manipur does not have any economic zones. Manipur State may consider developing a Special Economic Zone (SEZ) for health and education, etc. There are many challenges, such as bad road conditions and a lack of infrastructure, particularly roadside amenities, which are very poor in quality and limited in number. In addition, a lack of comprehensive marketing and promotion, the law and order situation, negative travel advisories, *bandh* and blockades, and the low image in the market are also negatively affecting tourism activities. These are vital challenges that must be addressed while promoting tourism in the NER.

The Manipur government is planning to set up an empowered team for the facilitation of trade, people-to-people contact, and economic interactions between the Manipur and Myanmar governments under the overall guidance of the Government of India under its Act East Policy.

7.4 Improvement of Border Infrastructure

There are several challenges associated with the Moreh LCS and the newly opened ICP. These include a shortage of staff, lack of constant electricity, absence of good quality internet, and the absence of accommodation for officials and other social infrastructure. During the time of the field survey, the cargo terminal of Moreh ICP was not operational. The Friendship Bridge near Gate 1 at the Moreh–Tamu border has to be redeveloped so that cargo vehicles use the bridge and for direct shipments through Moreh ICP. The number of good hotels and homestay facilities at the Moreh border should be increased. India may consider building a guest house for Buddhist travellers at Moreh.

Passengers and traders face harassment at the border, which must be stopped. A full-body cargo scanner (for containers) shall be introduced at the Moreh ICP for export and import consignments. At the moment, there has been no container movement at the Moreh–Tamu border between the two countries. In addition, the Moreh border requires facilities, such as border fencing, additional warehousing facilities for refrigerated goods, cargo vehicle yards, warehouses for seized items, plant and quarantine facilities, and a controlling office for drugs and narcotics, etc.

Land acquisition and encroachment have been major challenges to the development and construction of highways. Meanwhile, local businesses and people face unlawful activities from insurgent groups, particularly between Imphal and Jiribam and between Imphal and Dimapur.

7.5 Ease of Travel between Moreh and Imphal

The Myanmar government has allowed third-country nationals to move through the Tamu border, which has led to the facilitation of passengers' movement between the two countries through the Moreh and Tamu borders. After the clearance of immigration at Moreh ICP, in-coming nationals (mostly from Myanmar) face multiple security checks between Moreh and Imphal, causing time

⁴⁴ In 2018, 5,247 foreign tourists arrived (Manipur Chamber of Commerce). As present, Classic Hotels in Imphal (two hotels) has only 527 rooms.

delays and costs. The travel of foreign nationals should be made comfortable. Some of the people, particularly businesspeople, should not face such trouble, and they should be handled nicely. Besides hotels and other amenities at Moreh, there should be adequate transportation facilities between Moreh and Imphal.

7.6 Safety and Security and Smart Border

With the opening of the TLH, there are concerns with issues of illegal immigration, informal trade, and terrorism. Therefore, both India and Myanmar should introduce more scrutiny at the Moreh–Tamu border as well as other borders connecting both the countries. There is no denying that the border dispute between India and Myanmar has been forcing illicit trade and transportation to happen, which needs to be resolved before the TLH becomes operational. The border at Moreh should be fenced with watchtowers, night-vision cameras, and radar cameras so that trade can take place with sufficient security and safety. Completion of the Imphal–Moreh road will help improve the tracking of the safety and security of vehicles with the help of digital technology, such as radio-frequency identification (RFID). An Electronic Data Interchange should also be introduced at Moreh customs, and human resources should be scaled up at Moreh ICP.

7.7 Removing Informal Trade at the Border

Border agencies should assure that imports passing through Moreh or Tamu illegally do not take place. Once a formal payment system is introduced, the current arrangement of informal payments at the borders will disappear. In parallel, all illegal trade routes at the border have to be closed, such as through fencing of the border and introducing border passes with the help of new technologies. The government's support is needed for promoting and building the capacity of the human resources who will be deployed to check the illegal payment and trade. Large informal trade (from neighbouring countries) has been negating the growth of industrial activities in Manipur and other parts of the NER. Formal trade at the Moreh–Tamu border is crucial for promoting industrialisation in the NER.

7.8 Supporting SMEs at the Border

Trade is mostly handled at Moreh by SMEs. Supporting these SMEs will then lead to involving the local youth and ethnic communities. Innovative measures, such as Mudra loans of about US\$7,000 per individual that are currently extended to SMEs, should be continued to help expand activity in the local markets. The Government of India may also consider extending transport subsidy to the exporters located in Imphal and Moreh, which would help them to compete with bigger exporters who are not from the region.

7.9 Opening of International Flights from Imphal

There are no flights between Imphal and Mandalay or Imphal and Yangon, whereas there are several flights between Mandalay and Yangon. Connecting Imphal with Mandalay and Imphal with Yangon will pave the way to enhance tourism and trade. Myanmar's Air KBZ and Imphal-based KB Enterprise are considering opening a direct flight between Imphal and Mandalay. If air connectivity is allowed, we need to make sure that flights from Imphal go straight to Mandalay and not via Aizawl. Besides,

Imphal may also be connected with Bodh Gaya by direct flight. The airport in Imphal has to be upgraded to accommodate international flights.

7.10 Streamlining Banking Facilities

Normal banking facilities between Myanmar and Manipur should be opened. Presently, there are only cash transactions between Indian and Myanmar traders. Both countries need to move from informal payments to formal payments through bank transfers. India can implement special incentives and training programmes on formal trade procedures for local traders and youths.

7.11 Maintaining Law and Order

Law and order is a critical issue for peace and prosperity in the region. The problems faced by local traders and the problems faced by manufacturers are different. Trade and violence cannot go together. The movement of vehicles between Moreh and Dimapur and Moreh and Silchar with high security is very much needed. Moreh town and Imphal city should be protected from the occurrence of *bandhs* (general strikes), theft, violence, and disturbances of the peace.

7.12 Branding

Massive image building and awareness campaigns are needed. Manipur being at the border of Myanmar, and in view of the rising flow of Myanmar nationals to Manipur, the Government of Myanmar may like to open a consul office in Imphal. Both the state and central governments must invest in promotion, publicity, and the marketing of the NER states abroad. In addition, roadshows, online and electronic advertisements, participation in international trade fairs, and travel meets, etc. are required. NER states may appoint brand ambassadors and consider targeted approaches for domestic and international tourists.

7.13 Food Testing Laboratory at Moreh

All the laboratories in the NER under the FSSAI should be NABL certified, which is not the case in Imphal so far. At present, the food testing (FSSAI) activities are managed by the Manipur State Food Safety Department. A micro-biology section is not yet developed at the food testing laboratory in Imphal. A small office was opened in Moreh since last December 2018 to check the chemicals in processed food items, but it has since closed down. In view of the international trade at Moreh and Tamu, food safety must be strengthened, and food testing laboratories should be reopened with adequate capacity and human resources.

7.14 Narrowing the Infrastructure Gap between Moreh and Tamu

Moreh has set up an ICP, and several border improvement projects, both behind and at the border, are ongoing or proposed. The trade infrastructure at Moreh has witnessed drastic improvements in recent years, but the same improvements in Tamu are missing. Appendix 3 presents a comparison of the facilities at the two border posts. The current infrastructure at Moreh and Tamu is not adequately equipped to handle the future trade that we envisage when the TLH comes in operation. To meet such a target, the priority should be to narrow down the infrastructure gap between Moreh and Tamu. Some of the projects worth considering are ratifying an SOP for the handling of goods and passengers, the interoperability of customs EDI systems, and the handling of container cargoes, etc. at the border.

7.15 Building Partnerships between NER and Myanmar

There has been a strong and steady economic linkage between Manipur and Myanmar's Sagaing province. Not only do they share borders but people from Sagaing province visit Manipur for health care, tourism, and trade. Some of the sectors offer high business potential, such as the health care, tourism, education, infrastructure development, construction, and food processing sectors. Similarly, the NER's Mizoram, Nagaland, Tripura, and West Bengal states have cultural and economic linkages with Myanmar. Strengthening the NER–Myanmar partnership will then not only reinforce the bilateral foundation but also scale the relations to new heights. A new study may be conducted on the state–province level partnership between India, Thailand, and Myanmar.

8. Conclusions

Trade has special significance for the economies of the NER states. However, transport and logistics bottlenecks have long been identified as serious constraints to the growth of the NER. The growth potential is considerably high in the NER when one considers its geographical proximity to the growing Southeast Asia and East Asia markets. Given its geographical location, enhanced engagement with ASEAN under India's Act East Policy could generate new economic opportunities, thereby fuelling growth in the NER, *ceteris paribus*.

The NER's value chain potential can be unlocked if the border infrastructure and transportation networks, in particular, are improved. To strengthen the connectivity between India and ASEAN, the TLH between India, Myanmar, and Thailand is being developed with a proposed extension to Cambodia, the Lao PDR, and Viet Nam. Completion of the TLH is likely to facilitate the faster movement of goods and people between India and ASEAN and add growth impetus to the NER.

The NER's connectivity with ASEAN has seen good progress with the construction of the TLH. As the NER is at the forefront of the TLH on the Indian side, this study presents the status of the economic linkages of the NER, identifies the constraints behind and at the India–Myanmar border, and recommends policy measures to augment the linkages between NER and Southeast Asia. Imphal and Moreh are strategic locations. Moreh should be developed as a centre for trade and business. Development should be achieved at both Moreh and Tamu, otherwise there is only transit trade.

The study also reviews the institutional arrangements and identifies key elements that may hinder the movement of goods and people across the India–Myanmar border along the Trilateral Highway. This study concludes that the NER will gain enormously if these challenges are taken care of and the needed mitigation measures are implemented throughout the region.

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**Appendix 1: Major Functional Land Custom Stations (LCSs)
in North East India and Neighbouring Countries**

Sl. No.	India		Neighbouring Country	
	State	LCS	LCS	Country
1	Assam	Gauhati Steamerghat		Bangladesh
2		Dhubri Streamerghat	Rowmati	Bangladesh
3		Mankachar		Bangladesh
4		Silghat		Bangladesh
5		Karimganj Steamer Ghat	Zakiganj	Bangladesh
6		Sutarkhandi	Sheola	Bangladesh
7		Hatisar		Bhutan
8	Meghalaya	Mahendraganj	Dhanua Kamalpur	Bangladesh
9		Dalu	Nakugaon	Bangladesh
10		Baghmara	Bijoypur	Bangladesh
11		Borsora	Borosora	Bangladesh
12		Shellabazar	Sonamganj	Bangladesh
13		Dawki	Tamahil	Bangladesh
14	Tripura	Agartala	Akhaura	Bangladesh
15		Srimantapur	Bibir Bauar	Bangladesh
16		Khowaighat	Balla	Bangladesh
17		Manu	Chatlapur	Bangladesh
18	Mizoram	Demagiri	Rangamati	Bangladesh
19		Zokhawthar	Rih	Myanmar
20	Manipur	Moreh	Tarnu	Myanmar
21	Sikkim	Sherathang (Nathu La)	Renginggang	China
22	West Bengal	Petrapole (ICP)	Benapole	Bangladesh

Source: Authors.

Appendix 2: Myanmar's Border Trade with Neighbouring Countries

Station	Exports (US\$ million)		Imports (US\$ million)		Total Trade (US\$ million)		CAGR of Total Trade (%)
	2015	2018	2015	2018	2015	2018	(2015– 2018)
China	4,242.12	4,123.56	1,708.56	1,627.61	5,950.68	5,751.17	-1.13
Muse	3,809.52	3,465.47	1,568.36	1,542.8	5,377.87	5,008.27	-2.35
Lwejel	64.34	143.31	12.62	12.83	76.96	156.14	26.59
Chin Shwehaw	332.99	368.36	52.79	49.41	385.78	417.77	2.69
Kanpitetee	28.79	145.55	67.45	20.86	96.24	166.4	20.02
Kyaing Tong	6.48	0.88	7.35	1.72	13.83	2.6	-42.71
Thailand	53.84	387.81	749.35	856.05	803.19	1,243.86	15.70
Tarchileik	9.66	13.38	64.93	63.08	74.59	76.45	0.82
Myawaddy	43.79	97.65	682.33	675.42	726.11	773.07	2.11
Mawtaung	0.4	134.11	2.1	31.72	2.49	165.83	305.34
Mese		142.68		85.83		228.51	
India	53.03	149.85	18.62	20.43	71.65	170.28	33.45
Tamu	32.78	112.6	12.79	1.72	45.57	114.31	35.87
Rhi	20.26	37.26	5.83	18.72	26.08	55.97	28.99
Coastal Areas	13.127	1,164.747	14.34	209	27.47	1,373.74	268.42
Nabulae/Htee Khee	2.01	940.63	11.18	137.11	13.19	1,077.75	333.93
Mawtaung	0.4	9.04	2.11	7.05	2.51	16.08	85.73
Mese		1.02		0.48		1.50	
Sittwe	5.35	205.58	0.98	64.33	6.33	269.91	249.36
Maung Daw	5.37	8.48	0.07	0.03	5.44	8.51	16.09

Source: Ministry of Commerce, Government of Myanmar.

Appendix 3: Comparison of Border Infrastructure Facilities at Moreh and Tamu

Sl. No.	Facilities	Moreh	Tamu
1	Warehousing	Yes, ongoing capacity of 800 square metres	Yes, two warehouses with capacities of 855 square metres and 485 square metres, respectively*
2	Cold storage	Yes*	No
3	Bank	Yes	Yes
4	Foreign exchange facility	No	Yes
5	Weighing bridge	Yes	Yes
6	Plant quarantine	Yes*	Yes*
7	Food testing lab	Yes*	No
8	Internet bandwidth	Moderate	
9	Human resources	<ul style="list-style-type: none"> At ICP, one regular post and 13 people are presently working on a contractual basis. At LCS, three inspectors, two havildars, and one superintendant 	<ul style="list-style-type: none"> Eight custom officials and one supervisor
10	Security	Yes	Yes
11	Electricity	Yes	Yes
12	Medical facility	No	Yes
13	Public conveniences	Yes	Yes
14	Parking Space	Yes	Yes
15	Weighbridge	Yes	Yes
16	Container-handling yard	Yes*	No
17	Hotel	Yes	No
18	Immigration	Yes	Yes
19	Customs EDI	Yes (SWIFT)	Yes (MACS)

* Not in operation at the time of field survey.

Source: RIS Survey (2019).