CHAPTER - III

THE NATURE OF BORDER TRADE AT MOREH TOWN

Indo-Myanmar border trade pattern does not follow strictly the principle of comparative advantage. The border trade at Moreh town is primarily a transit trade.

Trade along this border town has been influenced by the social, cultural, economic and political situation prevailing in the region (Myanmar and Manipur) and this town bears a great deal of geographical, linguistic, social, cultural, religious and economic heterogeneity. Some of the major problems encountered in smooth functioning of cross-border trade at Moreh town are lack of cross-border knowledge among traders, insufficient infrastructural facilities, non-formalisation of currency exchange rate, huge volume of illegal trade, few exchangeable trade items and insurgency. Consequently, India is having persistent deficit trade balance (in formal trade) with Myanmar at Moreh sector in most of the years since Independence.

Plate No. 8: Burmese women walking in the streets of Moreh town.
The Government of the Republic of India and the Government of the Union of Myanmar (on 21st January, 1994), being desirous of promoting trade relations between India and Myanmar through friendly consultations and have agreed to the formal establishment of border trade on the basis of equality and mutual benefit and have reached the following agreement.*

ARTICLE – I

The border trade shall be conducted through the following designated custom posts and in accordance with the laws, regulations and procedures in force in either country

(a) Moreh in India and Tamu in Myanmar.
(b) Champai in India and Rih in Myanmar.
(c) Other places that may be notified by mutual agreement between the two countries.

Adequate provisions will be made to enable buyers of either country to inspect and take delivery of goods at the custom posts in the country for the sellers. The goods to be traded on the border under this agreement shall be as permitted by both the Governments.

ARTICLE – II

Exchange of locally produced commodities as by people living along both sides of the Indo-Myanmar border will continue as per the prevailing practice including the barter mechanism.

ARTICLE – III

Trade under this agreement may be conducted in freely convertible currencies or in currencies mutually agreed upon by the two countries, including through counter trade arrangements.

ARTICLE – IV

This agreement shall be reviewed periodically by both sides to ensure successful implementation of its objectives and provisions. In case of differences relating to and arising out of this agreement, the same shall be amicably settled in the spirit of mutual co-operation and friendship.

ARTICLE – V

Amendment(s) and/or supplements(s) to this agreement shall be made by exchange of letters between the two sides.

ARTICLE – VI

This agreement shall come into force with effect from a date mutually agreed upon by the two sides and shall remain in force two years from that date. It shall automatically extend for a period of two years at a time unless either side gives notice in writing of its intention to terminate this agreement three months in advance of the date of expiry.

Done in New Delhi on the 21st day of January, 1994, this was the first modern agreement for border trade between the two countries. After that Myanmar developed their own rules and regulations for border trade.
Regarding practicing & expediting the transactions, some of the Myanmar's existing rules are as follows:

(a) Practising export first basis,
(b) Importation of goods are allowed upon acquisition of export earnings.
(c) Cost amount of exported goods, sales and purchase are paid in American Dollar, only,
(d) If the prohibited items of exported/imported goods are transacted, they are liable to be confiscated by the state, and
(e) Transaction of goods imported/exported are to be dealt with the prescribed legal trade channel route only, utilization of the other route are not permissible.

According to a copy of RBI Circular (DIR series) No. 17 (2000), the following guidelines for the border trade were mentioned:

(a) The border trade shall be restricted to local route as per the border trade agreement between the two countries. Such barter trade transactions shall take place only by way of head load or non-motorised transport system
(b) Import from Myanmar to India shall precede export from India to Myanmar.
(c) The border trade will be restricted to items agreed to as per the border trade agreement between India and Myanmar
(d) There will be no monetary transaction under the barter trade arrangement.
(e) The consignments of imports and exports should be invoiced in U.S. dollars.
(f) The value of goods exported under barter trade should not exceed U.S. $1,000 per transaction.
The export of goods from India to Myanmar against import of goods from Myanmar to India should be completed within a period of six months from the date of import.

The Indo-Myanmar Trade Agreement provides two types of movement across the border. These are:

1. Free movement, allowing from both sides in and around Namphalong Market Centre of Myanmar and Moreh town of India for 12 hours per day and

2. Movement, regulated under a simple border pass / permit issued by the immigration authorities of either country. This is for 12 hours per day again between Tamu (Myanmar) and Moreh (India). This form of movement is restricted to ethnic locals living on both sides of the border, up to a distance of 40 km on either side of the International border.

Another movement in connection with regulated trade is permitted through a 'special identity document' called 'Travel Pass', which is equivalent to and similar to a Passport. Visits of such pass holders are restricted to a period of 7 days with an option for Indian traders to travel up to Kalemyo-Mandalay in Myanmar, and for Myanmarese traders up to Imphal in India.

Types of trade allowed under the trade agreement are:

1. Traditional exchange of locally produced items up to US $1,000 between indigenous people residing up to 40 km on either side of the border.

2. Barter trade of 22 agreed upon exchangeable items, and
3. Normal or regular trade under the letter of credit system as per EXIM Policy guideline.

Unlike other international borders, the position of Indo-Myanmar border along Moreh is different. Here there are four entry/exit points namely Gate No. 1 and 2 in addition to two other unofficial entry/exit points known as Gate No. 3 and 4. This is complemented by numerous foot tracks within a very short stretch in between border pillars No. 77 and 80. The movements in connection with trade and trade goods requiring customs clearance are exclusively channelised through Gate No. 1 at Moreh land customs station. This gate straddles the Burma road, the only road connecting India with Myanmar. It is a notified authorized route and all legal export/import trade is carried out through this gate. Traditional free movement between India and Myanmar takes place through Gate No. 2. No formal trade takes place through this gate.

Movement of people with head loads is very heavy across this gate as it straddles the foot track connecting the two main markets of Namphalong (Myanmar) and Moreh (India).
So, under this border trade, a large variety of goods are imported from Myanmar into Manipur and these goods are available abundantly in the local markets at a cheaper price from those produced locally. Thus, the growth of small-scale industries in the state in recent years has been slowed down. Again, formal opening of border trade does not help in contracting practice of illegal trade under which many narcotic drugs are imported from Myanmar into the state. Because, the entire stretch of border including the areas adjoining Moreh is totally porous and virtually unmanned barring a small distance between border Pillar 77 and 80. The volume of legal items should increase whereas that of illegal items should be reduced. Illegal trade has huge volume at Moreh sector. If we put proper fencing all along the border and provide better infrastructure, we can bring the illegal items to legal channel to some extent.

3.1 The commodity structure of export & import

In a geographical analysis of border trade, the commodity structure of export and import is important because the commodity structure is the direct outcome of man-environment interaction.

Resource based products of Moreh are agricultural products, horticulture, forest products, sericulture, fishery, handloom and handicraft products. Myanmar, on the other side, is also a primary good producing country. It has a very weak industrial base. As far as Myanmar’s trade with the rest of the world is concerned, its export basket mainly consists of primary products particularly rice, timber and other raw materials. Myanmar mainly imports capital goods like machineries and transport equipments, and manufacturing goods. The commodity structure of export and import of Myanmar exhibits the underdeveloped nature of its economy. As the commodity production structure of Moreh (Manipur) is more or less similar to that of the Myanmar since both are producing primary products and importing manufactured goods, the basis of trade.
is not that much strong. Moreover, Moreh-Iamu sector is essentially the transit route for products originating outside both Manipur and Myanmar. The regions on either side of the border are distant from their main manufacturing and trade centres. Consequently, the potential for exchange of necessities as well as products for various economic activities exists.

India's export to Myanmar through Moreh town ranges from primary commodities to manufactured products. Most of the goods importable from Myanmar are of agricultural nature and forest produces besides huge manufactured goods in informal sectors.

During 1995-2000, major items of India's export to Myanmar through Moreh town are wheat flour, bicycles, bleaching powder, aniseeds, garlic, dry chilies, soyabean and cumin seed. But the main items of import during this period are betel nut, pulses, turmeric powder, beans, coriander seed, resin, garlic and dry ginger. Besides, many of the items particularly electronic goods and other manufactured goods imported under informal trade are of third countries like, China, Taiwan, Korea, Thailand and Singapore. According to traders at Moreh, the number of items exported from India under the informal trade is comparatively very less. Main items of export are fertilizer, auto-parts, some motor-bikes and some particular spices.

Under the Indo-Myanmar border trade agreement, 22 items are identified for exchange by residents living along the border between India and Myanmar. These 22 items are:

1. Mustard / Rape seed,
2. Pulses and Beans,
3. Fresh vegetables,
4. Fruits,
5. Garlic,
6. Onion,
7. Chilies,
8. Spices (excluding nutmeg, Mace, cloves, and cinnamon),
9. Bamboo,
10. Minor forest products (excluding Teak),
11. Food items for local consumption,
12. Tobacco,
13. Tomato,
14. Reed Broom,
15. Sesame,
16. Resin,
17. Coriander seeds,
18. Soya bean
19. Roasted Sunflower Seeds,
20. Betel nut and leaves,
21. Katha, and
22. Ginger

However, out of 22 items identified as exchangeable items, it is learnt that only 12 items are practically viable for import and export across the border. These 22 items can be traded
through barter system and also in the letter of credit system. Ten more additional items were included for exchange under Indo-Myanmar border trade during 2001. They are:-

1. Teak,
2. Natural resin,
3. Gum Resin and Oleo Resins,
4. Ground-Nut seeds / oil / peanuts
5. Rice
6. Bamboo based house hold products and Bamboo caps
7. Pepper
8. Agar wood subject to provisions of CITES
9. Animal skin hides and
10. Raw cotton and mats.

Among these new ten (10) items, teak and rice are the two most important items for both regions. Rice trade is one of the Burma’s most important sources of foreign exchange. The Government monopolize rice exports. It buys rice from farmers at cut-rate prices, sells it on the world market and pockets the differences.

The Government on both sides should re-examine the list so as to accommodate all items that benefits both regions. The 22 items listed in Indo-Myanmar Trade agreement should be exempted from the restrictions of EXIM policy 1997-2002. Some of the state-owned products

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51 Das D M - Superintendent, Land customs station, Moreh
52 Fairclough G C (1996) 'Rice to the occasion - Burma exhorts farmers to grow more faster' Far Eastern Economic Review Vol 159 No 35 August 1996 54pp
like handloom are not included in the list of permissible export goods. The people can make a significant earning since it has a potential for export of such products and also demand is high in Myanmar. It suggests the Government of India to include some more goods items in the trading list such as paraffin wax, coconut oil, ground nut seed and oil, cosmetics, Myanmar origin blanket and quilt, dress materials, raw cotton and mats, cashew nuts, cotton yarn, semi-precious stones, bicycle parts, auto-parts and accessories, dairy products, cements, sanitary goods, crockery and toilet items, wooden furniture, hosiery goods, herbal roots, incense, stainless steel utensils, chemicals like caustic soda, bleaching powder, borax and ammonium chloride, bamboo hats, flavoring incense, and electric appliances. Required necessary assistance for taking up export promotion strategies for local products effectively is yet to be extended by the Central and State Governments.

Plate No. 10: Burmese women selling rice at Moreh.

Plate No. 11: A store at Moreh town displaying imported furniture.
Plate No. 12: Burmese women are selling vegetables in markets of Moreh town. A scene of Supermarket in early morning (in photo).

3.2 TRADE VOLUMES

India's import from Myanmar at Moreh town is far larger than her export and consequently she is experiencing a deficit trade balance in most of the years. Indeed, the border trade between India and Myanmar at the Moreh sector is heading towards a definite imbalance. Some of the reasons for the sudden downfall of the border trade are – insurgency, bad law & order situation, presence of multiple check posts and poor infrastructures. Besides, other factors such as lack of cross-border knowledge among the traders, non-formalisation of currency exchange rate, huge illegal trade, and restriction of exchangeable trade items also counter in the smooth functioning of the trade in Moreh town. Thus, trade volume comes down considerably
whenever a problem occurs. This border trade has not reached to the point where it was originally expected to.

Plate No. 13 Gate No. 2, Moreh (especially designed for informal trade)
Table 1: Value of export & import at Moreh town (in crores)

<table>
<thead>
<tr>
<th>Sl.</th>
<th>Years</th>
<th>Value of export</th>
<th>Value of import</th>
<th>Total Trade Volumes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1995-96</td>
<td>10.45</td>
<td>5.39</td>
<td>15.84</td>
</tr>
<tr>
<td>2.</td>
<td>1996-97</td>
<td>29.79</td>
<td>16.17</td>
<td>45.96</td>
</tr>
<tr>
<td>4.</td>
<td>1998-99</td>
<td>4.88</td>
<td>3.74</td>
<td>8.62</td>
</tr>
<tr>
<td>5.</td>
<td>1999-00</td>
<td>3.31</td>
<td>6.52</td>
<td>9.83</td>
</tr>
<tr>
<td>6.</td>
<td>2000-01</td>
<td>5.68</td>
<td>12.41</td>
<td>18.04</td>
</tr>
<tr>
<td>7.</td>
<td>2001-02</td>
<td>1.29</td>
<td>8.13</td>
<td>9.42</td>
</tr>
<tr>
<td>8.</td>
<td>2002-03</td>
<td>3.84</td>
<td>11.90</td>
<td>15.74</td>
</tr>
<tr>
<td>10.</td>
<td>2004-Jan.05</td>
<td>5.77</td>
<td>5.28</td>
<td>11.05</td>
</tr>
</tbody>
</table>

Source: Land customs station, Moreh, 2005

In the initial period after trade agreement, i.e. during 1995-96, India exported more goods in legal trade than import from Myanmar through Moreh town. During 1996-97, Indian export value jumped to 29.79 crores from 10.45 crores of 1995-96 and the value of import was 16.17 crores showing the great progress of the trade from the both sides. After these two periods,

The total volume of trade was highest during 1997-98 i.e. 62.35 crores and it was due to high demand of wheat flour from Myanmar during this period.

From 1999 to 2003, there were successive negative balance of trade and the main reasons could be insurgency and bad law & order situation in Manipur and trade related policy of Myanmar government. The rise in the value of exports after a long gap, during 2003-04 was mainly due to import of wheat flour from India by the Military Junta during the last part of November, 2003 - January 2004 and between May and June 2004. So trade along this border town has been influenced by the social, economic and political situations prevailing in both sides.

3.3. Level of Infrastructure:

Various projects of Government of India such as construction of Trade Centre at Moreh, warehouse, custom house, weigh bridge, boundary fencing (for short distances) road improvement and installation of street lights in Moreh town is completed. Still, a lot need to be done such as:

1. Truck parking bay for loading and unloading,
2. Improvement of water supply in Moreh town,
3. Setting up of export processing zone or special economic zone in Moreh town and
4. Improvement of telecommunication system and other service sectors such as hotels, tourist lodge for visitors.
Lack of adequate transport infrastructure is one of the major barriers to expanding India’s trade with the bordering countries. In case of Indo-Myanmar trade through Moreh town, the part of NH 39 (Indo-Myanmar Road) especially from Pallel to Moreh is not in a good condition and need expansion as well as good bridges. If Government converts the existing road to a double lane, the flow of goods & people will increase consequently accelerating the trade. However, the conditions of road from Moreh to Tamu as well as Kalemyo / Kalewa are in good conditions whereas the conditions of roads inside the Moreh town are in bad shape.

United Bank of India (UBI), Moreh Branch, is the only authorised bank for the purpose of monetary transactions under the barter trade arrangement. Sometimes the UBI Moreh Branch refuses to accept government deposits which are causing great difficulties to both the traders and custom officials alike.
The medical facilities available at Moreh town at the moment are not adequate and Schools & College need modern infrastructure facilities.

The basic infrastructural facilities required for cross border trade like proper road communication, post and telegraph services, telecommunication system, warehouse, export-import bank, Reserve Bank of India branches are yet to start its operation at full extend. Traders have to go long way from Moreh to Guwahati to obtain their import export certificates and other related documents. Besides these there is no cold storage facility available for the storage of perishable export/import items. Poor infrastructure of land custom station is another concern. The vehicle parking load is not adequate and the conditions of markets are bad, Modern market complexes with facilities of computer and other technological facilities are a must.
Plate No 16  Office of the Superintendent, Customs preventive, Moreh, India

Plate No 17  The building of a hospital at Moreh
Plate No. 18  Row of Hotels & lodging houses at Moreh town

Plate No.19. Local youths, during sports meet.
Plate No. 19: Local Youths participating in Sport meet at MArēh town

Plate No. 20: College students from Manipur Tamu town of Myanmar.