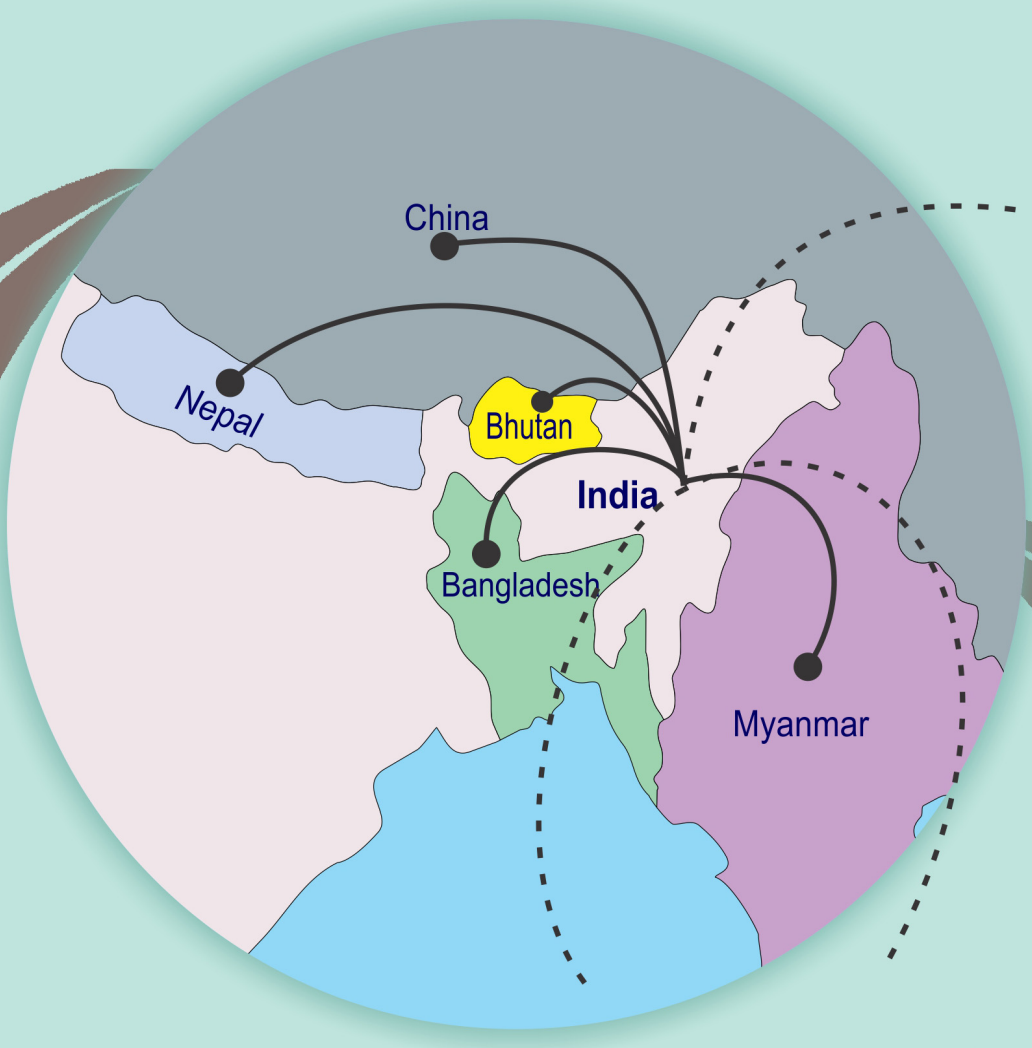
Harnessing the Potential for Cross-border Trade between North East India and its Neighbouring Countries



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Abbreviations

AAI:	Airports Authority of India
AEZs:	Agri Export Zones
BTA:	Border Trade Agreement
CBT:	Cross-border Trade
DFTP:	Duty Free Tariff Preference
EDF:	Export Development Fund
EPIP:	Export Promotion Industrial Park
FICCI:	Federation of Indian Chambers of Commerce & Industry
FTA:	Free Trade Agreement
ICDs:	Inland Container Depots
ICP:	Integrated Check Post
IEC:	Importer Exporter Code
LCSs:	Land Custom Stations
LDCs:	Least Developed Countries
LPAI:	Land Ports Authority of India
MDONER:	Ministry of Development of North-Eastern Region
MoP:	Margin of Preference
NER:	North-Eastern Region
NTBs:	Non-Tariff Barriers
PPP:	Public Private Partnership
PWC:	PricewaterhouseCoopers
RBI:	Reserve Bank of India
RoO:	Rules of Origin
SAFTA:	South Asia Free Trade Area
SARDP-NE:	Special Accelerated Road Development Programme–North East
S-LTRG:	Semi-Log Trend Rate of Growth
TAR:	Trans-Asian Railways

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Foreword



Ranjit Barthakur
Chairman
FICCI, North East
Advisory Council

North East India and neighbouring countries including Bangladesh, Bhutan, Myanmar, Nepal and the Association of Southeast Asian Nations (ASEAN) countries share many natural complementarities which could be exploited to create robust, mutually beneficial economic relationships. Trade relations between these countries and North East India date back many centuries and strengthening these relations will give a major boost to the regions development.

The Federation of Indian Chambers of Commerce & Industry (FICCI) has taken up a number of initiatives aimed at catalysing economic development in North East India and the previous editions of its North East Connectivity Summit have helped highlight the key connectivity and infrastructure requirements that need to be addressed to harness the full economic and trade potential.

We have witnessed some positive developments in recent times. Apart from major Pan-Asian projects like Asian Highway I and II, the Trans-Asian Railway and the BBIN (Bangladesh, Bhutan, India, Nepal) Corridor, a number of regional initiatives like the Trans-Arunachal Highway, rail connectivity to state capitals and expansion of airports have also been taken up.

However, the implementation process has often been slow and some important projects which are critical for economic development and trade like development of river ways, are yet to pick up pace. It is, therefore, felt that the implementation mechanism needs to be strengthened.

We have been advocating the creation of a North East Regional Project Implementing Agency which will be equipped to manage funding and implementation for projects and also put in place a strong monitoring mechanism.

The supporting role of this implementation agency to expedite development is necessary in positioning North East as a hub of economic activities catering to the fast-growing economies in its vicinity. The trade infrastructure that exists currently also needs to improve in order to facilitate better trade and commerce with neighbouring countries.

CUTS International, our Knowledge Partner for Connect North East 2017, has done a lot of work in improving our understanding of issues impacting trade between North East India and the neighbouring countries. We thank them for the effort in coming out with this

Knowledge Paper which will undoubtedly be elemental in expanding our understanding

I hope this paper will be useful as a reference document for initiating discussions on trade and connectivity between North East India and neighbouring countries.

Preface



Pradeep S Mehta
Secretary General
CUTS International

Inadequate infrastructure, extreme weather conditions, insurgencies, hostile terrains and low levels of connectivity – this is what the North East India has come to be known for.

However, in the wake of India's policy transition from Look East to Act East, the importance of the North East as a platform of cross-border economic transactions has been noted by the government and other stakeholders. The potential evolution of the region to an economic corridor between India and Southeast Asia is more promising than ever before, ushering a bright future for this region.

For several decades, the economic potential of over 5,000 kms of international border that North East India shares with Bangladesh, Bhutan, China, Myanmar and Nepal remained unused. For too long the region harboured an aura of distrust and was subjected to occasional devolution of non-developmental funding mainly on account of the India-China war games, counter measures against India-Bangladesh infiltration and India-Myanmar insurgency.

Given this context, the opening of Nathu La border for trade between India and China back in 2006 might be considered a hallmark step towards reviving the historical old silk route for furthering of trade and pushing the India-China discourse beyond mere strategic competition. Irrespective of the differences with Bangladesh regarding construction of a barbed fence along the India-Bangladesh border and sharing the water of common rivers, both have managed to remain friendly over the years and are important trading partners.

However, leveraging the potential of 1,900 km international border between North East India and Bangladesh for trade continues to remain elusive. Recent CUTS reports show that the benefits accrued from trade in this region outweigh the potential costs the region's consumers would face.

Similarly, with the advent of Act East Policy, the Indian government is determined to take advantage of its proximity to Myanmar, which is expected to become the catalyst towards connectivity with Southeast Asia. Again, in the background of growing influence of China in Nepal and the recent developments in Bhutan, economic exchange between North East India and these two nations would exhibit interesting implications in the coming future.

At the same time, questions remain as to why such potential with the concerned region has remained inactive when it comes to cross-border trade with its neighbours? This Knowledge Paper provides holistic information on the status of the cross-border trade of North East Indian states with neighbouring countries, major challenges that

are leading to trade distortions, a critical review of existing government initiatives to encourage cross-border trade, and finally a set of recommendations to overcome the hurdles.

Instead of delving deep into the political aspects, the focus is on physical and regulatory hindrances As policy recommendations, the emphasis is on better connectivity, infrastructure, determination of alternative trade routes, simplification of non-tariff measures and opening of more border *haats*, among others, to improve trade between North East India and neighbouring countries.

Essentially, this Knowledge Paper brings together the scattered information on cross-border trade between North East India and its neighbours. It also ignites the imperative of public-private partnership (PPP) possibilities in holistic augmentation of the trade environment of the region.

I am sure that it will act as an important resource for our Act East Policy to augment its effectiveness on the ground. I thank my colleagues for preparing this product and appeal to its readers to consider international trade not as an end in itself like a mere engine of growth but as a means for regional and global peace.

Finally, we are honoured by our association with FICCI's North East Connectivity Summit, which is a commendable initiative for fostering peace and prosperity between this region and its neighbours. I thank FICCI for considering us as a Knowledge Partner of its Connect North East 2017 and looking forward to our continued and productive association.

Executive Summary

The North East India is one of the least developed regions of the country. It shares a long international border with Bangladesh, Bhutan, China, Myanmar and Nepal. All these countries are important trading partners of India and that opens huge trade potential for the North East India. However, more than 5,000 km of international border that lies along the North East India were until recently more in news for cross-country contentions. Collaborative economic action through cross-border trade was revived at the wake of India's Act East Policy.

Off late, it has been realised that the region has all the potential to emerge as the missing link between India and Southeast Asia. However, such transition from an economically backward and security sensitive region to a trade hub and a bridge to the Southeast Asia is yet to be realised despite significant government-led attempts. Therefore, at this juncture it becomes important to understand the specific problems of the region and extend precise policy prescription towards the same including greater private sector participation to realise this goal.

Current Cross-border Trade Scenario through North East India

Over the last several years cross-border trade between the North East India and its bordering countries has increased by more than 50 per cent. Paradoxically, the region registers a trade deficit with Bangladesh and a trade surplus with China, which is diametrically opposite from the national level trade scenario. Another important aspect of the cross-border trade in the region is that over the years the share of trade with Bangladesh has declined and that is owing to increased trade volume with other neighbouring nations.

This characteristic strengthens the trade portfolio of North East Indian states, with declining dependency on any specific bordering country. Apart from Nepal, with all other bordering countries, the North East India shares favourable trade routes and more than 96 per cent of its cross-border trade is happening through Land Customs Stations (LCS).

Scope for Trade Enhancement

In this paper, CUTS has identified a number of products, such as fresh and processed fruits, other horticultural items, floricultural items, handloom and handicrafts, tea, coffee, rice, local herbs and herbal products, jute products, essential oil, minerals like coal and limestone, raw cotton, raw and processed rubber, handmade paper as possible tradable products between the North East India and neighbouring countries.

Ironically some of these products are not enlisted in the tradable list of products and that either encourages informal trade or makes trade altogether impossible for them. However, with appropriate policies and infrastructure in place, there is huge potential of strengthening regional value chains by reaching out to its immediate neighbours and

other countries in India's extended neighbourhood such as those in the Southeast Asia. This will further the trade possibility and upon the realisation of on-going and future connectivity initiatives might propel the growth engine for the region.

Furthermore, moving away from the common economic belief that imports are bad and exports are good, many of the recent CUTS reports have argued that eventually increased trade volume adds to consumer surplus. Since the relationship between trade and infrastructure development is bi-directional, it is expected that for an infrastructure wise under-developed region like the North East India such cross-border trade might act as a positive catalyst in not only strengthening its infrastructure but also for people to understand the value of trade.

Barriers to Cross-border Trade

This Knowledge Paper argues that even with immense potential and possibilities, the region is yet to promote itself as a trade hub and bridge to the Southeast Asia. The reasons for the same are multi-faceted and can be divided into three broad heads. There are diplomatic challenges that often reflect in discontent among India and some of its neighbouring countries. This has created an ambience of distrust and suspicion among relevant stakeholders, which is detrimental to free economic exchange across the border.

Infrastructural bottlenecks are apparent from under-developed intra- and inter-regional connectivity of the North East India, inadequate warehousing and integrated cold chain facilities and insufficient support system around the LCSs. This severely hinders quick transport, storage and exchange of tradable commodities of the region.

Policy- and implementation-related issues are reflected in the absence of innovations at the ground level, inadequacy in terms of aligning existing connectivity options, reluctance towards determining alternative trade routes and ignorance regarding the status of the non-functional LCSs.

Way Forward

Potential without realisation might look alluring in the short run but of no use in practice. The North East India hosts no less than 40 LCSs that are meant to entice cross-border trade with neighbouring countries. However, the true potential of the region as a trade hub and bridge to the Southeast Asia is yet to be tapped. India's transition from Look East to Act East policy and emergence as a futuristic economy looking at the regional and global value chains have enhanced the importance of the North East India.

Considering the topography, rugged terrain and hostile weather almost the entire North East region is prone to land slide. Rush rain and snow fall together with high wind make roads treacherous for goods and passenger vehicles alike. As a result, many LCSs are non-functional. Pre-existing trade routes have been left non-functional and unattended. At times one trade route has been promoted over others without proper logic and considerations. The opening of a trade route through Nathu La over Jelep La stands as an example. Similarly, many tributaries of major rivers running through the region may provide deep access to hinterland but are yet to be considered.

Some other micro-economic considerations such as opening more number of border *haats* may initiate policy and practice changes at macro-economic level but the number of the same is very less so far. Informal trade and associated security-related challenges, which is primarily due to restrictive trade list and inadequate connectivity, is another issue that needs immediate attention.

Major Recommendations

- Holistic development of connectivity initiatives considering all of their dimensions, namely institutional, physical, financial, digital and people-to-people connectivity, will enhance cross-border movements of goods and people and attract the private sector to invest in

the region including by exploring potential regional value chains.

- Setting up of proper storage and integrated cold chain facilities will augment the shelf life of many tradable products and help realise economies of time.

- Turning all the existing LCSs into functional ones will help avoid the present congestion in specific locations. It will also minimise the time taken by goods to travel to the preferred location saving transportation cost and a possible price premium. Possibility of less carbon footprint is not an exaggeration as well.

- There should be the alignment of existing trade routes and the development of alternative ones that might remain operational over the years.

- The region lacks qualified indigenous human resources for doing and facilitating trade. Specific attention towards the same would encourage the local people to realise the value of exploring alternate trade options, which will boost up local aggregate demand.

- The list of tradable goods through particular LCSs should be regularly revised so as to discourage informal trade and eventually boost up the formal trade volume between the North East Indian states and the bordering countries.

- There should be the establishment of local offices of nodal agencies handling trade matters, such as the Office of the Director General of Foreign Trade, Export Inspection Council of India, the Export-Import Bank of India, Bureau of Indian Standards, Food Safety and Standards Authority of India. Furthermore, some special provisons can be introduced in the Foreign Trade Policy of India focussing on tradable goods of North East India.

- Opening of more border *haats* to encourage seasonal trade between the North East India and its neighbouring countries will be beneficial for the local population. This initiative has been successful at various locations along the India-Bangladesh border and holds much potential for other countries as well.

1
Introduction

The North East India is gateway to East Asia and has been acknowledged as a strategic focus for 'Act East Policy', earlier known as 'Look East Policy'. It comprises of eight states viz. Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. The combined geographical area and population of the region is 2,62,179 sq km and 45.50 million respectively in 2011.[1]

The uneven terrain of North East India is endowed with plenty of untapped natural resources such as forests, rivers, and precious natural reserves like petroleum, copper, iron, and uranium, to name a few. Out of India's total international land border (15,106.7 km),[2] 36 per cent is shared by North East India with its neighbouring countries Bangladesh in the southwest, Bhutan in the northwest, China in the north, Myanmar in the east, and Nepal in the west, (hereinafter neighbouring countries). North East Indian states shares only two per cent of its border with the mainland country India and rest more than 98 per cent is shared with the above mentioned neighbouring countries.

Table 1: State-wise Length of International Border of North East India (in km)

State	Bangladesh	Bhutan	China	Myanmar	Nepal	Total
Arunachal Pradesh	0	217	1080	520	0	**1817**
Assam	263	267	0	0	0	**530**
Manipur	0	0	0	398	0	**398**
Meghalaya	443	0	0	0	0	**443**
Mizoram	318	0	0	510	0	**828**
Nagaland	0	0	0	215	0	**215**
Sikkim	0	32	220.35	0	97.8	**350.15**
Tripura	856	0	0	0	0	**856**
Total	**1880**	**516**	**1300.35**	**1643**	**97.8**	**5437.15**

Source: Ministry of Development of North Eastern Region (http://www.mdoner.gov.in/node/202)

North East India is connected to rest of the country only through a narrow stretch of land in West Bengal, having an approximate width of 22 km only, called the 'Chicken's Neck'. The lack of proper connectivity is a big constraint to the domestic trade of North East India with rest of the country. But sharing a large international land border (5437.15 km)[3] emerges as a big opportunity for North East India to reap benefits of cross-border trade

with neighbouring countries, especially border trade. Border trade is different from trade through air, land or sea ports as trade through ports involves clearance through customs and has a large volume. It, in contrast, is 'over-land trade' by way of 'exchange of commodities' from a bi-laterally agreed list along both sides of the international border – MDONER.[4]

Geographical proximities, such as those exist in North East India and its neighbouring countries can potentially generate substantial gains to producers and consumers on both sides of the border through conceptualising the demand-supply gaps across borders.

India has agreements for overland trade between its North Eastern Region and five neighbouring countries through LCSs notified under Section 7 of the Customs Act, 1962. Cross-border trade through LCSs, situated on Bangladesh and Bhutan border, is governed by Free Trade Agreement (FTA) on South Asia Free Trade Area (SAFTA), while cross-border trade with China and Myanmar is governed by Border Trade Agreement (BTA). Despite approximately 40 LCSs and valid agreements, the potential cross-border trade between North East India and neighbouring countries is highly untapped due to several reasons such as insufficient infrastructure, lack of political will, and political conflicts on international borders.

This Knowledge Paper explores the potential for cross-border trade in goods between North East India and its neighbouring countries through LCSs, identifying various challenges and providing key solutions.

2
Status of Cross-border Trade

The strategic location of the North East India coupled with the speedy development process of its neighbouring countries, growing cooperation, and increasing connectivity have emerged as a huge prospect to enhance its trade activities. Trade through land route mainly takes place through LCSs. In order to enhance overland trade, and particularly border trade, the Government of India has set up about 40 LCSs in North Eastern Region along the border of five neighbouring countries,[5], as shown in Figure 1.

Total trade through all trade routes between North East India and its neighbouring countries has increased from Rs 81919.13 lakhs in 2009-10 to ₹164842.17 lakhs in 2016-17.[6] Almost 97 per cent of this total trade is materialised through LCSs. 'Total trade through land routes (for LCSs only) between North East India and its neighbouring countries has increased at a semi-log trend rate of growth (S-LTRG) of 12.28 per cent from ₹75992.00 lakhs in 2009-10 to ₹159687.04 lakhs in 2016-17. It is worth mentioning here that growth rate of exports from North East India has been higher than imports. The trade balance was against North East India in 2009-10 and 2014-15. As far as country-wise trade balance is concerned, it has been positive with Bhutan and China, and negative with Bangladesh and Myanmar (refer Table 2).

Figure 1: Land Customs Stations in North East India with its Neighbouring Countries

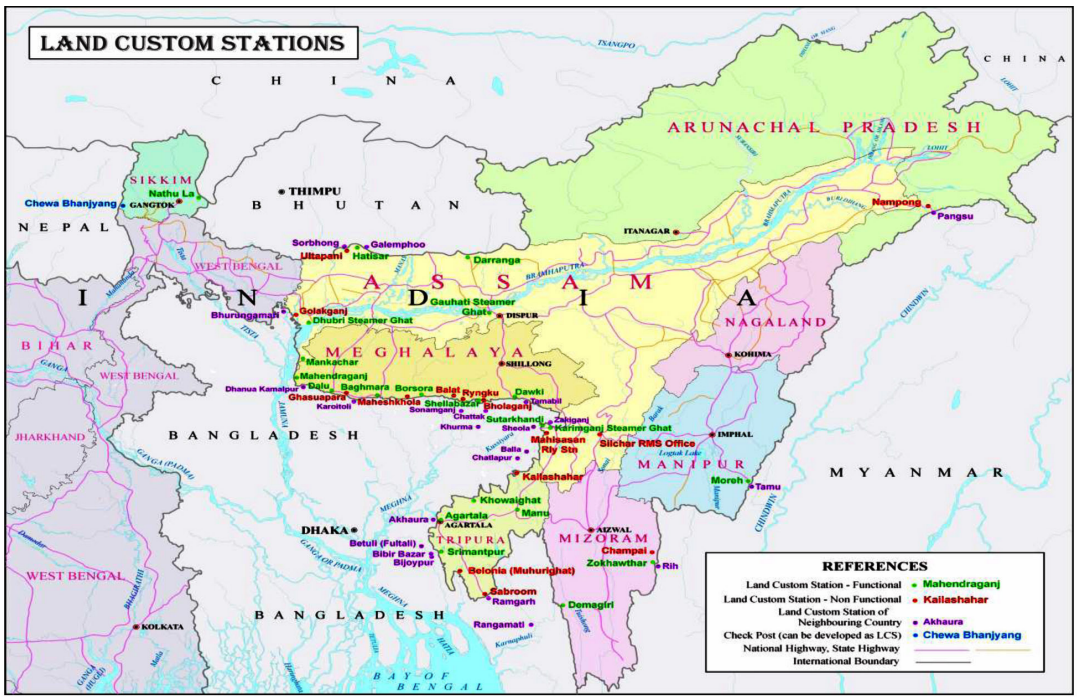


Table 2: Summary Trade Statistics of North East India with its Neighbouring Countries through LCSs (INR Lakhs)

Year/ Variables	Trade Components				Country wise Trade Balance				
	Export	Import	Total	Balance	Bangladesh	Bhutan	China	Myanmar	Nepal
2009-10	33286.45	42705.55	75992.00	-9419.10	-9.96	12.68	0.00	-3.42	0.72
2010-11	27299.76	28392.30	55692.06	-1092.54	-17.99	19.20	0.00	-1.21	0.00
2011-12	49959.66	34802.33	84761.99	15157.33	-32.02	14.46	0.11	0.63	16.84
2012-13	67960.16	37629.23	105589.39	30330.93	-12.83	13.96	-0.93	-0.21	0.01
2013-14	75026.20	36830.35	111856.55	38195.85	1.66	11.87	0.00	-13.66	0.13
2014-15	52410.26	59390.07	111800.33	-6979.81	-25.42	32.87	4.33	-11.78	0.00
2015-16	82792.45	59245.52	142037.97	23546.93	41.86	52.29	5.80	0.05	0.00
2016-17	109373.57	50313.47	159687.04	59060.10	-24.46	46.03	2.91	-23.54	-0.94
S-LTRG	16.81	7.63	12.82						

Source: Authors' Calculation from Data, Director General of Commercial Intelligence and Statistics, Government of India
S-LTRG (%) (semi-log trend rate of growth) is calculated by fitting semi-log function
Details of LCS Considered:
Assam: Karimganj Steamer Ghat, Mankachar, Sutarkhandi, Hatisar (Deosiri), Dhubri Steamer Ghat;
Manipur: Moreh;
Meghalaya: Bhollaganj, Borsorah, Dalu, Dawki, Mahendreganj;
Sikkim: Sherathang (Near Nathu La);
Tripura: Agartala, Mahurighat, Manu, Old Raghna Bazar, Srimantapur, Khowaighat

North East India and Bangladesh

Bangladesh is the largest trading partner of India in South Asia, however, trade between two countries is largely one-sided and in favour of India as the volume of imports in Bangladesh from India is considerably very large, whereas the volume of exports from Bangladesh to India is very low.[7] India shares its 27.12 per cent (4096.7 km) international land border with Bangladesh.[8] Out of this, 45.90 per cent (1880 km) is shared by North East Indian states viz. Assam, Meghalaya, Mizoram, and Tripura.

Trading arrangements between two countries are governed by their bilateral trade agreement, which was first signed in 1972. This agreement has been amended from time to time and is still in force. The transit of Indian goods from a point in India to another point in Bangladesh is allowed under trade and transit protocol with Bangladesh. Use of Chittagong port is not covered in this agreement which has resulted in increase in transshipment cost of intra-regional transfer of goods. However, the Indian vessels were allowed to dock at Chittagong port as an outcome of Bangladesh's Prime Minister Sheikh Hasina's visit to India in April 2017 and Indian companies have started developing Payra port in Bangladesh.[9]

Furthermore, border *haats* are playing a huge role in promoting border trade between countries. Since their existence in 2011, border *haats* have led to substantial gains for border communities in terms of new income opportunities, access to goods, trust building across borders and also lowering of informal trade in regions where *haats* have come up.

In order to facilitate cross-border trade between two countries, 31 LCSs have been setup across international borders in North East Indian states and Bangladesh, until April 2012. Out of these LCSs, 10 are located in Assam, 11 in Meghalaya, 08 in Tripura, and 02 in Mizoram respectively whereas total 21 LCSs are functional and 10 are non-functional (refer Table 4). Bangladesh is the largest trading partner to North East India among all five neighbouring countries. Bilateral trade between North East India and Bangladesh through LCSs has increased at a S-LTTG of 4.63 per cent from ₹69271.31 lakhs in 2009-10 to ₹79149.38 lakhs in 2016-17.

But it is worth mentioning here that the share of Bangladesh in total trade of North East India with its neighbouring countries has significantly declined from 91.16 per cent in

2009-10 to 49.57 per cent in 2016-17. The share of exports (from 85.56 per cent in 2009-10 to 41.86 per cent in 2016-17) has declined much more than imports (from 95.52 per cent to 66.32 per cent in 2016-17) – refer Table 3. This is mainly due to North East India's increasing trade with Bhutan and Myanmar.

Following are the **important trade routes** between North East India and Bangladesh:

- **Assam-Bangladesh:** (i) Goalpara-Mancachar-Bengunbari-Dacca, (ii) Karimganj-Sutarkandi-Sylhet, and (iii) Karimganj-Silua-Sylhet.
- **Meghalaya-Bangladesh:** There are total 25 trade routes, out of which, the important ones are: (i) Mahendraganj-Sherpur-Kamalpur-Dacca, (ii) Tura-Dalu-Nalitabari, (iii) Ghasuapara-Koraitalai-Hahiaghat, (iv) Ghasuapara-Gobragona, (v) Ranikor-Borsora-Cherragaon- Sherpur, (vi) Bholaganj-Chattak-Sylhet, (vii) Jowai-Dawki-Tamabil-Chandghar-Sylhet, and (viii) Shellabazar-Chatak-Sylhet
- **Mizoram-Banglkadesh:** (i) Lunglei-Demagiri-Thekaduar-Rangamatti-Kaptai-Dam- Chittagong, and (ii) Aizawl- Marpara-Mamit-Rangamati-Chittagong
- **Tripura- Bangladesh:** (i) Dhalai ghat-Halhall-Kamalpur-Kamalganj-Maulvi bazaar, (ii) Manu-Kailashar-Kumargaht–Shamshernagar-Maulvi bazaar, (iii) Dharmanagar- Ragnabazar-Beltuli Fultala, (iv) Muhurighat-Belonia-Noakhali, (v) Agartala-Akhoura-Comilla-Narayanganj-Dacca, (vi) Kalayanpur-Khowaighat-Habiganj, and (vii) Udaipur-Sremantapur- Comilla.

The bilateral trade review talk between India and Bangladesh has recommended four additional trade routes, namely Borsora (Meghalaya, India)-Cherragaon (Assam, India), Jalabazar (Tripura, India)-Betuli-Fultala (West Bengal, India), Agaratla (Tripura, India)-Akhoura (Bangladesh), and Sonamura (Tripura, India)-Comilla (Bangladesh).

Major challenges and policy recommendations

- The Trans-Asian Railways (TAR) would connect India with Association of South East Asian Nations (ASEAN) and China through North East India. TAR would pass through Mandalay-Imphal-Jiribam-Silchar-Agartala-Dhaka. This certainly stands as an excellent opportunity for the region to enjoy considerable economic advantages in not so distant future.

  Also, work on the proposed 257-km railway route from Jawahar Nagar railway station in North Tripura to Kolasib in Northern Mizoram and Myanmar's Darlon needs to be expedited so that it can help function as an alternate route. Such diversity will help avoid dependency on any particular route. Furthermore, it is important to strengthen intra-regional rail connectivity, as TAR would take time and various running or proposed railway projects needs to be completed on time.
- Guwahati Airport, formerly known as Borjhar Airport, is the primary airport in North East India. In order to facilitate air cargo movement of various goods, Interim International Cargo Terminal at Guwahati Airport was commissioned in September 1999. The total covered area of this air cargo terminal is only 150 sq metre with an annual holding capacity including transshipment of 3560 metric tonnes. Both area and capacity are very less as compared to other air cargo complexes of the country, such as Kolkata, Chennai, Coimbatore, Trichy, Mangalore, Port Blair, Lucknow, Jaipur, and Amritsar.[10]

  There is a strong need to expand air cargo complex at Guwahati airport in terms of both area and capacity. However, Assam Industrial Development Corporation Ltd. has started a project to build up air cargo terminal for perishable cargo with an area of 4050 sq metre.[11] This project is

also required to be completed soon as it will facilitate trade in perishable goods in North East India.

The Inland Water Protocol between India and Bangladesh provides three ports of call in Assam (Silghat, Pandu and Karimganj) and six protocol routes connecting Assam with Bangladesh (both upstream and downstream routes), though one of the approved routes, namely Bhairavbazar-Mitamail-Itna-Laltur-Sunamganj-Chatak is not in regular use. While the Kolkata-Dhubri route is already functional, declaring Dhubri on Indian side and Chilmari on the Bangladesh side as 'port of call' might offer substantial support.

India had long been seeking transit and transshipment facility to carry goods to North Eastern Region from West Bengal through a shortened route via Bangladesh. Ashuganj in Bangladesh has been declared a 'port of call' for this purpose in June 2016 and under the agreement, vessels carrying Indian cargos would unload at Ashuganj port, from where Bangladeshi trucks will carry the goods to Tripura to be delivered at the Akhaura checkpoint. This will substantialy reduce the distance between Kolkata and Agartala from about 1600 km to 500 km'.[12]

Operationalisation of Dhulian-Rajshahi route can improve water navigation to great extent through connecting National waterways I and II. Furthermore, proper dredging along the Jakiganj-Fenchuganj-Sherpur section in Bangladesh will operationalise connectivity through Barak river (NW 6) adding more options to the water based navigation.

- There are currently four operational border *haats* between North East India and Bangladesh, two each in Meghalaya and Tripura, and trade worth ₹16.86 crore was carried out at these four border *haats* in the five-year period ending 2015-16.[13] There is a need to explore more such border *haats* between two regions.

North East India and Bhutan

Bhutan has been a strategic partner to India since long, and there exist amicable relations between two countries. About 9.50 per cent (516 km) international border of North East India is shared with Bhutan through three states viz. Arunachal Pradesh, Assam and Sikkim. Trade between two countries is governed by bilateral agreement on trade, commerce, and transit which provides the space for free trade and commerce between territories of two countries subject to the fulfilment of non-tariff barriers (NTBs) from both sides.[14]

The agreement has identified total 16 trade routes from the Indian side, out of which four are in North Eastern Region. Trade between India and Bhutan is transacted in Indian Rupee and Bhutanese Ngultrums. Bhutan has emerged as potential trade partner of North East India in recent times as bilateral trade between North East India and Bhutan through LCSs has increased at a S-LTTG of 36.94 per cent from ₹4580 lakhs in 2009-10 to ₹60340 lakhs in 2016-17 (refer Table 3).

Prospective items of trade with Bhutan: North East India and Bhutan share a lot of natural complementarity in terms of producing goods for everyday consumption, especially agri-horticulture commodities. Thus, major potential items for cross-border trade between North East India and Bhutan are cereals such as rice and wheat, vegetables, nuts, spices as Indian exports to Bhutan; and wood products, potatoes, cardamom, fruits and fruits products as Bhutanese exports to India.[15]

Major challenges and policy recommendations

Three North East Indian states (Arunachal Pradesh, Assam, and Sikkim) share boundaries with Bhutan, but land trade routes are situated in the State of Assam only. To boost cross-border trade between North East India and Bhutan, potential land trade routes should be explored in the states of Arunachal Pradesh and Sikkim. As an example, considering Arunachal Pradesh, a much needed

connectivity between Tashigang-Lumla-Tawang is yet to be operationalised owing to an incomplete 15 km stretch in Bhutan, permissions for which is still pending.

Work on such critical missing gaps need to be expedited. Also routes within and through Assam needs to be further examined to come up with alternate routes that are more efficient and economically feasible given the changing political-economy and cooperation scenario of the sub-region (for example, Bhutan's newly inked MoU with Bangladesh for use of inland waterways corridors to move Bhutan's cargo to sea ports like Chittagong and Mongla).

North East India and China

India shares its 23 per cent (3488 km) international land border with China through its five states viz. Jammu and Kashmir, Himachal Pradesh, Uttarakhand, Sikkim and Arunachal Pradesh. The two North East Indian states share 37.27 per cent of it (1300 km).[16]

Border trade between India and China started in 1992 and 1993 through Lipulekh in Uttarakand and Shipki La in Himachal Pradesh respectively. The only trade route in North East India for border trade with China, Nathu La pass in Sikkim, became functional on July 06, 2006 through an MoU on expanding border trade signed on June 23, 2003. Since then Nathu La has become a strategic point for both countries. It is a tourism point also and China opened Nathu La pass for Kailash Mansarovar pilgrims in 2015. For China, Nathu La is an important gateway for supplying food articles to Tibet Autonomous Region of Western China as it is relatively cheaper to import such goods from Sikkim than bringing it all the way from South-East China.

Trade up to ₹25,000 per day is permitted without Importer Exporter Code (IEC) through Nathu La. However, permit fee of ₹50 and 05 Yuan are imposed on every vehicle entering Sikkim from China and entering China, up to the trade mart point-Renquinggang, from Sikkim respectively, Vishal and Muthupandian (2015). Initially, in 2006, 15 items for import from China and 29 items for export from India were permitted for free trade through Nathu La, which was revised to 20 and 37 items respectively in 2012 (Annexure 1).

Trade through Nathu La was projected[17] to reach ₹206 crore by 2007, ₹2,266 crore by 2010, and Rs 12,203 by 2015, however, it could not touch even its marginal proportions, as it reached to only ₹353 crore in 2010 and ₹450 crore in 2015, Vishal and Muthupandian (2015). The main reasons behind these substantial low trade figures against the projected ones are lack of infrastructure in terms of roads and storage facilities, security constraints, insufficient parking bays at Sherathang and Nathu La, and inadequate restructuring of transport services. As per the latest trade figures, India's exports to China through Nathu La have increased from ₹2470.54 lakhs in 2014-15 to ₹6338.72 lakhs in 2016-17 while the India's imports from China through Nathu La have increased from ₹226.15 lakhs in 2014-15 to ₹1454.24 lakhs in 2016-17 (refer Table 5).

Major challenges and policy recommendations

- Trade through Nathu La opens for only four months, i.e. from June to September, and four days a week (Monday-Thursday) due to hostile weather conditions.
- The permitted list of trading products has become obsolete. Unofficial statistics reveal that trade in off-list items is higher than trade in on-list items, leading to a big amount of informal trade.
- Rangpo is a border town between Darjeeling (West Bengal) and Sikkim. It has seen a rapid growth due to hydel projects, pharmaceutical plants and educational institutions. Furthermore, it is also connected with Nathu La through Rorathang. Thus, Rangpo can be developed as a nodal place for

warehousing and storage of goods to be traded, and also has potential to be developed as an inland port.

- There is a strong need for developing an alternative trade route between North East India and China. "Jelep La can be one of the potential alternatives as it provides easier connectivity to Tibet and is also shorter and cheaper to maintain than Nathu La. The major benefits of this route are: Jelep La (4216 metres above sea level) is at lower altitude than Nathu La (4310 metres above sea level) and is an all-weather pass as it does not get blocked with snow; the closed and dilapidated godowns in and around Kalimpong town can be revived as warehouses for stocking up commodities; and the existing motorable road to Jelep La running from Kalimpong through India-Bhutan-Tibet tri-junction at 14,300ft altitude leads to Lhasa in Tibet", Sherpa (2017). Further, the demand for connecting Kalimpong in West Bengal to Tibet through Jelep La has gained voice after opening Nathu La.

North East India and Myanmar

India shares its 10.88 per cent (1643 km) international border with Myanmar, all through North East Indian states viz. Arunachal Pradesh, Manipur, Mizoram, and Nagaland. The Governments of Republic of India and Union of Myanmar signed Border Trade Agreement (BTA) on January 21, 1994, to formalise border trade practices which came into effect on April 12, 1995.

Under this agreement, border trade between two countries is permitted for 62 identified items (Annexure 2) at a concessional duty of five per cent. The agreement mentioned that trade between two countries should be routed through designated custom posts only. For this purpose, two such posts have been identified viz. a) Moreh in India (Manipur State) and Tamu in Myanmar, and (b) Zokhawthar (Champhai) in India (Mizoram State) and Rhi (Hri) in Myanmar. Furthermore, the agreement provided the scope to include any place in future by mutual agreement between two countries.

Presently, there are four LCSs on international borders between two countries, out of which Zokhawthar-Rhi (Tiddim) and Moreh-Tamu are fully functional whereas Nampong-Pangsu is opened for border trade on 15th and 30th day of every month. Avangkhu-Somara LCS is bilaterally agreed but not yet notified. It is worth mentioning that road from Nampong to Pangsu is in extremely poor condition and not available for vehicular traffic during summer time. A new LCS is proposed at Zorinpui (Lawngtlai) in Mizoram on Indo-Myanmar border under Kaladan Multi-Model Project.

Majority of the trade between North East India and Myanmar takes place through Moreh LCS. Total trade between North East India and Myanmar has increased from ₹1901.69 lakhs in 2009-10 to ₹11925.08 lakhs in 2016-17 (refer Table 3). The proportion of North East India's trade with Myanmar out of North East India's total trade with its neighbouring countries has gradually increased from 2.50 per cent to 7.47 per cent in the same years. It is worth mentioning here that exports of both countries to each other have registered almost same increase as in total trade but the volume of Myanmar's exports is almost three times higher than India's exports to Myanmar.[18]

Furthermore, India accounts for only 0.80 per cent share of total border trade of Myanmar whereas China and Thailand account for 87 and 12 per cent share respectively.[19] Furthermore, informal trade also takes place between two regions. One such example are informal border *haats* in Pangsau market in Kachin State of Myanmar where people from Nampong (Arunachal Pradesh) come to sell and buy goods with the people of Myanmar.[20]

Two important developments took place in 2015 regarding border trade between India and Myanmar. These include a shift from **Barter to Normal Trade and Border to Normal Trade.** Barter trade as a subset to border trade was abolished by the Reserve

Bank of India (RBI) on November 05, 2015.[21] This circular envisaged that trade transactions should be done in permitted currencies only as barter trade transactions could not be captured in banking transactions or reflected in trade statistics. Border trade at Moreh, Manipur was upgraded to normal trade on December 17, 2015, through Public Notice No. 50/2015, DGFT.[22]

However, there was a lack of clarity as this notice rescinded all the previous documents on Indo-Myanmar border trade including BTA but restricted to trade through Moreh LCS only, and there were no instructions regarding other border trade posts. Further, the Government of India implemented unilateral Duty Free Tariff Preference (DFTP) Scheme for least developed countries (LDCs), and Myanmar is a percipient of it.

Under this scheme, duty free market access is provided on about 96 per cent of India's tariff lines at HS 6-digit level, in addition to preferential market access as per Margin of Preference (MoP) on about 2.2 per cent tariff lines. Thus, only 1.8 per cent of total tariff lines are excluded from the list of items receiving tariff preference. However, imports under DFTP Scheme are allowed subject to adherence to Rules of Origin (RoO) stipulation of CTSH+30.[23]

"The major exports from India to Myanmar at Moreh LCS are cumin seeds, wheat flour, Tata sumo vehicle, dried grapes and Mussoorie pulse while major imports are betel nut (whole and split) and ginger (dry and fresh). The potential exports items of India can be refinery products (as there are four refineries in Assam), manufacturing items such as motor vehicles, fertilisers, medicines and food products, and tea" Das (2016).

Major challenges and policy recommendations

- Currently, border trade with Myanmar is taking place through Zokhawthar (Mizoram) and Moreh (Manipur) only, however, Nampong (Arunachal Pradesh) and Avangkhu (Nagaland) are also proposed and notified LCSs for trade with Myanmar.
- Road conditions connecting these border stations are also in a poor condition and required to be improved.
- Nampong (Arunachal Pradesh) and Avangkhu (Nagaland) LCSs should be made fully functional.
- New trade routes should be explored along the border of Arunachal Pradesh, Nagaland, and Manipur with Myanmar.

North East India and Nepal

Nepal is landlocked by India on three sides, which makes it highly dependent on India transport, transit, and access to the sea. India shares its 11.60 per cent (1751 km) international land border with Nepal through its five states viz. Uttarakhand, Uttar Pradesh, Bihar, West Bengal, and Sikkim. The existing India-Nepal trade treaty was signed in 2009 which also notified 27 trade routes between the two countries, and among these, none is in North Eastern Region.

North Eastern Region does not contribute any significant amount in trade between India and Nepal as most of the trade between two countries takes place through Indian states of Uttarakhand, Uttar Pradesh, Bihar and West Bengal. The share of Nepal in total North East Indian trade with its neighbouring countries is merely 0.30 per cent in 2016-17 (refer Table 3).

Furthermore, the possibility of cross-border trade between North East India and Nepal is also very low as out of all North Eastern Indian states, only Sikkim shares its international border (97.8 km) with Nepal. In addition to it, North Sikkim is the least populated, situated at high elevation, and covered with Himalayan Mountains. The only area that could serve as a potential zone for cross-border trade between two regions is Western Sikkim, which lies above Singalila National Park and Darjeeling.

Table 3: State-wise Trade Statistics of North East India with its Neighbouring Countries through LCSs (₹Lakhs)

State/ Country	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	S-LTRG (%)
Exports									
Assam	7797.35 (23.43)	7848.87 (28.75)	9813.37 (19.64)	14848.59 (21.85)	18923.30 (25.22)	25537.05 (48.73)	36962.32 (44.64)	63508.73 (58.07)	**30.41**
Meghalaya	25272.20 (75.92)	19198.05 (70.32)	38495.93 (77.05)	49858.20 (73.36)	54189.05 (72.23)	20657.39 (39.41)	37589.56 (45.40)	39079.31 (35.73)	**5.51**
Tripura	25.45 (.08)	227.64 (.83)	1185.47 (2.37)	28.93 (0.04)	31.24 (0.04)	89.18 (.17)	175.61 (.21)	388.46 (.36)	**12.02**
Manipur	191.44 (.58)	25.20 (.09)	464.90 (.93)	3224.44 (4.74)	1882.61 (2.51)	3656.10 (6.98)	2039.27 (2.46)	58.35 (0.05)	**22.98**
Sikkim	NA	NA	NA	NA	NA	2470.54 (4.71)	6025.70 (7.28)	6338.72 (5.80)	—
Bangladesh	28478.25 (85.56)	22003.82 (80.60)	33736.07 (67.53)	54966.72 (80.88)	61072.52 (81.40)	27216.45 (51.93)	43414.77 (52.44)	45781.01 (41.86)	**7.36**
Bhutan	4377.77 (13.15)	5270.71 (19.31)	7228.19 (14.47)	9762.02 (14.36)	11973.87 (15.96)	19067.17 (36.38)	31312.66 (37.82)	57190.84 (52.29)	**35.73**
China	NA	NA	134.95 (0.27)	NA	NA	2470.54 (4.71)	6025.70 (7.28)	6338.72 (5.80)	—
Myanmar	191.44 (0.58)	25.20 (0.09)	447.30 (0.90)	3224.44 (4.74)	1882.61 (2.51)	3656.10 (6.98)	2039.27 (2.46)	58.35 (0.05)	**23.11**
Nepal	238.99 (0.72)	0.04 (0.00)	8413.15 (16.84)	6.97 (0.01)	97.19 (0.13)	0.00 (0.00)	0.05 (0.00)	4.64 (0.00)	—
Imports									
Assam	8845.38 (20.71)	2267.97 (7.99)	3561.06 (10.23)	4848.45 (12.88)	8242.29 (22.38)	11248.01 (18.94)	11729.64 (19.80)	12228.80 (24.31)	**17.22**
Meghalaya	977.79 (2.29)	440.84 (1.55)	543.76 (1.56)	691.12 (1.84)	1182.70 (3.21)	1530.42 (2.58)	1187.79 (2.00)	700.22 (1.39)	**7.45**
Tripura	31172.12 (72.99)	25314.85 (89.16)	30605.09 (87.94)	30225.18 (80.32)	21448.53 (58.24)	35246.46 (59.35)	34126.45 (57.60)	23588.50 (46.88)	**-0.45**
Manipur	1710.25 (4.00)	368.64 (1.30)	92.42 (.27)	1864.48 (4.95)	5956.84 (16.17)	11139.02 (18.76)	11096.76 (18.73)	11866.73 (23.59)	**54.90**
Sikkim						226.15 (.38)	1104.87 (1.86)	1929.21 (3.83)	—
Bangladesh	40793.06 (95.52)	27992.13 (98.59)	34647.41 (99.55)	35261.73 (93.71)	29368.83 (79.74)	45939.70 (77.35)	43215.40 (72.94)	33368.37 (66.32)	**1.70**
Bhutan	202.23 (0.47)	31.52 (0.11)	5.13 (0.01)	151.20 (0.40)	1504.68 (4.09)	2085.20 (3.51)	3828.49 (6.46)	3149.16 (6.26)	**75.64**
China	NA		57.36 (0.16)	351.82 (0.93)		226.15 (0.38)	1104.87 (1.86)	1454.24 (2.89)	
Myanmar	1710.25 (4.00)	368.64 (1.30)	92.42 (0.27)	1864.48 (4.95)	5956.84 (16.71)	11139.02 (18.76)	11096.76 (18.73)	11866.73 (23.59)	**54.90**
Nepal								474.97 (0.94)	
Total Trade									
Assam	16642.73 (21.90)	10116.84 (18.17)	13374.43 (15.78)	19697.04 (18.65)	27165.59 (24.29)	36785.06 (32.90)	48691.96 (34.28)	75737.53 (47.43)	**25.98**
Meghalaya	26249.99 (34.54)	19638.89 (35.26)	39039.69 (46.06)	50549.32 (47.87)	55371.75 (49.50)	22187.81 (19.85)	38777.35 (27.30)	39779.53 (24.91)	**5.60**
Tripura	31197.57 (41.05)	25542.49 (45.86)	31790.56 (37.51)	30254.11 (28.65)	21479.77 (19.20)	35335.64 (31.61)	34302.06 (24.15)	23976.96 (15.01)	**-0.47**
Manipur	1901.69 (2.50)	393.84 (0.71)	557.32 (0.66)	5088.92 (4.82)	7839.45 (7.01)	14795.12 (13.23)	13136.03 (9.25)	11925.08 (7.47)	**48.40**
Sikkim	0.00	0.00	0.00	0.00	0.00	2696.69 (2.41)	7130.57 (5.02)	8267.93 (5.18)	—
Bangladesh	69271.32 (91.16)	49995.95 (89.77)	68383.48 (80.68)	90228.45 (85.45)	90441.36 (80.85)	73156.15 (65.43)	86630.17 (60.99)	79149.38 (49.57)	**4.63**
Bhutan	4580.00 (6.03)	5302.23 (9.52)	7233.33 (8.53)	9913.23 (9.39)	13478.56 (12.05)	21152.37 (18.92)	35141.15 (24.74)	60340.00 (37.79)	**36.94**
China	0	0	192.314 (0.23)	351.82 (0.33)	0	2696.69 (2.41)	7130.57 (5.02)	7792.96 (4.88)	—
Myanmar	1901.69 (2.50)	393.84 (0.71)	539.72 (0.64)	5088.92 (4.28)	7839.45 (7.01)	14795.12 (13.23)	13136.03 (9.25)	11925.08 (7.47)	**48.51**
Nepal	238.99 (.31)	0.04 (0.00)	8413.15 (9.93)	6.97 (0.01)	97.19 (0.09)	0	0.05 (0.00)	479.61 (0.30)	—

Source: ***Director General of Commercial Intelligence and Statistics, Govt. of India*** **Notes:** There is no trade data available for three NER states viz. Arunachal Pradesh, Mizoram and Nagaland. Values in parentheses against countries show their respective share in total trade with NER.

Table 4: Details of Land Customs Stations in North East India (as in April 2012)

S. No.	India		Neighbouring Country		Status
	State	LCS	LCS	Country	
1	Arunachal Pradesh	Nampong (Pangsau Pass)	Pangsu	Myanmar	Notified but non-functional
2	Assam	Sutarkhandi	Sheola	Bangladesh	Functional Identified to be developed as Integrated Check Post in Phase-II by D/o Border Management
3		Karimganj Steamer Ghat	Zakiganj	Bangladesh	Functional
4		Mankachar		Bangladesh	Functional
5		Golakganj	Bhurungamari	Bangladesh	Not Functional
6		Karimganj Ferry Station	Zakiganj	Bangladesh	Functional
7		Mahisasan Railway Station	Sahabajpur	Bangladesh	Not Functional
8		Silchar R.M.S. office		Bangladesh	Not Functional
9		Dhubri Steamerghat	Rowmati	Bangladesh	Functional
10		Gauhati Steamerghat		Bangladesh	Functional
11		Silghat		Bangladesh	Functional
12		Darranga		Bhutan	-
13		Hatisar		Bhutan	-
14		Ultapani		Bhutan	-
15		Export Extension Counter at Guwahati		For all countries	
16	Meghalaya	Borsora	Borosora	Bangladesh	Functional
17		Dawki	Tamabil	Bangladesh	Functional Being developed as Integrated Check Post by D/o Border Management in Phase-I
18		Ghasuapara	Karoitoli	Bangladesh	Non-functional
19		Shellabazar	Sonamganj	Bangladesh	Functional
20		Bholaganj	Chattak	Bangladesh	Non-functional
21		Dalu	Nakugaon	Bangladesh	Functional
22		Mahendraganj	Dhanua Kamalpur	Bangladesh	Functional
23		Baghmara	Bijoypur	Bangladesh	Functional
24		Ryngku	Kalibari, Sonamganj	Bangladesh	Not functional
25		Balat	Lauwaghar	Bangladesh	Not functional
26		Kalaichar	Baliamari	Bangladesh	
27	Tripura	Agartala	Akhaura	Bangladesh	Functional Being developed as Integrated Check Post in Phase-I by D/o Border Management
28		Srimantapur	Bibir Bazaar	Bangladesh	Functional
29		Old Raghnabazar	Betuli (Fultali)	Bangladesh	Functional
30		Manu	Chatlapur	Bangladesh	Functional
31		Sabroom	Ramgarh	Bangladesh	Non-functional
32		Belonia (Muhurighat)	Belonia	Bangladesh	Non-functional
33		Dhalaighat	Khurma	Bangladesh	Functional
34		Khowaighat	Balla	Bangladesh	Functional
35	Mizoram	Kawrapuchciah	Thegamukh	Bangladesh	Functional Not yet notified. Being developed as Integrated Check Post in Phase-II by D/o Border Management
36		Demagiri	Rangamati	Bangladesh	Functional
37		Zokhawthar	Rih*	Myanmar	Functional
38	Manipur	Moreh	Tamu	Myanmar	Functional Being developed as Integrated Check Post in Phase-I by D/o Border Management
39	Sikkim	Sherathang (Nathu La)	Renginggang	China	Functional
40	Nagaland	Avangkhu	Somara	Myanmar	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)

Source: Ministry of Development of North Eastern Region (http://www.mdoner.gov.in/node/1474)

Table 5: North East India Trade Statistics for Selected LCSs with its Neighbouring Countries (₹Lakhs)

LCS/Year	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	
Exports									
Agartala	11.32	108.17	1162.31	5.13	30.02	51.68	25.60		Bangladesh
Manu	1.36	0.88		1.05	0.37	6.89	8.49	137.85	
Old Ragna Bazar	4.38	5.38	8.69	20.14	0.85	24.10	105.88		
Karimganj Steamer Ghat	515.66	923.84	1184.62	510.11	608.91	810.23	1053.86	1572.36	
Mankachar		11.52	7.03	58.00	70.04	411.30	232.20	107.28	
Sutarkandi	2903.93	1642.80	1382.30	4516.95	6270.47	5248.36	4363.60	4638.25	
Bhollaganj	2177.22	2346.83	3130.76	5405.17	3959.93	4755.38	3133.87	5578.00	
Borsorah	14591.62	11760.69	22683.27	33951.85	34261.38	7663.05	28752.91	27460.31	
Dalu	911.75	1833.30	922.09	1378.95	2272.64	384.94	359.31	822.78	
Dawki	7053.77	2940.30	2814.59	8774.28	13095.34	6330.07	4537.25	4850.31	
Mahendraganj	298.85	316.89	408.36	342.48	502.57	1523.94	806.16	363.27	
Hatisar (Deosiri)	4377.77	5270.71	7228.19	9762.02	11973.87	19067.17	31312.66	57190.84	Bhutan
Sherathang (Nathu La)						2470.54	6025.70	6338.72	China
Moreh	191.44	25.20	447.30	3224.44	1882.61	3656.10	2039.27	58.35	Myanmar
Imports									
Agartala	26639.94	20115.09	25046.19	22247.78	14871.57	26453.41	23144.36	14022.76	Bangladesh
Khowaighat		40.93001	51.30302	166.7607	90.48737	234.8969	147.2033		
Lcs Mahurighat	1008.588	1678.3	2583.627	4181.481	3246.322	3273.182	3848.037	2812.276	
Lcs Manu	655.4256	575.7333	157.6414	1006.417	412.1642	953.2227	1077.118	926.4367	
Old Raghna Bazar	78.25404	67.37063	148.9548	240.4962	235.5307	34.15353	16.28379	36.4431	
Srimantapur	2789.915	2837.427	2617.378	2382.24	2592.454	4297.597	5893.453	5790.588	
Karimganj Steamerghat	374.743	64.41923	6.15521	1.94621	11.35244			3.48123	
Mankachar					8.95087	29.42511	61.8656	98.32402	
Sutarkandi	8268.405	2172.031	3492.403	4343.483	6701.897	9133.386	7839.286	8977.837	
Dalu					224.9318	528.1202	591.8448	134.6946	
Dawki	69.89292	7.82079	6.33393	234.5932	387.1346	396.7221			
Mahendraganj	907.9012	433.0162	537.4277	456.5278	570.6294	605.5793	595.9498	565.5294	
Hatisar (Deosiri)	202.2323	31.52166	5.13473	151.1999	1504.684	2085.203	3828.488	3149.16	Bhutan
Sherathang (Nathu La)						226.154	1104.866	1454.242	China
Moreh	1710.252	368.64	92.4192	1864.48	5956.84	11139.02	11096.76	11866.73	Myanmar

Source: Director General of Commercial Intelligence and Statistics, Government of India

Table 6: State-wise Potential Items for Border Trade in North East India			
S. No.	**State**	**International Border**	**Potential Items for Border Trade**
1.	Arunachal Pradesh	West-Bhutan, North-China, East-Myanmar	Handmade carpet, handmade paper, citrus, fruits, processed fruits, ginger, herbal products etc.
2.	Assam	Bangladesh, Bhutan	Handloom & handicrafts, chilly, ginger, processed fruits, handmade paper, tea, jute products and floriculture items, essential oil, minerals like coal & limestone etc.
3.	Manipur	Upper Myanmar in East	Handloom & handicrafts products, horticultural product, and products that are procured from outside the state and are being exported to Myanmar
4.	Meghalaya	Bangladesh	Ginger, orange, turmeric, potato, betel vine, areca-nut, broom stick, coal, limestone etc.
5.	Mizoram	East & South-Chin Hills & Arakan of Myanmar, West-Chittagong Hills Tracts of Bangladesh	Passion fruit, raw cotton, tung seeds, citrus fruits, tapioca, ginger, processed fruits, processed spices, tung oil, Handloom & handicrafts etc.
6.	Nagaland	East-Myanmar	Chopsticks, horticulture products, handloom & handicrafts etc.
7.	Sikkim	North-China, West-Nepal, East-Bhutan	Blankets, clothes, coffee, tea, vegetables, rice, dry fruits, local herbs, and spices
8.	Tripura	All Sides-Bangladesh	Fresh fruits, processed fruits, raw & processed rubber, Handloom & handicrafts etc.

Table 7: Initiatives, Challenges and Policy Recommendations

Government Initiatives

- New Ministry, namely MDONER, was created in 2001 for the holistic development of North East India.
- Act East Policy was introduced in 2008 with the intention of entering emerging markets of South-East Asia through land routes.
- Indian government has been incessantly engaged in negotiating bilateral agreements with five neighbouring countries.
- The list permitted items for border trade has been continuously revised.
- Free trade is permitted with Bhutan and China (through Nathu La), and at five per cent tariff with Myanmar (through Moreh).
- Several infrastructure development projects on connectivity (road, rail, and airways) and warehouses have been initiated.
- Various steps have been taken to boost trade through border-*haats*.

Challenges

- Despite many infrastructure development initiatives, soft as well as hard infrastructure is still weak and insufficient amidst the challenging climate conditions in the region.
- Poor connectivity not only with neighbouring countries and mainland India but within the region also.
- Obsolete list of tradable items for border trade through Moreh and Nathu La LCSs.
- Despite many number of LCSs, trade volume is quite below potential.
- Commodities traded through border trade vary significantly from production capacity of the region.
- Under-utilisation of potential areas, for example, no functional LCS in Arunachal Pradesh.
- Trade at few places takes place only for half days a year or even less due to hostile climatic conditions.

Policy Recommendations

- There is a strong need to develop connectivity infrastructure within the region as well as with cross-border.
- Modern warehouses with sufficient capacity should be built up.
- Private investment should be encouraged in potential areas of manufacturing and agri-horticulture commodities.
- Alternative trading routes, especially inland waterways and roads, need to be explored to increase movement of people and goods.
- Non-functional LCSs should be made functional along with exploring new LCSs especially in Arunachal Pradesh, Mizoram and Nagaland.
- New border *haats* should be explored to enhance border trade.
- List of permitted items for both border trade and *haats* should be further expanded and revised at a regular interval.

3
Initiatives, Challenges and Policy Recommendations

Review of Government Initiatives

Both Central and respective state governments of North East India have initiated several measures to enhance overall development and trade of the regions. Following are major such initiatives:

Establishment of MDONER: The Government of India established a separate Ministry, Ministry for Development of North-Eastern Region (MDONER) in September 2001, to initiate new policies and monitor existing programmes for the development of North East India. The main responsibility of the Ministry is to look after issues relating to planning, execution and monitoring of development schemes and projects in North East India. Important components of development strategy include empowerment of people, creating employment and development opportunities for village areas, development of sectors having comparative advantage in trade and using locally available resources, capacity development of people and institutions, and creation of hospitable investment environment.

Act East Policy: The North East India has a strategic importance to the country as it is a gateway to emerging markets of South East Asia. The region also has potential to be developed as an economic powerhouse, as it has substantial resources of energy, oil, natural gas, coal and limestone apart from country's largest perennial water system and forests. The Act East Policy focusses to develop connectivity and physical infrastructure to facilitate trade, investment protocols, operationalisation of existing assets and facilities, and soft aspects of bilateral/ multilateral relationships.

Bilateral Agreements: Bilateral trade agreements have been signed to enhance trade between North East India and its neighbouring countries. For example:

- BTA with China in 2006, for trade through Nathu La
- Bilateral agreement on trade, commerce, and transit with Bhutan
- BTA with Myanmar in 1995 for trade through Moreh and Zokhawthar
- In 2012, various MoUs were signed with Myanmar to enhance bilateral cooperation, such as Border Area Development, establishment of Joint Trade and Investment Forum, and border *haats* across borders
- Use of Chittagong-Mongla sea ports was allowed for movement of goods to and from India through rail and road.

Revision of list of permitted items for border trade with China and Myanmar: The list of permitted items for border trade with China and Myanmar has been revised. Presently, imports and exports of 20 and 37 items are

allowed with China through Nathu La, and trade of 62 items is allowed with Myanmar through Moreh and Zokhawthar.

Tax benefits: The Government of India provides certain benefits on border trade in North East India, for example, trade in permitted items with China and all goods with Bhutan is tax-free, and trade with Myanmar on permitted items is allowed at five per cent duty.

Recent Infrastructure Development:[24] Many infrastructure development initiatives have been taken, for example

- 20.6 km rail link between Agartala (Tripura)-Akhaura (Bangladesh) was proposed in 2016 which is at the verge of completion
- Demagiri (Kawarpuchiah) is proposed to be developed as an ICP. Efforts are also made to operationalise Sabroom-Ramgarh (Tripura) and Demagiri-Thegamukh (Mizoram).
- The Ministry of Road Transport & Highways has decided to construct 1427 km road under its Special Accelerated Road Development Programme-North East (SARDP-NE), out of which about 1000 km roads have been constructed.
- The Ministry of Railways has sanctioned two new rail doubling projects of 283 km in North East India in last three years.
- The Airports Authority of India (AAI) is constructing a Greenfield airport at Pakyong (Sikkim) suitable for operation of ATR-72 aircraft. Operationalisation of Tezu airport (Arunachal Pradesh) for ATR-72 aircraft is also planned.
- In order to strengthen transmission network in North East India, Department of Telecom under its Comprehensive Telecom Development Plan has envisaged providing mobile coverage to 8621 identified uncovered villages through the installation of about 6673 mobile towers and 321 mobile tower sites along the national highways.
- The Ministry of DONER under Non-Lapsable Central Pool of Resources scheme, and North Eastern Council have sanctioned 169 and 41 infrastructure projects respectively worth of which is ₹2791.44 crore and ₹500.582 crore respectively.

Border *Haats*: Border *haats* are flourishing centers of trade and commerce along the borders. It is a boon for landlocked isolated North East India. Presently, four border *haats* are proposed to be opened in each of the states – Arunachal Pradesh, Mizoram and Nagaland and three in Manipur. Similarly, four in Mizoram and eight in Tripura are intended to be used as prospective border *haats* locations to trade with Bangladesh. Kalaichar and Balat *haats* in West Garo hills of Meghalaya have been agreed upon by bi-lateral negotiations, whereas four border *haats* are currently in operation along the border to North East India and Bangladesh.

Setting up Export Development Fund (EDF): In order to boost exports from North East India, EDF was set up in January 2000. Total 47 projects have been sanctioned under EDF so far. Some of major such projects include passion fruit in Mizoram and Nagaland, Safed Musli in Assam, Ginger in Manipur and Nagaland, cluster development of farms for organic farming in Nagaland and Tripura etc. Additionally, Agri Export Zones (AEZs) have been set up for pineapples in Tripura; floriculture, orchids, ginger and cherry in Sikkim; and fresh and processed ginger in Assam.

Major Challenges

Inadequate physical infrastructure: Physical infrastructure is key for trade and development as it enhances competitiveness through providing better connectivity, reducing time in movement of people and goods, and enabling efficient allocation and mobilisation of resources. "Currently, the North East India suffers from issues, such as

poor roads and connectivity, inadequate power and storage facilities, insufficient number of custom clearance facilities, inefficiency in handling, etc.", Federation of Indian Chambers of Commerce & Industry (FICCI) and PricewaterhouseCoopers (PWC) Report, 2014.[25] This report has estimated following levels of investment requirement in various infrastructure sectors to boost commerce and trade in North East India:

Table 8: Summary of Investment Required to Commerce and Trade in North East India (in ₹ crore)

State	Roadways[26]	Railways*	IWT#	Airports	Development Nodes[27]	Power	Border Townships
Assam	18336	16398	5350	750	800	4375	3286
Arunachal Pradesh	20815	43926		2250	350	100000	1648
Meghalaya	6515	10450		0	300		3296
Manipur	6990	7800		375	250		1648
Mizoram	5642	4301		375	300		1648
Nagaland	7033	18540		375	350		1648
Sikkim	1436	3180		375			
Tripura	5894	7560		1125	300	5179	1648
NER	**72661**	**112154**	**5350**	**5625**	**2650**	**109554**	**14832**

Source: ***FICCI and PWC (2014)****Only for the proposed core networks#Inland Water Transport
Note: Total investment has been estimated at ₹210672 crore. Further, a total investment of ₹306052 crore has been estimated for the complete overhauling of road networks (which includes national highways, state highways and major district roads)

Inadequate financial infrastructures: Apart from above mentioned challenges related to physical infrastructure, North East India also suffers from poor state of banking and other financial facilities required for smooth and speedy completion of various trade procedures.

Connectivity: One of the major hindrances in cross-border trade in North East India is the lack of connectivity within the region as well as with the neighbouring countries which gets vilest due to hostile climatic conditions most of the time. The region has very thin railway network, and air transport cannot be used as a means to take care of enormous transport needs of even one state. The region is also poorly connected with the mainland country mainly due to its location. All this further increases the transport cost of any traded item.

- India's National Highways-31enters North East India after passing from Siliguri corridor in West Bengal popularly called as 'Chicken's Neck'. This corridor is barely 21 km wide and is flanked by Nepal and Bangladesh.
- Arunachal Pradesh, Sikkim and Manipur are poorly connected by road.
- Out of 6880 km National Highways in the region, 3725 km are less than 2-lane.
- Agartala, Gangtok, and Aizwal are not even connected by 2-lane National Highways.

Obsolete list of tradable items: The agreed list of tradable items for border trade with China and Myanmar is outdated. Majority of the trade with these countries takes place in off-list items. Furthermore, this list also does not match with production potential of the region.

Many LCSs with low volume of trade: Out of 41 notified LCSs, only 26 are functional. North East India is witnessing a rise in trade with Myanmar but there is only one fully functional LCS (Moreh). There is no single authority to manage LCSs. Land Ports Authority of India (LPAI) is responsible to supervise ICPs only. MDONER has made several continual requests to bring LCSs under the purview of LPAI.

Missing link between border trade and production structure of North East India:[28] It is difficult to determine that growth of the region is significantly attributed to rise in border trade or it is due to transit trade. Majority of exports items from North East India are produced in other parts of the country and do not make much contribution to the industrial development in the region.

Untapped areas/underutilised potential: Myanmar shares almost its entire eastern boundary with North East India states viz. Arunachal Pradesh, Nagaland, Manipur and Mizoram. Out of these four states, only Manipur has a notified and fully functional LCS (Moreh for trade with Myanmar). Similarly, India is an important trading partner of Bhutan, but there is only one functional LCS for trade.

Irregular trading sessions and informal trade: Due to harsh and hostile climatic/geographical conditions, generally trading routes are opened only for few months a year, for example, Nathu La. Further, there is a huge amount of informal trade takes place every year due to certain security, connectivity and other restrictions.

Policy Recommendations

Connectivity: Augmenting infrastructure including rail, road, inland water and air transportation to facilitate a two-way movement of people and goods within the region and outside; communication networks including broadband and wireless connectivity; and harnessing vast power generation potential will open up markets for produce from the region, attract private investment, create greater employment opportunities, and expand choices for people of the region.[29]

Ensuring connectivity in North East India will help in accomplishing India's priority of entering South East Nations. Connectivity of North East India with ASEAN would require opening up the sea route through the Chittagong port and land routes through Myanmar and China. In addition to it, opening up the land route through Bangladesh could enormously benefit both countries.

Development of State and National Highways and connecting LCSs of the region with rest of the country should be the priority of MDONER and the government. Trade corridors need to be developed in a manner that they become corridors for people-to-people connect along with being corridors for trade and cargo movement. To this end, it is important to establish an easy, flexible and uniform visa regime for the region and promote soft connectivity.

Infrastructural development: Infrastructural facilities, such as regular supply of electricity, education for all, communication/telecom facilities to remote hilly areas are essentially needed to be developed in the region. Highly-equuipped sufficient warehousing facility is requried to be built as it is essential to stock goods during the non-trading period. More ICPs need to be put in place. Countries also need to explore the idea of having single or common ICPs at the border trade points that can be utilised by both countries. This will help minimising costs by not replicating building of high cost facilities by both countries. Similarly, certain procedures can be done on only one side of the border instead of repeating on both sides, for example, weighing of the cargo. To this end, procedures and documentation requirements on both sides of the border need to be harmonised as far as practicable. Also, advance documentation

through pre-arrival processing needs to be promoted to speed up processes.

Development of alternate trading routes: Many of the LCSs and prominent trading routes in North East India are not functional throughout the year due to harsh climatic conditions. It necessitates the development of alternative LCSs/trading routes. For example, Nathu La in Sikkim is the only trading point between North East India and China, and open only for few months in a year. Developing Jelep La as another LCS/trading route will enable broadening of scope of trade in this area.

Operationalising of notified non-functional LCSs and exploring new LCSs: Non-functional LCSs themselves pose a big challenge by limiting the scope of trade. Currently, out of total 40 LCS in North East India , about 15 are non-functional. Full operation of such LCSs with adequate infrastructure facilities will not only facilitate smooth border trade but also help in satisfying daily needs of the local people. Governments across borders should engage in constant negotiations for establishment of new LCS for tapping unutilised/underutilised potential trading points.

Promotion of containerisation: Through developing more number of Inland Container Depots (ICDs) and installing scanners at the port/customs station and also ensuring that movement of containers is smooth with no unnecessary delays in returning them.

Development of existing border *haats* along with developing newones: The positive experience of border *haats* has prompted both the India and Bangladesh governments to move towards revisions to the old MoU, drawing from lessons learnt so far, which is expected to flag-off six more border *haats* in two states of Meghalaya and Tripura, i.e. two more in Tripura and four more in Meghalaya. This will take the number of border *haats* up to 10, which is what had originally been agreed in the MoU between the Indian and Bangladeshi autorities. The locations of these new *haats* have been ascertained, but the exact spot is yet to be decided. The success of these six proposed new *haats* will pave the road to a more ambitious revision of the MoU, which will, in turn, expected to result in the establishment of many more such *haats* along this long border.

CUTS International has also recommened to set up more border *haats* along the international border of two countries.[30] The organisation has further recommened to reduce various NTBs to enhance trade between two regions.[31]

Successful border *haat* experience with Bangladesh envisages the similar opportunity to be explored with Bhutan and China especially for seasonal trade. Initiatives already taken at Myanmar border should be efficiently implemented. Promotion of border *haats* and special economic zones (SEZs) will help boosting border area development and also people-to-people connect.

The presently functioning border *haats* have been quite successful and led to appreciable local economic benefits. However, still there is a need to improve the arrangements at these *haats* given that the list of tradable products is pretty narrow and does not take into account some of the items that are high on demand across the borders, leading to continued impetus for informal trade in such items. Enhancing the scope of *haats* will additionally need infrastructure and logistics arrangement.

Ensuring industrial development/growth of North East India: Development of local industries in the region is essential to enhance cross-border trade in North East India as majority of goods traded through regions are not produced locally. Therefore, Central as well as respective state governments should focus on planned industrial development in the region.

Empowering people: Efforts should be made for achieving maximum self-governance and participatory development through grassroot planning and empowering people. Such planning will help in evolving development strategy based on local resources, needs and aspiration of people. Furthermore, youth should be trained to handle basic paperwork/ legalities involved in trade, especially border trade.

Development of border *haats*: Successful border *haat* experience with Bangladesh envisages the similar opportunity to be explored with Bhutan and China especially for seasonal trade. Initiatives already taken at Myanmar border should be efficiently implemented.

Continuous revision of tradable items list: The list of permitted items for border trade with China and Myanmar should not only be continuously examined and revised but also include some of the necessary items which are high in value products and presently being traded informally.

Need to establish fundamental institutions: However, various policy incentives, such as setting up of Export Promotion Industrial Park (EPIP), growth centre, software technology park, food processing park, walk in cold storage facilities etc. have been set up but there is a need to establish some other important institutions, such as Nodal Agency for handling all trade matters, branch of Export Inspection Councils, Trade Centre of International Standards and branch of EXIM bank.

Furthermore, some special provisons can be introduced in Foreign Trade Policy focussing on goods trade from North East India. Border agency cooperation needs to be encouraged by putting in place institutional arrangements and platforms for interaction and coordination at the working level to discuss and sort out micro issues and also conducting trade facilitation meeting with all relevant stakeholders at ports on a regular basis. This will help majorly in minimising the information asymmetry across and within borders among agencies.

4
Conclusions

North East India is not only the country's gateway to East Asia but is also full of important scarce natural resources. The growth and development of the region has been substantially low compared to its potential and several factors are responsible for it, such as negligence of policy makers, hostile weather conditions, poor connectivity with the mainland country, and undeveloped social and economic institutions etc. Despite all this, large international land border of the region provides a big scope of cross-border trade with neighbouring countries and attracting investment.

Majority of the trade in North East India takes place through LCSs for which about 40 LCSs have been set up across international border of the region. However, about 15 of them are not functional. Despite several initiatives taken by both Central and respective state governments, the trade potential of region has been highly untapped due to various limitations such as poor state of infrastructure and connectivity, hostile climatic conditions, substantial low industrial development, irregular trading seasons, unmatched trading items with potential productions structure and many others.

Strategic location of North East India provides easy access to emerging and potential markets of South-East Asia which the government needs to capitalise through eradicating above mentioned limitations. This will not only help in boosting country's trade but will also support in raising the standard of living and lead to overall growth and development of the region.

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Annexure 1

List of items permitted for border trade between India and China							
Imports from China				Exports to China			
S. No.	In 2006*	S. No.	Additional items (2012)	S. No.	In 2006*	S. No.	Additional items (2012)
1	Wool	16	Ready Made Garments	1	Agricultural Implements	30	Processed Food
2	Goat Cashmere (Pasham)	17	Shoes	2	Blankets	31	Flowers
3	Goat Skin	18	Quilts/Blankets	3	Copper Products	32	Fruits
4	Sheep Skin	19	Carpets	4	Clothes	33	Spices
5	Yak Tails	20	Local Herbal Medicines	5	Textiles	34	Religious Products such as beads, prayer wheels, incense sticks and butter oil lamps
6	Goats			6	Cycles	35	Ready Made Garments
7	Sheep			7	Coffee	36	Handicraft and handloom items
8	Yak Hair			8	Tea	37	Local Herbal Medicines
9	Horses			9	Barley		
10	Salt			10	Rice		
11	Borax			11	Floor		
12	Szaibelyita			12	Dry Fruit		
13	China Clay			13	Dry and Fresh vegetables		
14	Butter			14	Vegetable Oil		
15	Silk			15	Gur and Mishri		
				16	Tobacco		
				17	Snuff		
				18	Cigarettes		
				19	Canned Food		
				20	Agro Chemical		
				21	Local Herbs		
				22	Dyes		
				23	Spices		
				24	Watches		
				25	Shoes		
				26	Kerosene Oil		
				27	Stationery		
				28	Utensils		
				29	Wheat (Ua and Buck)		

**Source:* PUBLIC NOTICE NO.20 (RE-2006)/2004-2009 dated 13th June 2006, Department of Commerce, Govt. of India.

Annexure 2

List of items permitted for border trade between India and Myanmar					
Old items		Additional items		Additional items	
S. No.	(DGFT Public Notice No. 289(PN)/92-97 dated 10th April 1995)	S. No.	(DGFT Public Notice No. 106 (RE-2008)/ 2004-2009 dated 07.11.2008)	S. No.	(DGFT Public Notice No. 30 (RE- 2012)/2009-2014 dated 16th November 2012
1	Mustard/rape seeds	23	Bicycle's spare parts	41	Agricultural machinery/ equipment/tools
2	Pulses and beans	24	Lifesaving drugs	42	Bicycle
3	Fresh vegetables	25	Fertilizers	43	Bleaching powder
4	Fruits	26	Insecticides	44	Coal
5	Garlic	27	Cotton fabrics	45	Edible Oil
6	Onion	28	Stainless steel utensils	46	Electrical & Electric Appliances
7	Chilies	29	Menthol	47	Fabricated steel products
8	Spices (excluding nut-meg, mace, cloves and cassia)	30	Agarbatti	48	Garments /readymade garments/cloths
9	Bamboo	31	Spices	49	Handlooms and handicrafts items
10	Minor forest produce (excluding teak)	32	Cosmetics	50	Hardware/minor construction materials and electrical fittings
11	Betel nuts and leaves	33	Leather footwear	51	Lime
12	Food items for local consumptions	34	Paints and varnishes	52	Medicines
13	Tobacco	35	Sugar and salt	53	Milk powder, tea, edible oil, beverages
14	Tomato	36	Mosquito Coils	54	Motor Cycles & Motor Cycle Spare Parts
15	Reed broom	37	Bulbs	55	Other items such as electronic/ musical instruments, stationary item, torch light
16	Sesame	38	Blades	56	Plastic items: water tank, buckets, chairs, plastic pipes and briefcase
17	Resin	39	X-ray paper and Photo paper	57	Rice, Wheat, Maize, Millets & Oats
18	Coriander seeds	40	Imitation jewellery	58	Scented tobacco
19	Soya bean			59	Semi-precious stone
20	Roasted sunflower seeds			60	Sewing machines
21	Katha			61	Textile fabrics
22	Ginger			62	Three wheelers/cars below 100 CC

Endnotes

1 Census 2011, data is taken from Indiastat.com

2 Department of Border Management, Ministry of Home Affairs, Govt. of India

3 ibid

4 MDONER: Ministry of Development of North Eastern Region, http://www.mdoner.gov.in/content/border-trade, Retrieved on 13 July 2017

5 As on April, 2012, total 40 LCSs have been set up by the Government of India on international borders of North East India with its five neighbouring countries (Bangladesh, Bhutan, China, Myanmar, and Nepal). Out of these 40 LCSs, 01 each is in Arunachal Pradesh, Manipur, Sikkim, and Nagaland, 14 are in Assam, 11 are in Meghalaya, 08 are in Tripura, and 03 are in Mizoram.

6 All trade routes include all LCSs taken (as mentioned in table 2) and Guwahati Airport, ICD Guwahati (AMin Gaon), Golokgans Railway Station in Assam, and Chasuapara in Meghalaya. Source of the data is Director General of Commercial Intelligence and Statistics, Govt. of India

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