

INDIA-MYANMAR TRADE AND INVESTMENT: PROSPECTS AND WAY FORWARD

 एक्झिम बँक
EXIM BANK
भारतीय निर्यात-आयात बँक
EXPORT-IMPORT BANK OF INDIA



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**INDIA-MYANMAR TRADE AND INVESTMENT:
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Executive Summary

Myanmar's geographic location gives it a natural advantage as it forms a strategic link between South Asian and Southeast Asian markets. Bordered by Bangladesh, India, China, Lao People's Democratic Republic (Lao PDR), Thailand, and the Indian Ocean, and having a long coastline on the major Indian ocean shipping lane, Myanmar has a potential to become one of the major hubs in the global trade arena. For India in particular, Myanmar is a crucial link to the ASEAN market, and an avenue for development of India's North East Region.

Myanmar is the seventh-largest economy in the ASEAN region, accounting for 2.3 per cent of the region's GDP in 2018, with an average annual growth rate at 6 per cent during 2014-2018. To attract higher foreign investment, the Government of Myanmar standardized FDI application and implementation procedures. According to the New Companies Law 2017, which was implemented in August 2018, foreign investors can hold up to 35 per cent of shares in a local company; and if the foreign stake in a company is more than 35 per cent, the company is considered a foreign company. This will enable foreign investors to invest in companies and in sectors that are currently closed to foreign investment.

Going forward, Myanmar is forecast to grow at an annual average of 6.7 per cent during 2019-2023, driven by an expected rise in foreign and domestic investment resulting from the recent government policy measures. Among ASEAN members, Myanmar is expected to be the second fastest growing economy, after Lao PDR, with an annual average growth rate of 6.7 per cent during 2019-2023.

Recent Trends in Myanmar's Trade and Investment

Myanmar is rapidly opening up to international trade, especially after the easing of sanctions.

The National Export Strategy (NES) 2014-2019, has played a key role in providing direction to Myanmar's trade development efforts and boost its export competitiveness. It outlined a targeted plan for Myanmar to effectively allocate its resources to specific trade development priorities for a sustainable export-led growth. Phase II of the Export Strategy, NES 2020-2025, aims at boosting its exports in the next five years by adding new sectors, mainly involving higher value-add commodities. Gems and jewellery, the digital economy, fruits and vegetables, agricultural product-based food products and industrial art products, among others, are select commodities that have been added to the NES 2020-2025, as compared to the NES 2014-2019, which prioritised raw commodities including rice, pulses, oilseed crops, marine products, textile and garments and wood and wood products.

Myanmar's total trade increased more than three-fold, from US\$ 12.9 billion in 2008 to US\$ 39.5 billion in 2018. Growth in trade was mainly driven by significant growth in Myanmar's imports, which increased close to six-fold in 2018 to US\$ 24.2 billion from US\$ 6.3 billion in 2008, with a CAGR of 14.1 per cent, while exports from Myanmar increased more-than two-fold to US\$ 15.4 billion in 2018 from US\$ 6.6 billion in 2008, growing at a CAGR of 8.9 per cent. As a result, Myanmar's trade balance, which was in deficit since 2013, widened to US\$ 8.8 billion in 2018 as against a surplus of US\$ 0.3 billion in 2008.

In 2018, Myanmar's export as a percentage of GDP stood at 22.4 per cent, as compared to 19.1 per cent in 2008; while imports as a percentage of GDP nearly doubled from 18.3 per cent in 2008 to 35.2 per cent in 2018.

With the rise in Myanmar's exports, its share in ASEAN's global exports also increased during the

decade from 0.7 per cent in 2008 to 1 per cent in 2018. At the same time, Myanmar's share in ASEAN's imports has also increased from 0.7 per cent in 2008 to 1.7 per cent in 2018.

Myanmar's export basket is concentrated on fuels (natural gas), food and other primary commodities. In 2018, mineral fuels accounted for 23 per cent of Myanmar's total exports. Other major export items include articles of apparel and clothing accessories; ores, slag and ash; copper and articles; edible vegetables; footwear, gaiters and its parts; and pearls, precious or semi-precious stones, among others.

Myanmar has been witnessing significant growth in the export of textiles and apparel (HS code 62 and 61), its share in ASEAN's exports has increased from 5.4 per cent of ASEAN's total export of this commodity in 2014, to 15 per cent in 2018.

Myanmar's import policy inter-alia is to boost import of capital goods as well infrastructure and commodities, which are currently the major requirements of the economy. Myanmar is more diversified in its imports than its exports, with manufacturing products having maximum share in imports. Mineral fuels, oils and products of distillation and electrical machinery and equipment formed Myanmar's major import items in 2018, accounting for 12.5 per cent and 10.7 per cent of total imports, respectively

Myanmar's exports are primarily directed to China and Thailand, accounting for 50 per cent of Myanmar's exports in 2018. Like exports, China was also the major source for Myanmar's imports, accounting for 43.7 per cent of Myanmar's imports in 2018. Other major import sources during the year include Thailand, Singapore, India, Indonesia and Malaysia.

Myanmarese government has also taken proactive initiatives by liberalising and simplifying their foreign investment norms. According to McKinsey Global Institute, Myanmar may attract as much as US\$ 100 billion in foreign direct investment by 2030 if

it spends enough to achieve its economic growth potential. According to UNCTAD, annual FDI inflows to Myanmar grew by 43.3 per cent to a six-year high at US\$ 4.3 billion in 2017. ASEAN is the largest source of investments in Myanmar, driven by investments primarily from Singapore. In 2017, Singapore accounted for 46 per cent of the total investments in Myanmar, followed by China, Thailand and the Netherlands, among others. Extractive industries attracted the highest share of investments in 2017, followed by transportation and storage and manufacturing.

India's Trade Relations with Myanmar

Myanmar's membership in ASEAN, BIMSTEC and Mekong Ganga Cooperation has introduced a regional/sub-regional dimension to bilateral relations and imparted an added significance in the context of India's 'Act East' policy. Myanmar is also associated with SAARC as an observer since 2008.

India's exports to Myanmar increased at a CAGR of 17.9 per cent to US\$ 1.2 billion in 2018, from to US\$ 237.3 million in 2008. India's imports from Myanmar, however, stood lower at US\$ 445.3 million during 2018, decreasing from US\$ 906.3 million in 2008.

India's export basket to Myanmar in 2018 primarily comprised mineral fuels, oils and its products, pharmaceutical products, and sugars and sugar confectionery, which together accounted for 44 per cent of India's total exports to Myanmar.

India's export of mineral fuels, oils and its products and sugar and sugar confectionery to Myanmar have registered a significant rise since 2014. Myanmar is India's second largest destination for sugar exports in 2018. In 2015, the Government of Myanmar permitted the import of commodities such as sugar and diesel from India and Thailand for the purpose of re-export to meet high demand and boost local export income. However, in 2018, the Ministry of Commerce of Myanmar, suspended re-exports of

sugar to stabilise the falling kyat. This may have a likely impact on India's overall exports to Myanmar in the years to come.

India's imports from Myanmar are largely dominated by edible vegetables and certain roots and tubers and wood and articles, which together accounted for 88 per cent of imports from the Myanmar in 2018.

India has imposed quantitative restrictions on import of beans and pulses, classified under edible vegetables and certain roots and tubers (HS 07). In 2017, India published a notification restricting the import of pulses through a quota for matpe, green gram and pigeon beans, as a measure for the steep decline in prices. This quota has been extended to March 2020. Only dal millers in India are allowed to import the annual permissible quota of pulses.

India-Myanmar Border Trade

Myanmar shares long borders with five neighbouring countries, namely India, Thailand, Bangladesh, China and Lao PDR. Over 50 per cent of Myanmar's exports and nearly 70 per cent of its imports are with China, Thailand and India.

India and Myanmar signed a Border Trade Agreement in 1994, which was operationalized on April 12, 1995. The agreement allowed for trade in locally produced commodities across the India-Myanmar border. Border points in India as per the agreement are at Moreh (Myanmar - Tamu) and Zokhawthar (Myanmar - Rhi). Setting up a third border trade point at Avakhung- Pansat/ Somra has also been agreed upon. At present, there are four Land Customs Stations (LCS) in India dealing with border trade with Myanmar, of which Moreh (in Manipur state of India) handles most of India's border trade with Myanmar.

On November 5, 2015, RBI vide its circular no. RBI/2015-16/230 abolished barter trade, which was a part of border trade between India and Myanmar. Further, as per the DGFT public notice no. 50 issued on December 17, 2015, it was decided that border trade at Moreh, Manipur would be upgraded to normal

trade so as to promote bilateral trade between the two countries. With these changes in regulations the bilateral policy regime governing trade through land border between India and Myanmar has changed. The unilateral Duty Free Tariff Preference (DFTP) Scheme of India and the ASEAN-India Trade in Goods Agreement became relevant in case of Myanmar and the earlier limit no longer applies.

Border haats also play an important role in facilitating local trade. Of the 15 suggested haats by the State Governments to Ministry of External Affairs, Pangsau Pass in Arunachal Pradesh and Somrai in Manipur have been approved.

Despite these efforts of the Government of India, trade along the Indo-Myanmar border remains relatively low in comparison with Sino-Myanmar and Thai-Myanmar borders.

In terms of port-wise trade with Myanmar, most of the bilateral trade is through sea. Nhava Sheva (JNPT) is the largest gateway to Myanmar contributing 19.9 per cent of total exports and 34.1 per cent of imports in 2017-18. Nhava Sheva (sea), Kolkata (sea), Chennai (sea), Paradip (Sea) and Mundra are the top five ports which accounted for nearly 50 per cent of exports to Myanmar in 2017-18. Again, as regards imports from Myanmar, Chennai (Sea), and Nhava Sheva (sea) accounted for most of India's imports from Myanmar. In fact, compared to other trade routes, no significant formal trade were carried out through the land borders, viz. land ports of Moreh LCS and Zokhawthar LCS during 2017-18.

Connectivity Projects between India and Myanmar

In order to provide a boost to its 'Act East' policy and to link to Southeast Asian markets, the Indian Government has multiple connectivity projects, through land, water, and air. Some of them include the India-Myanmar-Thailand Trilateral Highway, connecting India, Myanmar and Thailand; the Kaladan Multi-Modal Transit Transport Project (KMMTTP),

creating a mode of transport for shipment of cargo from the eastern ports of India to Myanmar as well as to NER; an Industrial Corridor in NER from Golaghat via Dimapur via Imphal to Moreh (on Indo-Myanmar Border) and Dawki - Shillong via Guwahati to Nagoan (on Indo-Bangladesh Border); Imphal-Mandalay bus service; and Mekong-India Economic Corridor (MIEC), among others.

India's Investment in Myanmar

During April 1996 to March 2019, the cumulative approved Indian FDI in joint ventures and wholly owned subsidiaries (FDI outflows) including equity, loan and guarantee issued, in Myanmar stood at US\$ 369.2 million. On the other hand, cumulative inflows into India from Myanmar during April 2000- March 2019 amounted to US\$ 9 million.

According to Financial Times' fDi Markets database, during January 2009 to December 2018, around 80 per cent of Indian investment in Myanmar is in the oil and gas sector. Other major sectors attracting capital investment in the region include financial services, wood products and non-automotive transport original equipment manufacturer (OEM).

Several Indian companies have made their presence in Myanmar across sectors, which include ONGC Videsh Limited (OVL), Jubilant Oil and Gas, Century Ply, Tata Motors, Essar Energy, RITES, Escorts, Sonalika Tractors, Zydus Pharmaceuticals Ltd., Sun Pharmaceuticals Ltd, Ranbaxy, Cadila Healthcare Ltd, Shree Balaji Enterprises, Shree Cements, Dr. Reddy's Laboratories, CIPLA, Gati Shipping Ltd, TCI Seaways, Apollo and AMRI, among others.

Identification of Potential Commodities for Enhancing India's Trade with Myanmar

The study identifies, commodities with export potential from India to Myanmar, up to 6-digit HS Commodity codes. Potential items of export to Myanmar would include the following categories of exports:

- Electrical machinery and equipment (HS 85)
- Machinery and mechanical appliances (HS 84)
- Plastics and its articles (HS 39)
- Articles of iron or steel (HS 73)
- Animal or vegetable fats and oils (HS 15)
- Man-made filaments (HS 54)
- Man-made staple fibres (HS 55)
- Paper and paperboard (HS 48)

Strategies for Enhancing India's Investments in Myanmar

India's engagements in Myanmar has been limited so far to few sectors. India could take advantage of the recent initiatives undertaken by the Government of Myanmar to improve investment climate in the country, to enhance its investments in Myanmar. Against this backdrop, this section highlights some broad areas where India could enhance its engagements with Myanmar.

• Manufacturing Sector and Agro-based Industry

The Government of Myanmar is embarking upon several programmes to encourage the development of manufacturing sector, along with raising agricultural productivity. The Government is also considering large infrastructure projects that will support upgrading of the agricultural and industrial sectors along with enhancing connectivity within the country and to the ASEAN and South Asia region. The large-scale port projects that are underway, once completed, could further substantiate the attractiveness of the country by reducing shipping logistic costs.

With manufacturers considering alternative options to relocate due to the ongoing China-US trade war and the rising wages in China, Myanmar offers a promising environment for manufacturing investors. The recent investment reforms announced in the country are expected to further boost investments. Indian investors may seize the opportunities arising in the manufacturing sector of Myanmar in industries

like 2- wheelers and 3-wheelers, cement, furniture, FMCG products, assembling and manufacturing of agri-machineries, cotton and silk. Focus sectors could include FMCG, pharmaceuticals and cotton yarn manufacturing.

- **FMCG:** Myanmar's fast moving consumer goods (FMCG) sector has expanded by 15 per cent since 2014 and accounts for nearly half of a consumer's average monthly expenditure. Most of Myanmar's FMCG goods are presently imported from neighbouring countries such as China, Thailand and Singapore or from other developed countries. Myanmar's fast growing economy with an increasing middle class population and rising disposable incomes offer an opportunity for Indian FMCG companies to venture into setting up manufacturing units in Myanmar. Investments in this regard could not only expand the presence of existing Indian FMCGs in the overseas market but also leave room for innovation in new FMCGs for the growing population of Myanmar and the rest of Southeast Asia. On one hand, Myanmar's market for consumer goods is still underdeveloped and on the other, the tastes, preferences and habits are forming, and changing rapidly. The formation of these brand-preference habits can be beneficial for Indian FMCG companies as product preference is more expensive to change, once established. India being a huge FMCG market itself has a host of producers, both domestic and internationally. Indian companies can look at entering the Myanmar market in an array of commodities and products. Further, the new Myanmar Companies Act allows foreign investors to invest up to 35 per cent in a domestic firm, with the company still designated as a local operator. This investment incentive may be tapped by Indian FMCG companies and to broaden their investment base.
- **Pharmaceuticals:** Myanmar has a very competitive pharmaceutical market and has attracting a growing number of foreign pharmaceutical

companies. The total pharmaceutical spending of Myanmar has been increasing at a rate of 11 per cent every year and the market value is expected to reach US\$ 1.1 billion by 2023. Presently, Myanmar imports most of its pharmaceutical requirement. Indian generic brands are already having a significant presence in Myanmar's pharmaceutical market. With its expertise in pharmaceutical manufacturing, Indian pharmaceutical manufacturing companies have a route to expand their production base by setting up units in Myanmar. Further, Indian investors may have an edge, if involved in the social causes by educating patients on diabetes management with the traditional medicines which are not documented. Potential in diabetology and cancer treatment are immense.

- **Market for India's Cotton Yarn:** Myanmar imports cotton yarn from India as an input for its garment industry, which is further exported to developed markets. Indian manufacturers can set up a part of textile industry abroad and take advantage of the export benefits and at the same time create a value chain. Cotton yarn manufacturing and cotton seed oil industries and cocoon production, silk production and weaving are also potential areas for Indian investments.

Further, India may explore possibilities of setting up vocational training institutes in the collaboration with institutes in Myanmar, to equip the existing workforce to harness the opportunities and potential of the growing manufacturing hubs and supply chains present in the country as well as the ASEAN region.

- **Natural Resources Development**

Myanmar has abundant mineral and energy resources, which mainly include petroleum and gas reserves; it also has a large hydro-electric potential. In light of these, increased cooperation between India and Myanmar in developing/exploring mineral resources, with bilateral arrangements such as buy-

back arrangements could be an important strategy to enhance commercial relations.

Cooperation in the field of energy would come across as a complement with the other areas like infrastructure development and connectivity.

According to the Director General of the Ministry of Electricity and Energy's Oil and Gas Planning Department, Government of Myanmar, fresh bidding rounds for offshore and onshore oil gas blocks are expected in 2019. The Myanmar Energy Master Plan emphasizes on Myanmar's steps towards restructuring its energy sector and utilising it to its benefit. Myanmar is already exporting natural gas to China and Thailand, in which India can play a key role for Myanmar for its export diversification. Indian companies such as ONGC and GAIL are shareholders in Myanmar-China Oil and Gas Pipeline. The gas pipelines became functional in 2013 whereas the crude oil pipeline became operational only in 2017.

Involving the North Eastern states would create a win-win situation for India as well. There is the potential to utilise the substantial refining capacity in the North East by importing crude from Myanmar. Assam has four refineries with total capacity of 7 million metric tonnes per annum (MMTPA). Making their optimal capacity utilisation would lead to sufficient surplus of refinery products for domestic consumption as well as exports. The refined petroleum products could also be exported back to Myanmar, where energy needs are growing rapidly. Similarly, ONGC is already involved in the exploration of natural gas in Myanmar. If the gas supply from Myanmar could be coupled with the Tripura gas reserves, it could be used for thermal power generation and for other industrial uses.

A trilateral partnership involving Myanmar, India and Bangladesh could be explored for the cross border energy trade. A 900 km long gas pipeline worth US\$ 1 billion carrying 5 billion cubic metres of gas has been proposed, from the Shwe field off the Bay of Bengal

through the Rakhine State in southern Myanmar, from where it would turn east to enter the Indian state of Tripura at the North East Region. The pipeline would then enter Bangladesh at Brahmanbaria and traverse the country to exit at Jessore and terminate at the Indian state of West Bengal.

- **Infrastructure**

Lack of adequate access to electricity, transport and communication is a major challenge to the industrial growth of Myanmar. According to the Asian Development Bank, during 2017-2030, Myanmar would have an infrastructure gap of US\$ 120 billion, excluding urban infrastructure. All infrastructure sectors like roads, railways, ports (sea) and airports require massive investments where international developers can get involved with joint venture operations or as a supplier. Further, Myanmar also needs to further improve its soft infrastructure such as laws, regulations, digital infrastructure human resource management, custom procedures and environmental protection to ensure smooth and efficient logistics. Strong infrastructure and trade facilitation are crucial for ensuring growth in trade.

A study by the Asian Development Bank also emphasizes the importance of developing road infrastructure given Myanmar acts as the land bridge between South Asia and South East Asia. Apart from roads, important seaports connecting South Asia and Southeast Asia - Kolkata Port in India, Chittagong Port in Bangladesh, and Yangon Port in Myanmar also need to be upgraded. Limited accessibility for large ships, gaps in facilities, variable operational efficiency, and gaps in connectivity between these sea ports act as major hindrance for the trade between the entire region linking South Asia and Southeast Asia.

For India, there is an urgent need to improve the necessary border infrastructure at trading points to facilitate cross-border movement of goods between India and Myanmar. Major infrastructure facilities required include development of land

port with modern warehousing facility, food testing facility, IT and telecom support, regular power supply, weighbridge, and development of the connecting roads and bridges. Infrastructure bottlenecks and constraints at the ICP and the LCSs have to be addressed, and trade facilitation needs to be promoted, to increase flow of goods across border between India and its neighbours. Further, implementation of Country of Origin (COO) is critical. Coordination with partner countries in terms of development of infrastructure facilities is also critical to address these issues. Modern warehousing facilities need to be developed, particularly at Zokhawthar. Absence of food testing facility at Zokhawthar and Moreh resulted in delay on quality testing, which is costly and time consuming and adds to NTB. This needs to be addressed on a priority basis given the fact that many traded items produced by the locals are edible items, and quality needs to be ensured. Development of roads connecting the nearest LCSs to the district headquarters, the state capital and the nearest ports (rail/air) should be a priority of the State governments. Upgradation of roads and bridges connecting trading points in India and Myanmar is of utmost importance.

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

movement of cargo between ports in Bangladesh and Myanmar and the NER. In Myanmar, transit is permitted through Myanmar to another country for which customs assesses a fee of 2.5 per cent of the value of the cargo. Goods produced in the NER and those from mainland India could be conveniently exported through the region.

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

Need for Increasing Border Haat: With the normalisation of cross-border trade between India and Myanmar, there is an urgent need to strengthen and increase the presence of Border Haats at strategic points. Border Haats allow people from both countries to buy each other's products on a fixed day each week, with items traded limited to select locally grown agricultural and manufactured finished products. Setting up of Border Haat at the India-Myanmar border not only will support higher economic activities, but also facilitate engagements between people living in these areas. In addition, an avenue for regular cross-border bus services can also be explored to promote people-to people connectivity.

- **Banking Facility**

The November 2015 RBI circular, that abolished barter trade, has mandated the transactions to be carried out in permitted currencies only, in addition to Asian Clearing Union (ACU) mechanism. However, one major hindrance to this trade is that there is no standard exchange rate at the LCSs at Indo-Myanmar border. Further, there is high fluctuation of exchange rate of Kyat in the market with high deviation from official exchange rate and thus traders are reluctant to hold it for long, and found it more economical to do business through unofficial channels. Number of Banks authorised in NER to handle foreign currency transaction and L/C facilities is also limited. Myanmar Economic Bank in Myanmar and United Bank of India are designated banks for trade to put in facilities for foreign exchange and opening of Letter of Credit by the traders. However, banking facilities and related infrastructure supports are limited on both sides of the border, hindering normal trade. Border trade suffers even more as the small businessmen in the border areas of both the countries do not have the ability to fulfil the variety of rules followed by the Indian banks to get loans for border trade or to benefit from the Letters of Credit (LCs). As a result, Myanmar's border trade with India remains meagre compared to that with China and Thailand.

Further, Myanmar is not considered at par with the other members of the Asian Clearing Union (ACU) by the Reserve Bank of India. Also inadequate banking

operations within the country make it necessary to settle financial transactions through Singapore. This leads to increase in trade cost as banking through Singapore becomes expensive.

Many Indian companies have set up their base in key countries in ASEAN for investing in the rest of the region. For example, Tata International has its presence in Myanmar, through its registered company Tata International Singapore Pte. Ltd in Singapore. As a dominant source of financing for development, ASEAN banking integration, which remains relatively low, needs to be accelerated to facilitate flow of trade and investment. There are gaps in banking presence among ASEAN countries which need to be bridged. For example, Banks in Singapore, which is the financial hub of ASEAN, have branches only in Malaysia, Thailand, Brunei and Vietnam, and its presence in other member countries, including Myanmar, are only in terms of Subsidiary or Representative Offices.

It is critical that Indian banks increase their physical presence, in the region to facilitate trade and investment. India has lots to offer to the Myanmar banking sector, including deepening of rural financial systems. SME financing is another area where Indian Banks can explore possibilities of cooperation. In addition, Indian Banks could also develop corresponding relations with select banks in the region to facilitate and promote commercial relations between India and Myanmar.

1. Background

Myanmar's geographic location gives it a natural advantage as it forms a strategic link between South Asian and Southeast Asian markets (**Exhibit 1**). Bordered by Bangladesh, India, China, Lao People's Democratic Republic (Lao PDR), Thailand, and the Indian Ocean, and having a long coastline on the major Indian ocean shipping lane, Myanmar has a potential to become one of the major hubs in the global trade arena.

Myanmar is the seventh-largest economy in the ASEAN region¹ (2.3 per cent of the region's GDP in 2018) and the second-largest economy in the CLMV (Cambodia, Lao PDR, Myanmar and Vietnam) region after Vietnam. Myanmar has maintained a strong growth momentum in the recent past, with its

average annual growth rate at 6 per cent during 2014-2018 (**Table 1.1**). Real GDP growth in 2018, however, slipped to 2.1 per cent. The slowdown in growth was mainly on the back of Rohingya refugee crisis and weaknesses in the banking sector². According to the World Bank, Myanmar is a lower-middle-income economy with a GNI per capita of US\$ 1,210 in 2017 (*as per latest data*).

Myanmar's average inflation has declined in the recent years after peaking at 10 per cent in 2015 to reach 3.5 per cent in 2018. Current account deficit of Myanmar has improved primarily on the back of rising garment exports and a slowdown in import growth.

Exhibit 1: Myanmar as a Connecting Link to South Asia and South East Asia



Note: The above map is for representation purpose only and not to be referred anywhere without prior permission.

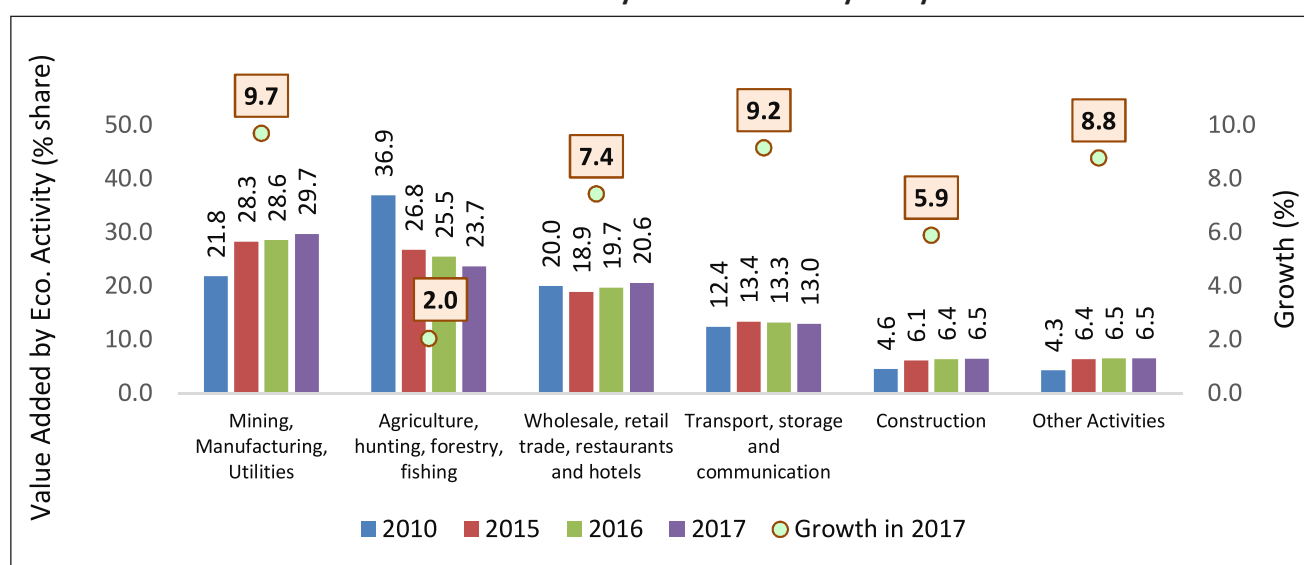
¹The Association of Southeast Asian Nations (ASEAN) includes Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam.

²IMF Article IV Consultation for Myanmar: 2018.

Table 1.1: Select Macroeconomic Indicators of Myanmar

Indicator	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (US\$ bn)	59.9	60.1	65.6	59.7	63.2	66.7	68.6
Real GDP Growth (%)	7.3	8.4	8.0	7.0	5.9	6.8	2.1
GDP per capita, current prices (US\$)	1186.0	1179.6	1275.3	1151.3	1210.3	1267.4	1297.7
Population (mn)	50.5	51.0	51.4	51.8	52.3	52.6	52.8
Inflation, average consumer prices (%)	2.8	5.7	5.1	10.0	6.8	4.0	3.5
Current account balance (US\$ bn)	-1.0	-1.3	-1.9	-3.1	-2.7	-3.1	-2.9
Current account balance (% of GDP)	-1.6	-2.1	-2.9	-5.2	-4.3	-4.7	-4.3
External Debt (US\$ bn)	11.3	12.4	13.9	14.8	14.4	16.1	-
Foreign Exchange Reserves (US\$ bn)	7.4	8.8	4.5	4.6	4.9	5.2	-

Source: IMF World Economic Outlook April 2019 and World Bank database (accessed on April 30, 2019)

Chart 1.1: Value Added by Economic Activity in Myanmar


Source: National Accounts Main Aggregates Database, Statistical Division United Nations (unstats.un.org) (accessed on April 30, 2019)

Myanmar boasts about its rich natural resources, namely, petroleum, timber, tin, antimony, zinc, copper, tungsten, lead, coal, marble, limestone, precious stones, natural gas, hydropower and arable land³. Though the country is strategically located, and possesses abundant natural resources, with a young population, the country has only recently opened up to the global investors; there exists immense potential for tapping the sizable market with wide-ranging investment opportunities.

Myanmar's manufacturing sector witnessed significant growth in recent years; in 2017, the mining, manufacturing and utilities sector grew at 9.7 per cent. Accordingly, its share in GDP has also increased from 21.8 per cent in 2010 to 29.7 per cent in 2017 (**Chart 1.1**). Within manufacturing, Myanmar's garment sector, in particular, has witnessed a substantial increase in its production, benefiting from its low cost labour and a favourable trade environment. Preferential access to the EU and

³Central Intelligence Agency (CIA) World Factbook (accessed on May 15, 2019)

Table 1.2: Myanmar's Economic Outlook

Indicator	2019 ^f	2020 ^f	2021 ^f	2022 ^f	2023 ^f
Nominal GDP (US\$ bn)	65.7	71.4	78.1	85.9	94.2
Real GDP Growth (%)	6.4	6.6	6.7	6.9	6.9
Gross domestic product per capita, current prices (US\$)	1238.5	1337.7	1454.2	1588.5	1733.4
Population (mn)	53.0	53.4	53.7	54.1	54.4
Inflation, average consumer prices (%)	3.9	6.7	6.2	6.1	6.1
Current account balance (US\$ bn)	-3.2	-3.5	-3.8	-4.1	-4.5
Current account balance (% of GDP)	-4.9	-4.9	-4.8	-4.7	-4.7

f- forecast

Source: IMF World Economic Outlook April 2019 and Exim Bank Analysis

the US market mainly accelerates the growth of the manufacturing sector. Myanmar's manufacturing industry, however, is mainly dominated by labor-intensive, low-technology industries engaged in relatively low value-added activities.

Recent Economic Reforms in Myanmar⁴

To attract higher foreign investment, the Myanmar government has standardized FDI application and implementation procedures. According to the New Companies Law 2017, which was implemented in August 2018, foreign investors can hold up to 35 per cent of shares in a local company; and if the foreign stake in a company is more than 35 per cent, the company is considered a foreign company. This enables foreign investors to invest in companies and in sectors that are currently closed to foreign investment, it also enables investment in companies listed on the Yangon Stock Exchange. Further, three integral sectors viz. wholesale and retail trade and education business were opened up for foreign investment. It also permitted foreign companies to engage in trading of fertilizers, seeds, pesticides, hospital equipment and construction materials. Previously, only local companies and joint ventures of local and foreign companies were allowed to do so. Foreign banks are now allowed to open branches to provide financing and other banking services to local businesses, setting them on more equal footing with the local banks. An online company registration system has been introduced called the Myanmar Companies Online (MyCO).

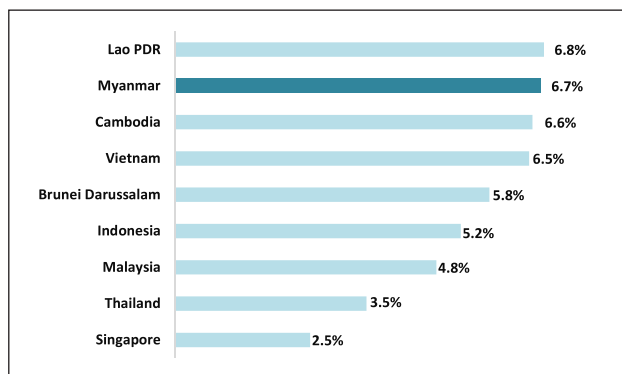
Outlook

Going forward, the economy is forecast to grow at an annual average of 6.7 per cent during 2019-2023, driven by an expected rise in foreign and domestic investment resulting from the recent government policy measures (**Table 1.2**). The implementation of the New Myanmar Companies Law, opening of the insurance sector and wholesale and retail markets to foreign players, services sector liberalization, and loosening restrictions on foreign bank lending are some of the initiatives in this regard⁵.

An expansionary fiscal policy is expected ahead of the 2020 elections, which is likely to boost growth in the short term. In the medium term, growth is expected to be supported by the recent structural reforms.

Among ASEAN members, Myanmar is expected to be the second fastest growing economy, with an annual average growth rate of 6.7 per cent during 2019-2023 (**Chart 1.2**).

Chart 1.2: Average Annual Growth Rate of ASEAN Members during 2019-2023



Source: IMF World Economic Outlook April 2019 and Exim Bank Analysis

⁴Myanmar's Investment Outlook for 2019, ASEAN Briefing, February 01, 2019; and Eurocham Myanmar, Business Guide 2019

⁵Myanmar Economic Monitor, World Bank, December 2018

Myanmar's strategic location at the heart of Asia provides immense opportunities and incentives for India to engage effectively in the region and to advance trade, investment, and developmental goals. Over the last few years, Myanmar has embarked upon major economic and political reforms

to join the international economy. Those reforms are now at crossroads, and the policymakers are looking at developing a strategy towards meaningful contribution in the economy through trade and investments.

2. Recent Trends in Myanmar's Trade and Investment

Myanmar has been a member of the World Trade Organization (WTO) since January 1, 1995 and a member of GATT since July 29, 1948. While various economic sanctions effectively isolated Myanmar from a large part of the rest of the world, reforms since 2011 and easing of sanctions have reintegrated the country to the international community.

Myanmar is rapidly opening up to international trade. Among the policy priorities, the government has given special attention on import opening and investment liberalization. It has been taking steps to eliminate the linkage between export receipts and import licensing, considering that more flexible import arrangements would help to limit currency appreciation pressures and provide broader benefits to Myanmar's producers and consumers. Myanmar's trade policy is strongly influenced by its participation in ASEAN, and ASEAN's free trade agreements (FTA) with third countries. Myanmar is also looking beyond its Asian neighbours to develop trade and investment ties⁶.

The National Export Strategy (NES) 2014-2019 played a key role in providing direction to Myanmar's trade development efforts and boost its export competitiveness. It outlined a targeted plan for Myanmar to effectively allocate its resources to specific trade development priorities for a sustainable export-led growth⁷. Phase II of the Export Strategy, NES 2020-2025, aims at boosting its exports in the next five years by adding new sectors, mainly involving higher value-added commodities. Gems and jewellery, the digital economy, fruits and vegetables, agricultural product-based food products and industrial art products, among others, are select

commodities that have been added to the NES 2020-2025, as compared to the NES 2014-2019, which prioritised raw commodities including rice, pulses, oilseed crops, marine products, textile and garments and wood and wood products⁸.

During the last decade, the total trade of Myanmar increased more than three-fold, from US\$ 12.9 billion in 2008 to US\$ 39.5 billion in 2018 (**Chart 2.1**). Growth in trade was mainly driven by significant growth in Myanmar's imports, which increased close to six-fold in 2018 to US\$ 24.2 billion from US\$ 6.3 billion in 2008, with a CAGR of 14.1 per cent, while exports from Myanmar increased more-than two-fold to US\$ 15.4 billion in 2018 from US\$ 6.6 billion in 2008, growing at a CAGR of 8.9 per cent. As a result, Myanmar's trade deficit widened to US\$ 8.8 billion in 2018 from a surplus of US\$ 0.3 billion in 2008.

In 2018, Myanmar's export as a percentage of GDP stood at 22.4 per cent, as compared to 19.1 per cent in 2008; while imports as a percentage of GDP nearly doubled from 18.3 per cent in 2008 to 35.2 per cent in 2018.

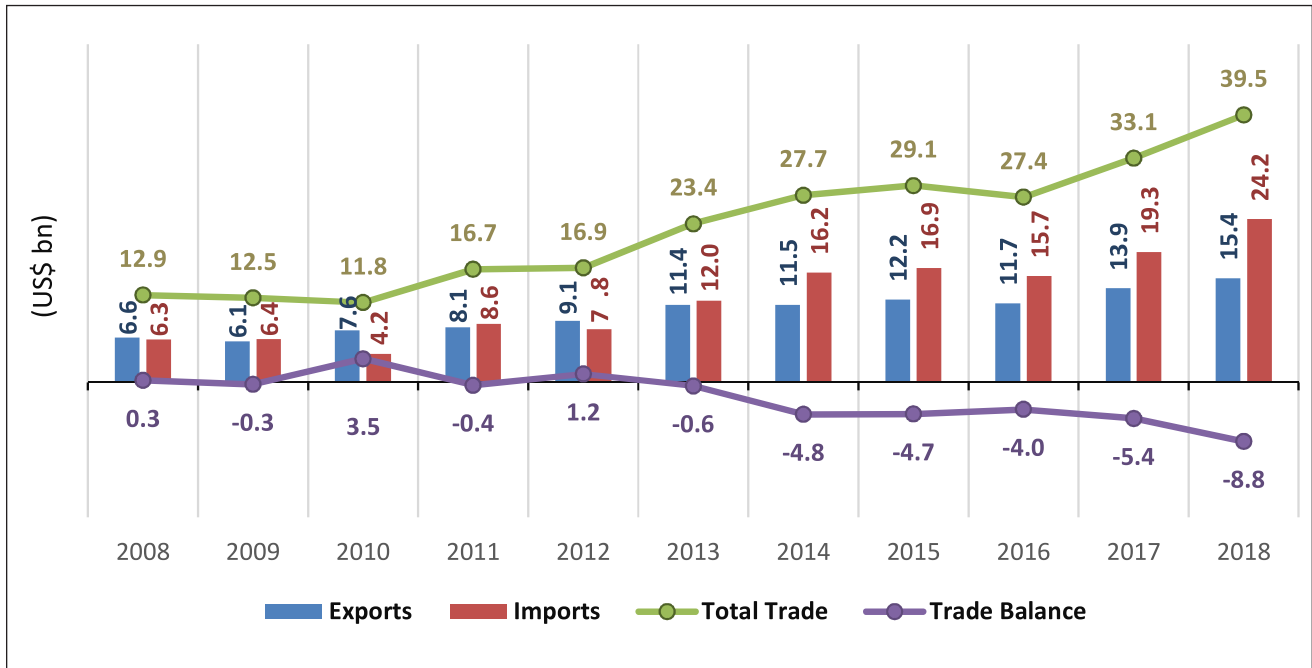
With the rise in Myanmar's exports, its share in ASEAN's global exports also increased during the decade from 0.7 per cent in 2008 to 1 per cent in 2018 (**Chart 2.2**). Myanmar's share in CLMV's global exports has however, declined mainly due to the surge in Vietnam's global exports during the decade. As regards imports, Myanmar's share has increased both in ASEAN's global imports as well as CLMV's global imports from 0.7 per cent in 2008 to 1.7 per cent in 2018 and 6.7 per cent in 2008 to 7.8 per cent in 2018, respectively.

⁶Myanmar Trade Policy Review, March 2014, World Trade Organization

⁷Myantrade

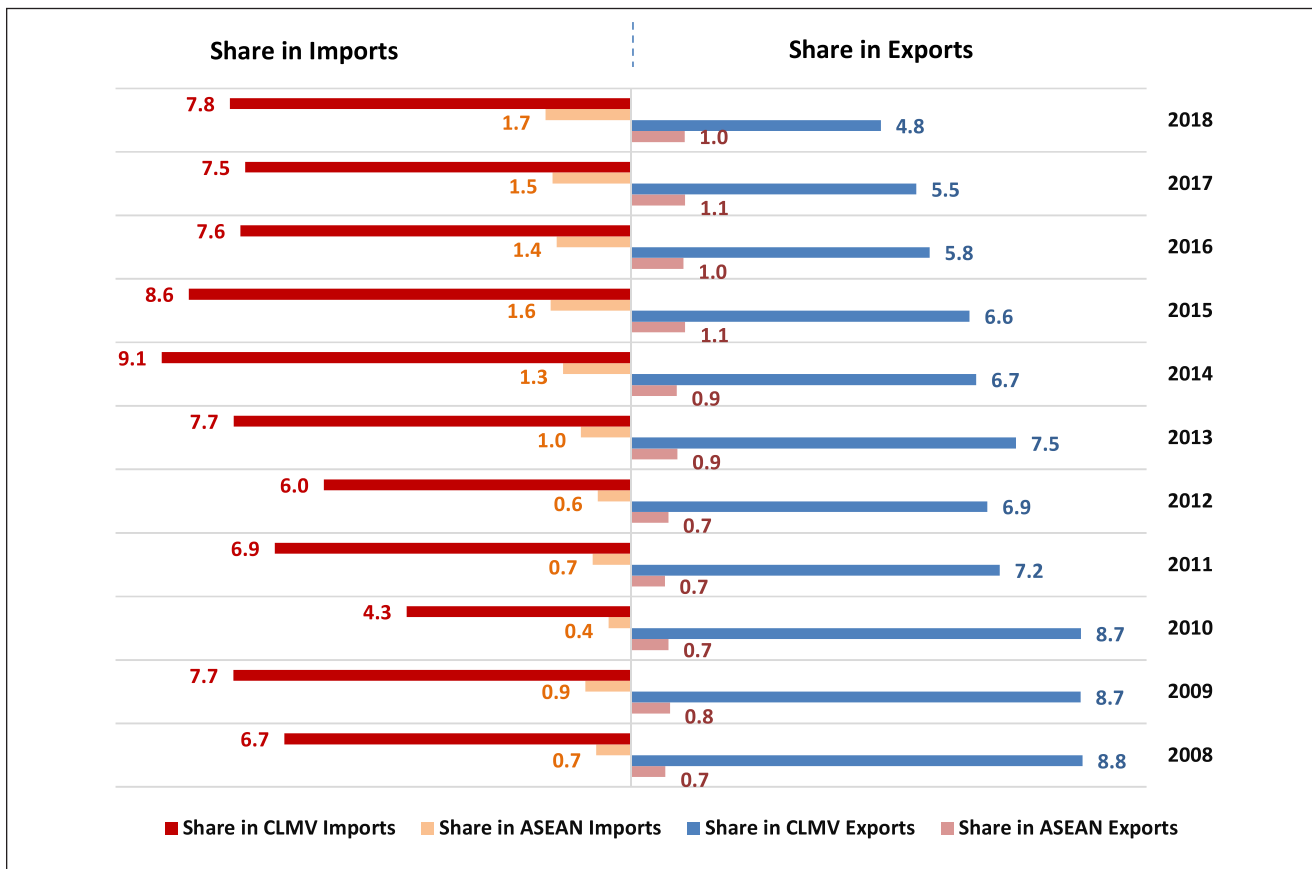
⁸Myanmar Trade and Investment Project, ITC, UKAid and The Ministry of Commerce of the Government of Myanmar, and PWC Myanmar Weekly Business Intelligence, Issue 154, March 29, 2019

Chart 2.1: Myanmar's Foreign Trade



Source: ITC Trademap, derived from UN Comtrade; and Exim Bank Analysis

Chart 2.2: Myanmar's Share in ASEAN and CLMV's Trade



Source: ITC Trademap, derived from UN Comtrade; and Exim Bank Analysis

Composition of Myanmar's Merchandise Trade

Myanmar's export basket is concentrated on fuels (natural gas), food and other primary commodities. In 2018, mineral fuels were the major item of Myanmar's exports, accounting for 23 per cent of total exports (**Table 2.1**). Other major export items include articles of apparel and clothing accessories; ores, slag and ash; copper and articles; edible vegetables; footwear, gaiters and its parts; and pearls, precious or semi-precious stones, among others.

Myanmar has been witnessing significant growth in exports of textiles and apparel (HS code 62 and 61). Its share in ASEAN's exports have increased from 5.4 per cent of ASEAN's total export of this commodity in 2014, to 15 per cent in 2018 (**Box 1**).

Other such commodities, where Myanmar has been a performer include export of ores, slag and ash, and live animals.

Table 2.1: Myanmar's Major Export Items

HS Code	Product	2014			2018		
		Value in US\$ mn	Share in Myanmar's Exports (%)	Share in ASEAN's Exports (%)	Value in US\$ mn	Share in Myanmar's Exports (%)	Share in ASEAN's Exports (%)
TOTAL	All products	11451.9	100.0	0.9	15377.4	100.0	1.0
27	Mineral fuels, oils and its products	4603.8	40.2	2.2	3529.6	23.0	2.2
62	Articles of apparel, not knitted or crocheted	941.3	8.2	5.1	3139.2	20.4	10.6
61	Articles of apparel, knitted or crocheted	74.2	0.6	0.3	1415.9	9.2	4.4
26	Ores, slag and ash	51.4	0.4	0.8	1007.0	6.5	10.1
74	Copper and its articles	130.6	1.1	1.6	811.5	5.3	6.6
07	Edible vegetables and certain roots and tubers	927.7	8.1	22.5	470.9	3.1	16.4
64	Footwear, gaiters and its parts	69.4	0.6	0.4	447.5	2.9	1.4
71	Pearls, precious or semi-precious stones	1088.1	9.5	3.9	441.4	2.9	1.1
03	Fish and crustaceans	423.2	3.7	3.3	375.0	2.4	3.0
10	Cereals	988.2	8.6	9.8	374.4	2.4	4.2
72	Iron and steel	189.3	1.7	2.1	339.5	2.2	2.0
44	Wood and its articles	408.6	3.6	2.4	299.3	1.9	1.9
40	Rubber and its articles	126.8	1.1	0.4	283.4	1.8	0.8
42	Articles of leather	2.5	0.02	0.1	253.1	1.6	2.9
12	Oil seeds and oleaginous fruits	292.1	2.6	26.7	146.3	1.0	14.8
85	Electrical machinery and equipment	25.9	0.2	0.01	144.3	0.9	0.04
90	Optical, photographic, cinematographic, medical or surgical instruments	32.5	0.3	0.1	102.6	0.7	0.2
28	Inorganic chemicals	1.1	0.01	0.03	77.5	0.5	1.5
01	Live animals	0.6	0.005	0.1	74.3	0.5	11.0
08	Edible fruit and nuts	188.9	1.6	2.8	63.9	0.4	0.6

Source: ITC Trademap, derived from UN Comtrade; and Exim Bank Analysis

Myanmar is more diversified in its imports than its exports, with manufacturing products having maximum share in imports. Mineral fuels, oils and products of distillation and electrical machinery and equipment formed Myanmar's major import items in 2018, accounting for 12.5 per cent and 10.7 per cent of total imports respectively (**Table 2.6**). Other principal import items were machinery and

instruments, vehicles other than railway or tramway, iron and steel, and plastic and its articles.

Within ASEAN, during 2014-2018, Myanmar has increased its share in the import of manmade filaments, knitted fabrics, sugar and sugar confectionery, beverages spirits and vinegar, among others.

Table 2.2: Myanmar's Major Import Items

HS Code	Product label	2014			2018		
		Value in US\$ mn	Share in Myanmar's imports (%)	Share in ASEAN's imports (%)	Value in US\$ mn	Share in Myanmar's imports (%)	Share in ASEAN's imports (%)
TOTAL	All products	16220.2	100.0	1.3	24157.6	100.0	1.7
27	Mineral fuels, oils and its products	2873.6	17.7	1.1	3019.0	12.5	1.3
85	Electrical machinery and equipment	790.1	4.9	0.3	2576.4	10.7	0.8
84	Machinery and mechanical appliances	2126.0	13.1	1.4	2292.1	9.5	1.3
87	Vehicles other than railway or tramway	2269.7	14.0	6.1	1509.0	6.2	3.1
72	Iron and steel	1008.5	6.2	2.4	1181.6	4.9	2.3
39	Plastics and its articles	503.8	3.1	1.1	857.1	3.5	1.6
73	Articles of iron or steel	601.8	3.7	2.4	675.0	2.8	2.7
15	Animal or vegetable fats and oils	600.3	3.7	12.8	625.2	2.6	11.4
54	Man-made filaments	54.1	0.3	1.2	583.0	2.4	7.1
60	Knitted or crocheted fabrics	5.6	0.0	0.1	551.4	2.3	4.6
30	Pharmaceutical products	287.1	1.8	2.9	536.2	2.2	4.2
55	Man-made staple fibres	359.1	2.2	5.4	520.3	2.2	8.7
17	Sugars and sugar confectionery	52.5	0.3	1.4	490.2	2.0	9.6
21	Miscellaneous edible preparations	238.3	1.5	4.8	465.1	1.9	6.8
22	Beverages, spirits and vinegar	35.6	0.2	0.8	414.3	1.7	5.2
52	Cotton	60.1	0.4	0.8	387.4	1.6	3.8
31	Fertilisers	267.6	1.6	3.5	381.2	1.6	5.5
48	Paper and paperboard	178.5	1.1	1.8	322.7	1.3	2.7
90	Optical, photographic, cinematographic, medical or surgical instruments	145.5	0.9	0.5	291.3	1.2	0.8
40	Rubber and its articles	133.9	0.8	1.2	282.1	1.2	2.1

Source: ITC Trademap, derived from UN Comtrade; and Exim Bank Analysis

Box 1: Myanmar's Textile and Apparel Exports

Textiles and apparel constitute a major portion of Myanmar's exports. Myanmar's textile and apparel industry has benefitted from the high-quality workmanship with favourable labour cost, favourable investment climate, preferential market access, and a dynamic and involved sector association with strong membership. Myanmar accounts for 1.9 per cent of global export of textiles and apparel (HS code 62 and 61).

Japan and Germany together account for almost 40 per cent of Myanmar's textile and apparel export in 2018 (HS 61 and HS 62). Other major export destinations for textile and apparel include Spain (7.4 per cent), UK (6.8 per cent), Netherlands (6.3 per cent), France (5.5 per cent), and USA (4.2 per cent).

About 70 per cent of Myanmar's garment exports consist of articles of apparel and clothing accessories not knitted or crocheted (HS 62). Within this subcategory, Myanmar produces a wide diversity of apparel, which are more focused on high tech and premium clothing such as high-tech sportswear or formal suits, as compared to its neighbouring textile and apparel exporters such as Cambodia.

Myanmar enjoys privileged access to foreign markets through its many trade agreements. The EU-Myanmar trade is done under the Generalised Scheme of Preferences (GSP). The country also enjoys tax-free exports with Japan as well. Myanmar's membership in the ASEAN also enables to have access to the organisation's trade agreements with China, South Korea, Hong Kong, among others.

Myanmar's garment industry is based on the 'cut-make-pack' process, where the garment factory is solely in charge of cutting and assembling the materials that are prepared and provided by the buying company, which is also in charge of exporting the final product. As such, local factories are focused on the labour-intensive tasks that create little economic value. Accordingly, China is an important import source for textile and apparel. Some of the final products are also reexported to China.

Source: ITC Trademap, Eurocham Myanmar – Garment Guide 2019, and Exim Bank analysis.

Myanmar's exports are primarily directed to China and Thailand, accounting for 50 per cent of Myanmar's exports in 2018. Other major export destinations include Japan, Germany, Republic of Korea, USA and India (**Table 2.3**). China emerged as Myanmar's largest export destination in 2014, replacing Thailand. Myanmar's exports to China are concentrated on mineral fuels and cereals, whereas exports to Thailand are mostly mineral fuels. Myanmar is also an important import partner for Thailand accounting for 1.2 per cent of Thailand's global imports.

Myanmar's exports to India are mainly dominated by edible vegetables and certain roots and wood and articles of wood.

Like exports, China was also the major source for Myanmar's imports, accounting for 43.7 per cent of Myanmar's imports in 2018 (**Table 2.4**). Other major import sources during the year include Thailand, Singapore, India, Indonesia and Malaysia.

Myanmar's import policy inter-alia is to boost import of capital goods which are currently the major requirements of the economy, as well infrastructure and commodities that support export promotion activities. Myanmar's imports from China were mainly dominated by machinery and mechanical appliances, electrical machinery and equipment, vehicles other than railway or tramway and iron and steel.

Table 2.3: Myanmar's Major Export Destinations

Importers	2014			2018		
	Value in US\$ mn	Share in Myanmar's Export (%)	Share in Respective Country's Global Import (%)	Value in US\$ mn	Share in Myanmar's Export (%)	Share in Respective Country's Global Import (%)
Total	11451.9	100.0	0.1	15377.4	100.0	0.1
China	4035.4	35.2	0.8	4718.8	30.7	0.2
Thailand	3746.0	32.7	1.7	3027.7	19.7	1.2
Japan	532.2	4.6	0.1	1279.2	8.3	0.2
Germany	63.5	0.6	0.01	1009.3	6.6	0.1
Republic of Korea	376.7	3.3	0.1	536.2	3.5	0.1
USA	43.3	0.4	0.004	511.5	3.3	0.02
India	835.6	7.3	0.3	446.3	2.9	0.1
UK	58.3	0.5	0.02	389.6	2.5	0.1
France	7.3	0.1	0.01	389.1	2.5	0.1
Spain	34.9	0.3	0.02	361.5	2.4	0.1
Netherlands	22.8	0.2	0.01	351.7	2.3	0.1
Malaysia	255.6	2.2	0.1	305.4	2.0	0.1
Italy	19.6	0.2	0.01	280.8	1.8	0.1
Singapore	549.8	4.8	0.04	198.0	1.3	0.1
Belgium	15.3	0.1	0.01	163.3	1.1	0.04
Indonesia	85.5	0.7	0.1	151.6	1.0	0.1
Denmark	2.0	0.02	0.003	148.7	1.0	0.1
Switzerland	2.1	0.02	0.01	117.9	0.8	0.04
Canada	4.1	0.04	0.003	101.2	0.7	0.02
Hong Kong	346.3	3.0	0.01	101.1	0.7	0.02

Source: ITC Trademap, derived from UN Comtrade; and Exim Bank Analysis

Table 2.4: Myanmar's Major Import Sources

Importers	2014			2018		
	Value in US\$ mn	Share in Myanmar's Import (%)	Share in Respective Country's Global Export (%)	Value in US\$ mn	Share in Myanmar's Import (%)	Share in Respective Country's Global Export (%)
Total	16220.2	100.0	0.1	24157.6	100.0	0.1
China	5026.8	31.0	0.2	10567.9	43.7	0.4
Thailand	1585.4	9.8	0.7	4558.8	18.9	1.8
Singapore	3755.1	23.2	0.9	2766.2	11.5	0.7
India	659.8	4.1	0.2	1234.7	5.1	0.4
Indonesia	529.3	3.3	0.3	897.5	3.7	0.5
Malaysia	967.0	6.0	0.4	696.7	2.9	0.3
Japan	1636.8	10.1	0.2	695.2	2.9	0.1
Republic of Korea	462.7	2.9	0.1	534.1	2.2	0.1
Russian Federation	18.0	0.1	0.004	272.4	1.1	0.1
Chinese Taipei	36.2	0.2	0.01	271.2	1.1	0.1
USA	492.1	3.0	0.03	263.6	1.1	0.02
Hong Kong	46.0	0.3	0.01	256.0	1.1	0.04
Germany	70.6	0.4	0.005	144.4	0.6	0.01
Australia	85.4	0.5	0.03	125.2	0.5	0.05
Italy	94.7	0.6	0.02	116.8	0.5	0.02
France	34.6	0.2	0.01	109.6	0.5	0.02
Poland	1.8	0.0	0.001	64.7	0.3	0.02
Belgium	8.5	0.1	0.002	63.1	0.3	0.01
Turkey	13.4	0.1	0.01	58.3	0.2	0.03
UK	20.9	0.1	0.004	51.2	0.2	0.01

Source: ITC Trademap, derived from UN Comtrade; and Exim Bank Analysis

Myanmar's Trade Agreements and Arrangements⁹

Agreements that have been signed and are in effect include:

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

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

- Myanmar- US FTA
- ASEAN- Hong Kong FTA

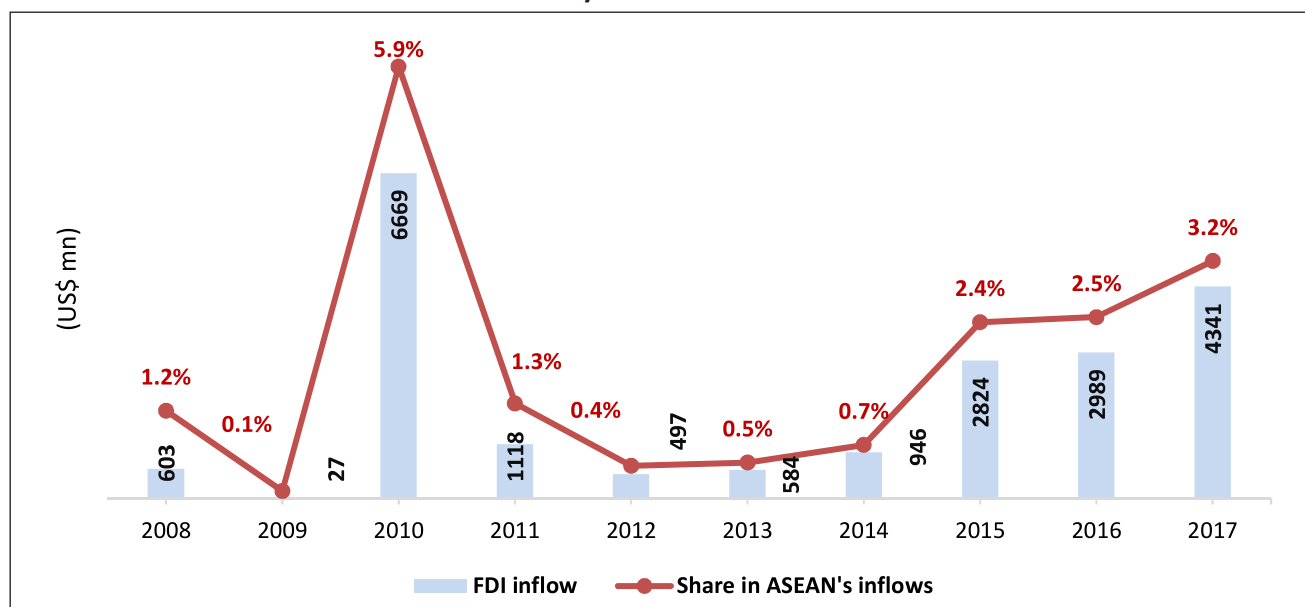
Agreements for which negotiations have been launched include:

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

FDI inflows to Myanmar

There has been a significant rise in FDI inflows to Myanmar, after the lifting of sanctions. Multilateral institutions and foreign donors have also supported the country in its developmental objectives post the lifting of sanctions. Myanmar government has also taken proactive initiatives by liberalising and simplifying their foreign investment norms. According to McKinsey Global Institute¹⁰, Myanmar may attract as much as US\$ 100 billion in foreign direct investment by 2030 if it spends enough to achieve its economic growth potential. According to UNCTAD, annual FDI inflows to Myanmar grew by 43.3 per cent to a six-year high at US\$ 4.3 billion in 2017 (**Chart 2.3**). Inflows during the year were mainly from the ASEAN region, largely greenfield investments by foreign MNEs, especially in the manufacturing sector¹¹. Major investments in Myanmar during the year have been in the Thilawa Special Economic Zone (SEZ). Among the notable investments in Myanmar during the year, Malaysia based Kian Joo Group, one of the largest can manufacturer and packaging businesses in ASEAN, has started to build a new plant

Chart 2.3: FDI Inflows to Myanmar and its Share in ASEAN's Inflows



Source: UNCTAD World Investment Report 2018

⁹ADB: Asia Regional Integration Centre (accessed on May 15, 2019)

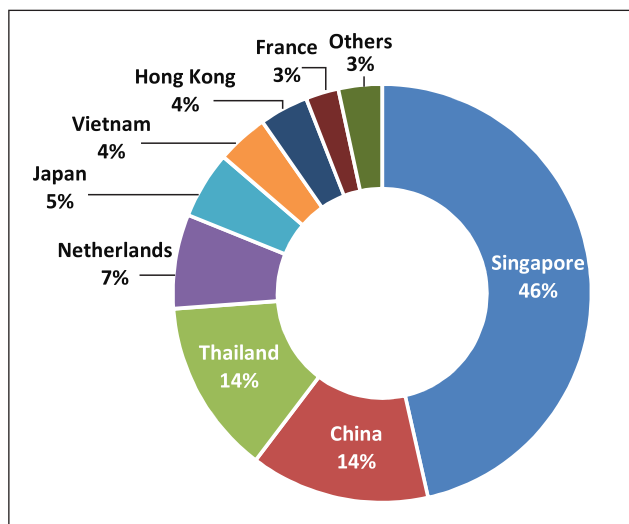
¹⁰Myanmar's Moment: Unique Opportunities, Major Challenges, McKinsey Global Institute, June 2013

¹¹UNCTAD's World Investment Report 2018

in the Zone. Nissan-Tan Chong Motor also started its operations in the Zone during the year.

ASEAN is the largest source of investments in Myanmar, driven by investments primarily from Singapore. In 2017, Singapore accounted for 46 per cent of the total investments in Myanmar, followed by China, Thailand, Netherlands, among others (Chart 2.4).

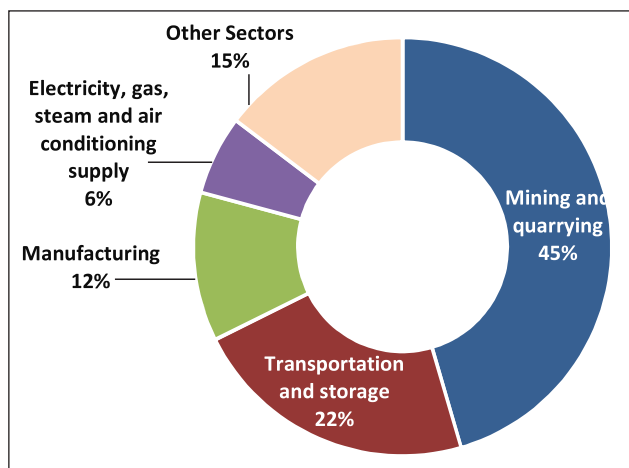
Chart 2.4: Major Investors in Myanmar in 2017



Source: ASEAN Investment Report 2018

Extractive industries attracted the highest share of investments in 2017, followed by transportation and storage, and manufacturing (Chart 2.5).

Chart 2.5: Major Sectors Attracting FDI in Myanmar in 2017



Source: ASEAN Investment Report 2018

Select major investments during the year are classified below¹².

Extractive Industry

- A consortium led by Total (France) started the Badamya gas production project in 2017 with partners that include Chevron-Unocal (United States), PTTEP (Thailand) and MOGE (Myanmar);
- Woodside (Australia) expanded its offshore activities, which resulted in three natural gas discoveries;
- Ethos Energy (United States) won a contract to upgrade the Ywama power plant;
- Sahakol Equipment (Thailand) was awarded a contract to operate a tin mine operation; and
- Siamgas and Petrochemicals (Thailand) acquired a 30 per cent stake in a 230 MW power plant.

Manufacturing

Manufacturing FDI during the year was mainly into food and beverage, automotive, garments and cement production. Select investments include-

- New Hope Liuhe (China) invested in the production of animal feed;
- Agrocrop International (Singapore) opened a rice production and export facility;
- Acecook (Japan) opened a noodle factory;
- Sahadharawat (Thailand) invested in a metal packaging plant in the Thilawa Special Economic Zone (SEZ);
- Thai Beverage (Thailand) acquired a majority stake in a local distillery and a supply chain service company;
- LS Cable & System (Republic of Korea) together with an affiliate started construction of a factory to produce aerial cables for buildings;
- Komatsu (Japan) opened a plant to produce equipment to support the host country's growing infrastructure industry;
- Soilbuild (Singapore) set up a plant to produce steel products;
- Nissan (Japan) and Tan Chong (Malaysia) opened a vehicle assembly plant;

¹²ASEAN Investment Report 2018

- Ford (United States) together with a local partner started assembling cars in a new facility;
- Unilever (Netherlands) formed a joint venture with EAC (Myanmar) to manufacture, market and distribute home and personal care products in the country;
- Nippon Concrete Industries (Japan) and a local partner opened a concrete manufacturing facility; and
- Aju Group (Republic of Korea), a construction materials company, started construction of a factory.

Transportation and storage

- Yusen Logistics (Japan) and CEVA Logistics (Netherlands) expanded their operations in Myanmar;
- DHL (Germany) expanded its supply chain business;
- Nittsu Logistics (Japan) completed construction of a logistics centre;
- Puma Energy (Singapore) opened a petroleum products storage facility;
- Metro Cash and Carry (Germany) entered into a joint venture with a local partner;
- NTT Communications (Japan) opened its first data processing centre; and

- Ride-hailing taxi companies such as Grab (Singapore) expanded in Myanmar.

Infrastructure

- JFE Steel Corporation (Japan), Meranti Steel (Singapore), JFE Shoji Trade Corporation (Japan), Marubeni-Itochu Steel (Japan) and Hanwa (Japan), formed a joint venture and was awarded a contract to establish a steel plant;
- Punj Lloyd (India) won a contract for the India–Myanmar–Thailand Trilateral Highway;
- Soilbuild Construction (Singapore) was awarded a contract for civil and superstructure work;
- McDermott (United States) and Baker Hughes (United States) won a contract for front-end engineering design for Posco Daewoo (Republic of Korea) offshore project in Myanmar;
- TTCL, a joint venture between ITD (Thailand) and Toyo Engineering Corporation (Japan), announced plans to invest in the establishment of two coal-fired power plants;
- LS Cable & System Asia (Republic of Korea) and Gaon Cable (Republic of Korea) started investment to build a power cable plant; and
- The expansion of the Thilawa SEZ involved investments from a consortium of Japanese investors.

3. India - Myanmar Trade and Investment Relations

Myanmar shares a land border of over 1600 kms with India as well as a maritime boundary in the Bay of Bengal¹³. This has strongly influenced the bilateral relations between the two countries. For India, Myanmar serves as a link to the rest of South East Asia. With Myanmar sharing its land border with the states of Arunachal Pradesh, Manipur, Mizoram and Nagaland, makes Myanmar even more relevant especially in the context of India's North East Region (NER).

Trade Relations with Myanmar

Since the signing of India and Myanmar Trade Agreement in 1970, bilateral trade has been growing steadily. The last decade witnessed significant growth in bilateral trade, which rose from US\$ 1.1 billion in 2008 to US\$ 1.7 billion in 2018. During the same period, as a result of significant increase of exports from India accompanied by lower imports of edible vegetables, roots and tubers, as well as wood products from Myanmar, India's trade balance which remained in deficit for the past years swung into surplus from 2016.

India's exports to Myanmar increased by a CAGR of 17.9 per cent to US\$ 1.2 billion in 2018, compared to

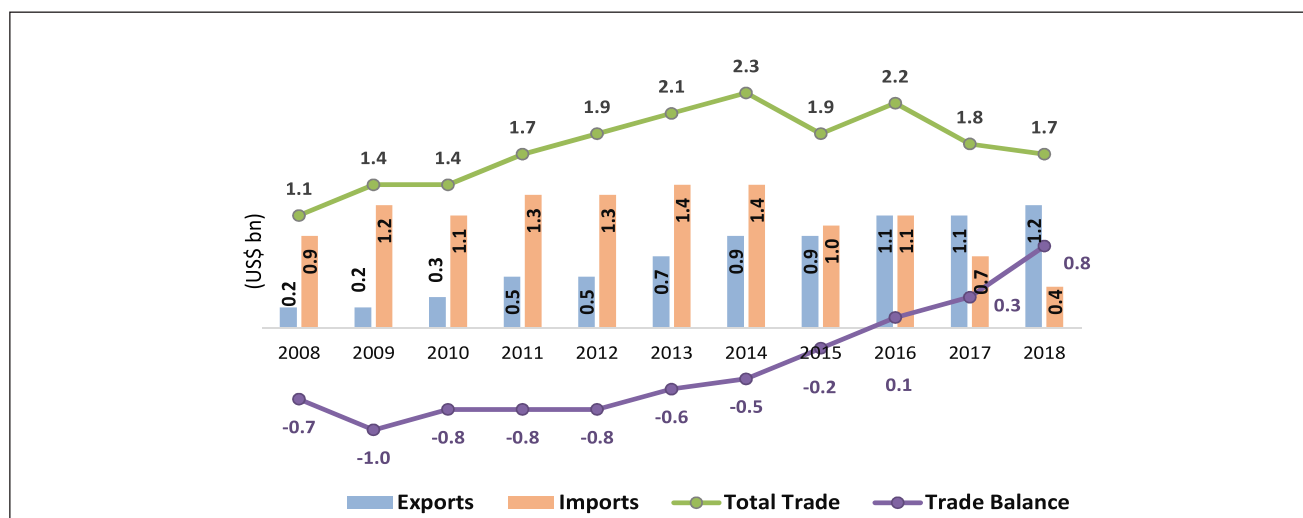
US\$ 237.3 million in 2008 (**Chart 3.1**). India's imports from Myanmar stood at US\$ 445.3 million during 2018, decreasing from US\$ 906.3 million in 2008.

On a year-on-year basis, India's exports to Myanmar increased by 16.6 per cent from US\$ 1.1 billion in 2017 to US\$ 1.2 billion in 2018, mainly due to higher export of mineral fuels, oils and its products and pharmaceutical products. India's imports from Myanmar witnessed a sharp decline of 39.6 per cent in 2018 from US\$ 739.6 billion in 2017, mainly due to lower export of edible vegetable and roots.

Myanmar accounts for 0.4 per cent of India's global exports in 2018, up from its share of 0.1 per cent in 2008. As regards imports, Myanmar's share in India's imports has declined to 0.1 per cent in 2018, from 0.3 per cent in 2008 (**Table 3.1**).

India is the seventh-largest global export destination of Myanmar, accounting for 2.9 per cent of Myanmar's global exports in 2018. As regards Myanmar's imports, India is the fourth largest source, accounting for 5.1 per cent of Myanmar's global imports in 2018.

Chart 3.1: India's Trade with Myanmar



Source: ITC Trademap, derived from UN Comtrade; and Exim Bank Analysis

¹³India-Myanmar Bilateral Relations, Ministry of External Affairs, Government of India, December 2018.

Table 3.1: Significance of India and Myanmar as Trade Partners

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
India's Exports to Myanmar (% Share in India's Exports)	0.1	0.1	0.1	0.2	0.2	0.2	0.3	0.3	0.4	0.4	0.4
India's Exports to Myanmar (% Share in Myanmar's Imports)	3.8	3.3	6.5	5.3	6.7	6.2	5.4	5.1	7.3	5.5	5.1
India's Imports from Myanmar (% Share in India's Imports)	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.1
India's Imports from Myanmar (% Share in Myanmar's Exports)	13.8	19.5	14.7	15.5	14.9	11.9	12.2	8.3	9.3	5.3	2.9

Source: ITC Trademap, derived from UN Comtrade; and Exim Bank Analysis

Composition of India-Myanmar Merchandise Trade

India's export basket to Myanmar primarily comprised mineral fuels, oils and its products, pharmaceutical products, and sugars and sugar confectionery, which together accounted for 44 per cent of India's total exports to Myanmar in 2018 (**Table 3.2**).

India's export of mineral fuels, oils and its products and sugar and sugar confectionery to Myanmar have registered a significant rise since 2014. Myanmar is India's second largest destination for sugar exports in 2018. In 2015, the Government of Myanmar permitted the import of commodities such as sugar and diesel from India and Thailand for the purpose

of re-export to meet high demand and boost local export income. However, in 2018, the Ministry of Commerce of Myanmar suspended re-export of sugar to stabilise the falling kyat. This may have a likely impact on India's overall exports to Myanmar in the years to come.

As regards the ASEAN market for India's exports, Myanmar accounts for a significant share of India's exports to ASEAN for pharmaceuticals, railway or tramway locomotives and its parts, products of animal origin, and articles of apparel, knitted or crocheted, apart from sugar and sugar confectionery.

Table 3.2: India's Major Export Items to Myanmar

HS code	Product label	2014			2018		
		Value in US\$ mn	Share in Exports to Myanmar (%)	Share in Exports to ASEAN (%)	Value in US\$ mn	Share in Exports to Myanmar (%)	Share in Exports to ASEAN (%)
TOTAL	All products	868.5	100.0	2.0	1234.7	100.0	2.2
27	Mineral fuels, oils and its products	3.8	0.004	0.1	211.3	17.1	2.2
30	Pharmaceutical products	153.5	0.2	21.9	201.5	16.3	22.2
17	Sugars and sugar confectionery	2.1	0.002	5.0	130.6	10.6	77.9
02	Meat and edible meat offal	-	-	-	100.8	8.2	3.8
87	Vehicles other than railway or tramway	48.1	0.05	4.6	79.3	6.4	5.2
85	Electrical machinery and equipment	133.2	0.1	14.7	60.2	4.9	5.6
72	Iron and steel	45.7	0.05	5.1	55.4	4.5	4.0
84	Machinery and mechanical appliances	152.4	0.2	8.4	47.9	3.9	1.9
52	Cotton	53.4	0.1	6.5	47.7	3.9	4.7
23	Residues and waste from the food industries	56.0	0.1	11.6	43.4	3.5	10.7
05	Products of animal origin	7.3	0.01	62.9	29.6	2.4	32.9
61	Articles of apparel, knitted or crocheted	16.2	0.02	27.2	20.9	1.7	32.1
39	Plastics and its articles	6.5	0.01	1.5	19.1	1.5	3.5
73	Articles of iron or steel	47.4	0.05	14.8	14.6	1.2	4.3
86	Railway or tramway locomotives and its parts	3.6	0.004	40.6	11.2	0.9	60.4

- Negligible or not available

Source: ITC Trademap, derived from UN Comtrade; and Exim Bank Analysis

India's imports from Myanmar are largely dominated by edible vegetables and certain roots and tubers and wood and articles, which together accounted for 88 per cent of imports from Myanmar in 2018 (**Table 3.3**).

India has imposed quantitative restrictions on import of beans and pulses, classified under edible vegetables, certain roots and tubers (HS 07)¹⁴. In 2017, India published a notification restricting the import of pulses through a quota for matpe, green gram and pigeon beans, as a measure for the steep decline in prices. This quota has been extended to March 2020¹⁵.

Myanmar is also an important source for India's import of zinc and its articles, and fish and crustaceans, as well as edible vegetables and certain roots and tubers, and wood and articles of wood.

India – Myanmar Regional Cooperation¹⁶

Myanmar's membership in ASEAN, BIMSTEC and Mekong Ganga Cooperation (MGC) has introduced a regional/sub-regional dimension to bilateral relations and imparted an added significance in the context of India's 'Act East' policy. Myanmar is also associated with SAARC as an observer since 2008.

- **Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC):** BIMSTEC is an international organisation involving Bangladesh, India, Myanmar, Sri Lanka, Thailand, Bhutan and Nepal. Myanmar is a signatory to the BIMSTEC Free Trade Agreement, and trades mostly with Thailand and India in the region.
- **Mekong Ganga Cooperation (MGC):** MGC is an initiative by six countries – India and five ASEAN countries namely, Cambodia, Lao PDR, Myanmar,

Table 3.3: India's Major Import Items from Myanmar

HS code	Product label	2014			2018		
		Value in US\$ mn	Share in Imports from Myanmar (%)	Share in Imports from ASEAN (%)	Value in US\$ mn	Share in Imports from Myanmar (%)	Share in Imports from ASEAN (%)
TOTAL	All products	1392.8	100.0	3.1	446.3	100.0	0.8
07	Edible vegetables and certain roots and tubers	798.8	57.4	99.4	293.2	65.7	96.2
44	Wood and articles of wood	565.7	40.6	39.9	99.3	22.3	13.2
72	Iron and steel	-	-	-	8.9	2.0	0.5
79	Zinc and its articles	-	-	-	8.3	1.9	12.3
40	Rubber and its articles	0.4	-	-	5.9	1.3	0.4
09	Coffee, tea, maté and spices	6.7	0.5	2.1	4.9	1.1	1.5
76	Aluminium and its articles	-	-	-	4.6	1.0	0.6
12	Oil seeds and oleaginous fruits	0.5	-	1.7	4.6	1.0	6.8
03	Fish and crustaceans	2.1	0.1	10.4	4.4	1.0	13.1
41	Raw hides and skins (other than furskins) and leather	1.2	0.1	1.9	2.4	0.5	2.5
62	Articles of apparel, not knitted or crocheted	-	-	-	1.3	0.3	3.8
61	Articles of apparel, knitted or crocheted	-	-	-	1.2	0.3	2.9
64	Footwear, gaiters and its parts	-	-	-	1.1	0.2	0.6
78	Lead and its articles	-	-	-	1.0	0.2	0.8

- Negligible or not available

Source: ITC Trademap, derived from UN Comtrade; and Exim Bank Analysis

¹⁴ibid

¹⁵India Pulses and Grains Association (IPGA)

¹⁶India-Myanmar Bilateral Relations, Ministry of External Affairs, Government of India, December 2018.

Thailand and Vietnam – for cooperation in the fields of tourism, education, culture, transport and communication, and was launched at Vientiane, Lao PDR. Both the Ganga and the Mekong are civilizational rivers, and the MGC initiative aims to facilitate closer contacts among the people inhabiting these two major river basins. The MGC is also indicative of the cultural and commercial linkages among member countries of the MGC down the centuries. The ninth Mekong Ganga Cooperation Ministerial Meeting was held on August 2, 2018, in Singapore.

- **Association of Southeast Asian Nations (ASEAN):** Myanmar is the only ASEAN country which shares a land border with India, and is a bridge between India and Southeast Asian countries. The ASEAN-India Agreement on Trade in Goods came into force on September 1, 2010 for Myanmar. Elimination or reduction of tariffs under the various tariff categories like normal tracks 1 & 2, sensitive track, special products and highly sensitive track would be by 2024 for CLMV countries including Myanmar. The India ASEAN Services and Investment Agreement that was signed in September 9, 2014, was implemented on July 1, 2015.

Select List of MoUs/Agreements signed between India and Myanmar

- Exchange of Letter for Extension of MoU on the establishment of India-Myanmar Center for Enhancement of IT-Skill in September 2017
- MOU on Cooperation in the construction of 69 Bridges including AP Approach Roads in the Tamu-Kyigone-Kalewa Road Section of the Trilateral Highway in Myanmar in August 2016. India has also agreed to Myanmar's request to construct the 126 km Kalewa-Yargyi road segment for establishing seamless Trilateral Highway from Moreh in India to Mae Sot in Thailand via Myanmar.
- MOU on Cooperation in the construction / upgradation of the Kalewa – Yagyi Road Section in August 2016.
- Mechanisms such as Joint Trade Committee, Double Taxation Avoidance Agreement, Bilateral Investment Protection Agreement and other

technical level committee on trade have contributed significantly in strengthening trade and investment relations.

- India is undertaking some important development projects to enhance connectivity, notably, the Kaladan project, and construction/upgradation of Rih-Tiddim Road.
- India and Myanmar signed an MoU in October 2018 for the appointment of a private port operator for the Operation and Maintenance of Sittwe Port, Paletwa Inland Water Terminal and associated facilities included in the Kaladan Multi Model Transit Transport Project.

India-Myanmar Border Trade

Myanmar shares borders with five neighbouring countries, namely, India, Thailand, Bangladesh, China and Lao PDR. Over 50 per cent of Myanmar's exports and nearly 70 per cent of its imports are with China, Thailand and India. Bangladesh accounts for a marginal share in Myanmar's trade. Myanmar's border trade happens through various border points with four neighbouring countries that share land borders, namely China, Thailand, Bangladesh, and India.

Myanmar shares a 1,643 km long international border with India through India's North East Region (NER) states of Arunachal Pradesh (520 kms), Manipur (398 kms), Mizoram (510 kms), and Nagaland (215 kms).

India and Myanmar signed a Border Trade Agreement in 1994, which was operationalized on April 12, 1995. The agreement allowed for trade in locally produced commodities across the India-Myanmar border. Border points as per the agreement in India are at Moreh (Myanmar - Tamu) and Zokhawthar (Myanmar – Rhi). Setting up a third border trade point at Avakhung- Pansat/ Somra has also been agreed upon.

At present there are four Land Customs Stations (LCS) in India dealing with border trade with Myanmar of which Moreh (in Manipur state of India) is the most active one handling most of India's border trade with Myanmar (**Table 3.4**).

As per the Border Trade Agreement, a number of items were permitted for the border trade between India and Myanmar. Notifications to this effect were issued by both sides limiting commodities to be traded across borders. By 2012, there were 62 commodities that were allowed to be traded across borders, including bamboo, betel nuts and leaves, chillies, coriander seeds, bicycle's spare parts, blades and bulbs, among others¹⁷.

On November 5, 2015, RBI vide its circular no. RBI/2015-16/230 abolished barter trade, which was a part of border trade between India and Myanmar. Further, as per the DGFT public notice no. 50 issued on December 17, 2015, it was decided that Border Trade at Moreh, Manipur would be upgraded to normal trade so as to promote bilateral trade between the two countries. With these changes in regulations the bilateral policy regime governing trade through land

border between India and Myanmar has changed. The unilateral Duty Free Tariff Preference (DFTP) Scheme of India and the ASEAN-India Trade in Goods Agreement became relevant in case of Myanmar and the earlier limit no longer applies.

Myanmar has generally had a favourable border trade with India, and it maintained a border trade surplus with India, except for in 2018-19 (April-February) (**Table 3.5**). India primarily imports areca nuts from Myanmar, while Myanmar's border imports from India are more diverse, mainly including consumables. Moreh accounts for a significant share of the bilateral border trade.

According to the report of Joint Indo-Myanmar Task Force in 2006, trade along the Indo-Myanmar border remains relatively low in comparison with Sino-Myanmar and Thai-Myanmar borders.

Table 3.4: India-Myanmar Land Custom Stations

Sr. No.	LCS in India	LCS in Myanmar	Status
1	Namong (Pangsau Pass) (Arunachal Pradesh)	Pangsu	Notified but non-functional
2	Zokhawthar (Mizoram)	Rih	Functional
3	Moreh (Manipur)	Tamu	Functional Being developed as Integrated Check Post in Phase-I by D/o Border Management
4	Avangkhu (Sikkim)	Somara	Bi-laterally agreed to open new Land Custom Station in the Indo-Myanmar Joint Trade Committee meeting in October, 2008. Not yet notified by Govt. of India under Section 7 of the Customs Act, 1962 (52 of 1962) (letter of Joint Commissioner, Central Excise & Custom, Shillong Zone, North Eastern Region No.VIII(29)1/CUS/CCO/SH/2010 dated 15.11.2010)

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

¹⁷Directorate General of Foreign Trade (DGFT) Public Notice No.30/(RE 2012)/2009-14 dated November 11, 2012, Public Notice No. 106(RE-2008)/2004-2009 dated November 7, 2008 and Public Notice No. 289(PN)/92-97 dated April 10, 1995

Table 3.5: India's Border Trade with Myanmar

(₹ Lakhs)

Name of LCS	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19 (Apr- Feb)	Major Commodities
Moreh	India's Exports to Myanmar	3751.1	2518.3	67.5	43.7	307.2	Wheat flour, pulse, chemicals, bleaching powder, decorative wall paper, and methyl bromide
	India's Imports From Myanmar	11238.2	10458.1	11986.0	-	-	Mainly areca nut
	India's Trade Balance	-7487.0	-7939.8	-11918.5	43.7	307.2	
Zokhawthar	India's Exports to Myanmar	-	-	-	-	-	nil
	India's Imports From Myanmar	815.1	1674.1	2724.7	204.4	-	Mainly areca nut
	India's Trade Balance	-815.1	-1674.1	-2724.7	-204.4	-	
India's Border Trade Balance with Myanmar		-8302.1	-9613.9	-14643.2	-160.6	307.2	

Source: Commissionerate of Customs (Preventive) North East Region, Shillong, Ministry of Finance (Department of Revenue), Government of India; and Exim Bank Analysis

According to Myanmar Department of Border Trade, the border trade turnover between India and Myanmar would be higher if informal trade is taken into account. Secondary reports also show the prevalence of informal trading of items like fertilizers, vehicles, particularly two-wheelers from India to Myanmar through land border.

At the same time, these are several challenges that need to be addressed to facilitate trade in the region including limited availability of electricity, poor roads, manual handling of goods, unfriendly exchange rate and many such barriers, making border trade expensive.

Border Haats

Border Haats play an important role in facilitating local trade and increasing people-to-people contact and promoting accessibility across borders of the two countries. This is done through establishing a traditional system of marketing the local produce at local markets at the border. India and Myanmar took the decision of setting up the Border Haats, after executing a Memorandum of Understanding (MOU) in May 2012. As per the MOU, the first Haat was set up at Pangsau Pass, adjacent to Sagaing Region (Myanmar) and Arunachal Pradesh (India). Later, Somrai in Ukhrul District, Manipur was also approved (Table 3.6). The Border Haats are allowed to sell local

Table 3.6: List of Existing/ Proposed Border Haats

	Border Haat	District in India	Location in Myanmar
Arunachal Pradesh	Pangsau Pass (Nampong)	Changlang	Pangsau, Kachin Province
	Chingsa (Khimiyang Circle)	Changlang	Langhong, Kachin Province
	Makantong (Khimiyang Circle)	Changlang	Ngaimong, Kachin Province
	Wakka/Pongchao/Lazu	Tirap	Kachin Province
Manipur	Kongkan Thana	Ukhrul	Aungci
	New Somtal	Chandel	Thenjen, or Khampat
	Behiang	Churachandpur	Khenman, or Chikha
Mizoram	Hruitezawl	Lawngtlai	Varang
	Hnahlan	Champhai	Darkhai
	Vaphai	Champhai	Leilet
	Chakhang	Saiha	Nviaphia
Nagaland	Avakhung	Phek	Layshi
	Pangsha	Tuensang	Lahe/Hkamti District HQ
	Chemoho/Longwa	Mon	Lahe
	Molhe	Phek	Pansat

Note: Locations have been suggested by State Governments to Ministry of External Affairs; of these Pangsau Pass, Arunachal Pradesh and Somrai in Ukhrul District, Manipur are approved

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

agricultural and horticultural products, spices, minor forest products (excluding timber), wet and dry fish, dairy and poultry products, cottage industry items, wooden furniture, handloom and handicraft items.

India's Trade with Myanmar – Port-wise

In terms of port-wise trade with Myanmar, most of the bilateral trade is through sea. Nhava Sheva (JNPT) is the largest gateway to Myanmar contributing 19.9 per cent of total exports and 34.1 per cent of imports in 2017-18. Nhava Sheva (sea), Kolkata (sea), Chennai (sea), Paradip (Sea) and Mundra are the top 5 ports which accounted for nearly 50 per cent of exports to Myanmar in 2017-18 (**Table 3.7**). In fact, no significant exports were carried out through the land borders, viz. land ports of Moreh LCS and Zokhawthar LCS during 2017-18.

Again, as regards imports from Myanmar, it was mainly carried out through sea ports in 2017-18, and were mainly imported via Chennai (Sea), and Nhava Sheva (sea) (**Table 3.8**). Sea ports account for over 90 per cent of the total imports from Myanmar. Moreh

and Zokhawthar LCS accounted for a marginal share in India's total imports from Myanmar.

Table 3.7: India's Exports to Myanmar – Port-wise

Indian Port	Share in Exports to Myanmar in 2017-18 (%)
Nhava Sheva Sea	19.9
Kolkata Sea	9.4
Chennai Sea	8.1
Paradip Sea	5.6
Mundra	4.7
Gangavaram Port	3.8
Mumbai Air	3.7
Mumbai Sea	3.7
Tuticorin Sea	3.2
Others	38.0

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

Table 3.8: India's Imports from Myanmar – Port-wise

Indian Port	Share in Imports from Myanmar in 2017-18 (%)
Chennai Sea	36.7
Nhava Sheva Sea	34.1
Cochin Sea	7.4
Kolkata Sea	3.9
Mundra	3.4
Visakhapatnam Sea	3.3
ICD Nagpur	2.0
ICD Delhi	1.6
New Mangalore Sea	1.2
Others	6.3

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

Connectivity Projects between India and Myanmar

In order to provide a boost to its 'Act East' policy and to link to Southeast Asian markets, the Indian Government has multiple connectivity projects, through land, water, and air.

India-Myanmar-Thailand Trilateral Highway

The India-Myanmar-Thailand Trilateral Highway is a flagship land connectivity project between India and ASEAN, announced in 2002. The Trilateral Highway connects India, Myanmar and Thailand through Moreh, Bagan and Mae Sot, respectively. After a decade, in 2012 it was extended to Cambodia and Vietnam, at the Commemorative Summit between ASEAN and India. India is undertaking construction of two sections of the Trilateral Highway in Myanmar namely, 120.74 km Kalewa-Yagyi road section; and 69 bridges along with the approach road on the 149.70 km Tamu-Kyigone-Kalewa (TKK) road section.

The work on both sections were awarded on Engineering, Procurement and Construction (EPC) mode in November 2017 for the TTK section and in May 2018 for Kalewa-Yagyi section. The project is being funded by Government of India under grant assistance to the Government of Myanmar¹⁸.

Kaladan Multi-Modal Transit Transport Project (KMMTTP)

The Kaladan Multi-Modal Transit Transport Project (KMMTTP), was jointly identified by India and Myanmar to develop connectivity through water. The project envisaged creation of a multimodal mode of transport for shipment of cargo from the eastern ports of India to Myanmar as well as to the north eastern part of India through Myanmar. This project, which will connect Sittwe Port in Myanmar to the India-Myanmar border, is expected to be an alternative route through Myanmar for the transportation of goods to the northeast region of India. This is expected to contribute to the economic development of the North East states of India, by opening up the sea route, thereby reducing pressure on the Siliguri Corridor. In the absence of an alternate route, the development of this project not only serves the economic, commercial and strategic interests of India, but also contributes to the development of Myanmar, and its economic integration with India. The project was initiated by the Indian government in 2008. Since the project is of political and strategic significance, it was decided to execute it through India's grant assistance to Myanmar. The project has three different stretches involving shipping, inland water and road transport stretches. The project will connect Kolkata seaport with Sittwe seaport in Rakhine State, Myanmar by sea. It will then link Sittwe port to Paletwa in Myanmar by sea and river respectively via the Kaladan river boat route, and then from Paletwa by road to Zorinpui in Mizoram state in North East India. Once completed, the project would allow goods from Kolkata port to reach India's North East states more economically.

Industrial Corridor in North Eastern Region

The Government of Assam proposed for establishment of an Industrial Corridor in the North-Eastern Region of India from Golaghat via Dimapur via Imphal to Moreh (on Indo-Myanmar Border), along with Dawki - Shillong via Guwahati to Nagoan on Indo-Bangladesh Border. In this regard, the Ministry of Finance, Government of India, has requested ADB to undertake a feasibility study for the proposed

¹⁸PIB Press Release on 'India-Myanmar-Thailand Trilateral Highway' January 3, 2019

Corridor and to draw up scope and terms of reference for the study in consultation with Department for Promotion of Industry and Internal Trade, Ministry of Development of North Eastern Region and the States concerned¹⁹.

Other such initiatives

The ASEAN-India Air Transport Agreement and ASEAN-India Maritime Transport Cooperation Agreement have been proposed to strengthen cooperation in the area of aviation and maritime transport²⁰.

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

Other such important projects include the Mekong-India Economic Corridor (MIEC) connecting South and Southeast Asia; and Stilwell road and Dawei deep-sea port in Myanmar which are under consideration. The MIEC involves the integration of four Mekong countries – Vietnam, Myanmar, Thailand, and Cambodia – along with India, connecting Ho Chi Minh City, Dawei, Bangkok, and Phnom Penh with Chennai. The India, Myanmar, and Thailand Motor Vehicles Agreement (IMT MVA) is in the final stage. The IMT MVA will allow passenger, personal and cargo vehicles to cross international borders and travel along designated key trade routes in the participating countries, reducing costly and time-consuming transshipment of people, vehicle and goods at border crossings, and making cross-border trade more efficient. On realization, this will become the first-ever cross border facilitation agreement between South and Southeast Asia.

With better connectivity and implementation of various development projects, the Asian Highway and Railway Network projects would enable the

North East region to become a business hub of South Asia.

Border Trading Infrastructure at Myanmar Border Current Status and Challenges

The study conducted by Exim Bank on Border Infrastructure, titled 'Act East: Enhancing India's Trade with Bangladesh and Myanmar Across Border' highlighted various issues and challenges with regards to border trading infrastructure, which require urgent attention. Select issues highlighted in the study are stated below.

- **Road Connectivity and Condition:** The connecting roads between the two countries and mainland India and North East Region of India are not all-weathered and are narrow. The bridges are also weak and in dilapidated condition, and therefore, cannot support heavy load. The only major functional railhead linking Manipur with the rest of India is at Dimapur, Nagaland, which is 215 km away from Imphal. Road connecting Imphal with the mainland India through Dimapur and Silchar are in a poor condition and need an upgrade.
 - o **Construction of Rih-Tiddim Road:** An MOU was signed between Government of India and Government of Myanmar to construct/upgrade the Rih-Tiddim Road along the Myanmar-India border. There is an urgent necessity for implementation of the MOU as the road connecting LCS Zokhawthar to Myanmar is a single lane road with bad grade and poor condition.
 - o **Reconstruction of Bailey Bridge over Tiau at LCS Zokhawthar:** Zokhawthar and Rih (Myanmar) lie on the banks of river Tiau which forms the natural boundary between India and Myanmar, connected by a bailey bridge. The existing bailey bridge which is 55 meters in length, and 3.27 meters in width, was constructed in 2001, and is not capable of handling heavy goods traffic. There is a need to reconstruct the bridge in reinforced cement concrete (RCC).

¹⁹PIB Press Release on December 18, 2018 titled 'Major achievements of Ministry of Development of North Eastern Region during 2018'.

²⁰Ministry of External Affairs, Government of India, press release on January 25, 2018, titled 'Delhi Declaration of the ASEAN-India Commemorative Summit to mark the 25th Anniversary of ASEAN-India Dialogue Relations'

- o **The connecting road between Champhai (the District Headquarters) and Zokhawthar, LCS (28 Km)** is in a very poor and rough condition and needs substantial upgradation and maintenance. Currently, the World Bank has constructed an alternative road bypassing the Champhai town.
- **Warehouse:** There is no operational warehouse at LCS Moreh. The State government warehouse has become non-operational due to non-fulfilment of conditions as required under the Warehousing Regulations 2016. The weighbridge provided by the State Government is not functioning. In case of Zokhawthar, state warehouse is available which is taken care of by the Department of Trade and Commerce, Government of Mizoram after permission was obtained from Customs, Aizawl Division. Weighbridge for Zokhawthar is non-functional since 2013.
- **Internet Connectivity & Telecommunication:** LCS Moreh is a non-EDI Station, and lack of internet connectivity causes hindrance to facilitating trade. The BSNL Station at Champhai town near Zokhawthar has provided landline connectivity to the composite customs building. Mobile phone network from BSNL, Vodafone and Airtel are available with frequent call drops.
- **Banking Facility:** Banking Facility is available with United Bank of India (UBI), Moreh and other commercial banks such as State Bank of India (SBI), Axis Bank and UCO Bank at Moreh. Yet, the absence of foreign exchange facility is a major constraint for conducting international trade. Similarly, in case of Zokhawthar, Mizoram, one SBI Branch is functional at the composite Land Custom Building without any Forex facility. The infrastructure being outdated is unable to accept government challans or deposits and lacks uninterrupted internet facilities for smoother operations.
- **Law and Order Situation:** Volatile law and order situation is also considered one of the main reasons for lack of participation from big business firms and traders at the LCS Moreh region. In fact, frequent bandhs and economic blockade deter

their participations in trade and investment.

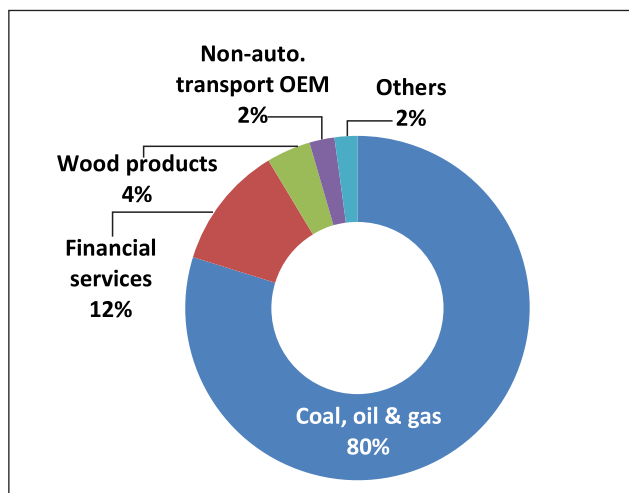
- **Quality Testing Facility and Storage Facility:** A major bottleneck for border trade is a lack of laboratory testing facilities for imported food items at the Moreh and Zokhawthar border, which is crucial from the point of view of health and sanitary and phytosanitary concerns. At present, food testing facility is not available at the LCS Zokhawthar, and has to be done at Imphal, Manipur which is costly and time consuming.
- **Electricity and Water Supply:** Electricity connection is provided, but supply is irregular due to the remote locations. Water supply is directly taken for LCS Zokhawthar through a pipeline from the Tiau river which is unhygienic and dirty especially after every rainfall and pipeline is frequently damaged by the World Bank road construction which is underway.
- **Country of Origin:** All items except some restricted or prohibited items are tradable. However, country of origin (COO) is necessary for importing any items or commodities from Myanmar. The Assistant Director (AD), Foreign Trade, Haimual, Myanmar, adjacent to LCS Zokhawthar, is authorised to issue COO. While the AD issues COO on betel nut and black pepper, the same is not issued for manufactured commodities.

India's Investment in Myanmar

During April 1996 to March 2019, the cumulative approved Indian FDI in joint ventures and wholly owned subsidiaries (FDI outflows) including equity, loan and guarantee issued, in Myanmar stood at US\$ 369.2 million. On the other hand, cumulative inflows into India from Myanmar during April 2000-March 2019 amounted to US\$ 9 million.

According to Financial Times' fDi Markets database, during January 2009 to December 2018, around 80 per cent of Indian investment in Myanmar is in the oil and gas sector. Other major sectors attracting capital investment in the region include financial services, wood products and non-automotive transport original equipment manufacturer (OEM) (**Chart 3.2**).

Chart 3.2: Sector-wise FDI Inflows to Myanmar from India



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

Source: fDi Markets Database and Exim Bank Analysis

Several Indian companies have made their presence in Myanmar across sectors, which include ONGC Videsh Limited (OVL), Jubilant Oil and Gas, Century Ply, Tata Motors, Essar Energy, RITES, Escorts, Sonalika Tractors, Zydus Pharmaceuticals Ltd., Sun Pharmaceuticals Ltd, Ranbaxy, Cadila Healthcare Ltd, Shree Balaji Enterprises, Shree Cements, Dr. Reddy's Lab., CIPLA, Gati Shipping Ltd, TCI Seaways, Apollo and AMRI, among others²¹.

Tata Motors has set up a truck assembly plant in Magway under Exim Bank's Lines of Credit, which it has transferred to Myanmar Automobile & Diesel Industries Limited. The plant deals with highly flexible chassis and frame assembly line along with a cab manufacturing, painting and trimming activities with a capacity to deliver 1000 vehicles per year. In 2013, TATA motors opened its first sales, service and

spares showroom in Yangon. TVS motors and Bajaj Auto have (two wheelers) launched dealership in Mandalay.

Further, Sonalika Tractors, New Holland tractor, Indo Farm Tractors, TAFE, Escorts and their farm implements from India have good presence in Myanmar.

In the wood-based industry sector, as the export of unprocessed logs has been banned by Myanmar since April 2014, a number of Indian companies namely Centuryply, Greenply Industries, MAK Plywood, B.S Progressive and Fine Ply have set up their wood-based industries with a total estimated investment of about US\$ 35 million. Credera and Fine Wood products private limited are present in Myanmar and are engaged in timber processing and exporting wood and wood products to India.

Global Protek is setting up a PVC plant with Thiha Tun Company at Monwya, Sagaing Region.

Two vocational training institutes are being set up by George Telegraph, Calcutta in joint ventures with two local firms at Monwya and Mandalay.

Almost all the leading Indian pharma companies like Emcure, Cipla, Zydus Cadila, Sun Pharma, Glenmark among others, have their marketing offices located in Myanmar. Tata International and Aditya Birla Group, are among the many Indian companies, which are engaged in trading on FOB basis (trading by foreign companies were not allowed in Myanmar therefore they do trade on FOB basis).

In banking and finance, New India Assurances Limited has opened its representative office in Yangon, while Bank of India, United Bank of India, State Bank of India (SBI) and Exim Bank have opened representative office in Yangon. SBI has established a branch in Yangon after being granted a commercial banking license in March 2016.

²¹Ministry of External Affairs, Government of India; Overseas Direct Investment Data, RBI and data sourced from Myanmar Investment Commission.

4. Potential for Enhancing India's Trade with Myanmar

While India's trade with Myanmar has witnessed significant growth across years, one of the avenues to enhance bilateral trade would be identification of potential commodities for trade. Accordingly, this section highlights the potential commodities for trade using HS code at 6-digit level.

Bilateral trade between India and Myanmar has doubled to US\$ 2.2 billion in 2016, from US\$ 1.1 million in 2008. In 2017 and 2018, however, bilateral trade has declined to US\$ 1.8 billion and US\$ 1.7 billion, respectively, due to fall in imports. While there is a

need to sustain exports of existing key commodities such as electrical machinery and equipment, iron and steel, sugar and sugar confectionary and pharmaceutical products, additional focus could be made on some of Myanmar's other major imported items, which have potential to be sourced from India.

Accordingly, commodities with export potential have been identified based on Myanmar's import basket, share of India in each product line (based on HS-code), and selection of potential items, based on relatively low share of India in Myanmar's import

Table 4.1: Myanmar's Major Imports and India's Share in 2018

HS Code	Product Label	Myanmar's imports from world	Myanmar's imports from India		India's exports to world
		Value in 2018 (US\$ mn)	Value in 2018 (US\$ mn)	Share in Myanmar's Imports (%)	Value in 2018 (US\$ mn)
TOTAL	All products	24157.6	1234.7	5.1	323056.4
27	Mineral fuels, mineral oils and its products	3019.0	211.3	7.0	48293.2
85	Electrical machinery and equipment	2576.4	60.2	2.3	11788.0
84	Machinery and mechanical appliances	2291.4	47.9	2.1	20404.0
87	Vehicles other than railway or tramway	1509.0	79.3	5.3	18238.9
72	Iron and steel	1181.6	55.4	4.7	9975.5
39	Plastics and its articles	857.1	19.1	2.2	7844.0
73	Articles of iron or steel	675.0	14.6	2.2	7082.9
15	Animal or vegetable fats and oils	625.2	0.1	-	1122.4
54	Man-made filaments	583.0	1.7	0.3	2270.3
60	Knitted or crocheted fabrics	551.4	2.5	0.5	419.7
30	Pharmaceutical products	536.2	201.5	37.6	14277.2
55	Man-made staple fibres	520.3	9.0	1.7	1911.9
17	Sugars and sugar confectionery	490.2	130.6	26.7	1164.7
21	Miscellaneous edible preparations	463.9	2.6	0.6	759.5
22	Beverages, spirits and vinegar	414.3	0.1	-	330.5
52	Cotton	387.4	47.7	12.3	8130.1
31	Fertilisers	381.2	0.1	-	135.5
48	Paper and paperboard	322.5	4.8	1.5	1819.3
90	Optical, photographic, cinematographic, medical or surgical instruments	291.3	8.4	2.9	3204.6
40	Rubber and its articles	282.1	7.7	2.7	3159.8

Note: - indicates nil/negligible

Source: ITC Trademap, derived from UN Comtrade; and Exim Bank Analysis

basket of major commodities despite India's global export capability.

Table 4.1 presents Myanmar's major import items in 2018, in terms of 2-digit HS code, and India's share in Myanmar's global imports of these items. As can be seen from the table, India has achieved a respectable share only in few products out of the major import categories of Myanmar. India's share in other major import items of Myanmar remains marginal. This essentially highlights the potential for enhancing such exports to Myanmar.

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

- Electrical machinery and equipment (HS 85)
- Machinery and mechanical appliances (HS 84)
- Plastics and its articles (HS 39)
- Articles of iron or steel (HS 73)
- Animal or vegetable fats and oils (HS 15)
- Man-made filaments (HS 54)
- Man-made staple fibres (HS 55)
- Paper and paperboard (HS 48)

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

• Electrical machinery and equipment (HS 85)

Electrical machinery and equipment is one of the major imports of Myanmar accounting for 10.7 per cent of Myanmar's global imports in 2018. Myanmar's major sources of import of this commodity include China (69.6 per cent of Myanmar's import of electrical machinery and equipment in 2018), followed by Thailand (11.2 per cent), and Singapore (5.3 per cent). India accounts for 2.3 per cent of Myanmar's global import of electrical machinery and equipment. This is in spite of the fact that electrical machinery and equipment form the seventh largest export product for India. Therefore, with the objective of increasing India's exports, potential items identified at 6-digit HS code classification are summarized in **Table 4.2**.

• Machinery and mechanical appliances (HS 84)

Myanmar's imports of machinery and mechanical appliances increased over two-fold during the period 2010 to 2018. In 2018, machinery and mechanical appliances accounted for 9.5 per cent of Myanmar's total imports. China accounts for the bulk of Myanmar's imports of machinery and mechanical appliances in 2018, accounting for 47.4 per cent of Myanmar's total import of machinery and mechanical appliances during the year. Other major import sources during the same year included

Table 4.2: Electrical Machinery and Equipment (HS-85) - Potential Exports to Myanmar

HS code	Product label	Myanmar's imports from world	Myanmar's imports from India		India's exports to world
		Value in 2017 (US\$ mn)	Value in 2017 (US\$ mn)	Share in Myanmar's Imports (%)	Value in 2017 (US\$ mn)
851762	Machines for the reception, conversion and transmission or regeneration of voice	235.6	1.6	0.7	423.3
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	98.4	-	-	137.9
854140	Photosensitive semiconductor devices, incl. photovoltaic cells whether or not assembled	61.3	0.1	0.2	139.1
852872	Reception apparatus for television, colour, whether or not incorporating radio-broadcast receivers	33.1	-	-	26.3
851770	Parts of telephone sets, telephones for cellular networks or for other wireless networks	22.3	-	-	368.5

Note: - indicates nil/negligible

Source: ITC Trademap, derived from UN Comtrade; and Exim Bank Analysis

Thailand (16.8 per cent), Singapore (10.8 per cent) and Japan (4.2 per cent). India accounted for 2.1 per cent of Myanmar's global import of machinery and mechanical appliances in 2018. Potential exports from India to Myanmar of machinery and mechanical appliances are analysed in **Table 4.3**.

• **Plastics and its articles (HS 39)**

Myanmar's imports of plastics and its articles has been growing significantly, in 2018 plastic imports increased by 13 per cent. Plastic accounted for 3.5 per cent of Myanmar's imports in 2018. Polymers

of ethylene in primary forms was a major item of Myanmar's imports. Myanmar's major import sources in 2018 were China (34 per cent of its total plastic imports in 2018), Thailand (24.2 per cent), Singapore (10.5 per cent), Malaysia (10 per cent), USA (5.6 per cent), and Republic of Korea (4.8 per cent).

India's share in Myanmar's imports of plastics and its articles was 2.2 per cent in 2018. Potential exports of plastics and its articles from India to Myanmar are highlighted in **Table 4.4**.

Table 4.3: Machinery and Mechanical Appliances (HS-84) - Potential Exports to Myanmar

HS code	Product label	Myanmar's imports from world	Myanmar's imports from India		India's exports to world
		Value in 2017 (US\$ mn)	Value in 2017 (US\$ mn)	Share in Myanmar's Imports (%)	Value in 2017 (US\$ mn)
843143	Parts for boring or sinking machinery	74.9	0.2	0.3	132.2
841199	Parts of gas turbines	35.5	0.2	0.6	52.2
840890	Compression-ignition internal combustion piston engine "diesel or semi-diesel engine"	34.9	0.1	0.2	384.7
843149	Parts of machinery	30.6	0.5	1.6	282.5
847130	Data-processing machines, automatic, portable, weighing <= 10 kg	26.8	-	-	52.4
841182	Gas turbines of a power > 5.000 kW (excluding turbojets and turbopropellers)	19.7	-	0.2	44.8
841451	Table, floor, wall, window, ceiling or roof fans, with a self-contained electric motor	17.3	-	0.1	55.7
841821	Household refrigerators, compression-type	10.7	-	-	107.5

Note: - indicates nil/negligible

Source: ITC Trademap, derived from UN Comtrade; and Exim Bank Analysis

Table 4.4: Plastic and its Articles (HS-39) - Potential Exports to Myanmar

HS code	Product label	Myanmar's imports from world	Myanmar's imports from India		India's exports to world
		Value in 2017 (US\$ mn)	Value in 2017 (US\$ mn)	Share in Myanmar's Imports (%)	Value in 2017 (US\$ mn)
392690	Articles of plastics and articles of other materials of heading 3901 to 3914	50.2	0.2	0.4	572.6
392020	Plates, sheets, film, foil and strip, of non-cellular polymers of ethylene, not reinforced	25.1	0.1	0.4	233.5
392010	Plates, sheets, film, foil and strip, of non-cellular polymers of ethylene, not reinforced	23.4	-	-	53.8
392329	Sacks and bags, incl. cones, of plastics (excluding those of polymers of ethylene)	21.5	0.4	1.6	316.6
392321	Sacks and bags, incl. cones, of polymers of ethylene	15.2	-	0.1	143.9
392310	Boxes, cases, crates and similar articles for the conveyance or packaging of goods, of plastics	14.6	0.1	0.7	46.6

Note: - indicates nil/negligible

Source: ITC Trademap, derived from UN Comtrade; and Exim Bank Analysis

• **Articles of iron or steel (HS 73)**

Global sources for Myanmar's imports of articles of iron or steel include China, accounting for 62.6 per cent of Myanmar's imports of articles of iron or steel in 2018, followed by Thailand (24.4 per cent), Japan (3.7 per cent), and India (2.2 per cent). Therefore, potential exports of the commodity, from India to Myanmar at 6-digit HS code classification is given in **Table 4.5**.

• **Animal or vegetable fats and oils (HS 15)**

The key sources for Myanmar's imports of animal or vegetable fats and oils are Indonesia (77.4 per cent) and Malaysia (12.1 per cent), together accounting for nearly 90 per cent of total imports of the commodity in 2018. India's share in Myanmar's import of this commodity was negligible.

Therefore, with the objective of increasing India's exports, potential item identified at 6-digit HS code classification are listed in **Table 4.6**.

Table 4.5: Articles of Iron or Steel (HS 73) - Potential Exports to Myanmar

HS code	Product label	Myanmar's imports from world	Myanmar's imports from India		India's exports to world
		Value in 2017 (US\$ mn)	Value in 2017 (US\$ mn)	Share in Myanmar's Imports (%)	Value in 2017 (US\$ mn)
730300	Tubes, pipes and hollow profiles, of cast iron	37.0	0.1	0.4	111.0
730890	Structures and parts of structures, of iron or steel	28.7	0.4	1.2	412.9
732394	Table, kitchen or other household articles, and parts thereof, of iron other than cast iron	25.4	0.1	0.3	117.1
732690	Articles of iron or steel. (excluding cast articles or articles of iron or steel wire)	17.9	-	0.2	740.7

Note: - indicates nil/negligible

Source: ITC Trademap, derived from UN Comtrade; and Exim Bank Analysis

Table 4.6: Animal or Vegetable Fats and Oils (HS 15) - Potential Exports to Myanmar

HS code	Product label	Myanmar's imports from world	Myanmar's imports from India		India's exports to world
		Value in 2017 (US\$ mn)	Value in 2017 (US\$ mn)	Share in Myanmar's Imports (%)	Value in 2017 (US\$ mn)
151620	Vegetable fats and oils and their fractions, partly or wholly hydrogenated	512.2	3.6	0.7	73.3

Source: ITC Trademap, derived from UN Comtrade; and Exim Bank Analysis

• **Man-made filaments (HS 54)**

Myanmar's import of man-made filaments, strip and textile materials has increased by 27 per cent since 2014, making it the 26th largest global importer of man-made filaments; and accounting for 1.2 per cent of global import of man-made filaments. The key source for Myanmar's imports of made filaments, strip and textile materials is China, accounting for 71.9 per cent of total imports of the commodity in 2018. India's share stood marginal at 0.3 per cent in 2018.

In order to boost India's exports to Myanmar, the potential items for exports at 6-digit HS

commodity code have been identified and presented in **Table 4.7**.

• **Man-made staple fibres (HS 55)**

Myanmar imports of man-made staple fibres, accounts for 1.3 per cent of the global import of this commodity. Since 2014, Myanmar's imports of man-made staple fibres have increased by 8 per cent. China accounted for 81.7 per cent of Myanmar's imports of man-made staple in 2018. India's share stood marginal at 1.7 per cent in 2018.

Therefore, potential exports from India to Myanmar of man-made staple fibres are analysed in **Table 4.8**.

Table 4.7: Man-made Filaments (HS 54) - Potential Exports to Myanmar

HS code	Product label	Myanmar's imports from world	Myanmar's imports from India		India's exports to world
		Value in 2017 (US\$ mn)	Value in 2017 (US\$ mn)	Share in Myanmar's Imports (%)	Value in 2017 (US\$ mn)
540233	Textured filament yarn of polyester (excluding that put up for retail sale)	34.4	0.1	0.2	783.1
540754	Woven fabrics of yarn containing >= 85% by weight of textured polyester filaments, incl. monofilament	29.9	0.3	0.9	61.8
540752	Woven fabrics of yarn containing >= 85% by weight of textured polyester filaments, incl. monofilament	29.2	0.1	0.2	151.7
540710	Woven fabrics of high-tenacity yarn, nylon, other polyamides or polyesters, incl. monofilament	15.0	-	0.1	222.4
540110	Sewing thread of synthetic filaments, whether or not put up for retail sale	10.2	-	-	10.7
540794	Woven fabrics of yarn containing predominantly, but < 85% synthetic filament by weight	6.3	-	0.3	26.5

Note: - indicates nil/negligible

Source: ITC Trademap, derived from UN Comtrade; and Exim Bank Analysis

Table 4.8: Man-made Staple Fibres (HS 55) - Potential Exports to Myanmar

HS code	Product label	Myanmar's imports from world	Myanmar's imports from India		India's exports to world
		Value in 2017 (US\$ mn)	Value in 2017 (US\$ mn)	Share in Myanmar's Imports (%)	Value in 2017 (US\$ mn)
551219	Woven fabrics containing >= 85% polyester staple fibres by weight, dyed, made of yarn	25.7	0.1	0.4	17.5
551329	Woven fabrics containing predominantly, but < 85% synthetic staple fibres by weight, mixed	8.9	-	-	27.5
550932	Multiple "folded" or cabled yarn containing >= 85% acrylic or modacrylic staple fibres by weight	6.4	0.5	7.6	29.1

Note: - indicates nil/negligible

Source: ITC Trademap, derived from UN Comtrade; and Exim Bank Analysis

• Paper and paperboard (HS 48)

Myanmar's major sources of imports of paper and paperboard, include China (25.8 per cent), Indonesia (20 per cent), Thailand (14.4 per cent), and Singapore (13.6 per cent). India accounts for 1.5 per cent of Myanmar's import of paper and paperboard. Potential exports from India to Myanmar of paper and paperboard are highlighted in **Table 4.9**.

Potential for Enhancing Myanmar's Exports to India

In order to enhance overall bilateral trade with Myanmar, this section attempts to identify potential items of export from Myanmar to India, based on an analysis of Myanmar's top exports, India's share in Myanmar's exports, and India's global import demand. Identification of potential items of Myanmar's exports based on low share of India in Myanmar's export basket of major commodities,

keeping in view India's global import demand and Myanmar's export capability. This would entail identification of potential items for Myanmar's exports under each 2-digit HS code.

Table 4.10 depicts India's share in Myanmar's exports of the identified commodities, which is marginal, therefore, highlighting the potential to enhance these exports from Myanmar, in light of the demand in India, and also Myanmar's export capability. Some of these potential items of Myanmar's exports to India would include:

- Ores, slag and ash (HS 26)
- Copper and articles (HS 74)
- Footwear and gaiters (HS 64)
- Iron and steel (HS 72)
- Articles of leather (HS 42)
- Oil seeds and oleaginous fruits (HS 12)

Table 4.9: Paper and Paperboard (HS 48) - Potential Exports to Myanmar

HS code	Product label	Myanmar's imports from world	Myanmar's imports from India		India's exports to world
		Value in 2017 (US\$ mn)	Value in 2017 (US\$ mn)	Share in Myanmar's Imports (%)	Value in 2017 (US\$ mn)
480257	Uncoated paper and paperboard, of a kind used for writing, printing or other graphic purposes	29.3	0.2	0.6	87.7
480255	Uncoated paper and paperboard, of a kind used for writing, printing or other graphic purposes	24.1	0.1	0.4	61.0
481920	Folding cartons, boxes and cases, of non-corrugated paper or paperboard	18.2	-	0.1	44.2
480256	Uncoated paper and paperboard, of a kind used for writing, printing or other graphic purposes	12.9	-	0.2	54.8
481092	Multi-ply paper and paperboard, coated on one or both sides with kaolin	7.8	-	-	41.4
481019	Paper and paperboard used for writing, printing or other graphic purposes, not containing fibres	4.7	-	-	45.7

Note: - indicates nil/negligible

Source: ITC Trademap, derived from UN Comtrade; and Exim Bank Analysis

Table 4.10: Myanmar's Major Exports and its Share India's Imports in 2018

HS code	Product label	Myanmar's Exports to world	India's imports from Myanmar		India's Imports from world
		Value in 2017 (US\$ mn)	Value in 2017 (US\$ mn)	Share in Myanmar's Imports (%)	Value in 2017 (US\$ mn)
TOTAL	All products	15377.4	446.3	0.1	507580.0
27	Mineral fuels, mineral oils and its products	3529.6	-	-	168590.4
62	Articles of apparel, not knitted or crocheted	3139.2	1.3	0.2	609.4
61	Articles of apparel, knitted or crocheted	1415.9	1.2	0.3	447.8
26	Ores, slag and ash	1007.0	0.4	-	5489.1
74	Copper and its articles	811.5	-	-	5124.2
07	Edible vegetables and certain roots and tubers	470.9	293.2	27.3	1074.7
64	Footwear and gaiters	447.5	1.1	0.1	741.8
71	Natural or cultured pearls, precious or semi-precious stones	441.4	0.1	-	65026.8
03	Fish and crustaceans	375.0	4.4	4.5	98.8
10	Cereals	374.4	-	-	66.9
72	Iron and steel	339.5	8.9	0.1	11968.5
44	Wood and its articles	299.3	99.3	4.5	2223.6
40	Rubber and its articles	283.4	5.9	0.2	3767.9
42	Articles of leather	253.1	0.3	0.1	500.3
12	Oil seeds and oleaginous fruits	146.3	4.6	0.9	529.7
85	Electrical machinery and equipment	144.3	0.4	-	52399.6
90	Optical, photographic, cinematographic, measuring and medical apparatus	102.6	0.1	-	9455.6
28	Inorganic chemicals	77.5	-	-	7262.4
01	Live animals	74.3	-	-	10.5
08	Edible fruit and nuts	63.9	-	-	3764.2

Note: - indicates nil/negligible

Source: ITC Trademap, derived from UN Comtrade; and Exim Bank Analysis

5. Exim Bank's Presence in Myanmar

Export-Import Bank of India (Exim Bank) commenced operations in 1982. The Bank was set up under an Act of Parliament (Export-Import Bank of India Act 1981), for providing financial assistance to exporters and importers, and for functioning as the principal financial institution for coordinating the working of institutions engaged in financing export and import of goods and services with a view to promoting the country's international trade. In its endeavour to promote India's international trade, Exim Bank's vision has evolved from financing, facilitating and promoting trade and investment, to a conscious and systematic effort at creating export capabilities. Exim Bank, today, seeks to develop commercially viable business relationships with externally oriented companies.

Exim Bank has supported various projects and activities in Myanmar and other countries in South Asia and South East Asia regions through its various programmes and initiatives. Exim Bank's presence

in the East and the North East region at Kolkata and Guwahati also enable the Bank to support MSMEs in the region to export through its ranges of financing and capability building programmes.

Financing Programmes

Lines of Credit

Exim Bank is the implementing agency for extending Lines of Credit (LOCs) under Government of India's (GOI) India Development and Economic Assistance Scheme (IDEAS). To promote bilateral and regional commercial relations, Exim Bank extends LOCs to governments, parastatal organizations, financial institutions, commercial banks and regional development banks to support export of eligible goods on deferred payment terms. As on March 31, 2019, a total of 10 LOCs were extended by Exim Bank, at the behest of and on behalf of the Government of India to Myanmar, amounting to US\$ 539 million (Table 5.1).

Table 5.1: Exim Bank's Operative Lines of Credit in Myanmar

Sr. No.	Key Sectors/Projects Covered	Amount of Credit (US\$ mn)
1	16 ongoing irrigation schemes and 2 rehabilitation schemes in the irrigation project in Myanmar	199.0
2	Procurement of rolling stock, equipment and up-gradation of three major Railway Workshops by procurement of machinery	86.3
3	Oakshitpin — Taungup 230 KV Transmission Line and Substation project; Taungup – Maei – Ann – Mann 230 kv Transmission Line and Substation project; and Maei – Kyaukpyu 230 kv Transmission Line and Substation project	64.1
4	Railway projects to be executed by RITES Ltd	60.0
5	Upgradation of the Yangon – Mandalay Railway System, as also upgradation and maintenance of workshops and railway tracks in Myanmar	56.4
6	Thanlyin Refinery	20.0
7	Setting up an assembly/manufacturing plant for assembly and manufacturing of Tata vehicles in Myanmar	20.0
8	Upgradation of Thanbayakan Petrochemical Complex	20.0
9	Moreh-Tamu OFC link with Cor-DECT System at Yangon and Mandalay urban centers	7.0
10	Implementation of a Microwave Radio Link on the Rhi-Mindat route in Myanmar	6.2
	Total	539.0

Source: Exim Bank

Supporting Project Exports

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

Buyers Credit Under National Export Insurance Account (NEIA)

In order to provide further impetus to project exports from India on medium- or long-term basis, especially in the infrastructure sector, in April 2011, a product called Buyer's Credit under National Export Insurance Account (BC-NEIA) was introduced. Under this programme, Exim Bank facilitates project exports from India by way of extending credit facility to overseas sovereign governments and government-owned entities for import of goods and services from India on deferred credit terms. Indian exporters can obtain payment of eligible value from Exim Bank, without recourse to them, against negotiation of shipping documents. NEIA is a Trust, set up by Ministry of Commerce and Industry and administered by ECGC. Myanmar is listed among the positive list of 91 countries identified by ECGC for which Indian exporters can avail BC-NEIA (as on March 31, 2019).

Finance for Joint ventures

With a view to support Indian companies in their endeavour to globalise their operations, Exim Bank operates a programme to support overseas investments by Indian companies through JVs and WOS. Such supports include loans and guarantees, equity finance and in select cases direct participation in equity along with Indian promoter, to set up such ventures overseas. As on March 31, 2019, Exim Bank has provided finance to three Indian companies for setting up ventures in Myanmar in timber and

capital goods sector, with sanctioned amount of ₹188.8 million.

Research Studies

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

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

Exim Bank as an International Consultant

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

- Strategy paper for SAARC Development Fund to promote intra-regional projects in the South Asian Region;

- Pre-feasibility study for setting up Commonwealth Trade and Development Bank (CTIB);
- Developing National Export Strategy of Myanmar; and
- Study on Regional Cooperation in Export Finance and Export Credit Guarantees for the Economic and Social Commission for Asia and Pacific (ESCAP) (including Myanmar).

Institutional Linkages

Exim Bank has fostered a network of alliances and institutional linkages with multilateral agencies, export credit agencies, banks and financial institutions, trade promotion bodies, and investment promotion boards in various countries to help create an enabling environment for supporting trade and investment.

Project Development Fund for CLMV Countries

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

In compliance with the Finance Minister’s announcement and to catalyse Indian private sector investments in the CLMV countries, under the ‘Act East’ policy of the Government of India, a Project Development Fund (PDF) with a corpus of ₹500 crore has been created in August 2016. The PDF, housed in Department of Commerce, will be operated through Exim Bank, which will act as the Empowered Institution under the Initiative. The PDF shall be governed by an Inter-Ministerial Committee under the chairpersonship of the Commerce Secretary.

The primary objective of the PDF is to facilitate Indian investments and broaden the manufacturing base of Indian companies in CLMV countries. The PDF will be used to identify projects, which support Regional Value Chain (RVC) and help integrate Indian companies into the RVC. The projects identified under the initiative, if found feasible/ viable, will be incorporated/ implemented through SPVs in CLMV countries.

Asian Exim Banks Forum

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

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

Representative Offices

Exim Bank has a representative office in Yangon, which seeks to establish and maintain relationships with multilateral agencies, regional development institutions, trade and investment promotion bodies, international banks, chambers of commerce, government departments and institutions in Myanmar and identify areas of co-operation. The representative office also plays a role in facilitating India’s economic co-operation with Myanmar, while keeping close coordination with Indian Missions in the region. The office projects Exim Bank’s capabilities in

financing India's international trade and investment, as also keeps the Bank abreast of the developments in the economic and banking/ financial sectors in Myanmar.

Exim Bank in East and North East Region

With a view to assist entrepreneurs in harnessing the tremendous export potential of the East and the North Eastern region, Exim Bank has its representative offices at Kolkata and Guwahati. While the Kolkata Office covers Exim Bank's activities in the states of Bihar, Chhattisgarh, Jharkhand, Odisha and West Bengal, the Guwahati Office covers the Bank's activities in the eight states of the NER, namely, Assam, Arunachal Pradesh, Meghalaya, Mizoram, Manipur, Nagaland, Sikkim and Tripura. These two offices are strategically

placed to play vital roles in promoting exports from the Eastern and the Northeastern regions, ranging from creating awareness of export potentials of the regions and capacity building, to financing of exports and export oriented units.

In order to enhance export potential of MSME in industrial clusters in the North East Region, Exim Bank has recently collaborated with the United Nations Development Programme (UNDP). The Exim Bank-UNDP programme for the North East Region seeks to develop, among others, bankable export clusters in the Northeastern region, based on local resource availability and comparative advantage of the identified clusters.

6. Strategies for Enhancing India's Investments in Myanmar

India's engagements in Myanmar has been limited so far to few sectors. India could take advantage of the recent initiatives undertaken by the Government of Myanmar to improve investment climate in the country, to enhance its investments in Myanmar. Against this backdrop, this section highlights some broad areas where India could enhance its engagements with Myanmar.

Manufacturing Sector and Agro-based Industry

The Government of Myanmar is embarking upon several programmes to encourage the development of manufacturing sector, along with raising agricultural productivity. The Government is also considering large infrastructure projects that will support upgrading of the agricultural and industrial sectors along with enhancing connectivity within the country and to the ASEAN and South Asia regions. The large-scale port projects that are underway, once completed, could further substantiate the attractiveness of the country by reducing shipping logistic costs²².

With manufacturers considering alternative options to relocate due to the ongoing China-US trade war and the rising wages in China, Myanmar offers a promising environment for manufacturing investors. The recent investment reforms announced in the country are expected to further boost investments. Indian investors may seize the opportunities arising in the manufacturing sector of Myanmar in industries like 2-wheelers and 3-wheelers, cement, furniture, FMCG products, assembling and manufacturing of agri-machineries, cotton and silk. Focus sectors could include FMCG, pharmaceuticals and cotton yarn manufacturing.

- FMCG:** Myanmar's fast moving consumer goods (FMCG) sector has expanded by 15 per cent since 2014 and accounts for nearly half of a consumer's average monthly expenditure²³. Most of Myanmar's FMCG goods are presently imported from neighbouring countries such as China, Thailand and Singapore or from other developed countries. Myanmar's fast growing economy with an increasing middle class population and rising disposable incomes, offer an opportunity for Indian FMCG companies to venture into setting up manufacturing units in Myanmar. Investments in this regard could not only expand the presence of existing Indian FMCGs in the overseas market but also leave room for innovation in new FMCGs for the growing population of Myanmar and the rest of Southeast Asia. On one hand, Myanmar's market for consumer goods is still underdeveloped and on the other, the tastes, preferences and habits are forming, and changing rapidly. The formation of these brand-preference habits can be beneficial for Indian FMCG companies as product preference is more expensive to change, once established. India being a huge FMCG market itself has a host of producers, both domestic and internationally. Indian companies can look at entering the Myanmar market in an array of commodities and products. Further, the New Myanmar Companies Law, allows foreign investors to invest up to 35 per cent in a domestic firm, with the company still designated as a local operator. This investment incentive may be tapped by Indian FMCG companies and to broaden their base of investment.

²²Connecting South Asia and Southeast Asia, A Joint Study of The Asian Development Bank and The Asian Development Bank Institute, 2015

²³Burma Country Commercial Guide, Export.gov, Published on November 29, 2018 (<https://www.export.gov/article?id=Burma-Consumer-Goods>)

- **Pharmaceuticals:** Myanmar has a very competitive pharmaceutical market and has been attracting a growing number of foreign pharmaceutical companies²⁴. The total pharmaceutical spending of Myanmar has been increasing at a rate of 11 per cent every year and the market value is expected to reach US\$ 1.1 billion by 2023. Presently, Myanmar imports most of its pharmaceutical requirement. Indian generic brands are already having a significant presence in Myanmar's pharmaceutical market. With its expertise in pharmaceutical manufacturing, Indian pharmaceutical manufacturing companies have a route to expand their production base by setting up units in Myanmar. Further, Indian investors may have an edge, if involved in the social causes by educating patients on diabetes management with the traditional medicines which are not documented. Potential in diabetology and cancer treatment are immense²⁵.
- **Market for India's Cotton Yarn:** Myanmar imports cotton yarn from India as an input for its garment industry, which is further exported to developed markets. Indian manufacturers can set up a part of textile industry abroad and take advantage of the export benefits and at the same time create a value chain²⁶. Cotton yarn manufacturing and cotton seed oil industries and cocoon production, silk production and weaving are also potential areas for Indian investments.

Further, India may explore possibilities of setting up vocational training institutes in the collaboration with institutes in Myanmar, so that the existing workforce can harness the potential of the manufacturing hubs and supply chains present in the country as well as the ASEAN region.

Natural Resources Development

Myanmar has abundant mineral and energy resources, mainly petroleum and gas reserves; it

also has a large hydro-electric potential. In light of these, increased cooperation between India and Myanmar in developing/exploring mineral resources, with bilateral arrangements such as buy-back arrangements could be an important strategy to enhance commercial relations.

Cooperation in the field of energy would come across as a complement with the other areas like infrastructure development and improving connectivity.

According to the Director General of the Ministry of Electricity and Energy's Oil and Gas Planning Department, Government of Myanmar, fresh bidding rounds for offshore and onshore oil gas blocks are expected in 2019. The Myanmar Energy Master Plan emphasizes on Myanmar's steps towards restructuring its energy sector and utilising it to its benefit. Myanmar is already exporting natural gas to China and Thailand, in which India can play a key role for Myanmar for its export diversification. Indian companies such as ONGC and GAIL are shareholders in Myanmar-China Oil and Gas Pipeline. The gas pipelines became functional in 2013 whereas the crude oil pipeline became operational in 2017²⁷.

Involving the north eastern states would create a win-win situation for India as well. There is the potential to utilise the substantial refining capacity in the north east by importing crude from Myanmar. Assam has four refineries with a total capacity of approximately 7 million metric tonnes per annum (MMTPA). Making their optimal capacity utilisation would lead to sufficient surplus of refinery products for export. The refined petroleum products could then be exported back to Myanmar, where energy needs are growing rapidly. Similarly, ONGC is already involved in the exploration of natural gas in Myanmar, if the gas supply from Myanmar could be coupled with the Tripura gas reserves, it could be used for thermal power generation and for other industrial uses²⁸.

²⁴Burma Country Commercial Guide, Export.gov, Published on November 29, 2018 (<https://www.export.gov/article?id=Burma-Healthcare>)

²⁵Pharmaceuticals Export Promotion Council of India, Regulatory & Market Profile of Myanmar

²⁶Textile Manufacturers To Create Value Chains With CLMV Countries, Global Apparel Forum, March 1, 2017

²⁷'Pipelines will supply oil and gas to Myanmar for domestic consumption', Myanmar Times, June 5, 2017 (<https://www.mmtimes.com/business/26260-pipelines-will-supply-oil-and-gas-to-myanmar-for-domestic-consumption.html>)

²⁸Gateway to the ASEAN India's north east frontier, FICCI & PWC, November 2014

A trilateral partnership involving Myanmar, India and Bangladesh could be explored for the cross border energy trade. A 900 km long gas pipeline worth US\$ 1 billion carrying 5 billion cubic metres of gas has been proposed, from the Shwe field off the Bay of Bengal through the Rakhine State in southern Myanmar, from where it would turn east to enter the Indian state of Tripura. The pipeline would then enter Bangladesh at Brahmanbaria and traverse the country to exit at Jessore and terminate at the Indian state of West Bengal²⁹.

Infrastructure

Lack of adequate access to electricity, transport and communication is a major challenge to the industrial growth of Myanmar. According to the Asian Development Bank, during 2017-2030, Myanmar would have an infrastructure gap of US\$ 120 billion, excluding urban infrastructure. All infrastructure sectors like roads, railways, ports (sea) and airports require massive investments where international developers can get involved with joint venture operations or as a supplier. Further, Myanmar also needs to further improve its soft infrastructure such as improving laws, regulations, human resource management, custom procedures and environmental protection to ensure smooth and efficient logistics. Strong infrastructure and trade facilitation are crucial for ensuring growth in trade.

A study by the Asian Development Bank also emphasizes the importance of developing road infrastructure given Myanmar acts as the land bridge between South Asia and South East Asia³⁰. Apart from roads, important seaports connecting South Asia and Southeast Asia - Kolkata Port in India, Chittagong Port in Bangladesh, and Yangon Port in Myanmar also need to be upgraded. Limited accessibility for large ships, gaps in facilities, variable operational efficiency, and gaps in connectivity between these sea ports act as major hindrance for the trade between the entire region linking South Asia and Southeast Asia.

For India, additionally, there exists strategic interests in developing the cross-border infrastructure. There is an urgent need to improve the necessary border infrastructure at trading points to facilitate cross-border movement of goods between India and Myanmar³¹.

Major infrastructure facilities required include development of land port with modern warehousing facility, food testing facility, IT and telecom support, regular power supply, weighbridge, and development of the connecting roads and bridges. Infrastructure bottlenecks and constraints at the ICP and the LCSs have to be addressed, and trade facilitation needs to be promoted, to increase flow of goods across border between India and its neighbours. Further, implementation of Country of Origin (COO) is critical. Coordination with partner countries in terms of development of infrastructure facilities is also critical to addressing these issues. Warehousing facilities need to be developed at the LCS Moreh and LCS Zokhawthar. Absence of food testing facility at LCS Zokhawthar and LCS Moreh resulted in delay on quality testing, which is costly and time consuming and adds to NTB. This needs to be addressed on a priority basis given the fact that many traded items produced by the locals are edible items, and quality needs to be ensured. Development of roads connecting the nearest LCSs to the district headquarters, the state capital and the nearest ports (rail/air) should be a priority of the State governments. Bridges at LCS Moreh and LCS Zokhawthar need to be upgraded.

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

²⁹Connecting South Asia and Southeast Asia, Asian Development Bank, 2015

³⁰Ibid.

³¹Act East: Enhancing India's Trade with Bangladesh and Myanmar Across Border

place, and given its strategic location, the NER has a potential to facilitate trade and commerce between India and its neighbouring countries and other Asian countries. Coastal shipping, supported by logistics service provider, could be considered for effective movement of cargo between ports in Bangladesh and Myanmar and the NER. In Myanmar, transit is permitted through Myanmar to another country for which customs assesses a fee of 2.5 per cent of the value of the cargo. Goods produced in the NER and those that comes from mainland India could be conveniently exported through the region

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

- **Need for Increasing Border Haat**

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

at nine mutually agreed locations which are yet to be operationalised. Setting up of Border Haat at the India-Myanmar border will support higher economic activities and engagements between people living in these areas. In addition, an avenue for regular cross-border bus services can also be explored to promote people-to-people connectivity.

Banking Facility

The November 2015 RBI circular, that abolished barter trade, has mandated the transactions to be carried out in permitted currencies only, in addition to Asian Clearing Union (ACU) mechanism. However, one major hindrance to this trade is that there is no standard exchange rate at the LCSs at Indo-Myanmar border. Further, there is high fluctuation of exchange rate of Kyat in the market with high deviation from official exchange rate and thus traders are reluctant to hold it for long, and found it more economical to do business through unofficial channels. Number of Banks authorised in NER to handle foreign currency transaction and L/C facilities is also limited. Myanmar Economic Bank in Myanmar and United Bank of India are designated banks for trade to put in facilities for foreign exchange and opening of Letter of Credit by the traders. However, there has been a lack of banking facilities and necessary infrastructure on both sides of the border, hindering normal trade. Border trade suffers even more as the small businessmen in the border areas of both the countries do not have the ability to fulfil the variety of rules followed by the Indian banks to get loans for border trade or to benefit from the Letters of Credit (LCs). As a result, Myanmar's border trade with India remains meagre compared to that with China and Thailand.

Myanmar is not considered at par with the other members of the Asian Clearing Union (ACU) by the Reserve Bank of India. Also inadequate banking operations within the country make it necessary to settle financial transactions through Singapore. This leads to increase in trade cost as banking through Singapore becomes expensive³².

³²The Current Conundrums in India-Myanmar Bilateral Trade, Dr Sampa Kundu, Extraordinary and Plenipotentiary Diplomatist, Volume 6, Issue 1, January 2018

Many Indian companies have set up their base in key countries in ASEAN for investing in the rest of the region. For example, Tata International has its presence in Myanmar, through its registered company Tata International Singapore Pte. Ltd in Singapore. As a dominant source of financing for development, ASEAN banking integration, which remains relatively low, needs to be accelerated to facilitate flow of trade and investment. There are gaps in banking presence among ASEAN countries which need to be bridged. For example, Banks in Singapore, which is the financial hub of ASEAN, have branches only in Malaysia, Thailand, Brunei and Vietnam, and its presence in

other member countries, including Myanmar, are only in terms of Subsidiary or Representative Offices.

Indian Banks may increase their presence, especially by opening more branches/ representative offices, in the region. India can also offer knowledge and its experience with respect to deepening of rural financial systems. SME financing is another area where Indian Banks can explore possibilities of cooperation. Indian Banks could also develop corresponding relations with select banks in the region to facilitate and promote commercial relations.

Annexure I

Foreign Investment by Indian Companies in Myanmar

Sr.No.	Particulars	Form of Organization	Type of Business	US\$ mn
Manufacturing Sector				
1	Centurply Myanmar Private Ltd. -Century Plywoods (Tndia) Ltd.	Limited Company (100% foreign owned)	Manufacturing and Marketing of Veneer and Plywood	15.8
2	Greenply Industries (Myetomar) PVT Ltd.	Limited Company (100% foreign owned)	Manufacturing and Marketing of Commercial Face Veneer, Sawn Timber, Teak Veneer & Plywood	13.0
3	Austinply Myanmar Private Limited Limited Company	(JV)	Manufacturing and Marketing of Veneer & Plywood	5.0
4	MAK (Myanmar) Plywood Private Limied	Limited Company (100% foreign owned)	Manufacturing and Marketing of Veneer, Plywood and Sawn Timber	3.0
5	Fineply Myanmar Pvt., Lid,	Limited Company (100% foreign owned)	Manufacturing and Marketing of Veneer, Plywood and Sawn Timber	5.0
6	Swastik Myanmar Industries Limited	Limited Company (100% foreign owned)	Manufacturing and Marketing of Veneer, Plywood and Sawn Timber	4.7
7	Myanmar Smelting & Refining Co. Ltd.	Limited Company (100% foreign owned)	Manufacturing and Marketing of Lead and Alloys, Plastic Chips or Granules from Smelting and Refining of all Non-ferrous Metals & Raw Material (Waste, Acid, Lead, Batteries, lead Scrap, Aluminium Scrap, etc)	2.6
8	Wartayar Veneer Industries Pvt. Ltd.	Limited Company (100% foreign owned)	Manufacturing and Marketing of Commercial Face Veneer, Core Veneer, Sawn Timber, Teak Veneer & Plywood	3.0
Manufacturing Total				52.1
Agriculture				
1	Blue Ocean (Myarunar) Ltd. -Blue Ocean Global (Private) Ltd	Limited Company (100% foreign owned)	Production and Marketing of Planting Seeds, Lint, Edible Oil, Dc-Oiled Cake by Mordemisation & Expansion of Existing Cotton Gin and Multi-Seed Excratation Unit with Batch Refinery	4.5
Agriculture Total				4.5
Oil & Gas				
1	Production Sharing Contract between Myanma Oil and Gas Enterprise and GAIL(India) Ltd. and Silver Wave Energy Pte. Ltd. (Singapare)	Limited Company (100% foreign owned)	Exploration and Production of Crude Oil & Natural Gas (Block A-7)	47.5
2	ONGC Videsh Limited	Limited Company (100% foreign owned)	Crude Oil & Natural Gas Exploration & Production (Block AD-2),Yakhine Offshore Deep Water Area	45.0
3	ONGC Videsh Limited	Limited Company (100% foreign owned)	Crude Oil & Natural Gas Exploration & Production (Block AD-3),Yakhine Offshore Deep Water Area	46.0

Sr.No.	Particulars	Form of Organization	Type of Business	US\$ mn
4	ONGC Videsh Limited	Limited Company (100% foreign owned)	Crude Oil & Natural Gas Exploration & Production (Block AD-9),Yakhine Offshore Deep Water Area	46.0
5	Jubliant Oil & Gas Private Ltd & Parami Energy Development (PSC-1)	Limited Company (100% foreign owned)	Crude Oil & Natural Gas Exploration & Production (Onshore Block I), Hinthada Area Ayeyarwaddy Region	73.0
6	ONGC Videsh Ltd & Machinery and Solutions Co., Ltd. (B-2)	Limited Company (PSC)	Exploration & Production of Crude Oil & Natural Gas	49.6
7	ONGC Videsh Ltd & Machinery and Solutions Co., Ltd. (EP-3)	Limited Company (PSC)	Exploration & Production of Crude Oil & Natural Gas	32.7
8	Oil India Ltd. & Mercator Petroleum Private Ltd. & Oilmax Energy Private Ltd. & Oil Star Management Services Company Ltd. (YEB)	Limited Company (PSC)	Exploration & Production of Crude Oil & Natural Gas	60.5
9	Oil India Ltd. & Mercator Petroleum Private Ltd. & Oilmax Energy Private Ltd. & Oil Star Management Services Company Ltd. (M4)	Limited Company (PSC)	Exploration & Production of Crude Oil & Natural Gas	60.5
10	Reliance Industries Limited & United National Resources Development Services Co. Ltd.(M-17)	Limited Company (PSC)	Exploration & Production of Crude Oil & Natural Gas	116.5
11	Reliance Industries Limited & United National Resources Development Services Co. Ltd.(M-18)	Limited Company (PSC)	Exploration & Production of Crude Oil & Natural Gas	91.5
Oil & Gas Total				668.7

Source: Data Sourced from Myanmar Investment Commission and Exim Bank Analysis (data as of January 31, 2017)

About Exim Bank's Working Paper Series

As part of its endeavour in enriching the knowledge of Indian exporters and thereby to enhance their competitiveness, Exim Bank periodically conducts research studies. These research studies are broadly categorized into three segments, viz. sector studies, country studies and macro-economic related analysis. These studies are published in the form of Occasional Papers, Working Papers and Books. The research papers that are brought out in the form of Working Papers are done with swift analysis and data collation from various sources. The research papers under the series provide an analytical overview on various trade and investment related issues.

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