



## **What Ails Zokhawthar – Rih Border Trade**

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### ***Abstract***

*The opening of borders for bilateral trade received a momentum with the onset of erstwhile Look East Policy. The rise of Asian Tigers motivates India to look towards the East through Myanmar, a door to Southeast Asia where India shares a long land boundary. Despite the share of border trade in the growth of regional development, various factors impede the smooth functioning of trade. This paper dwells on some of the major factors that ails Zokhawthar-Rih border trade zone. The paper ends with the need to inject infrastructure to broaden trade and to come up with systematic measures to curtail local conflicts encircling trade.*

**Keywords:** *Act East Policy, Border Trade, Conflict, Informal Trade.*

### **Introduction**

The Act East Policy erstwhile Look East Policy evolved at the backdrop of envisioning India's position across Southeast Asian countries following the end of cold war, the expansion of China, and formation of Association of Southeast Asian Nations (ASEAN) (Haokip, 2015; Srikanth, 2016; Patnaik, 2019). The policy was conceived with greater precedence as a national policy, a foreign policy directed to integrate with emerging Asian economies. The rise of Asian Tigers and the prospect foreconomic integrationdrove India to take a paradigm shift in its foreign policy of beginning to look towards the East. Drawing on historical connectivity, cultural similarities of North East Region (NER) with Southeast Asia and locational advantage, borders were opened subsequently across various points to facilitate bilateral (border) trade.

Linking with Southeast Asian countries place antecedence on the domestic fore front apart from furthering India's primary objectives of forging strategic relation with neighbouring countries in the areas of security, economic integration, and to partially curtail China's influences. It is visualized that overland trade could help transform the geographical

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handicapped of NER. The landlocked nature of the region, rugged terrain, and specific problems like poverty, insurgency, and law and order problems have always been a challenge in carrying out developmental activities. Geographical location is decisive and an important determinant for bilateral trade volumes in terms of access to cost advantage to foreign markets (Niebuhr & Stiller, 2002). The NER on account of its strategic geopolitical location found its place on the policy radar of the Act. It shares 4500 km porous international boundaries with adjacent neighbouring countries like China, Myanmar, and Bangladesh etc. The NER with its rich endowment of resources, cultural linkages with Southeast countries provide an ideal situation that could foray as a hub for trade. As trade signifies much beyond just the exchange of items/goods, it encapsulates the inflow of people, culture, skills, knowledge and ideas taken together in absolute terms which invertible affects people en route the border trade. Using the 3Cs- Culture, Commerce and Connectivity, India's foreign policy towards Southeast Asia began to take shape and developed. India has opened up 42 Land Custom Services (LCS) in and around the borders of NER, to facilitate economic linkages through border trade.

### **Indo- Myanmar Trade**

The NER is linked with the rest of India by just 2 km narrow corridor at Siliguri. As it is rightly subscribed where the Northeast ends, Southeast Asia begins. Its borders are more open towards neighbouring countries, of which Myanmar is positioned as a gateway to Southeast Asian countries. Myanmar shares around 1600 km border with four Northeastern states of Mizoram, Nagaland, Manipur, and Arunachal Pradesh. The signing of Border Trade Agreement (BTA) between the Government of India and the Government of Myanmar in 1994 led to the agreement to open up four borders trade zones along the Indo- Myanmar border viz, Moreh-Tamu, Zokhawthar-Rih, Longwa in Nagaland and Pangsau Pass in Arunachal Pradesh. Of these only Moreh-Tamu and Zokhawthar-Rih have carried out formal trade, and the rest are yet to function.

The initial BTA allowed only 22 tradable items through barter trade system and later increased the list to 62 items. Drawing on the potentials of border trade to leverage the economic and well as injecting the much-needed development along the NER, in 2008 the Government of India has broadened the conceptual contour of border trade (Das 2016). Under the BTA, it agreed upon three types of trade across the Indo-Myanmar border viz.,

- a) Barter Trade of items not exceeding the US \$ 1000 or its equivalent,
- b) Barter Trade of items up to the value of US \$ 20,000 or its equivalent, and
- c) Normal Trade against payment for the supplies

Earlier barter trade was the main system of trading. The technical difficulty associated with barter trade system in finding equivalent demand on items across the two countries paves the way for the induction of a new mechanism of trade. As the demand for India's products is low in comparison with Myanmar products, Indian traders find it difficult to export goods equivalent to the worth of goods they wish to import. Contemplating on the difficulties and problems associated with barter trade system, the Reserve Bank of India (RBI) on November 5<sup>th</sup>, 2015 abolished it and laid down for the functioning of normal trade

(Das, 2016). To draw the linkages between domestic economic imperatives and the external economic environment, normal trade (MNF) was permitted in Moreh and Zokhawthar. Unlike the limit of 62 tradable items under the barter system, in normal trade all goods and items are tradable provided the goods and items in question are not listed as restricted or prohibited as declared by the Directorate General of Foreign Trade (DGFT). Under normal trade, export and import are permissible under export and import (EXIM) policy in a freely convertible currencies or currencies mutually agreed upon through Letter of Credit (LoC) or through advance payment. Apart from it, it made changes in the customs aggregate duty from 4 per cent to 46.85 per cent (Zokhawthar LCS Report, 2017)<sup>§</sup>.

### **Zokhawthar- Rih Trade Zone**

Mizoram which is located in the extreme east of northeastern India is surrounded by Myanmar in the east, to the south by Bangladesh, and in the west and north by Assam and Manipur states. The state shares 450 km length of its international boundary mostly with the Chin Hills of Myanmar, where people on both side of the borders adhere to share the same ethno linguistic affinity. Before the formalisation of border trade zone, traditional trade existed mainly between the Mizos and the Chins. The existence of porous border, and the make-up of same ethnic composition along the border accentuates natural trading ties and mobility of the people. Given the import driven economy of Mizoram, facilitating trade across its border could inject the much-needed market linkages and development. This was well recognised and imperative was given to such an extent that the development of border trade was included in one of the clauses that were enshrined in the Mizoram Peace Accord of 1986 between the MNF leaders and the Government of India (Songate, 2010).

Despite the signing of Indo – Myanmar Trade Agreement on January 31<sup>st</sup>, 1994, it took 8 years to keep in place the infrastructure requirements and services to facilitate trade across Zokhawthar-Rih sector. It was only after the construction of Bailey bridge in 2002 over the river Tiau which runs in between Mizoram and Myanmar that gave impetus for the commencement of trade. In 2004, the Zokhawthar-Rih border trade zone was officially inaugurated and trade commenced in the next year. To facilitate trade, the Government of Mizoram acquired 126.96 acres of land at Khawnuam in Melbuk Village which is located 8 km from Zokhawthar for the establishment of Border Trade Township. To accommodate customs officers and staff, twelve Assam type residential quarters of Type I, Type II, Type III and Type IV have been constructed along with helipad and other basic amenities and provisions. In addition to it, Composite Land Customs Station (LCS), situated at zero point at a distance of 30 meters from the border, was constructed to accommodate different trade-related departments and agencies.

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<sup>§</sup>Zokhawthar Land Customs Report 2017 & 2019.

## **Infrastructure Development and Connectivity**

The inauguration of 2<sup>nd</sup> Indo-Myanmar border trade point at Zokhawthar-Rih on 2004 facilitates for the injection of infrastructure. The 1<sup>st</sup> border trade zone being located at Moreh in Manipur.

*Infrastructure Development:* Weighbridge was constructed across river Tiau to facilitate trade with load capacity intake of fewer than 15 tons (Chakraborty & Ray, 2015). Initially, the LCS functions from a temporary Assam type building. Later on, composite land customs building was constructed on 7.4 acres (approx.) of land which accommodate various department and agencies. Warehouse is available but it is limited in size and numbers. To manage the lack of storage facility temporary tents are constructed by the locals. These temporary makeshift tents are given out for rent mainly to traders. At times, some locals rented out their vacant rooms to traders for used as storage.

*Physical Connectivity:* As a part of larger policy under India's Act East Policy, borders were opened for trade through land. Road connectivity takes precedence and multiple projects began to be formulated. A 27.5 km between Champhai to Zokhawthar road has been widening and upgraded into two lanes, however, it has been unduly delayed. The upgradation work hasn't even reached the two bordering towns of Melbuk and Zokhawthar<sup>\*\*</sup>). Different projects have been taken up like the trilateral highway projects to connect India- Myanmar – Thailand and Tamu-Kalewa-Kalemyo. A 225 km Rhi-Tiddim-Falam road connectivity is under pipeline to connect Mizoram and Mandalay primarily to boost trade and commerce (Chaudhury & Basu, 2015). And to further boost connectivity across land, water, and air, projects like the Kaladan Multi-Model Transit Transport, direct air connectivity from NER to SEA, and bus services have been initiated. Physical connectivity has improved and usher in development. It provides employment opportunities, reduces cost and time, and ease mobility attracting people to places.

*Banking Arrangement:* A lone State Bank of India (SBI) branch is available at composite land customs building providing basic banking services.

*Telephone Connectivity:* Despite the installation of BSNL tower, it is yet to function. As such Landline connection is unavailable. Internet connectivity and phone connectivity are accessed through mobile phone through service operators like BSNL, Vodaphone and Airtel.

*Market and Business Development:* Trade has facilitated the development of markets. Across the bordering villages of Zokhawthar and Rih, markets have developed. Apart from small business like hotel, restaurants, shops have sprung up and transport services have increased. The development of border markets has linked border regions

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<sup>\*\*</sup> Observations during field visit to those two villages during November, 2019.

which are often located far from the centre of power to petty facets of capitalism and market dynamics thereby bringing the gap. On account of trade, markets have expanded as one could see the markets of Champhai, Aizawl are adorned with products or goods that have its origin from Myanmar and third world countries. This has to some extent lessened Mizoram's dependence on Silchar (Assam) and invariable lessened transportation cost thereby bringing down the prices of goods. Right from agriculture products to meat, household articles and electronic goods are imported from this trade zone. Mizoram has become one of the main markets for Myanmar.

### **What Ails Zokhawthar – Rih Trade Zone?**

#### *1) Inadequate Infrastructure and Lack of Quality Infrastructure*

Zokhawthar – Rih Trade zone lacks adequate infrastructure and manpower. For instance, SBI branch is manned by just two officials. Despite the existence of SBI at Zero Point to handle export and import transactions, it is yet to be equipped to handle Forex transaction. Lack of banking facilities create problems for Indian traders and slow down the transaction of trade. Indian traders had to rely on HDFC Bank and IDBI Bank, situated at Champhai to handle most of the advance payment for importing items and goods. In addition to it, despite the existence of departments like Animal Husbandry and Veterinary, Trade and Commerce, Agriculture, offices are hardly occupied.

Taneja, Naing & Joshi *et al.* (2019) study on the quality and adequacy of infrastructure at Zokhawthar – Rih trade zone gave an average score of 2.7 on a five-point scale. Out of 29 listed infrastructure requirements for a speedy and smooth running of trade, Zokhawthar trade sector is equipped with only 10 infrastructures. Plant and animal confinement rooms are absent. Cold storage facilities, security and scanning equipment, separate exports and imports zone, courier and post offices are not available. The absence of food testing laboratory in Mizoram also adds problem to traders. Traders have to incur additional cost and is time consuming as testing has to be done either at Imphal or Assam. Apart from this, limited warehousing and lack of storage facilities resulted in a huge loss of goods, especially during the monsoon season.

Management is poor and the existing infrastructures are in dilapidated conditions. As per the report of Land Customs Station, the existing weighbridge is in dilapidated conditions which needs repairing and the same is yet to undergo repairing. Access to health care services is also poor. The population of Zokhawthar had to rely on one existing Primary Sub-Center (PSC) for general community health care which is manned by one health worker/ Anganwadi worker, and on one NGO run Mercy's Clinic which provides basic OPD services equipped with 10 beds at the most.

#### *2) Lack of Planning*

The absence of comprehensive planning has resulted in a severe loss to the Government. There is faulty planning in the identification of Border Township at

Melbuk/Khawnuam to provide residential quarters to staff which is located 8 km away from Zokhawthar. Huge amount of money was invested in constructing Type I, Type II, Type III and Type IV quarters along with helipad. The buildings are left unoccupied as the distance is far from the trade zone. Customs and other officials preferred to reside near the trade zone for which additional investment is made at trade zone to provide basic services and amenities.

### 3) *Tariffs & Taxation*

With normal trade in place, there is a sea change in customs aggregate duty and trade procedures. It has done away with tradable items which were limited to 62 items earlier. As of now, traders have more opportunities to conduct trade in all goods provided the goods and items in question are not listed under restricted/prohibited items. The need to balance import and export under the barter system which Indian importers find it difficult to export items equivalent to import value has been replaced with easier procedure. However, the change is accompanied with high customs duty. Under barter trade mechanism some specific items were traded under free exchange mechanism where custom duty is not applicable, and others items were charged at 5% the most. However, with normal trade in place and changes in customs duty reaching 46% it breeds a kind of reluctance among traders to conduct transaction for fear of loss (Zokhawthar LCS report, 2018). Changes in tariff hurt betel nut traders the most. Unlike big traders, local traders are constrained with limited capital and lesser market linkages leaving them with little option for profit. This limitation, however, led to the strengthening of patronage between trader and official where mutual understanding and trust form the essence of it. According to an anonymous official, *“there isn’t much profit left for betel nut traders if they had to bear the exact tax. Mutual understanding was drawn to tax some portion of the goods as per the law and the rest at a certain lower percentage. This kind of patronage was done to support local traders which in turn accommodate people who would otherwise be left without a decent livelihood. In doing this, the benefits percolate also to the general population who depend on this trade for their livelihood working as porters, lorry drivers, transport owner and others. When trade on betel nuts slow down, people are the worst sufferer as it provides maximum employment and income to the people.”*

Another hindrance is the existence of various non-legal tax collection points. Multiple and arbitrary tax collection pose considerable challenges. It is collected in different guise and ways. For instance, transport owner has to shell out additional entry fees at the gate depending on the vehicles at a rate pre-set by the transport union. Zokhawthar Welfare Association (ZWA), which was formed to channelize the benefits of trade for the development of the village, has its own means of collecting donation. For a decade benefits accrued from border trade goes mostly to Champhai region. It has dawn among the populace of Zokhawthar village to also partake in reaping the benefits of trade. Being located in the trade zone, community leaders and elite members of the village felt the need take advantage of the village location to further the development of the village. With the formation of ZWA, it started to collect donation and from that

donation, they injected back into the community. ZWA supported various institutions. Where there is shortage of fund for funding the salary needed for an extra teacher ZWA intervene, it helps in the running of schools and Anganwadi Centres. It also provides welfare to the poor and desolate. While ZWA works for the development of the community some traders feel the collection of donation to resemble extortion as the amount is prefixed rather than resting it on the spirit of voluntary. Whether they want it or not they have to pay. At times this often led to a contentious conflict of interest among traders and the community.

#### *4) Informal Trade and Conflicts*

According to Taneja (2004), Thomas (2000), and Singh (2011), the domination of informal trade has its linkages to problems in formalizing trade. Informal trade flourishes when the mechanism in place fails to provide scope for the conduct of formal trade. Zokhawthar trade sector has its share of problems. Inadequacy of staff, lack of standardized infrastructure and equipment, the dominance of high tariffs, existence of various groups with diverse interest, the imported oriented economy of Mizoram, and the existence of various unmanned entry points favour the continuation of informal trade on a large scale. According to some input by ground officials, around 90% of the trade is carried out through informal trade. In the event of a conflict arising out of informal trade, the hands of Government are tie-up to some extent as it cannot openly acknowledge the existence of informal trade. And to involve with greater role would only mean to acknowledge it which in turn can create greater problems. And it is a known fact that the benefits of informal trade percolate and runs deeper.

Border trade open up various opportunities and to channelize the benefits it paves for the mushrooming of various groups. An offshoot of trade is the formation of various groups of interest that specifically thrive on border trade. Different transport groups, trader's unions and porter unions came into existence and conflicts of interest often arise among the various groups. In such a situation, even the power of Government apparatus is limited to resolve the conflict and the least it could do is called for a joint meeting and facilitates discussion to resolve issues under the table. In the absence of a proper mechanism for conflict resolution, at times it leads to violent outbreak, bandhs, and roadblocks on several occasions. Behind every conflict lies embedded the power to control trade. It is the fight to dominate and control trade that often leads to closing down of trade and blockage of road on the Indian side. Although the transaction of trade took place, goods are piled up at zero point (Composite Land Customs compound). In the words of Peilei (name assigned to a manager of porters and goods in Myanmar) who observed differently on the democratic set up says, "*In Myanmar, such kind of incident hardly occur, and if at all it occurs it is dealt by the concerned Government. Maybe in a democratic setup, this is inevitable as it can breed different groups with distinct interest. In 2019 itself, trade on the Indian side was halted a couple of times. And in every dispute, the worst sufferers are the people whose livelihood center on trade, working as porters and drivers*". In the absence of

systematically regulations and control mechanism under the ambit of a single administrative setup, conflict is bound to happen in the future. And the worst sufferers are the people who depend on the smooth and continuous flow of trade for their livelihood and sustenance.

Considering the time frame of commencement of border trade across Zokhawthar and Rih, development is slow. Although border trade has brought along with it structural changes in the areas of infrastructure and in employment per se. Connectivity as well has improved lessening the geographical handicap of the region. Yet, the benefits it accrued from these change has not made any larger substantive impact on the economies of the region well to the hype it generates since the beginning of its inception. Fostering for the growth and development of this trade will require first and foremost addressing those pertinent issues which ails the trade zone. Standardization of infrastructure and proper management is of utmost important to promote trade at higher level and to helpsustain the growing nature of trade. And people's institutions which help advance trade and development needs to be strengthened through accelerating their skills, knowledge and in managing conflicts.

## **Conclusion**

The commencement of Zokhawthar – Rih border trade has become a major lifeline for the state of Mizoram. The dependence on Silchar for goods has substantially decreased. Critical infrastructure and connectivity has improved and strengthened. The upcoming waterway the Kaladan Multimodal Transit Transport Project once completed will connect the Sittwe port that will ease trade and connectivity thereby marking a new vista to boost international connectivity. And the continual promotion of livelihood across the population especially to villages enroute border trade zone reverberate the importance of border trade in the lives of the people.

Mizoram being import driven economy; the continuous flow of border trade is vital. In spite of the continual flow of trade for more than a decade, however, development along this trade corridor remains slow. Alongside its positive impact, its growth is marred by infrastructure inadequacy, unfriendly policies couple with frequent disputes that disrupt normal and smooth transaction of trade. Injecting standardized infrastructure and equipment, capitalization of human development and framing of workable conflict resolution are areas that required attention if significant dividend is to be derived. As Kravis (1970) argues trade alone will not promote growth unless supported by other institutional changes. Institutions which are built on account of border trade need to be strengthened equip and prepare to embody change. For which, the capabilities of people who are involved need to be capitalized in the form of developing their skills and knowledge.

It is imperative to inject infrastructure to broaden trade and to come up with systematic measures to resolvedisputes. Unresolved dispute could escalate and breed new problems that could adversely impinge upon people where around 6% of the population of Mizoram depends on this trade for their livelihood (Romalsawma, 2000). Traversing from



Look East to Act East, the change in terminology need to be back by actions as well. It is time to shift the gear from 'Looking' to 'Acting' accordingly in order to reap the intended benefits.

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