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**ASEAN - INDIA CONNECTIVITY:
THE COMPREHENSIVE ASIA
DEVELOPMENT PLAN, PHASE II**

**EDITED BY
FUKUNARI KIMURA
AND SO UMEZAKI**

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PROJECT MEMBERS

FUKUNARI KIMURA (PROJECT LEADER)

Chief Economist; Economic Research Institute for ASEAN and East Asia (ERIA), Jakarta, Indonesia

SO UMEZAKI (PROJECT COORDINATOR)

Senior Research Fellow; Institute of Developing Economies, Japan External Trade Organization (IDE-JETRO), Singapore

TOSHIHIRO KUDO

Director; Economic Integration Studies Group, Inter-disciplinary Studies Center, Institute of Developing Economies, Japan External Trade Organization (IDE-JETRO), Chiba

AYAKO OBASHI

University of Wisconsin-Madison's

■ INDIA STUDY TEAM

PRABIR DE (TEAM LEADER)

Fellow; Research and Information System for Developing Countries (RIS), New Delhi, India

GURUDAS DAS

Associate Professor; National Institute of Technology (NIT), Silchar, India

ANINDITA CHAKRABARTI

Associate Professor; Madras School of Economics (MSE), Chennai, India

SUBASH S

Assistant Professor; Indian Institute of Technology (IIT) Madras, Chennai, India

SANJEEV MOHOLKAR

Lead Development Specialist; Japan International Cooperation Agency (JICA), India Office, New Delhi, India

■ MYANMAR STUDY TEAM

KYAW MIN HTUN (TEAM LEADER)

Pro-Rector; Yangon Institute of Economics (YIE), Yangon, Myanmar

NU NU LWIN

Lecturer; Department of Management Studies, Yangon Institute of Economics (YIE), Yangon, Myanmar

TIN HTOO NAING

Visiting Lecturer; Executive Master of Development Studies, Yangon Institute of Economics (YIE), Yangon, Myanmar

KHINE TUN

National Consultant; United Nations Development Program (UNDP), Yangon, Myanmar

■ **THAILAND STUDY TEAM**

RUTH BANOMYONG (TEAM LEADER)

Associate Professor; Centre for Logistic Research, Thammasat Business School,
Thammasat University, Bangkok, Thailand

PAITON VARADEJSATITWONG

Researcher; Centre for Logistic Research, Thammasat Business School, Thammasat
University, Bangkok, Thailand

NUANNALIN PHANJAN

Research Associate; Centre for Logistic Research, Thammasat Business School,
Thammasat University, Bangkok, Thailand

■ **IDE/ERIA GSM TEAM**

SATORU KUMAGAI (TEAM LEADER)

Director; Economic Integration Studies Group, Inter-disciplinary Studies Center, Institute
of Developing Economies, Japan External Trade Organization (IDE-JETRO), Chiba,
Japan

IKUMO ISONO

Economist; Economic Research Institute for ASEAN and East Asia (ERIA), Jakarta,
Indonesia

CHAPTER 4.

ASEAN-INDIA CONNECTIVITY: A MYANMAR PERSPECTIVE

KYAW MIN HTUN

NU NU LWIN

TIN HTOO NAING

KHINE TUN

Abstract

Since the 1990s, Asian economies have been moving towards deeper regional integration to enjoy growth together and to share prosperity. Although size of the economy and level of development in the region are quite diverse, it does not matter to such integration. This integration will not only expand the production possibility frontiers but also promote the flow of ideas and cultural exchanges within the region. Southeast Asia and India have become two of the fastest growing and most dynamic regions in the world. As Asia becomes the engine of growth for the global economy, the ASEAN and India must capitalize on their partnership through enhanced connectivity to reap the benefits most. In this scenario, Myanmar is the only land bridge between ASEAN and India so that the country has a great potential to be an important player in shaping future economic, political and security environment in this region. The connectivity projects will enhance the strategic importance of Myanmar as a regional logistics and trading hub and will be definitely beneficial for Myanmar as well as India and ASEAN, and for the entire region, Asia. To realize the positive outcomes, Myanmar needs to respond to the opportunities offered by its geographical and natural advantages and to capture the competitive advantages brought about by regional and global market chain.

1. OVERVIEW

Asian Economies have grown rapidly over the last few decades. Several scholars have noted its economic success as the rise of Asia particularly led by seven economies; China, India, Indonesia, Japan, Republic of Korea, Malaysia and Thailand. These leading economies have combined total population of 3.1 billion (78 percent of Asia) and a GDP of USD 14.2 trillion (87 percent of Asia) in 2010 (ADB 2011a). While those countries have achieved high growth rates and caught up with wealthier countries, some others, however, have achieved little or no growth. Since the 1990s, Asian economies have been moving towards deeper regional integration to enjoy growth together and to share prosperity. Although size of the economy and level of development in the region are quite diverse, it does not matter to such integration.

A number of studies on regional integration have generated a wide range of theories, models and methodologies of which most of them are centering on a single-discipline perspective, namely economics. Recent regional integration literature has been developed by considering from a multi-disciplinary perspective that comprises: (1) market (e.g., regional economic dynamism facilitated by liberalization of foreign trade, direct investment, capital accounts, and financial systems); (2) policy (e.g., regional intergovernmental cooperation, development of common institutions); (3) geopolitics (e.g., causal relationships between political power and geographic space). This integration will not only expand the production possibility frontiers but also promote the flow of ideas and cultural exchanges within the region.

Among economic regions in the world, Southeast Asia has been widely noted as the fastest growing and dynamic region. Meanwhile, India demonstrates its economic and technological capacities to compete in the 21st century. As India has aimed to transform to become a developed nation by 2020, it has continued to implement domestic reforms and initiatives for further integration with the regional and global economy. ASEAN deputy Secretary General also noted in the Regional Security and Cooperation Dialogue that "As Asia becomes the engine of growth for the global economy, the ASEAN and India must capitalize on their partnership through enhanced

connectivity to reap the benefits¹". In this scenario, Myanmar is the only land bridge between ASEAN and India so that the country has a great potential to be an important player in shaping future economic, political and security environment in this region.

2. ECONOMIC BACKGROUND OF MYANMAR

Myanmar is the largest country in the mainland Southeast Asia bordering Bangladesh and India in the west and northwest, China in the north and northeast, Laos PDR and Thailand in the east and southeast. Similarly, the Andaman Sea and the Bay of Bengal bound Myanmar in the south and southwest. Myanmar is adjoining to Himalayan ranges, which divided Myanmar against India in the western part of the country. Generally, the topographic condition of Myanmar can be divided into three parts – western ranges, central plains and eastern hilly regions. With the collapse of centrally planned economy in 1988, the country has adopted a market-oriented economic system and initiated various economic reform measures. The broad idea of implementing such reforms was to restore and enhance economic growth, which generates more benefits to the general public. It was stabilization period between 1989 and 1991, in which plan was formulated to generate economic growth through wide range of private sector participation including foreign investments. With the consistent efforts made by the government and the extensive participation of private sector, the economy rapidly began to recover. Then, the economy has been guided by a series of five-year short term plans with annual sector-wise plans. The plans are based on the guideline principles of the ruling government coping with the political, economic and social challenges. Significant efforts aiming at increasing economic activities included: improving legal and regulatory framework, permission for the opening of private (local and foreign) commercial banks, attracting financial and technological resources from foreign countries, lifting some restrictions on trade, allowing the establishment of joint-ventures with state enterprises, and investing heavily in the development of physical infrastructure (Von Hauff 2009). Since the economic reforms associated with encouraging both public and private sector development, the economy has revealed

¹ S. Pushpanathan, ASEAN deputy Secretary-General, Delhi Dialogue II, Regional Security and Cooperation Dialogue January 21-22 2010, New Delhi.

changes in a broad spectrum of sectors such as infrastructure, institutional and business environment and officially recorded high growth over the period.

Among the varieties of economic performances, GDP growth during the past decade has been controversial. According to the official data, Myanmar has achieved sustained double-digit growth rates of GDP since 1999/2000. Yet some other indicators have little evidences to show the support for such a long-lasting high growth. Thus, international organizations and research institutions have adjusted the country's growth rate but it has been still comparable with regional average.

Another controversy is unfavorable economic structure with minimal formal activities beyond primary sector. Myanmar economy has been dominated by agriculture sector with around 50-40 percent of GDP and its 70 percent of population have been living in rural areas. Thus the government sought all possible ways and means to achieve remarkable development in the agriculture sector. However, an assessable achievement has been gained only in pulses and beans, for which the government did less intervention. Myanmar has been listed as a leading country in production, and export of pulses and beans ranks at second after Canada throughout the world.

The economy still relies on the resource-based industries because the most contributed sectors to the GDP are extractive industries, especially oil and gas, mining, and forest products, which tend to happen resource curse including serious environmental degradation. As industrialization showed a little development in its beginning stage, structural change appeared less significant with a share of industry sector in GDP below 20 percent. The manufacturing and other modern facilitating sectors, which Myanmar must exploit in order to catch-up growth status of its neighbors, contributed a small portion to the economy. The stagnation or very slow-growth of manufacturing, transportation, communications, power generation and financial institutions was, to some extent, indicative of a flaw of inconsistent and incompetent policies in promoting industrialization (Myat 2004) although they started to gain momentum in these days.

Very recently, the country experienced a great turning point from military administration to a quasi-civil government as a consequence of the national election held in 2010. Myanmar is on the threshold of new system and new era under the Union

Government and the Region and State Governments formed on 30 March 2011. In accordance with the change of government system, ideology and procedures are also to be altered. Myanmar is trying its utmost in mobilizing the participation of local people and foreign investors by clarifying the economic policy and securing the rule of laws. The State Constitution of the Republic of the Union of Myanmar was ratified and promulgated by the National Referendum in 2008. The constitution also covers the Basic Principles of the Union in Chapter 1, in which articles 35 and 36 declare apparently Myanmar to be a market economy as the followings;

Article (35) The economic system of the Union is market economy system.

Article (36) The Union shall:

- (a) permit economic forces such as the State, regional organizations, cooperatives, joint-venture, private individual, so forth, to take part in economic activities for the development of National economy;
- (b) prospect and prevent acts that injure public interests through monopolization or manipulation of prices by an individual or group with intent to endanger fair competition in economic activities;
- (c) strive to improve the living standards of the people and development of investments;
- (d) not nationalize economic enterprises;
- (e) not demonetize the currency legally in circulation.

3. FOREIGN INVESTMENT AND INTERNATIONAL TRADE

After adopting market oriented economic system in 1988, Myanmar government then exercised various economic reform measures aiming at achieving greater participation of private national investment, larger foreign capital inflows and effective channeling these resources to their most productive uses. Foreign investment law was enacted in November 1988 in order to bring foreign capital into the country. Although

eagerness was given to attract foreign investors, Myanmar was not such a large recipient of FDI as expected because it was regarded as a highly risky destination due to the uncooperative policymaking, inconsistent measures, poor infrastructure, unstable financial market, multiple exchange rates, and, of course, economic sanctions of some developed countries. These factors deterred foreign investors to pay much attention to Myanmar.

Though, FDI inflow into Myanmar seems suddenly increased in recent days. Total permitted foreign investment amounted to USD 35,518.44 million as at 31 January 2011, which increased from USD 16,055.62 million as at 31 March 2010. Top three country-origins of FDI into Myanmar are China (27.04%), Thailand (26.94%), and Hong Kong (16.63%) in 2011. About 90 percent of total FDI into Myanmar came from Asia in which ASEAN investment was nearly 36 percent (Table 1).

**Table 1: Foreign Investment of Permitted Enterprises as of 31.1.2011
(By Country)**

(USD million)				
Sr. No.	Particulars	Number	Permitted Enterprises Approved Amount	%
ASEAN		188	12658.84	35.64
1	Thailand	61	9568.093	26.94
2	Singapore	74	1778.543	5.01
3	Malaysia	36	898.347	2.53
4	Indonesia	12	241.497	0.68
5	Philippines	2	146.667	0.41
6	Vietnam	2	23.649	0.07
7	Brunei Darussalam	1	2.04	0.01
Other Asia		143	18812.91	52.97
8	China	32	9603.168	27.04
9	Hong Kong	36	5907.918	16.63
10	Republic of Korea	45	2904.106	8.18
11	Japan	22	204.762	0.58
12	India	5	189	0.53
13	Bangladesh	2	2.957	0.01
14	Sri Lanka	1	1	0.00
Rest of the World		117	4046.693	11.39
Total		448	35518.44	100.00

Source: CSO, Selected Monthly Economic Indicators, April 2011

From sectoral perspective, as high as 80 percent of total foreign investments are channeled to power industry, and oil and gas industry. On the other hand,

manufacturing sector is less attractive to the foreign investors counting only about 4.7 percent of total FDI (see Table 2). In fact manufacturing sector contributed 21.7 percent to the GDP and 11.0 percent to the labor force in the fiscal year 2008/09 (MNPED). The sector was dominated by private enterprises, which produced 92 percent of total industrial output. Transport and communication, which is identified by several scholars as the most important sector to be developed in order to catch up global market changes, received only 0.88 percent of total foreign investments or USD 313.27 million in early 2011.

Table 2: Foreign Investment of Permitted Enterprises as of 31.1.2011 (By Sector)

(USD million)

Sr. No.	Particulars	Permitted Enterprises		
		No	Approved Amount	%
1	Power	4	14529.742	40.91
2	Oil and Gas	104	13815.375	38.90
3	Mining	62	2395.386	6.74
4	Manufacturing	157	1668.126	4.70
5	Hotel and Tourism	45	1064.811	3.00
6	Real Estate	19	1056.453	2.97
7	Livestock and Fisheries	25	324.358	0.91
8	Transport and Communication	16	313.272	0.88
9	Industrial Estate	3	193.113	0.54
10	Agriculture	5	96.351	0.27
11	Construction	2	37.767	0.11
12	Other Services	6	23.686	0.07
Total		448	35518.440	100.00

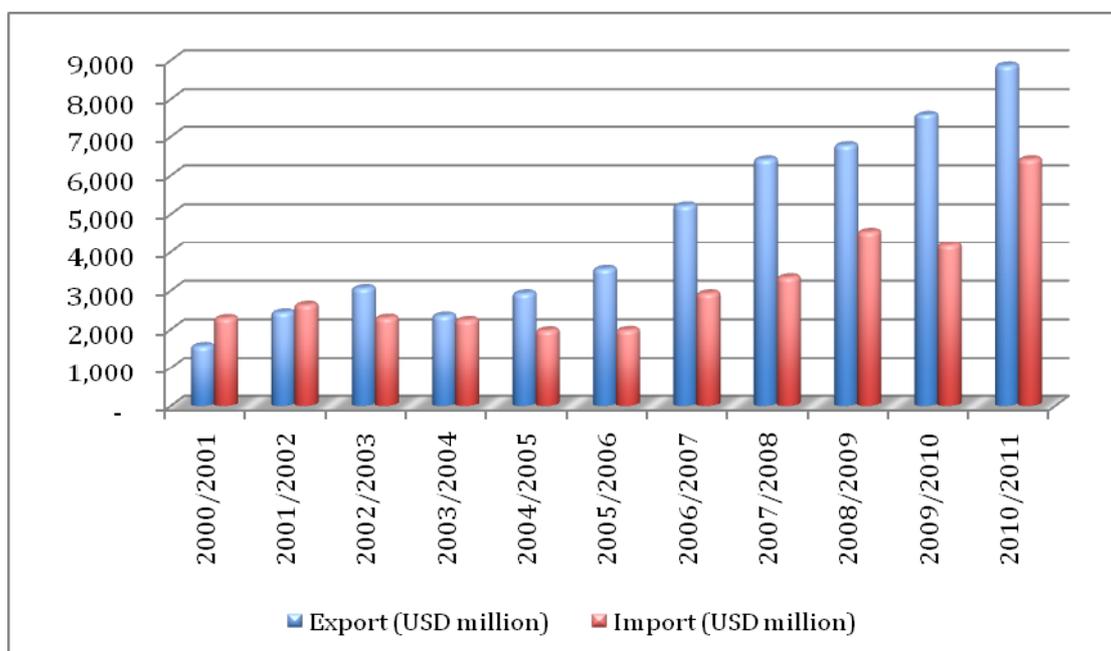
Source: CSO, Selected Monthly Economic Indicators, April 2011

Regarding international trade, the private sector has been allowed to participate export and import business, which was previously monopolized by the state. Since Myanmar is eager to pursue the export-led growth policy like other leading economies, the government has encouraged export promotion by relaxing and liberalizing trade policy. To be in line with the changing economic system, border trade was regularized

in order to develop and strengthen the bilateral trade relations with five neighboring countries. Though its economy was liberalized, trade strategies, very often, associated with free trade and government intervention under the names of export promotion and import substitution (Kudo, 2002). Ministry of Commerce has amended export and import policies and procedures with a view to developing external market and adopted trade strategies. Export policy is to export all exportable surpluses and to diversify foreign markets by using natural and human resources. Hence increasing and diversifying exports and improving the quality of products are among the main objectives of the export promotion policy. Import policy is designed to give priority to capital goods, industrial goods, industrial machines including raw materials and other essential items.

It is also deliberate to promote external trade not only of traditional exports but also of more-value added commodities. Trade value increased from about USD 0.40 billion in 1988/89 to USD 11.77 billion in 2009/10, which accounted as much as more than 25 times (Figure1).

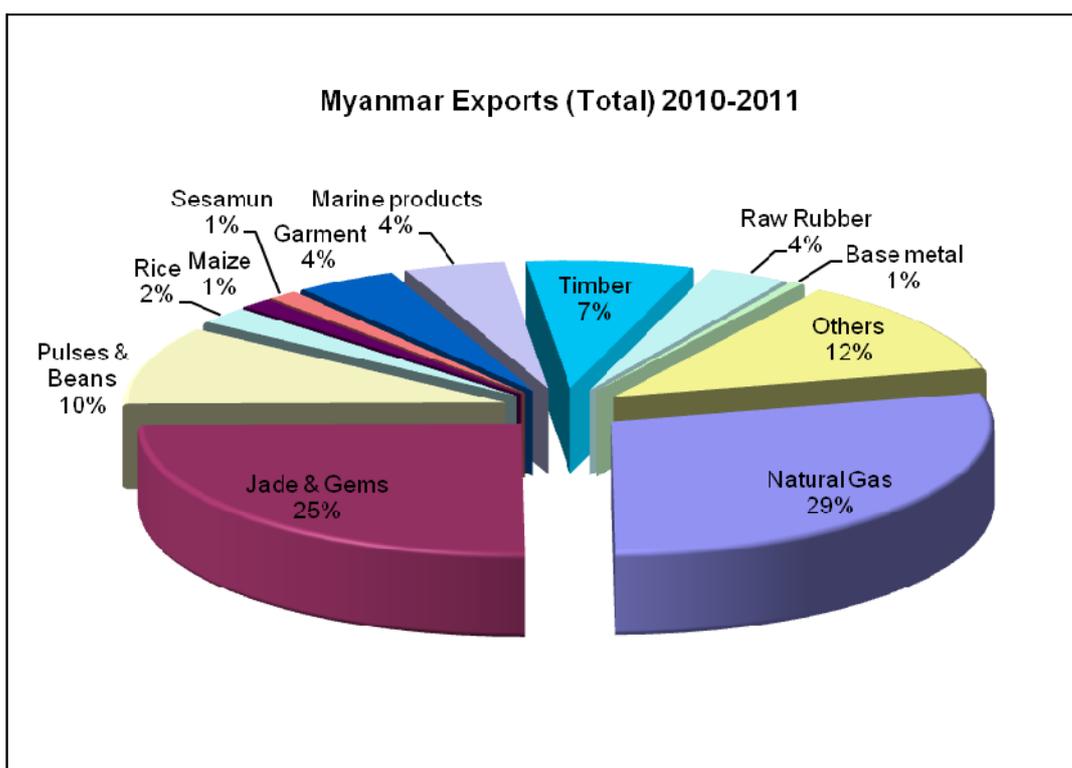
Figure 1: Export& Import of Myanmar, 2000-2011 (USD Million)



Source: Table 3

Major export items of Myanmar are mineral products such as natural gas, precious and semi-precious minerals; agricultural products including rice and rice products, pulses & bean and maize; forest products like raw rubber, teak and hard woods; and marine products (Figure 2).

Figure 2: Export Commodities in 2010-11

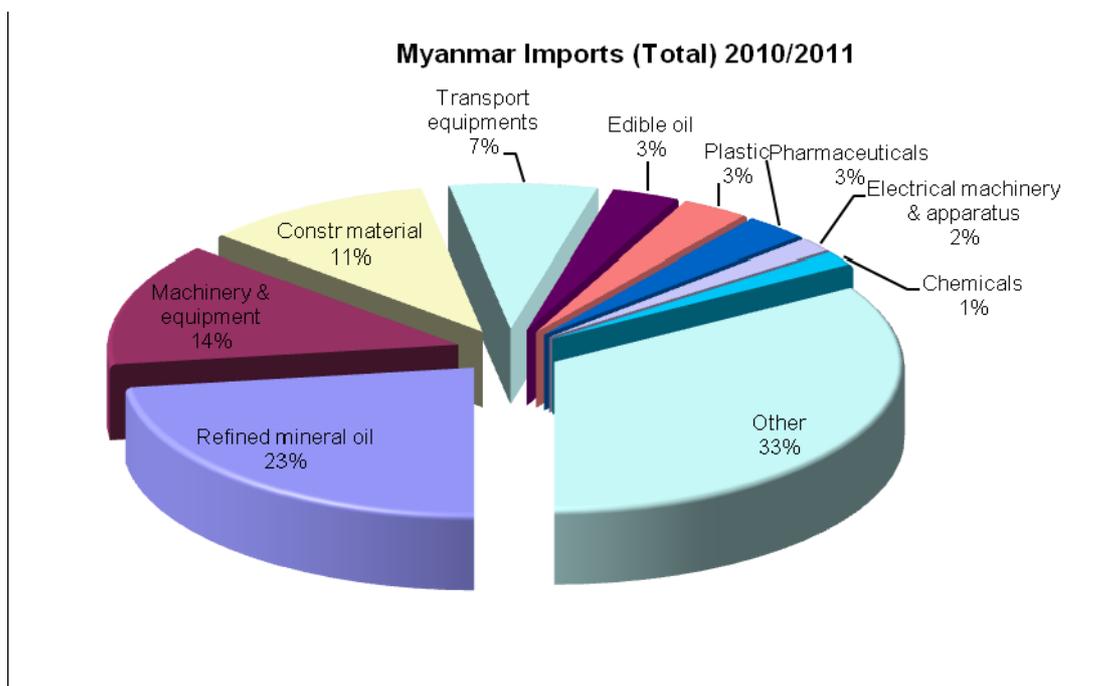


Source: CSO, Selected Monthly Economic Indicators, April 2011

Under this circumstance, diversifying export products, increasing export volumes, and improving quality of the export products are among the main objectives of the export promotion policy. The import policy of Myanmar is to give priority to capital goods, industrial raw materials and spare parts and other essential items. The government has urged the public enterprises and private entrepreneurs to import commodities that will contribute to infrastructure development and production sectors. Two major import items accounted for more than half of total imports, viz., refined mineral oil (28% of total imports) and machinery, non-electric and transport equipments (26% of total imports) (Figure 3). These structures of export and import clearly

identified that the country is net importer for manufactured and capital goods and net exporter of primary products.

Figure 3: Import Commodities in 2010-11



Source: CSO, Selected Monthly Economic Indicators, April 2011

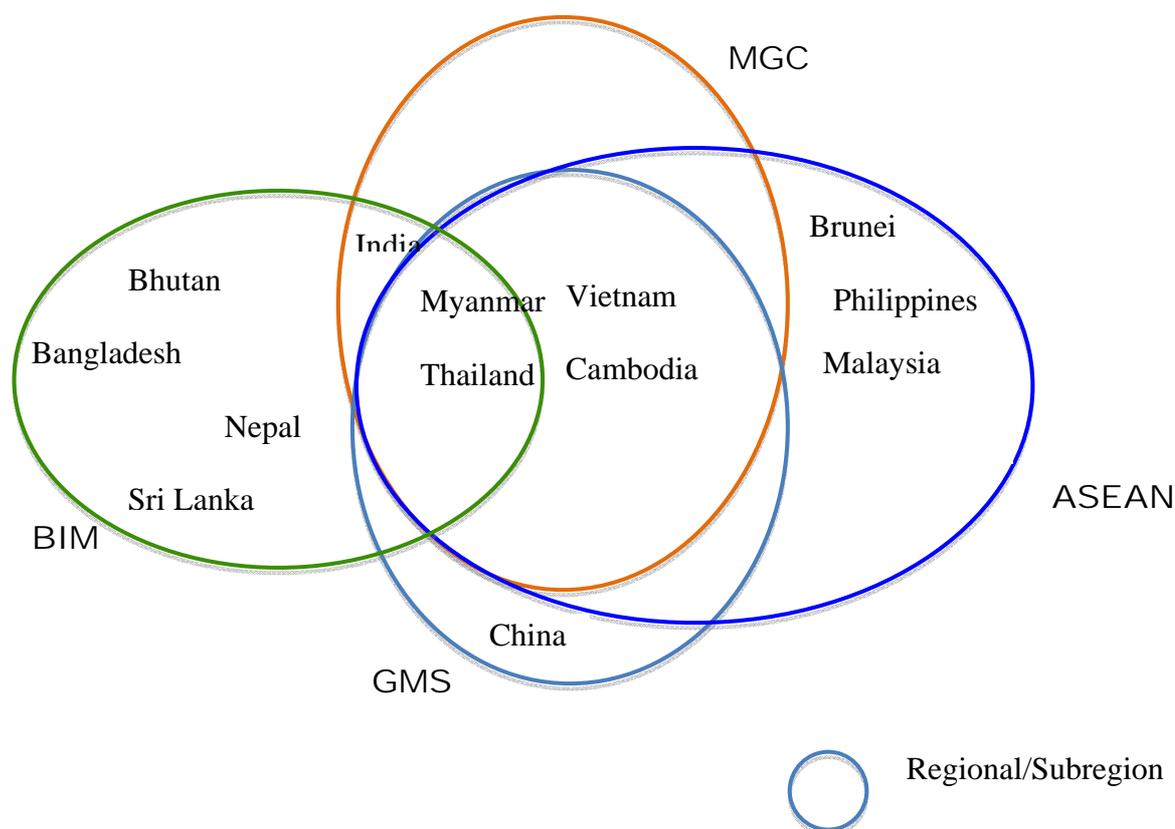
4. TRADE RELATION WITHIN THE REGION

4-1. Myanmar-ASEAN Trade

Along with the economic success in Southeast Asia, the entire region has been increasingly opened to trade although there remain some constraints to economic integration. For example, in the case of border trade, tariffs are no longer significant barriers, but other border barriers such as quantitative restrictions, border administration, even closures, etc and behind-the-border constraints related to logistics, transport, infrastructure problems, weak institutions, etc are still significant barriers (ADB 2011). Asian regional integration have increased over the last decades, although this integration have primarily focused on sub-regional integration such as: Association

of Southeast Asian Nations (ASEAN) formed in 1967, South Asian Association for Regional Cooperation (SAARC) formed in 1985, Greater Mekong Sub-region Economic Cooperation Programme (GMS) formed in 1992, Brunei, Indonesia, Malaysia, and the Philippines – East ASEAN Growth Area (BIMP-EAGA) formed in 1994, South Asia Sub-regional Economic Cooperation (SASEC) formed in 1997, Bay of Bengal Initiatives for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) formed in 1997 and Kunming Initiative among Bangladesh, the People Republic of China, India and Myanmar in South and Southeast Asia adopted in 1999. The purpose of these regional groupings were to provide economic and technological cooperation among the members in the areas of security, trade and investment, technology, energy, tourism, transport and communication (Cho 2008).

Diagram 1: Myanmar’s Participation in Regional Economic Cooperation in Asia



Source: Cho ChoThein (2008), Regional Cooperation in Transport: Myanmar Perspective on BIMSTEC, Discussion Paper. 42, Centre for Studies in International Relations and Development, Kolkata, India, p. 12

Myanmar is a full member of such sub-regional cooperation as ASEAN, BIMSTEC, Ayeyarwaddy-Chao Phaya-Mekong Economic Cooperation Strategy (ACMECS), Asian Cooperation Dialogue (ACD), and Bangladesh-China-India-Myanmar Economic Forum (BCIM). The ASEAN was formed in 1967 and Myanmar became its membership in the fold on 23 July 1997. Since then, Myanmar apparently has shown its interests in close co-operation with the ASEAN member countries in all means via diplomatic, social, material, institutional co-operations. Myanmar also joined the ASEAN Free Trade Area (AFTA), which is a regional grouping of ASEAN to achieve a level playing ground without loss of the individual member state's sovereignty. Myanmar entered into ASEAN agreements on Customs and then, into the Ministerial Understanding for ASEAN Finance Sector Cooperation, the Protocol to amend the agreement on the Common Effective Preferential Tariff (CEPT) Scheme for the AFTA. Similarly in 2005, Myanmar agreed to modernize and standardize its procedures under the ASEAN Agreement on ASEAN Single Window and to complete the process by 2015 (Yin 2006). As a transitional economy, Myanmar has faced several challenges in the economic cooperation and regional integration process and called for tangible cooperation of the bilateral and multilateral institutions.

Myanmar is currently engaging international trade with over 80 countries and regions through normal trade practice. Myanmar's foreign trade partners are mainly Asian countries such as Singapore, China, India, Japan, Thailand and Malaysia. More than 70 percent of total export goes to the Asian region and about 90 percent of total import comes from these countries. Myanmar attaches great importance with Asian countries for further developing and strengthening. In fact, Southeast Asian countries are historically active trading partners of Myanmar. Because Myanmar has the highest share in agricultural output in relation to GDP (accounted for about 42% in 2008/09), not surprisingly, Myanmar is a major exporter of primary commodities and importer of manufactured produces in this context. In the past, Myanmar was a competitor of some of ASEAN members for certain primary exports. However, since the economic structure of these countries has been changed at accelerated pace, their trading items with Myanmar has become more complementary in nature (Myat 2004).

Table 3: Value of External Trade, Myanmar (1991-2010)

(USD million)

Fiscal year	Total Trade			Border Trade		
	Export Value	Import Value	Trade Balance	Export Value	Import Value	Trade Balance
1991/1992	466	851	(385)	76	63	13
1992/1993	591	883	(292)	94	164	(69)
1993/1994	692	1,297	(605)	56	192	(137)
1994/1995	917	1,414	(497)	66	166	(100)
1995/1996	895	1,832	(937)	43	293	(250)
1996/1997	929	1,993	(1,064)	58	299	(240)
1997/1998	1,036	2,309	(1,273)	155	102	53
1998/1999	1,082	2,702	(1,620)	146	154	(8)
1999/2000	1,433	2,605	(1,172)	196	148	48
2000/2001	1,569	2,291	(695)	235	192	43
2001/2002	2,439	2,632	(193)	293	117	176
2002/2003	3,063	2,300	763	273	216	57
2003/2004	2,357	2,240	117	307	269	38
2004/2005	2,928	1,973	955	410	290	120
2005/2006	3,558	1,984	1,574	480	292	188
2006/2007	5,223	2,928	2,295	667	445	222
2007/2008	6,413	3,344	3,069	747	583	164
2008/2009	6,779	4,543	2,236	657	691	(34)
2009/2010	7,587	4,181	3,406	664	719	(55)
2010/2011	8,864	6,415	2,449	1,114	1,016	98

*Source:*Total Trade

1991/1992-1999/2000 Myanmar's Economic Development, MNPED, Ministry of Commerce

2000/2001-2009/2010 Planning Department, MNPED

Border Trade

1991/1992-1999/2000 Department of Border Trade, Ministry of commerce

Myanmar's export to ASEAN accounted for 44 percent of total exports in 2010/11. China including Hong Kong Special Administrative Region is the largest export destination for Myanmar accounting 35 percent followed by Thailand at 33 percent. ASEAN plus China are major destinations for Myanmar's exports and this amounted to about 80 percent of Myanmar's total exports. Myanmar's exports to the ASEAN increased by 28 percent within four years, from USD 2,836 million in 2006/07 to USD 3,931 million in 2010/11. The increase of trade with regional countries is partly because of becoming an active member of ASEAN and strengthening economic ties. Out of Myanmar's export to the ASEAN, 74 percent was absorbed by Thailand alone, whereas Singapore (12%) and Malaysia (11%).

Myanmar's imports from ASEAN equally portioned with its export accounted for 44 percent of total imports in 2010/11. China is the largest import source for Myanmar importing 34 percent in total import. Yet Myanmar's imports from India comprised only 3 percent. Total imports from ASEAN together with China and India accounted for slightly over 80 percent of Myanmar total imports.

4-2. Myanmar-India Trade

Trade between Myanmar and India has rapidly been growing in the recent years although trade volume (about 7% in 2010/11) in Myanmar's total trade is rather small. However, India is Myanmar's 4th largest trading partners after China, Thailand and Singapore. It is also the 3rd largest export market for Myanmar after China and Thailand, absorbing 10 per cent of Myanmar total exports in 2010/11, while only 3 per cent of Myanmar's import came from India. Myanmar's major export items to India are agricultural products like beans, pulses and maize and forest products such as teak and hardwoods. Its imports from India include chemical products, pharmaceuticals, electrical appliances and transport equipments (MOC 2011). With the aim to increase bilateral trade, India and Myanmar has signed the India-ASEAN Trade in Goods Agreement in August 2009. Myanmar is also a beneficiary country under India's Duty Free Tariff Preference Scheme for LDCs, which intends to provide tariff preferences by India on products originating in the notified Least Developed Countries.

Table 4: Myanmar Trade with India, 2004 to 2010

(USD million)

	Exports	Imports	Total
2004-2005	341.40	83.37	424.77
2005-2006	489.10	80.07	569.17
2006-2007	733.59	159.54	893.13
2007-2008	727.85	173.46	901.14
2008-2009	804.96	146.18	951.14
2009-2010	1010.56	194.03	1204.59

Source: Central Statistical Organization (CSO), Myanmar, 2010

The policy of the government is to further develop and strengthen the bilateral trade relations with the five neighboring countries- Bangladesh, China, Laos, India and Thailand - using border trade as a mechanism for trade expansion. There are 12 border trade posts at the cross border points between Myanmar and its neighboring countries. Border trade value increased from about USD 0.139 billions in 1991/92 to USD 2.130 billions in 2010/11 (Table 5). Increasing border trade activities not only contribute to bilateral trade relation but also bring together in regional economic blocs such as ASEAN, ACMECS, BIMSTEC and GMS-BF. On the other hand, it provides employment to the underperformed cities and towns and thus improves the people's wellbeing in these regions.

Table 5: Myanmar Trade with China, India and Bangladesh

(USD million)

Sr No	Year	Myanmar-China			Myanmar-Thailand			Myanmar-India			Myanmar-Bangladesh		
		Normal	Border	Total	Normal	Border	Total	Normal	Border	Total	Normal	Border	Total
1	1997 - 1998	202.00	145.81	347.81	245.60	83.86	329.46	310.65	22.25	332.90	70.98	5.74	76.72
2	1998 - 1999	176.69	194.29	370.98	382.17	39.34	421.51	232.71	3.61	236.32	190.00	9.22	199.22
3	1999 - 2000	290.66	96.39	387.05	391.54	43.7	435.24	280.11	8.55	288.66	17.81	22.28	40.09
4	2000 - 2001	194.40	267.628	462.03	478.29	107.539	585.83	329.42	16.004	345.42	33.53	20.569	54.10
5	2001 - 2002	260.54	276.35	536.89	924.48	170.586	1095.07	408.05	19.37	427.42	32.87	31.125	63.99
6	2002 - 2003	500.76	331.797	832.56	1246.72	74.035	1320.75	418.36	11.798	430.16	51.38	26.718	78.10
7	2003 - 2004	307.37	387.116	694.49	892.94	78.568	971.51	460.32	10.279	470.60	55.13	25.186	80.32
8	2004 - 2005	288.85	496.711	785.56	1329.53	121.936	1451.47	412.24	15.195	427.43	44.86	22.759	67.62
9	2005 - 2006	352.27	481.36	833.63	1394.44	199.02	1593.46	553.84	15.41	569.25	40.10	20.87	60.97
10	2006 - 2007	552.10	749.76	1301.86	2411.63	300.23	2711.86	878.09	15.77	893.86	33.79	26.86	60.65
11	2007 - 2008	1384.845	977.429	2362.27	2888.35	304.74	3193.09	885.93	14.83	900.76	95.54	32.5	128.04
12	2008 - 2009	1384.438	986.598	2371.04	2698.67	327.35	3026.02	940.32	9.88	950.20	92.82	24.65	117.47
13	2009 - 2010	1774.640	1076.811	2851.45	3301.90	274.65	3576.55	1192.92	13.74	1206.66	62.31	18.47	80.78

Source: CSO, Selected Monthly Economic Indicators, April 2011

Apart from oversea trade, India is one of Myanmar's major trading partners for border trade. Since early 1990s, Myanmar has begun a new era of economic integration with countries across the globe. More significantly, economic ties between countries have grown quite strongly over the entire period. There were closer diplomatic, political and economic ties between Myanmar and India. Trade relations between the two countries existed for centuries and India has played as a supplier of consumer goods for Myanmar and importer of pulses & beans from Myanmar too. When the closer cross-border economic ties are being forged between Myanmar and India, border trade has come to be seen as a mean with a high potential in the context of emerging Asian regionalism. As noted above, trade activities across India-Myanmar border is perceived as not only a two-country affair but also an Asian regional cooperation.

Border Trade Agreement between the governments of India and Myanmar was signed in January 1994 with the goal of formalization of border trade practices and setting up such activities in a congenial model. The agreement specified that trade should be conducted through the designated customs posts i.e. (1) Moreh (Manipur state in India) and Tamu (Sagaing region in Myanmar), (2) Champhai (Mizoram state in India) and Rhi (Chin state in Myanmar), (3) Other places that may be notified by mutual agreement between the two countries (MOC 2010). The cross border point between Moreh and Tamu was opened, paving way for the opening of four check posts including Pangsau Pass, Paletwa, Lungwa- Yanyong, and Pangnyo between the two countries in 1995. In 2004, with the construction/upgrading of Rhi-Tidim and Rhi-Falam road sections in Myanmar, Zowkhathar-Rhi border points has been operationalized (Anushree 2008). Agreement has also been reached on setting up a third border trade point at Avakhung-Pansat/Somra².

After the border trade agreement, there was a spurt in formal trade across the Moreh-Tamu point during the period 1994/95 and 1997/98. However, the volume fell in the following years due to the restrictions imposed by Myanmar authorities. Consequently, the volume of informal trade exceeds that of formal trade by several times although it is difficult to definitely estimate the volume and composition of the trade flows. Since the importance of border trade has been recognized by authorities

² <http://meaindia.nic.in>

from both sides of the countries, trade facilitation process has come to happen in better ways and the Moreh-Tamu trade-route, connecting Manipur with the commercial hub of Mandalay, has become an imperative part of Myanmar external trade scenario. However, the connectivity development does not rely only on the infrastructural and institutional development but also on the instability status in the respective regions and states. The insurgencies incurred in the Manipur state are frightening the development of regional connectivity through security. Most of rich businessmen from Moreh relocated into inner India and this relocation happened to reduce commercial transaction on the Moreh-Tamu route along the Asian Highway 1 and Trilateral Highway. As a consequence, Champhai-Rhi route has become more important in these days.

5. ASEAN-MYANMAR-INDIA CONNECTIVITY

Geographically, Myanmar is a gateway to south Asia and can be a central hub for exchange of goods, services and technology. Underdeveloped infrastructure and unfavorable institutional and business environment seriously limit participation of the economy into regional and global networks. The cross-border connectivity plays a very important role in this scenario. Establishing better connectivity in all means namely material, institutional and people-to-people connectivity will allow Myanmar, India and then, the other South East Asian countries to raise possibilities for collaboration between them and to expand economic synergies for development in the region. Moreover, regional interconnectivity through infrastructure development, trade facilitation and regulatory harmonization among the respective economies such as India, Myanmar and other ASEAN members can make each economy more dynamic and bring enormous benefits to the entire region.

Myanmar and India have historical, cultural and natural links. Since India shares a land boundary of 1,643 kilometers connecting Arunachal Pradesh, Manipur, Nagaland, and Mizoram with mainland South East Asia through Myanmar, the border states of Kachin in the north, Sagaing in the middle and Chin in the south of Myanmar are the ones directly linked to the borders of Northeast India and Bangladesh. Although the

economies of these regions are relatively underperformed by several reasons including poor infrastructure, all three states enjoy considerable endowments for horticulture – vegetables and fruits, bamboo and medicinal plants. In addition, the states of Kachin and Sagaing are also rich in minerals. High potential horticulture and rich mining deposits should be able to finance infrastructure development. Tourism is another economic activity that can be promoted.

Myanmar government has endeavoured to develop the socio-economy of the borders by improving infrastructure. Border Area Development Plan was launched in 1989 to fulfill the basic needs of the nationalities, various ethnic groups residing in remote and border areas and social life of the nationals living in those areas. Priority has been given to the development of transport and communications, education, health, electric power, and agriculture. The government built many new miles of roads in Sagaing, Kachin and Chin regions, which are being mountainous and endowed with rivers and creeks. They had poor transport in the past. Earth roads have been upgraded into gravel ones, and the gravel roads to tarred facilities. Extension of motor road in Sagaing, Kachin and Chin regions increased from 2,581 miles in 1988 to 4,002 miles in 2010, while other modes of transportation also increased at relatively slower rates. Transportation in the border area has specially developed by the Government's Border Area and National Races Development Projects (GoM 2009).

Simultaneously, the government has targeted to upgrade economies of the Sagaing region, Kachin state and Chin state together with others. As efforts are being made for ensuring development of agriculture as the base and all round development of other sectors of the economy as well there have been good foundations for industrial development in these regions. With a view to bringing development to Kachin state and ensuring development of national races, the government has designated Kachin State Special Region-1 and Kachin State Special Region-2. There are also establishing industrial zones in Sagaing region (e.g., Monywa and Kalay). Similarly, the government is encouraging a particular crop, tea that grows well in Chin state and materializing the concept of 'one state-one product' in Chin state as a major tea growing region (GoM 2009).

On the India side, the North Eastern Regions faced challenges to become an attractive destination for private investment and regional trade due to its geographical remoteness, inherent deficiency in infrastructure and the bad publicity for recurrent ethnic strife and militant activities. Since closer cross-border economic ties have been forged around the world, cross-border trade and tourism have come to be seen as a mean for breaking out from being geographical isolation. While trade with Bangladesh and Bhutan has assumed important in the wake of attempts to forge greater South Asian regional cooperation, trade with Myanmar has acquired added significance in the context of India's proclaimed 'Look East' policy because of Myanmar's geographical proximity to the Southeast Asia and China (Phyo 2010).

These developments revealed that there are great possibilities and opportunities to improve economic cooperation with bordering regions/countries like India and Bangladesh, Thailand and China. Linking the states of Myanmar with bordering regions of India and Bangladesh will provide an outlet for their local produce and will stimulate economic activities, bringing in greater investment and prosperity to the border areas of all connecting nations.

On the other hand, Myanmar is the sole land bridge between ASEAN and India. The cross-border connectivity plays a very important role in this scenario. Establishing better connectivity in all means namely infrastructure, institutional and people-to-people connectivity will allow Myanmar and India to raise possibilities for collaboration between them and to expand economic synergies for development in the region. Moreover, regional interconnectivity through infrastructure development, trade facilitation and regulatory harmonization among the respective economies such as India, China, Bangladesh, Myanmar and other ASEAN members can make each economy more dynamic and bring enormous benefits to the entire region.

ASEAN and India together represent 1.7 billion people and a GDP of USD 2.4 trillion in 2009. Population within ASEAN is about half of India's population over one billion. However, ASEAN's per capita income at current USD 1,230 is nearly two and half times to India. The gap may narrow somewhat over time but is not likely to reverse in the foreseeable future (ADO 2010). The most populous country in ASEAN is Indonesia and it has about one-fifth of India's population. ASEAN is India's 4th largest

trading partner after the EU, US and China. In the early 1990s, India-ASEAN trade constituted 7.6 percent of India's total trade and increased to 9.4 percent in 2007/08. In 2007/08, India-ASEAN trade held USD 38.37 billion in value and reached over USD 40 billion in 2008/09. By 2010 India and ASEAN plan to achieve an ambitious target of USD 50 billion.

ASEAN and India are natural partners and their policies, and business will expand economic opportunities and support increased trade and investment through wider and stronger connectivity. The potential of India's connectivity with ASEAN is enormous and has become strategically imperative. Initially, land connectivity developments were aimed at improving connectivity between Northeast India and Western Myanmar and started with India-Myanmar friendship road project.

In 2004, both India and ASEAN became aware of the high potentialities of land connectivity. The first India-ASEAN Car Rally in 2004 clearly reflects the existence of land route connectivity that could facilitate and be a catalyst to free flow of trade, investment and tourism between ASEAN and India³. It could initially involve Cambodia, Laos, Myanmar, Viet Nam and Thailand, and the North-Eastern Region (NER) of India. This form of sub-regional cooperation could serve as building blocs for greater economic interaction and integration between ASEAN and India (ADB 2011). The Free Trade Area (FTA) that ASEAN and India are now working on could also further facilitate this approach. This regional integration will contribute towards not only economic cooperation but also enhancing regional security.

India and ASEAN should focus on building and enhancing transport network in the North Eastern Regions of India and its immediate neighborhood since transportation plays a vital role to open up geographical and mental space for greater economic integration. A vital element in sustaining the dynamics of this emerging economic relationship would be to develop trust and confidence each other and operationalize the framework agreement (Nagesh *et. al.* 2004).

India-Myanmar relationship have adequately developed in all dimensions in line with the Treaty of Friendship between two countries signed in 1951, which followed by a number of agreements enhancing bilateral cooperation. Mutual confidence between

³ www.tata.com

the two countries, which is vital for effective regional cooperation and collaboration, has been a positive outcome of a series of high-level officials visits taken place from both sides since 2000. The commitment and ability of leaders of both countries have ensured to strengthen diplomatic relation, economic cooperation and regional integration since then. In October 2004, two Memorandums of Understanding (MoU) for Cooperation in the field of Non-Traditional Security Issues and Tamanthi Hydroelectric Project on Chindwin River in Myanmar were signed between the two countries. Both sides also expressed great interest in furthering cooperation in the field of infrastructure and energy. In April 2008, three agreements namely (i) Framework Agreement for Construction and Operation of a Multi-Modal Transit Transport Facility on Kaladan River, (ii) Intelligence Exchange Cooperation and (iii) Avoidance of Double Taxation were signed. In 2010, Treaty on Mutual Assistance in Criminal Matters, MoU regarding Indian Grant Assistance for Implementation of Small Developmental projects, MoU on Information Cooperation and Agreement on Cooperation in the fields of Science & Technology were signed between two countries.

Most of the economies in this region depend either on the investment flows from the Western economies or the market of those economies or both as the principle engines for rapid economic growth (Myat 2004). The ASEAN is aware of the need to further diversify its engines of growth from the traditional growth engines of the US, Japan and more recently, China, to India as well. Myanmar is the only land bridge between ASEAN and India and a strategic gateway to connecting ASEAN and India. The Southeast Asia is playing important role in the Asia-Pacific century because it is taking itself seriously and forging a growing regional identity and solidarity. It will reinforce the centrality of ASEAN in regional cooperation and integration (ASEAN Secretariat 2010). On the other hand, Indian Minister Mani Shanker Aiyar noted that the “Southeast Asia begins in Northeast India”. Linking the India with Southeast Asia will ensure an expanded market for the entire region. In this scenario, ASEAN, India and Myanmar become key players to realize a win-win solution to reflect the interest of all stakeholders. Notwithstanding that, connectivity development in Myanmar is not very much realized and left behind its peer countries in all respects (see Table 6).

Table 6: ASEAN Rankings on the Logistics Performance Index (LPI)

ASEAN Rank	Int'l LPI Rank	Country	LPI	Customs	Infra structure	International shipments	Logistics competence	Tracking & tracing	Time liness
1	2	Singapore	4.09	4.02	4.22	3.86	4.12	4.15	4.23
2	29	Malaysia	3.44	3.11	3.50	3.50	3.34	3.32	3.86
3	35	Thailand	3.29	3.02	3.16	3.27	3.16	3.41	3.73
4	44	Philippines	3.14	2.67	2.57	3.40	2.95	3.29	3.83
5	53	Vietnam	2.96	2.68	2.56	3.04	2.89	3.10	3.44
6	75	Indonesia	2.76	2.43	2.54	2.82	2.47	2.77	3.46
7	118	Lao PDR	2.46	2.17	1.95	2.70	2.14	2.45	3.23
8	119	Cambodia	2.37	2.28	2.12	2.19	2.29	2.50	2.84
9	133	Myanmar	2.33	1.94	1.92	2.37	2.01	2.36	3.29
n.a.	n.a.	Brunei	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: World Bank (2011)

Note: 1 is the lowest score and 5 is the highest score.

Table 6 indicates that in terms of connecting to compete (trade logistics) in the global economy, Myanmar is well below the average of regional performance and the ranking shows Myanmar is the lowest performance in ASEAN in terms of LPI, which is weighted average of six key indicators: (1) Efficiency of the clearance process (i.e. speed, simplicity and predictability of formalities) by border control agencies, including Customs; (2) Quality of trade and transport related infrastructure (e.g. ports, railroads, roads, information technology); (3) Ease of arranging competitively priced shipments; (4) Competence and quality of logistics services (e.g., transport operators, customs brokers); (5) Ability to track and trace consignments; and (6) Timeliness of shipments in reaching destination within the scheduled or expected delivery time. This LPI ranking suggests that Myanmar is in serious need of not only physical connectivity but also soft infrastructure/institutional connectivity, which is also important to be developed simultaneously. The deepening and widening of connectivity would reinforce Myanmar's position as the hub of the Southeast, South and East Asian

Regions and it could be strengthened a broader connectivity in the longer term (ADB 2011). It will help provide access to an enlarged market, reduce transportation and trade costs, establish linkages with regional and global supply chains, and facilitate greater regional economic cooperation and integration (Rasiah 2009).

During the period 1988-2010, the government recognized to improve infrastructure of the country as a whole, which is relatively underdeveloped due to various kinds of natural and man-made barriers. The government implemented several projects in order to improve the network of roads and bridges to make all corners of the state easily reachable. Therefore, the country has built over 41,700 miles long roads in total in 2010, which increased from over 21,000 miles long roads in 1988. Similarly, over 39,400 miles of rural roads have been constructed in order to ensure the rural development. Employing parallel development plan, railroads are also being contrasted across the nation as a strong transport network. In retrospect, Myanmar constructed 1,924.75 miles long railroad from 1877 to 1948, 51.6 miles long facility from 1948 to 1988, 1,048.95 miles long from 1988 to 2011 April. At present, a total of 13 railroad projects totally 2,265 miles long were under planning/construction. Up to now, 474 miles long section has been already opened. The government has planned to build 250 miles railroads yearly. National railroad network is striving for upgrading the railroads, manufacturing coaches and wagons and extending new railroads for ensuring development of the region (MR 2011).

On the other hand, the government is implementing the highway projects in cooperation with regional countries. The Asian Highways⁴ to link with the five neighbouring countries, the ASEAN highways⁵ to improve within-ASEAN linkages, the GMS economic corridor highways⁶, the BIMSTEC highway, the India-Myanmar-Thailand Trilateral Highway, the India-Myanmar Highways, the Paletwa border road,

⁴ There are 4 routes of Asian Highways in Myanmar. (1) AH 1 – Myawaddy –Tamu (1665 Km), (2)AH 2 – Tachilake-Kyaiton- taunggyi – Meikhtila (807 Km) and then link with AH 1. (3) AH 3 – Kyaiton – Mylar (93 Km), and (4) AH 4 – Mandalay – Muse (453 Km)

⁵ AH 1- Myawadi- Tamu (1665 Km),AH 2- Tachilake- Kyaington- Taunggyi-Meikhtilla- Tamu, AH 3- Kyaington-Mylar (93 km), Ah 14- Mandalay- Muse (453 Km), AH 111- Loinling-Thibaw (239 Km), AH 112- Thahtone-Kyaukthoung (239 Km), AH 123- Dewai- Minthame Valley in Thai-Myanmar Border (141 Km), AH 123- Laynyar Ywe – Khalonloin in Thai (60Km)

⁶ The routes of GMS Highways crossing the Myanmar territory are: R3- Tachilake – kyaiton-Mailar (257Km), R4 - Lasho – Muse (176 Km), R5 - Kyaiton – Loinlin –Thibaw- Lasho (666 Km)

the Kaladan River Project, the Kyautphyu and Dawei Deep Seaport Projects are the vital projects implementing in Myanmar to enhance stronger and deeper economic cooperation and regional integration (MOT, 2010).

In this respect, ASEAN is undertaking several connectivity projects under the Transport Action Agenda. ASEAN Plan of Action in Transport (1996-1998), undertook to explore various areas of transport infrastructure and facilities to enable free flow of goods, peoples, and ideas across the entire region, similarly to the EU. The transport links established within Greater Mekong Sub-region (GMS), for example, the North-South Corridor, and the 1,500 kilometers long East-West Corridor financed by the ADB, link different parts of Vietnam to Laos, Cambodia, Thailand and Myanmar (ADB 2010). ASEAN Highway Network (AHN) is a flagship land transport infrastructure project, which forms the major road (interstate highway) component of the overall trans-ASEAN transportation network.

Table 7: Designated Transit Transport Routes (TTRs) in ASEAN

Country	Total Length of TTRs (km)	Total Length of Below Class III TTRs (km)
Brunei Darussalam	168	0
Cambodia	1,338	0
Indonesia	4,143	0
Lao PDR	2,170	391
Malaysia	2,242	0
Myanmar	3,018	1,467
Philippines	3,037	211.5
Singapore	-*	-
Thailand	4,477	0
Vietnam	577	0
Total	21,206	2,069.5

Source: Thailand Report “The Updated Status of the AHN Project” presented to 29th Senior Transport Official Meeting in Brunei Darussalam (1-3 June 2010),, ASEAN Secretariat

Note: * Designated TTRs for Singapore to be submitted at the time of deposit of Instrument of Ratification for Protocol I of the ASEAN Framework on the Facilitation of Goods in Transit.

The current implementation status of the AHN still shows missing links and is ‘below class III roads’ within ASEAN’s designated trade transit routes (TTRs). The completion of the missing links and upgrading designated TTRs appears to be a more achievable by 2015. The priority to the completion of the AHN by 2015 is stipulated in the ASEAN Leaders’ Statement on ASEAN Connectivity as well as the AEC Blueprint (Master Plan).

5-1. Mekong-India economic corridor

The Greater Mekong Subregion (GMS) comprises Cambodia, Lao PDR, Myanmar, Thailand, Viet Nam, and the provinces of Yunnan and Guangxi in China. It is a natural economic area bound together by the Mekong River, and a shared culture and history. The GMS has a total land area of about 2.6 million square kilometers – about the size of Western Europe and it has a population of 323 millions, a little larger than that of the United States. As a result of rapid economic growth, average per capita GDP at current market prices reached almost USD1500 in 2006.

GMS countries designed several types of economic corridors, such as North-South Economic Corridor, East-West Economic Corridor, and Southern Economic Corridor, which will be able to interlink among GMS countries: one North-South Economic Corridor links Myanmar –Thailand – Lao PDR- Vietnam, another North-South Economic Corridor connects China-Viet Nam, East-West Economic Corridor links Myanmar –Thailand – Lao PDR- Viet Nam, and Southern Economic Corridor ties Thailand – Cambodia – Vietnam. Western Economic Corridor and Southern Economic Corridor are the key bases to establish Mekong-India economic cooperation.

Myanmar is placed on the East-West Economic Corridor (EWEC), Northern Corridor, North-South Economic Corridor and South-West Corridor. Under the assistance of UNESCAP, ADB and Mekong River Commission, East-West Economic Corridor project is being implemented not only to improve freight transportation and to facilitate trade in the region but also for the development of transportation network across Mekong subregion, mainly in Cambodia, Lao PDR, Myanmar, and Vietnam (Cho 2008). The EWEC is designed to be the direct and continuous land route between the Indian Ocean and the South China. The highly efficient transport system will

strengthen economic cooperation between Myanmar, Thailand, Laos and Vietnam by linking two port cities: Mawlamyine in Myanmar and Da Nang in Vietnam. Although the EWEC connects eastern ASEAN countries, the Western Corridor and Southern Economic Corridor are the key bases to establish Mekong-India Economic Corridor (MIEC) by extending the link to Dawei of Myanmar. The Mekong-India Economic Corridor is advantageous for Myanmar in order to perform direct trade, transit trade and to develop special economic or industrial zones along the corridors (e.g., Yangon, Mandalay, Monywa, Myingyan, Mawlamyine, Dawei, Kyautphyu, etc.) and develop trade posts at the border areas (e.g. Myawaddy, Tamu, Rhi, Muse, etc.). Development of economic corridors and transportation network will reduce not only transport costs but also growth differentials among the respective countries in the region.

Map 1: GMS Economic Corridors



07-gms0109 hj 9 RM

Source: Asian Development Bank

5-2. India-Myanmar-Thailand trilateral highway project

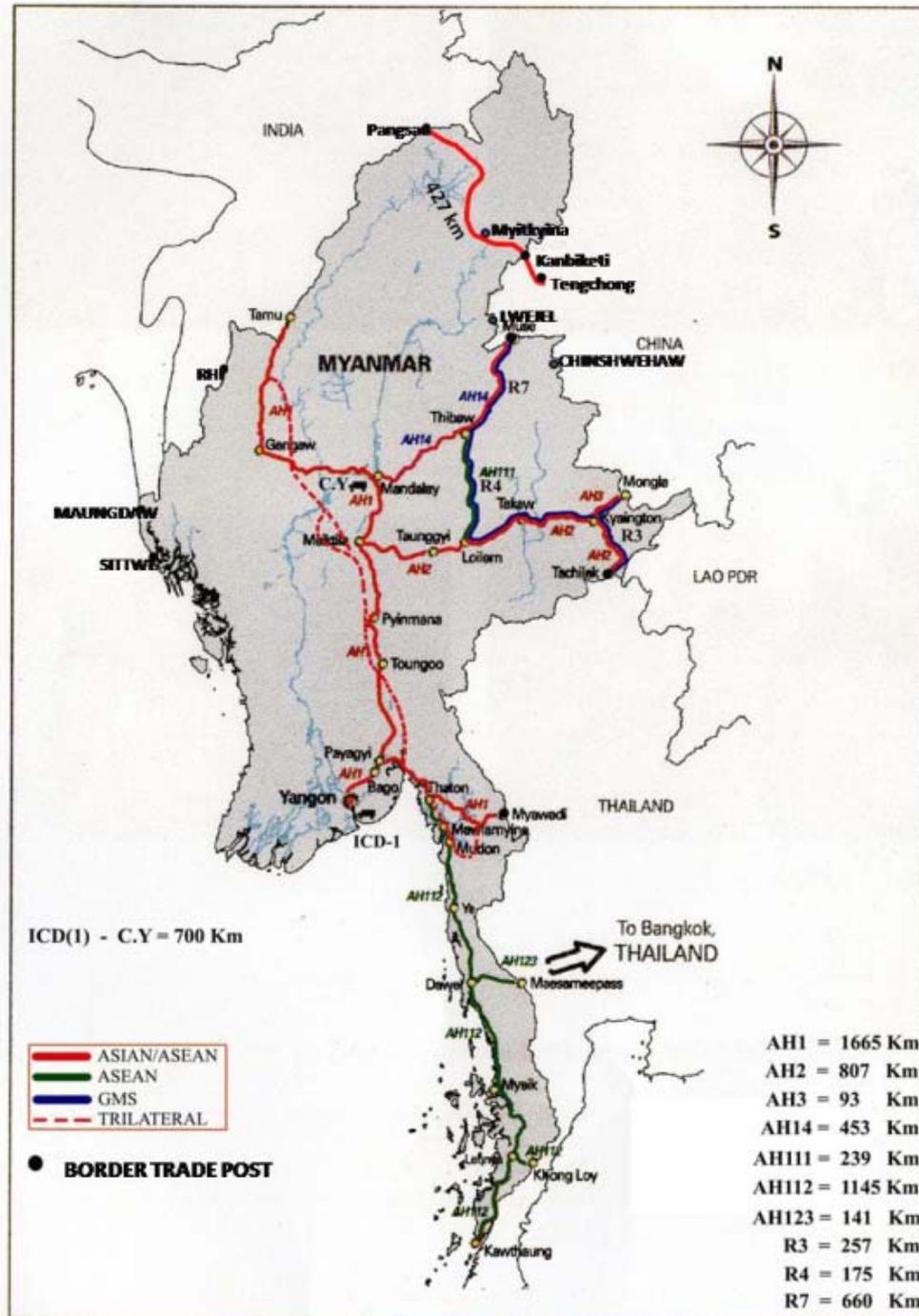
India-Myanmar-Thailand Trilateral Highway (TH) project under the Mekong-Ganga Cooperation Initiative, which was started in 2005, is a vital one to improve cross border connectivity between India and Myanmar (Master Plan on ASEAN Connectivity 2011⁷). The inspiration of India-Myanmar-Thailand Project has long ago come out to enhance connectivity, trade, investment and tourism by linking the three countries. Intended TH route is a 1,360 km long Moreh-Bagan-Mae Sot highway at the estimated cost of US\$700 million. The intrinsic objective of the road was to fulfill the ambition of creating a 'link' between Northeast India and Southeast Asia. A deep-sea port at Dawei and the Dawei-Kachanaburi road link are also to be carried out in one package together with the trilateral highway project.

Even though the efforts are needed to upgrade existing road network and to construct small missing links, the development of TH has been very slow due to various constraints including human resources, technologies, advisory service and funding. Limitation of financial resources remains a contentious issue. India and Thailand have upgraded some of the link roads but due to financial scarcity in Myanmar, much work remains incomplete. Myanmar's demand for India and Thailand taking up the responsibility of bearing the costs of road construction in its territory also makes delay to accomplish.

The TH project of Myanmar-India-Thailand is an ambitious undertaking which was initially launched under the programme of the Mekong Ganga Cooperation (MGC) and later incorporated into the transport sector of BIMSTEC but it has not yet executed.

⁷ ASEAN Secretariat (2011), Master Plan on ASEAN Connectivity, Jakarta, first published: December 2010.

Map 2: Asian Highways Routes and Trilateral Transport Linkages, Myanmar



International Road Links in Myanmar

Source: Myanmar Port Authority (2010)

Concerning the implementation of India-Myanmar-Thailand Trilateral Transport Linkages, apart from Kalay-Tamu road upgrading, there is no progress till now. The exact route for the TH within Myanmar has not yet become stable although some sections are approved. This impediment limits survey sites to be investigated, data availability and production of related maps. The TH route granted by Myanmar government passing through the country comprises various missing links: some are village-to-village tracks and some are totally untouched.

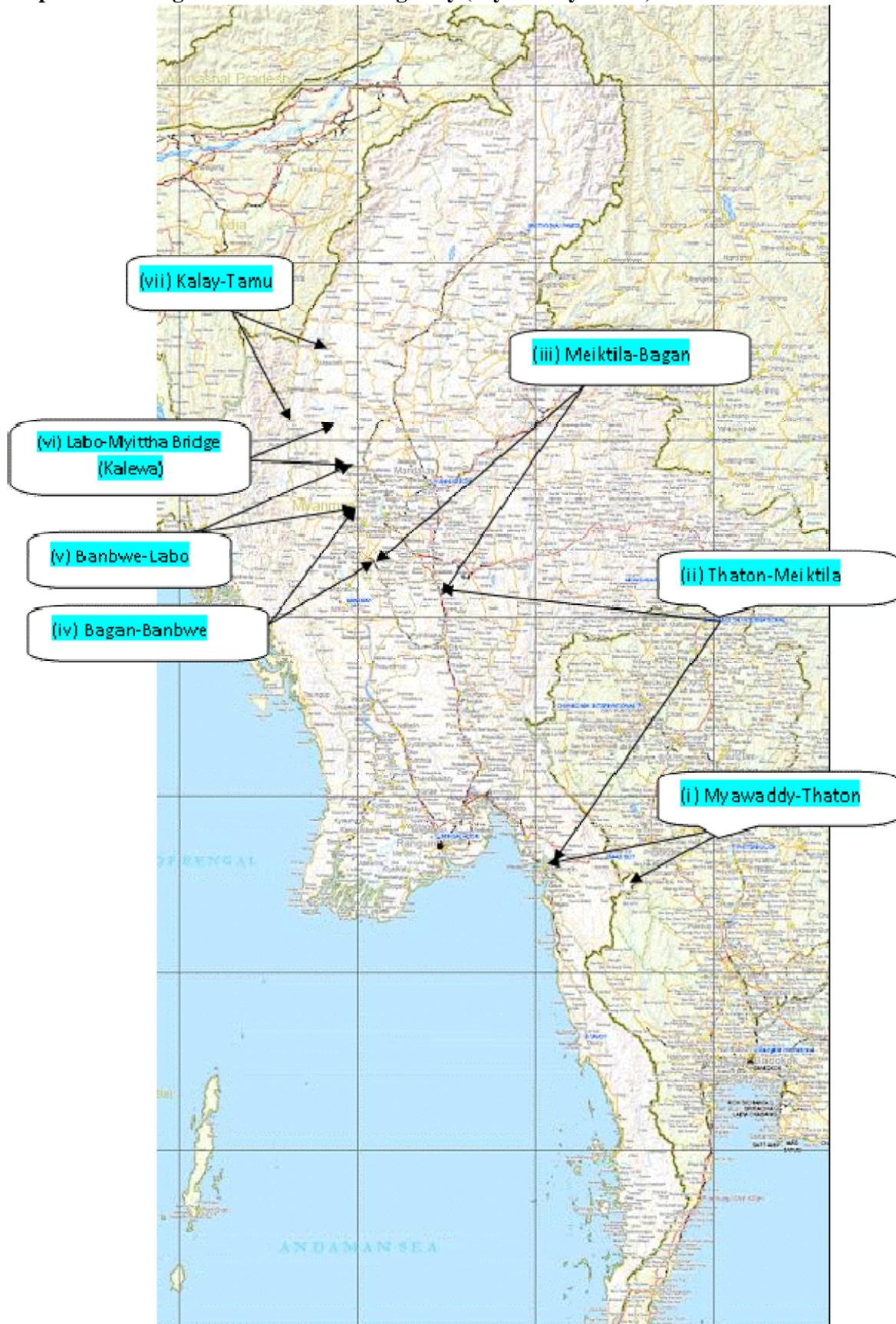
The TH from Mae Sot to Moreh is divided into twelve segments and these segments are conducted to identify road condition along the Highway. Map 3 displays seven sections combining shorter segments into one section in some cases in order to view clear depiction. For example, Myawaddy-Thingan Nyinaung, Thingan Nyinaung-Kawkareik, Kawkareik-Paan, and Paan-Thaton segments are collectively shown as Myawaddy-Thaton Section in the map. Thus, the map covers totally seven major sections in total in which distance, driving time (4-seater Toyota Van) in dry season and average speed are shown in Table 8.

Table 8: Road Conditions of Trilateral Highway in Myanmar by Segments between Myawaddy and Tamu (Distance, Time and Speed)

#	Route	Distance	Drive Time	Average Speed
(i)	Myawaddy-Thaton			
(a)	Myawaddy-Thingan Nyinaung	18 km	15 minute	72 km/h
(b)	Thingan Nyinaung-Kawkareik	44 km	120 minute	22 km/h
(c)	Kawkareik-Paan	95 km	120 minute	47.5 km/h
(d)	Paan-Thaton	38 km	50 minute	45.6 km/h
(ii)	Thaton-Meiktila : Thaton-Htantabin-Meiktila	Not yet constructed	-	-
(iii)	Meiktila-Bagan : Meiktila-Kyaukpadaung-Bagan	142 km	135 minute	63 km/h
(iv)	Bagan-Banbwe : Bagan-Pakoku-Yinmabin-Banbwe	Not yet constructed	-	-
(v)	Banbwe-Labo: Banbwe-Yagyi-Labo	80 km	150 minute	32 km/h
(vi)	Labo-Myittha Bridge			
(a)	Labo-Kyaw-Marma	37 km	150 minute	14.8 km/h
(b)	Marma-Myittha Bridge (Kalewa)	67 km	125 minute	32.2 km/h
(c)	Myittha Bridge-Kyikone Junction	29 km	25 minute	69.6 km/h
(vii)	Kalay-Tamu : Kalay-Kyikone-Tamu	131 km	150 minute	52.4 km/h

Source: Field Survey

Map 3: Road Segments of Trilateral Highway (Myawaddy-Tamu)



Source: Author.

5-3. Other infrastructure development projects between Myanmar and India

5-3-1. India-Myanmar friendship road:

Among the several projects, completion of the 160km India-Myanmar Friendship road in 2001 on Myanmar territory, connecting Kalewa, Kalemyo and Tamu with Moreh was very imperative sub-regional integration between two countries. Tamu (Sagaing Division, Myanmar) is the border area on Myanmar side only 5 km from the Indian border point, Moreh (Manipur, India) (Myanmar Port Authority, 2011). With the grant-aid of the government of India, Kaly-Tamu road was completely upgraded and opened in February 2001. Tamu-Kyigone-Kalemyo section of about 82 miles and 4 furlongs was also completed in September 2009. Kyigone-Kalewa section of about 17 miles and 4 furlongs has been still under maintenance by the India side. This friendship road became one of the major parts of the Trilateral Highway project linking India-Myanmar-Thailand under the Mekong-Ganga Cooperation Initiative, 2005.

5-3-2. Tiddim-Rhi-Falam road

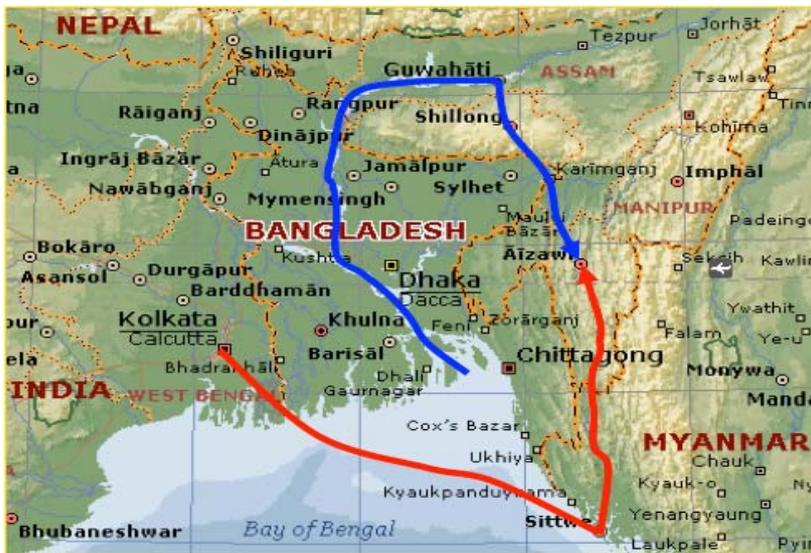
Engineers and surveyors from Border Road Organization of India and Public Works of Myanmar had prepared detailed Project Report (DPR) of upgrading Tiddim-Rhi-Falam road since 2006. A technical team from India also visited to consult with the Myanmar government with regards to the Tiddim-Rhi-Falam road upgrading project in 2008. Again, a delegation from two countries conducted a reconnaissance survey in 2009 and India allocated USD 60 million for the respective project. At present, the draft MOU for the project is underway to realize the upgrading project.

5-3-3. Kaladan Multimodal transport project

Similarly, another significant one is the Kaladan Multimodal Transport Project that was signed by the two ministers from Myanmar and India. Member countries of the ASEAN are naturally endowed with some 51,000 km of navigable inland waterways which can play an active role in transport development. However, the infrastructures related to this endowment are underutilized due to poor network, poor river ports and facilities, and poor intermodal connectivity (ADB 2011). There are urgent needs for developing inland water-transport connectivity to reap the large potential in reducing freight transport cost and time-lag in trade. Kaladan Multimodal Transport Project is in

this direction utilizing Kaladan river transport and land transport for better connectivity. It is aimed at an optimal allotment of transport demands among various transport modes such as road, airport, seaport, and railway. A major purpose is to develop Sittwe port (Myanmar) by India Government for supporting the cargo flow from Kolkata to Aizawl (Mizoram State, India) through Kalandan River (Myanmar). The project involves a major upgradation of infrastructure at Sittwe, located about 250km from the Mizoram border on the north-western coast of Myanmar where the Kaladan river joins the Bay of Bengal (IPCS 2008). The project will connect Kolkata seaport, East India with the seaport in Sittwe (Arakan State) – a total distance of 539 km. It will then link Sittwe to the landlocked area of Mizoram in Northeastern India via river and road transport (see red line on the map below). It will promote bilateral relations between India and Myanmar and to increase trade with and continue multilateral initiatives, on a non-discriminatory basis, with Southeast Asian economies (Ministry of Commerce, Myanmar).

Map 4: Kaladan Multimodal Transport Project



Source: Myanmar Port Authority (2010)

Technical teams including Myanmar and Indian experts and engineers from the relevant departments are carrying out the preliminary surveys and engineering works for implementing the project.

5-3-4. The Stilwell road project

The Stilwell road is named after an American general, Joseph Stilwell, and was built during World War II to free China from Japanese occupation. The road linked Ledo, in India's northwestern Assam State, with Kunming. About 1033 km of the road, which traversed northern Kachin State via Myitkyina, is in Myanmar.

Trade between China and India has expanded rapidly in recent years and both countries would benefit from a road link. Indian Prime Minister Manmohan Singh has told AFP that his government is keen to further the country's "Look East Policy", which aims to strengthen trade and other ties with countries in Southeast Asia. Assam State Minister for Industry, Pradyut Bordoloi, said in August: "We are widening and developing Stilwell Road on the Indian side, which will be completed in four to six months. But the rest of the project depends on the three countries agreeing to reopen the road."

There are strong will for reopening the road in all countries concerned, namely India, China and Myanmar. The population living in India, China and the ASEAN countries is nearly three billion people, about half of the world population. India and China are eager to reopen this road; India wants to open its landlocked northeastern states to trade with China and the ASEAN nations, while China is willing to send its products through the same route. Myanmar would be able to reap benefit handsomely from this trade by charging transit fees and gaining spin-off benefits from tourism.

Myanmar could do the same as Singapore that has used its strategic location to profit from transit trade. The proposed Kyaukphyu deep-sea port and connecting highway projects will shorten the overall distance by thousands of kilometers and will save money and time for China by sending their products to the west and Middle East through Myanmar, instead of passing through the Malacca Strait. China and India have suggested to Myanmar's government that the 1726-kilometre-long Stilwell road, which could serve as an important road link between the world's two most populous nations, be reopened.

5-3-5. New Delhi - Hanoi Rail Link

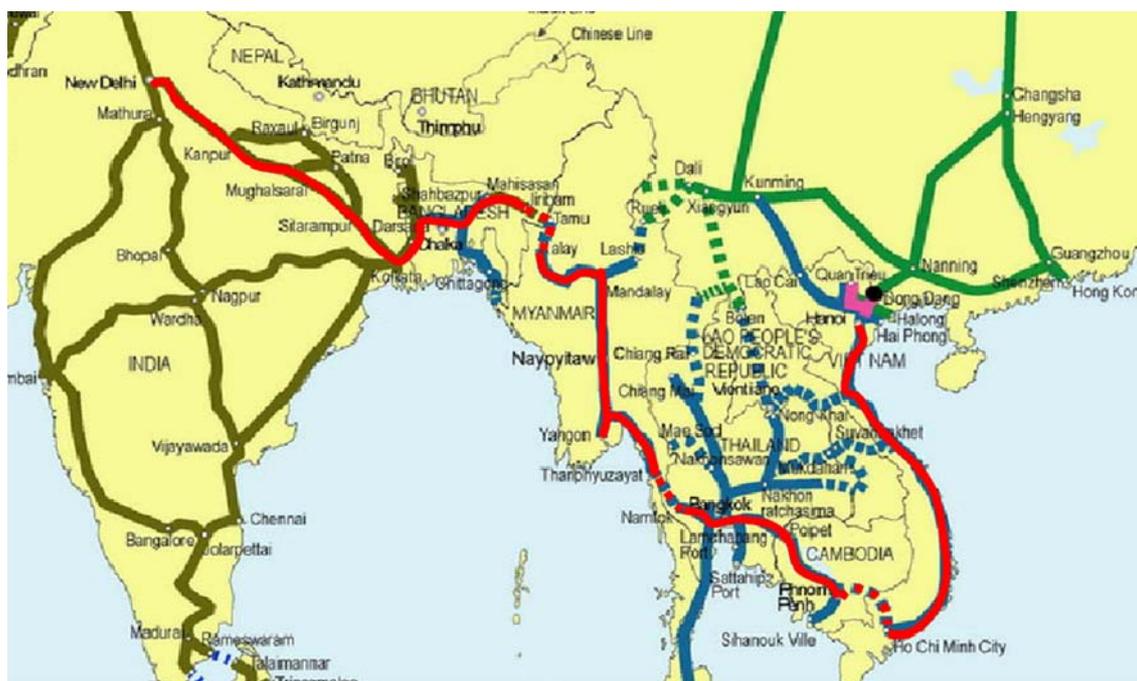
There are also other rail link projects like the Jiribam-Imphal-Moreh line in the East Indian state of Manipur and the Tamu-Kalay-Segyi line in Myanmar, as well as rehabilitation of Myanmar's existing Segyi-Chaungu Myohaung line. According to the

state-run company, Rail India Technical and Economic Services Ltd that conducted a feasibility study of the proposed freight corridor, the Jiribam-Imphal-Moreh rail link is estimated to cost USD 649 million, the Tamu-Kalay-Segyi link in Myanmar USD 296 million, and the cost of refurbishing the Segyi-Chungu-Myohaung line has been pegged at USD 62.5 million. All these rail links would ultimately add up to the New Delhi-Hanoi rail link proposed at the MGC ministerial meeting held in Phnom Penh in June 2003. The main tasks of developing New Delhi-Hanoi Rail Link are – (a) to link India's Manipur with India's main railway corridor, and (b) to re-establish and renovate railway networks in Myanmar.

India is planning New Delhi-Hanoi Rail Link with two possible routes. Both proposed railway routes will connect Hanoi through Myanmar with different rail links. Route-I will connect Hanoi via Myanmar, Thailand, and Cambodia. In Route-II, it is diverted to Bangkok via Ye and newly constructed portion of Ye and Dawei in Myanmar, then to Hanoi through Thailand and Laos. In both routes, the proposed link from Silchar (India) to Thanbyuzayat is common (Map 5 and 6).

Although a preliminary study was done by Indian consulting engineering company, RITES, in 2006, complete details of both routes are not available due to lack of data of railway systems in different countries. On completion of these projects there could be possible to promote regional cooperation, foster economic and social integration and increase trade and investment.

Map 5: New Delhi – Hanoi Rail Link Route-I



Source: Rail India Technical Economic Services (RITES)

Table 9: New Delhi-Hanoi Rail Link Route-I in Myanmar

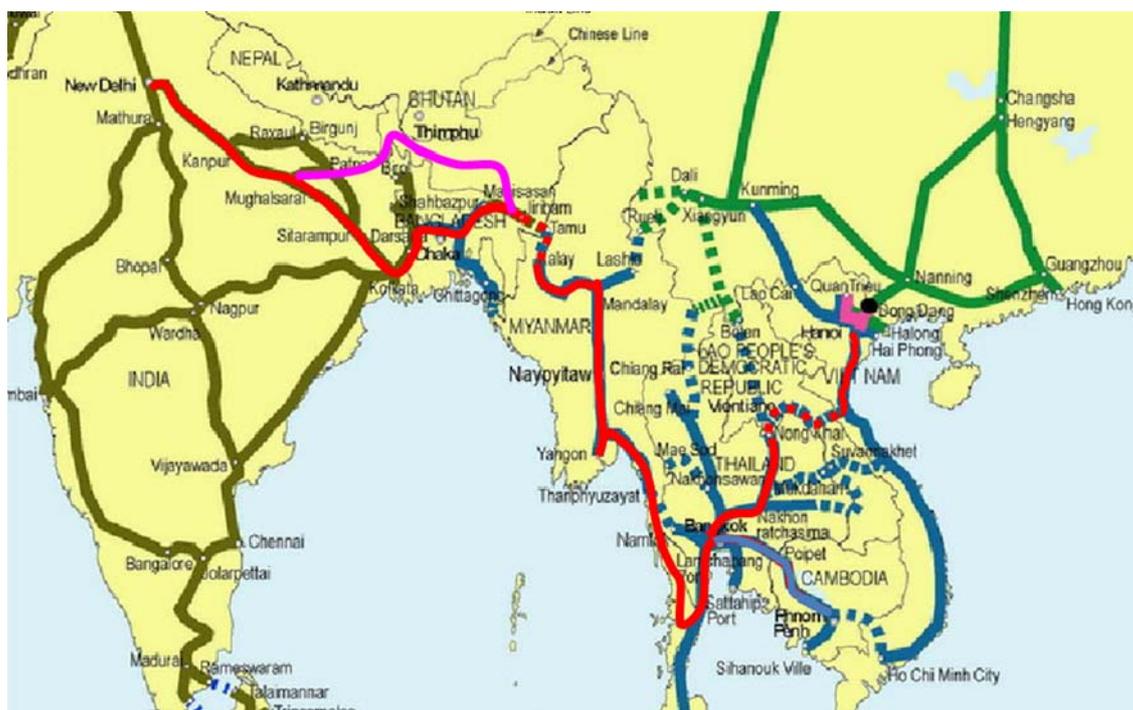
Section	Route	Distance (in km)	Renovating/ Construction Cost (USD in million)
Tamu-Kalay	Missing	128	151*
Kalay-Mandalay	Existing	516	285*
Mandalay-Bago	Existing	541	
Bago-Thanbyuzayat	Existing	270	210**
Thanbyuzayat-Three Pagodas Pass	Missing	110	402**

Source: RITES Ltd, India

Notes: * – RITES Feasibility Study Report 2005 for connection unto Mandalay duly updated @10% per annum,

** – Concept Plan paper of MD/RITES – cost updated @10% per annum

Map 6: New Delhi – Hanoi Rail Link Route-II



Source: Rail India Technical Economic Services (RITES)

Table 10: New Delhi-Hanoi Rail Link Route-II in Myanmar

Section	Route	Distance (in km)	Renovating/ Construction Cost (USD in million)
Tamu-Kalay	Missing	128	151*
Kalay-Mandalay	Existing	516	285*
Mandalay-Bago	Existing	541	
Bago-Thanyuzayat	Existing	270	210**
Thanyuzayat-Ye-Dawei	Existing	235	
Dawei-Bang Bong Tee	Missing	110	309**

Source: RITES Ltd, India

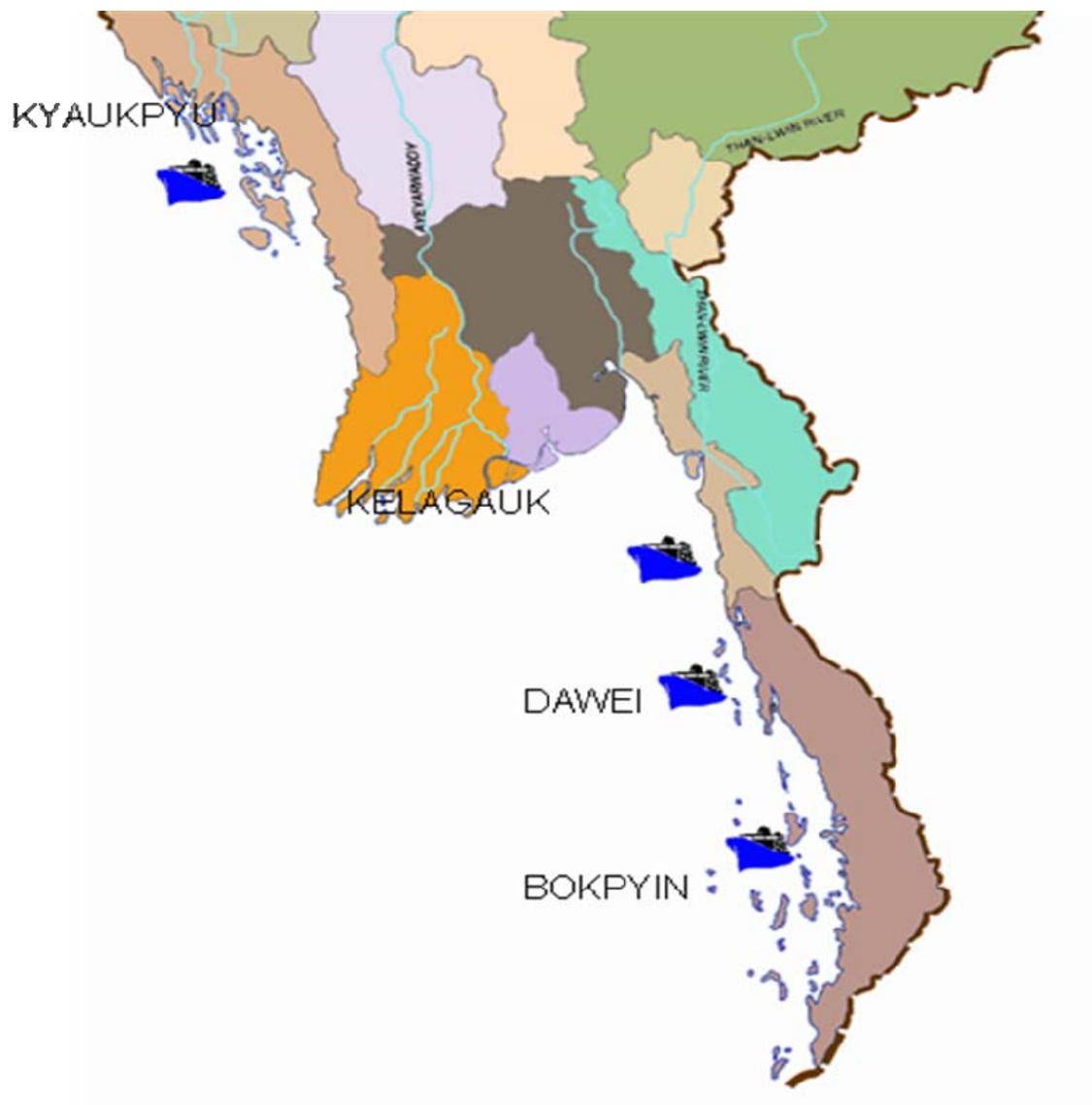
Notes: * – RITES Feasibility Study Report 2005 for connection unto Mandalay duly updated @10% per annum,

** – Concept Plan paper of MD/RITES – cost updated @10% per annum

5-4. Deep Seaport Projects in Myanmar

All existing ports of Myanmar including Yangon Port are river ports and not deep enough for large conventional vessels and container vessels. For long term requirement, if the economic situation of the country and the region demands traffic of larger vessels, then the development of Deep Sea Commercial Ports will have to be implemented at suitable sites along the coast of Myanmar such as Kyaukpyu at western coast and Kalegauk, Dawei and Bokpyin at eastern coast of Myanmar.

Map 7: Myanmar Deep Seaport Projects



Source: Myanmar Port Authority (2010)

5-4-1. Dawei deep seaport project:

It is designed to lessen the growing problem with shipping traffic jams at the Strait of Malacca, which it uses for import and export of goods. When it is completed, the project would reduce logistical and labour costs for GMS members as well as create job opportunities for Myanmar. Framework Agreement has been signed between Myanmar Port Authority and Italian-Thai Development Public Co., Ltd on 2 November, 2010. The Dawei Project shall be developed on a build, operate and transfer (BOT) basis. It shall be valid for a period of 60 years commencing from the execution of said Agreement. The Dawei Project Development will cover an area of approximately 250 square kilometer (on shore) and consist of three major components comprising of Deep Sea Port, Industrial Estate (Heavy, Medium and Light Industries), Cross-border road, rail and pipeline link with connecting electrical transmission lines to the Myanmar/Thai border.

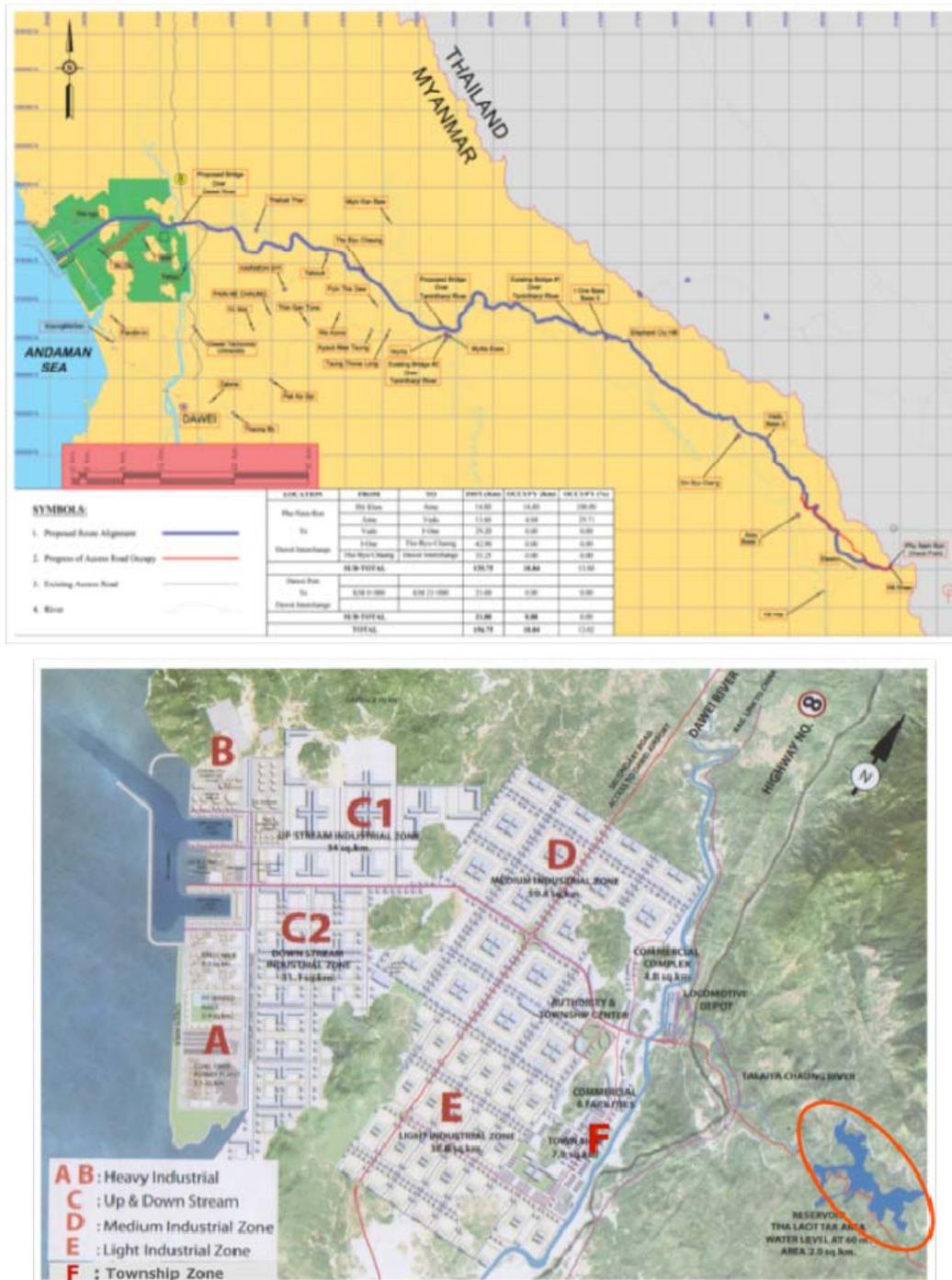
It was found in a research done by the Asian Development Bank in 2009 that high costs of Asian trade are not because of tax and tariff but because of poor transportation. The development of Dawei region will bring brilliant opportunities for not only Myanmar itself but also the region as a whole since Dawei port will serve as a new commercial gateway providing an alternative sea route to India, China, Middle East, Europe and Africa that will lessen the dependence on the congested Straits of Malacca reducing transportation time and logistic costs. For example, Thai cargo passing through Malacca Strait to India will take two/three weeks but it will be just hours from Bangkok to Dawei Seaport and less than one week to India. Additionally, it will offer gateway for land-lock eastern regions to trade with the west.

Rail links to Bangkok and to Kunming, via the proposed rail link from Dawei-Yangon-Mandalay-Muse, will enhance the strategic importance as a regional logistic and trading hub. An airport with a 3,200 m long runway has already been built near the Project (ITD 2009).

Dawei development project is one of the largest foreign investment projects and it has a different nature of investment compared to other mega projects such as oil and gas explorations and hydropower projects. These other mega projects could contribute to the national economy but produce less individual and social benefits of the entire people. While it is often concerned with natural resource degradation and environmental costs, it is able to create minimal employment opportunities and low

technology transfers. On the contrary, Dawei project is expected not only to increase national economy as a whole but also to promote individual incomes and livelihood up to grassroots level.

Map 8: Conceptual Layout Plan for Industrial Estates and Proposed Highway Route in Dawei Project



Source: Myanmar Port Authority (2010)

5-4-2. Kyaukphyu deep seaport project

Myanmar Oil and Gas Enterprise (MOGE) and China National Petroleum Corp (CNPC) have been jointly implementing the tanker port on Made Island for Myanmar-China crude pipeline laying; this pipeline will likely be built along the proposed Kyaukphyu-Kunming highway. Tanker Port is 480 meter long and can be possible for the 300,000 DWT vessels. This would also provide easier access to the markets of Africa, the Middle East and Europe for Chinese manufacturers through Myanmar. Workboat Wharf and reinvent buildings construction are started in November 2009. The latest updates of the project's implementation are as follows.

Table 11: Work Plan of Workboat Wharf Construction

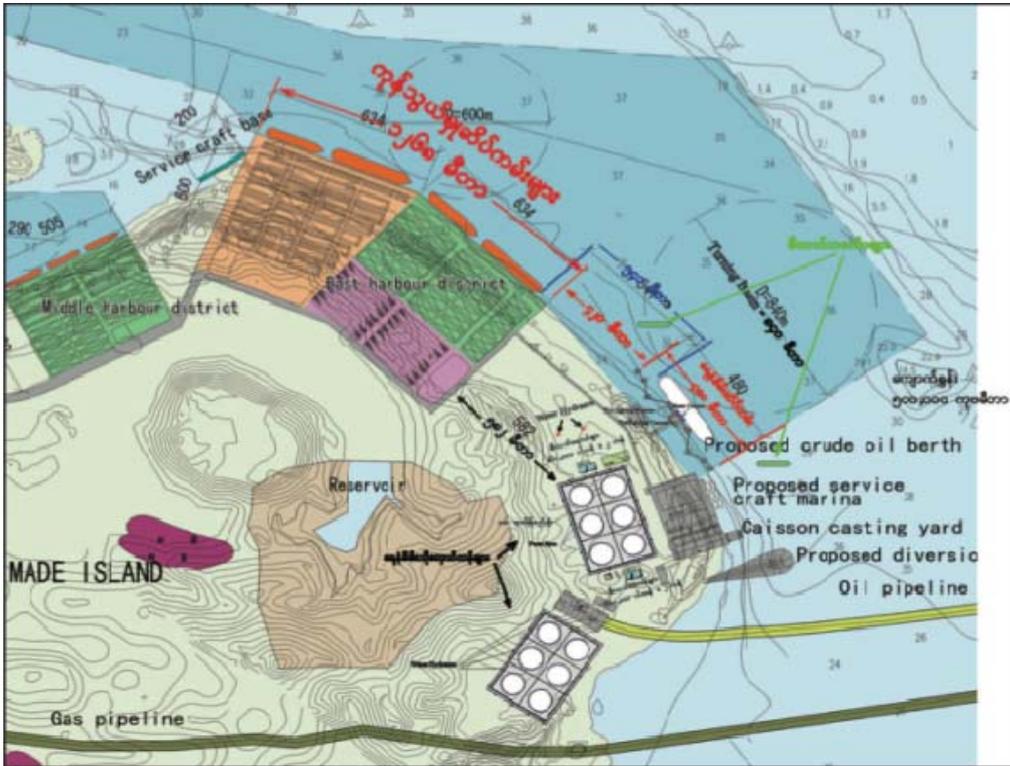
Items	Detail Items	Start time	End Time
Project preparation	Entering the construction area of the first set for personal, equipments and materials	30-9-2009	10-10-2009
	Entering the construction area of the second set personal, equipments and materials	11-10-2009	10-12-2009
Land territory construction	Ceremony for construction	31-10-2009	31-10-2009
	Mountain excavation and backfill for land territory	31-10-2009	21-2-2010
Revetment construction	Revetment construction	14-11-2009	20-4-2010
Cassion fabricating field construction	Cassion fabricating field construction	31-10-2009	4-5-2010
Cassion transportation wharf construction	Cassion transportation wharf construction	1-2-2010	29-6-2010
Workboat wharf construction	Workboat wharf construction	1-2-2010	24-8-2010
Completion	Project completion, check and accept	25-8-2010	31-8-2010

Source: Myanmar Port Authority (2010)

The project implementation has been delayed for several reasons. Though the projected was planned to complete at the end of August 2010, the date of completion has been postponed and expected to be finished in November 2012 as scheduled in Table 10.

On the other hand, HTOO Group of companies (Myanmar) cooperated with CITIC Group (China) in construction of the Development Zone, Deep Sea Port, connecting railway and other supporting facilities in Kyaukphyu. After signing the MOU, both governments attached great importance to this project.

Map 9: Kyaukphyu Deep Seaport Conceptual Plan



Source: Myanmar Port Authority (2010)

Map 10: Kuaukphyu Railways Conceptual Plan



- Line: Single track with consideration of expansion to double
- Bridge and tunnel ratio: 40%
- Maximum speed: 160km/h
- Type of traction: Diesel
- Total length: 997 kilometer
- Total investment: 10 billion USD (about 10 million USD/ kilometer)

Source: Myanmar Port Authority (2010)

6. EXPECTED IMPACTS ON MYANMAR ECONOMY

6-1. Advantages

6-1-1. International Trade

The improvements of ASEAN-India network of transportation infrastructure will deliver numerous benefits and will ensure all economies across the region having a competitive access to international markets through an efficient, reliable and thriving regional network. It will also integrate national markets to promote economic efficiency and private sector development. The grater connectivity through the Trilateral and Asian Highways, Economic corridors and Deep Seaports, which are planned to click one another, will enhance not only India-ASEAN trade but also international trade including both direct and indirect trade. Improvements in the modes and infrastructures in terms of their capacity will decrease transport costs. Decreasing transport costs does more than increasing trade, it also helps changing the location of economic activities (Myo 2004). Accordingly, trade between India and ASEAN is

expected to reach about US\$100 billion in the next five years.

6-1-2. Foreign Direct Investment

Most of the connectivity projects are associated with foreign funding or investment. Foreign institutions such as ADB basically fund Asian and ASEAN highway projects. Kaladan Multimodal Transport project will cost USD 120 million including construction of Sittwe deep seaport. As the projects, both Dawei and Kyaukphyu, are designed to develop the deep seaport with industrial zones and transportation links, it will enhance not only promote trade volume but also foreign direct investment in the region. The Dawei Project investment cost of infrastructure and supporting facilities will be an estimated as USD 8.6 billion, and the estimated investment from potential industrial investors in the industrial estate will be over USD 50 billion (MPA 2011).

6-1-3. Local Investment

With the completion of the projects, the development through foreign investment will also induce Myanmar manufacturers and entrepreneurs to invest and operate in the new institutional and business environment. Foreign firm moves first by making investment in the country. Then, local firm observes the investment and decides whether and when to enter the new market over the infinite time horizon. The foreign firm naturally dislikes competition but would accommodate small-scale or inoffensive entry. The local firms could start as sub-contracting firms or supporting firms through forward and backward linkages. The local firms also prefer delayed entry through imitation-by-doing at infancy stage.

6-1-4. Employment Opportunity

While implementing the projects, there are many job opportunities in the region. Together with Myanmar workers, Indian, Thai and Chinese workers have engaged in the projects and will continue for a couple of years. After completion of the projects, the industrial estate will create a new market for foreign investment and further promote regional trade, development and generate employment and enhance the livelihood of the Myanmar people. With inflows of FDI, there will be high employment opportunities

for Myanmar workforce at all levels of skill. Consequently, new job creations will control outmigration of Myanmar workers and increase domestic knowledge accumulation by spillover effect, which is granted by the Dawei Special Economic Zone Law and the Myanmar Special Economic Zone Law, 2011.

6-1-5. Higher Wages

In the short run, of course, dispersion in the demand for labor can produce wage differentials, but they should disappear after some adjustment period. With the inflows of foreign firms, which are usually capital, technology and skill intensive will employ people with proper skills. At the initial stage, it will be difficult to achieve a qualified, competent and well-prepared domestic labor force, which will lead to employ skilled-labor from foreign countries. This will increase wage differentials between skilled and unskilled workers, foreign and local workers, and industrial and agricultural workers. By mobilizing labor across the regions and industries, and giving skill upgrading and human resource trainings to obtain 'higher skill', 'more skill' and 'multi skill' for the workforce, the wage differentials will be narrowed and real wages will be increased over time.

6-1-6. Narrowing Development Gaps

Enhanced physical connectivity can contribute to narrowing development gaps by expanding the frontiers of production/distribution networks. Strengthened connectivity facilitates cross-border movement of labor, capital, technology and idea that will cause narrowing the development gaps among the countries in the long term. In other words, the better transportation network will play a key role in promoting economic growth and regional development and increasing job-opportunities and real income, thereby reducing growth differentials and narrowing development gaps among people and regions.

6-1-7. Regional Stability

Policy makers have emphasized economic, political and social stability as the foundation of economic growth and scholars have thought of this stability and economic growth as a virtuous cycle (ADB 2011a). Economic cooperation will ensure stronger

interdependences within the region and prevent vulnerabilities of external shocks. Moreover, collaboration in technological development, energy security, and disaster preparedness can yield significant synergies and positive spillovers. And, the skillful and cooperative management of regional commons will become increasingly important for Asia's long-term stability, peace and harmony (ADB 2011a). On the social frontier, traditional lifestyles and deep-rooted customs and beliefs have been altered among the countries, and this might cause some challenges for forthcoming grater regional integration in the short term. People-to-people connectivity will encourage social and cultural cooperation, mutual trust and capacity building through regional network and then, improve social security among the regions over time.

6-2. Challenges

However, there are a number of challenges which may affect on the implementation of various projects concerning regional connectivity and even the projects after completion stage. Moreover, some possible impacts and consequences are beyond the projects themselves and seem to extend to the national and regional level as a whole.

6-2-1. Project Funding

Limitation of financial resources remains a contentious issue as noted elsewhere. In the case of TH Project, India and Thailand have upgraded some of the link roads but due to financial scarcity in Myanmar, much work remains incomplete. Since 1998, Myanmar was included in "non-accrual status" list with the World Bank, meaning that there can be no new lending until all overdue payments are cleared. Indeed, there have been no World Bank loans to Myanmar since July 1987. The World Bank is keeping watch on the social and economic situation of the country. Likewise, no loans have been provided by the ADB to Myanmar since 1986 although it introduced in 2000 a Country Assistance Plan for the period of 2000 to 2002. Fund injection by the two neighboring countries has delayed and additional fund from regional/international organizations was also out of action. Likewise, some other projects are probably facing similar financial constraints in one way or another.

6-2-2. Environmental Degradation

It is questionable as to proper management in conservation of natural environment because of the nature and capacity of a developing country. Even environmental friendly practices such as proper waste management, low carbon emission technique and systematic treatment are to be set in the industries of special Economic Zone (SEZ), some extent of environmental degradation and pollution of soil, air and water are to be come about in this surrounding area.

6-2-3. Adverse Effects on Local Industries

Foreign investment is actually fine to be a source of fund for investment which cannot find qualified investor locally. Moreover, such investments spill over in technology and managerial skill to be adopted in local industries. However, crowding out effect can occur when foreign investors target the domestic market and/or attain outsized portion of local resources. Investment from outside world is surely to be brought in large scale and will adversely affect on local firms taking away from competitiveness. The most significant and recent example is tremendous rise of land price in Dawei area where small industries are unable to invest, attain and sustain. Moreover, labor cost has also a tendency to increase with possible higher demand from different projects and large firms. The high wages in foreign firms influence to be a similar trend in the local firms which may not be able to do so. It is true that competition offers efficiency for producers and lower cost for consumers, but high concentration of large firms devastate survival of small local industries on which majority of grassroots have to rely.

6-2-4. Political Influence of Major Investors

Every FDI recipient country is eligible to alter policy environment in order to assure international investors that their investment can prosper. Investment inflow from various sources positively supports proper alteration of investment policies and related issues. Conversely, large portion of investment contributed by single source (whatever multinational company or country) is predictable to manipulate its power for undue political influence over the policy makers. The pressures may go down upon national project planning, trade policy formulation, patent right enforcement leading to changes

of economic policy. Intellectual property right, for instance, is appropriate for well developed countries to protect the profit of large corporations but not for underdeveloped ones. Developing economies including Myanmar have to rely on small and medium industries for which promulgation of intellectual property right law is quite harmful.

As is the case, the policy reforms principally focus on improving the operation of domestic financial market, strengthening the institutional base, enhancing regulatory and supervisory regimes.

7. CONCLUSION AND RECOMMENDATION

India-ASEAN Connectivity could be realized through enhanced physical infrastructure development, effective institutional arrangements and empowered people. However, building an enhanced regional connectivity requires not only the infrastructure development but also the development of new strategies and institutions, more effective implementation of existing and future initiatives (ADB 2011). The connectivity projects will enhance the strategic importance of Myanmar as a regional logistics and trading hub and will be definitely beneficial for Myanmar, India and ASEAN, and for the entire region, Asia. To realize the positive outcomes, Myanmar needs to respond to the opportunities offered by its geographical and natural advantages and to the competitive advantages brought about by regional and global market chain. The economic integration however not only depends on guidelines or policy frameworks but also depends on strong political desire and a common vision to integrate their economies themselves. Therefore, in order to achieve and maintain fruitful economic cooperation and successful regional integration, Myanmar and the entire Region should have strengthened the followings: (1) macroeconomic, social and political stability, (2) financial market development, (3) better Institutional and business environment, (4) consistent and standardized border crossing formalities and procedures, (5) low or no tariff and non-tariff barriers, (6) managing environment and natural resources to ensure sustainable development, and (7) political will/commitment

and public-private partnership.

**APPENDIX. ONGOING AND PROSPECTIVE INFRASTRUCTURE PROJECTS
FOR ASEAN-INDIA CONNECTIVITY: MYANMAR**

Tier	Type	Sector	Sub-Sector	Project Name	Cost (US\$ mil)	Status
2	PPP	Logistics	Port, Rail, Road	Dawei deep sea port	8,600.0	Ongoing
2	PPP	Logistics	Road/Bridge	Dawei-Magul-Lenya-Kawthaung	-	Ongoing
2	PPP	Logistics	Port, Rail, Road	Kyaukphyu deep sea port	10,000.0	Ongoing
2	PPP	Logistics	Road/Bridge	Dawei-Maesamee Pass	-	Prospective
3	PPP	Logistics	Road	Kaladan Multimodal Project (Setpyitpyin to India border)	49.1	Ongoing
3	PPP	Logistics	Port / Maritime	Kaladan Multimodal Project (Sittwe Port, Kaladan River development)	68.2	Ongoing
3	Public	Logistics	Road/Bridge	Upgrading below Class III road (Chaung U-Kalay)	-	Ongoing
3	Public	Logistics	Road/Bridge	Upgrading below Class III road (Kengtong-Taunggyi)	-	Ongoing
3	PPP	Logistics	Railway	Lasio-Muse railway	479.5	Prospective
3	PPP	Logistics	Road/Bridge	Muse-Kyaukphyu	-	Prospective
3	PPP	Logistics	Railway	Rehabilitation of Kalay-Mandalay rail line	162.0	Prospective
3	PPP	Logistics	Railway	Tamu-Kalay railway	97.7	Prospective
3	PPP	Logistics	Road/Bridge	Tanine-Pansauk Road	-	Prospective
3	PPP	Logistics	Railway	Thanbyuzayet-Three Pagoda Pass railway	246.2	Prospective
3	PPP	Logistics	Road/Bridge	Thingannyinaung- Kawkareik	-	Prospective

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