

ISAS Brief

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India-Myanmar Ties: The Trade Perspective

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The recent visit by India's Prime Minister Manmohan Singh to Myanmar had as much to do with bilateral trade as with diplomacy and security.

The Gross Domestic Product (GDP) growth in Myanmar firmed up to 5.1 per cent in 2009 after a decade of anaemic growth. 2010 was even better, at close to 5.5 per cent. Growth in the neighbouring countries, especially those that import gas, also helped to boost these GDP figures. Nominal GDP has risen from US\$ 16.7 billion to an estimated US\$ 35.2 billion in 2010. There are also large projects that have been committed by foreign investors in power, petroleum and infrastructure that are likely to contribute to Myanmar's economic growth in the next few years. Natural gas reserves are estimated to be 2.54 trillion cubic metres, and Myanmar is emerging as a major supplier of gas to its neighbours. It has also large deposits of metals, minerals and gems, and accounts for 90 per cent of the global production of rubies.

In addition, there is considerable opportunity for development in agriculture and fisheries. Rice, pulses, wood and vegetables are important agro-based products that are being increasingly exported. Myanmar's total exports have grown from US\$ 2.8 billion in 2001 to US\$ 6.4 billion in 2010.

India lost out to China in an attempt to secure gas supplies from Myanmar, and China has already an important presence in several infrastructure projects that include roads, port

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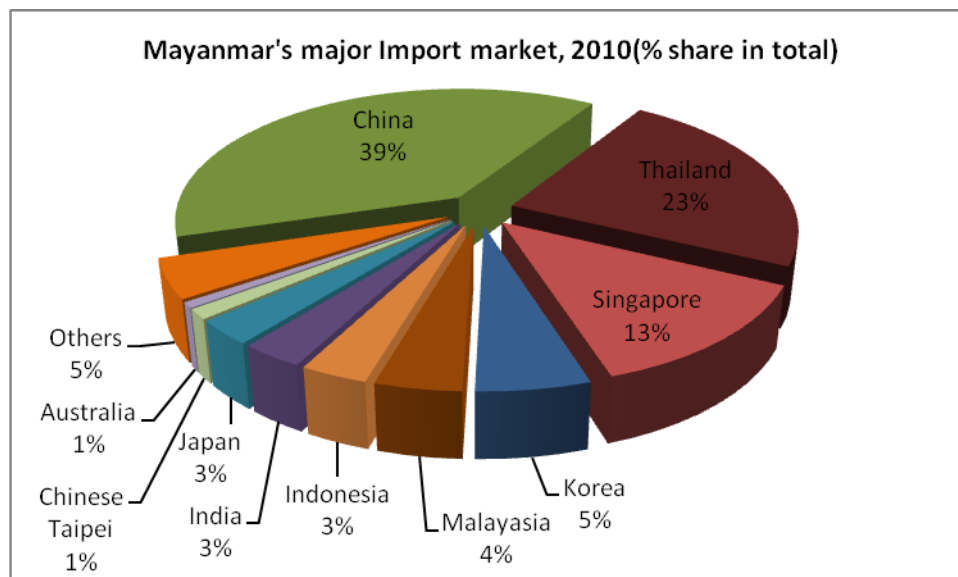
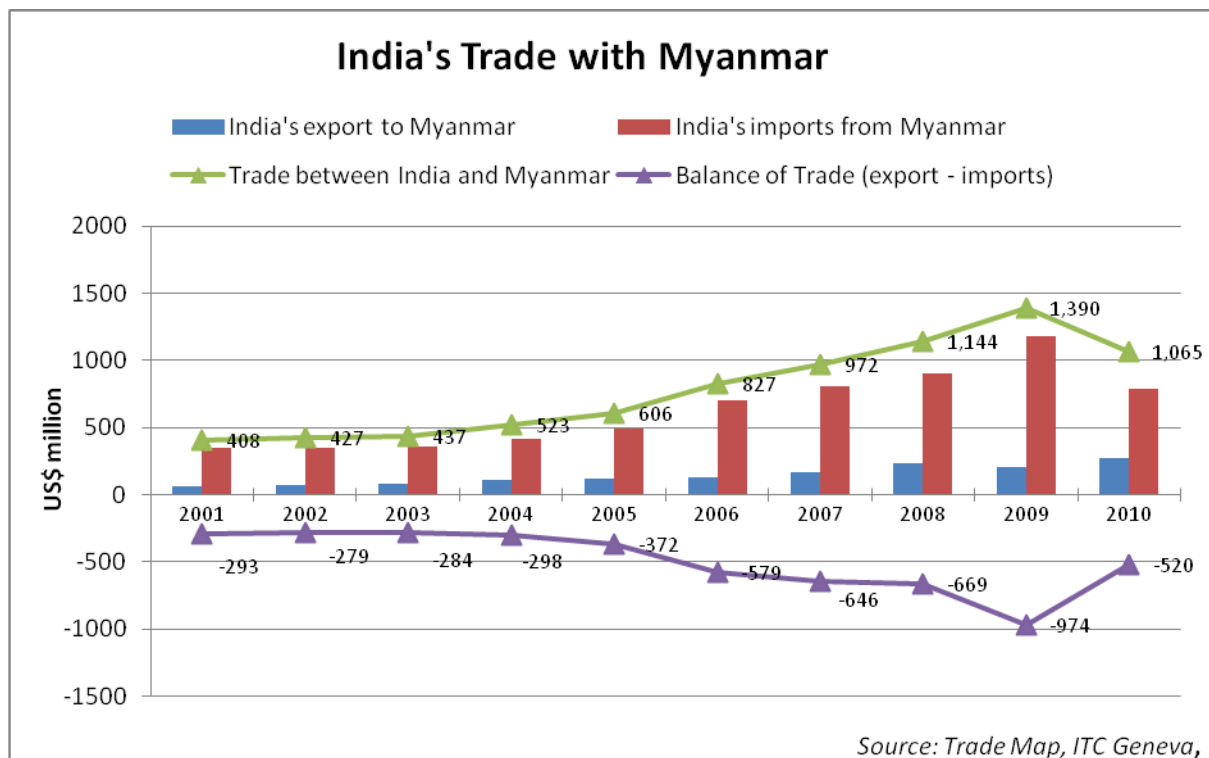
development and power. Myanmar's trade ties with India are historical and even today the pulses trade in Myanmar is controlled by the Marwaris and Chettiars of Indian origin. However, these trade connections have been at the enterprise level, with little or no support from government or governmental agencies. The diplomatic engagements have focused more on international relations and security perceptions, rather less on trade. India's share in Myanmar's foreign trade has not been significant.

Table 1: India's Exports of Major Commodities to Myanmar (US\$ mn)

| Product Code | | 2001 | 2005 | 2006 | 2007 | 2008 | 2009 |
|--------------|---|------|-------|-------|-------|-------|-------|
| | All products | 57.7 | 117.2 | 124.1 | 162.8 | 237.3 | 208.2 |
| 2 | Meat and edible meat offal | - | 0.1 | - | 0.1 | - | 1.5 |
| 30 | Pharmaceutical products | 10.5 | 23.3 | 33.9 | 40.9 | 50.4 | 54.3 |
| 72 | Iron and steel | 16.4 | 37.7 | 36.4 | 38.4 | 43.4 | 51.2 |
| 85 | Electrical, electronic equipment | 2.6 | 6.1 | 5.3 | 10.1 | 14.6 | 14.7 |
| 84 | Machinery, boilers, etc | 2.0 | 9.1 | 6.5 | 10.3 | 23.6 | 9.7 |
| 23 | Residues, animal fodder | 0.1 | 0.5 | 0.8 | 1.6 | 3.7 | 3.7 |
| 52 | Cotton | 0.4 | 0.6 | 0.7 | 2.9 | 4.1 | 4.2 |
| 17 | Sugars and sugar confectionery | 0.1 | - | - | 0.1 | 0.3 | 0.1 |
| 39 | Plastics and articles thereof | 2.7 | 2.1 | 3.4 | 3.3 | 2.7 | 4.7 |
| 40 | Rubber and articles thereof | 2.3 | 3.8 | 6.1 | 8.6 | 7.1 | 7.8 |
| 73 | Articles of iron or steel | 1.8 | 6.0 | 5.7 | 9.0 | 13.4 | 5.6 |
| 87 | Vehicles other than railway, tramway | 3.1 | 6.0 | 4.1 | 10.3 | 5.0 | 3.8 |
| 96 | Misc. manufactured articles | 0.3 | 0.9 | 1.3 | 1.6 | 3.0 | 3.2 |
| 38 | Misc. chemical products | 0.2 | 1.8 | 1.3 | 1.8 | 2.1 | 1.9 |
| 83 | Miscellaneous articles of base metal | 0.3 | 0.5 | 0.9 | 0.7 | 1.6 | 3.0 |
| 33 | Essential oils, perfumes, cosmetics, toiletries | 0.3 | 0.9 | 1.2 | 1.1 | 1.9 | 2.0 |
| 82 | Tools, implements, cutlery, etc of base metal | 1.2 | 1.7 | 2.2 | 3.1 | 2.9 | 2.5 |
| 27 | Mineral fuels, oils, distillation products, etc | - | 1.9 | 0.2 | 0.4 | 2.0 | 12.7 |
| 21 | Misc. edible preparations | 0.1 | - | - | 0.6 | 1.6 | 0.9 |
| 48 | Paper & paperboard, articles of pulp | 1.1 | 0.4 | 0.8 | 0.4 | 2.0 | 0.9 |

Source: Trade Map, ITC Geneva

Figure 1: India's Trade with Myanmar



It can be seen that India does not have a significant place in Myanmar's imports.

India's trade balance with Myanmar is currently negative, with imports far exceeding exports. The Indian Prime Minister's recent visit to Myanmar was an attempt to redress this imbalance.

There was an emphasis on improving bilateral relations, and Dr Manmohan Singh divided his time between Myanmar's Government and the opposition maturely. On the trade side, there were three important initiatives. The first of these was the announcement that an Indian company had secured drilling rights for oil and gas at an on-shore field. Second, there was the announcement that the road-link project would be completed expeditiously, opening up the northeast of India with Myanmar. Third, and more importantly, it was announced that funds under India's earlier promise of trade aid of US\$ 500 million would start to flow. There were also discussions on solar energy and on setting up power plants, but these discussions remained at a preliminary stage.

At one level, it could be argued that these efforts are too little, too late. Given Myanmar's need for infrastructure and for large projects, it would have been appropriate for New Delhi to consider the engagement of major Indian companies in the public as well as private sector in that country, tied in with some bilateral assistance and aid. Another opportunity could have been to offer value additions in agriculture, in terms of packaging, processing and storing, given that India is likely to be a major consumer of the exportable output of Myanmar's agriculture. A third approach could have been to engage with the traditional trading communities on both sides to attempt to sort out trade-related barriers, both tariff- as well as non-tariff-based, to smooth the flow of goods between the two countries. Dr Singh's recent visit to Nay Pyi Taw and Yangon appeared to have missed such a focused approach.

There are opportunities for export of India's pharmaceuticals, light engineering goods, agricultural machinery, textiles and even telecommunication products, apart from two-wheelers and three-wheelers as well as small vehicles so popular in India for freight and goods. It is important to improve the presence of Indian corporate sector in Myanmar, and the likes of Tata and Mahindra can hope to expand their footprints there significantly. The focus should be on value-added goods, in the intermediate and small industries sectors, that would be needed by the Myanmar economy.

The External Affairs Ministry in India is stretched thinly across all the continents, and is perhaps not able to adopt a fully nuanced approach towards bilateral issues. In Myanmar, it appears as though the Indian Prime Minister's visit mirrored that of US Secretary of State and several of the visits from China. While it is important for New Delhi not to be left out of the diplomatic race, it is equally important that India establishes strong trade linkages that would provide opportunities for Indian companies to do business in Myanmar.

It is not clear that the visit achieved as much as it could have. The Chinese media and Government welcomed Dr Manmohan Singh's visit — perhaps they had expected much more on the business side to emerge from his interactions in Myanmar! More needs to be done to engage Myanmar in bilateral trade, otherwise India would lose the initiative to other players.

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