

Trade Trends



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India's Look East Policy and Myanmar

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After embarking on a Look East Policy, it has become crucial for India to accord priority to strengthening relations with Myanmar, which is considered as the gateway to the Far East and can also provide connectivity to India's north eastern states. Myanmar has a unique geographical presence facilitating connectivity with Thailand, Vietnam and other Far East nations. The recent visit of Indian Prime Minister to Myanmar underscored the importance that India attaches to the role that Myanmar can play in strengthening India's political and economic presence in the region.

Prime Minister Manmohan Singh once said that "India's Look East Policy is not merely an external economic policy, it is also a strategic shift in India's vision of the world and India's place in the evolving global economy. Most of all it is about reaching out to our civilisational neighbours in Southeast Asia and East Asia". Moreover, the Indian Prime Minister, during his recent visit, emphasized Myanmar's geographical importance and said that Myanmar could play the role of an economic bridge between India and China as also South and Southeast Asia.

Normalization of Indo-Myanmar relations will enable India to enter the market of Myanmar as well as its neighboring countries. Indo-Myanmar strategic partnership and geopolitical engagement has been discussed among policy analysts. It is also envisaged that India's export potential would increase with regard to Myanmar and the Far East, particularly the countries included in the Association of South East Asian Nations (ASEAN). According to the recent understanding between India and Myanmar, both the countries are eager to advocate region-building by transforming the region into a hub for regional trade.

The two governments have agreed to cooperate in various sectors covering transport, education, energy and trade and investment amongst others. With special focus on connectivity, the recent visit and Memorandum of Understanding (MoU) signed for border development as well as transport connectivity means that the potential of trade not only between India and

Myanmar but also between India and other ASEAN countries can now be realised. The connectivity with Myanmar is imperative for expansion of bilateral and multilateral economic and developmental relationships in the region, which has been underscored by the agreement between the two governments to cooperate on several projects related to road transport.

In view of India's export potential, Myanmar could play a facilitating role in two ways. First, Myanmar represents a huge potential market for Indian products, which Indian exporters can gradually explore and penetrate. Since there is direct connectivity between India and Myanmar through both land and sea routes, India's exports could increase manifold. Already trade between India and Myanmar is showing an increasing trend with India's exports to Myanmar growing by around 60 per cent during 2010-11. Ministry of Commerce data indicates that India's total exports to Myanmar was \$207.97 million in 2009-10 which increased to \$334.42 million in 2010-11. Even then, Myanmar accounts for only 1.23 per cent of India's exports to ASEAN (Table 1).

Table 1: India's Exports to ASEAN(in US\$ Million)

| S. No. | Country | 2009-2010 | 2010-2011 | %Growth |
|---------------|-----------------|------------------|------------------|----------------|
| 1 | SINGAPORE | 7592 | 10303 | 36 |
| 2 | INDONESIA | 3063 | 6245 | 104 |
| 3 | MALAYSIA | 2835 | 3957 | 40 |
| 4 | THAILAND | 1740 | 2793 | 60 |
| 5 | VIETNAM SOC REP | 1839 | 2660 | 45 |
| 6 | PHILIPPINES | 749 | 883 | 18 |
| 7 | MYANMAR | 208 | 334 | 61 |
| 8 | CAMBODIA | 46 | 64 | 40 |
| 9 | BRUNEI | 24 | 25 | 3 |
| 10 | LAO PD RP | 17 | 14 | -17 |
| | Total | 18114 | 27278 | 51 |

Source: Ministry of Commerce, Government of India

Second, Myanmar can help Indian exporters to reach the Far East more easily by using road transport. It is well recognized that there is evidence of significant deepening and intensification of Indo-ASEAN relations. After becoming sectoral dialogue partner of ASEAN in 1992, India has signed Free Trade Agreement (FTA) with the congregation in 2009. A significant impact of FTA can be seen on India's export to these countries (table 1). The table indicates that India's exports have increased by more than 50 per cent during the last two years.

Another module of cooperation in Southeast Asia is the Mekong-Ganga Cooperation (MGC). Due to the progress of cooperation on the MGC, an Asian highway is expected to link New Delhi with Singapore via Kuala Lumpur, Ho Chi Minh city, Phnom Penh, Bangkok, Vientiane, Chiang Mai, Yangon, Mandalay, Kalemyo, Tamu, Dhaka and Kolkata. To strengthen the progress of the proposed link, India has signed a MoU with Myanmar to upgrade the sections of the Tamu-Kalewa-Yargyi road as the first step in this direction. The MoU was signed during Indian Prime Minister's visit to Myanmar in May 2012.

Under the scenario of improved connectivity with the ASEAN region, the trade potential is also likely to increase. Commodities like pharmaceuticals, chemicals, confectionaries, vegetables,

hand tools, auto parts, rubber products and plastics, amongst others, have potential to enhance their presence in the ASEAN countries. For instance, India's export of pharmaceuticals to ASEAN accounted for only 5 per cent of the total requirement of ASEAN in 2010. Similarly, the export of rubber and plastics products from India to ASEAN countries were 2 and 1 per cent of their total requirements respectively (Table 2).

The only challenge for India is the presence of Chinese products in these countries which would compete with Indian products. It is, therefore, important for India to improve procedural as well as infrastructural aspects of trade facilitation between India and the Eastern countries. Lower cost of trade would make Indian products competitive in these markets.

Table 2: India's Export with ASEAN and ASEAN Imports from World (in US\$ million)

| Commodities | India's exports to ASEAN | | ASEAN Imports from world | |
|--|--------------------------|---------|--------------------------|----------|
| | 2009 | 2010 | 2009 | 2010 |
| Sugars and sugar confectionery | 5.39 | 47.49 | 2066.17 | 3444.40 |
| Inorganic chemicals, precious metal compound, isotopes | 151.13 | 148.28 | 4668.80 | 6320.19 |
| Organic chemicals | 786.12 | 1125.32 | 15689.13 | 21701.74 |
| Pharmaceutical products | 314.83 | 339.03 | 6369.36 | 7011.98 |
| Fertilizers | 7.38 | 8.07 | 5198.25 | 6512.10 |
| Plastics and articles thereof | 191.01 | 255.53 | 20912.94 | 29784.96 |
| Rubber and articles thereof | 130.54 | 201.75 | 6741.10 | 9810.41 |
| Iron and steel | 591.72 | 415.53 | 24578.48 | 34097.98 |

Source: International Trade Centre, Geneva

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