



INDIA'S MOMENT *with* MYANMAR

THE PROMISE *and* CHALLENGES
of a NEW RELATIONSHIP

A Report



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Contents

I	Foreward	01
II	Introduction	02
III	Aspen India's Recommendations for a Stronger Indo-Myanmar Relationship The Big Picture: Government to Government	04
IV	Forging Stronger Business and Economic Ties	07
V	Conclusions	09
VI	Annexure: List of Participants	10

Aspen Institute India promotes values-based leadership, open dialogue and cross-sector outreach by engaging the civil society, government, private sector, and other key stakeholders on issues related to India's development. It invites industrial, economic, financial, political, social and cultural leaders to discuss these issues in settings that encourage frank and open dialogue.

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Foreword

The Aspen Institute India brought together a group of knowledgeable persons, under the Chairmanship of Ambassador S.K. Lambah to a Round Table to discuss India-Myanmar relations and strategy, on 4 May 2012. The gradual transition of Myanmar to a managed democracy was the context and backdrop and participation included a former Ambassador to Myanmar, experts on the North-East and others.

In this document, a summary of the principal points which emerged is reported. Clearly, action is needed on several fronts by the Government, the public sector and the private sector to deepen bilateral engagement and build a strong, strategic relationship. Multiple initiatives offer scope, to fit into a medium term plan.

The time is now since the window of opportunity is short vis-à-vis existing and emerging competition. An empowered, high-level Task Force needs to frame strategy, decide on action and closely monitor implementation.

Aspen Institute India trusts that this document will be of some value.

India's Moment *with Myanmar*:

The Promise *and Challenges of a New Relationship*

Introduction

Myanmar's recent successful by-elections and its gradual transition to democracy opens a new chapter of opportunity in Indo-Myanmar relations. With significant changes taking place in Myanmar since November 2010 that has had an impact on its polity, economy, society and foreign affairs, its relations with the external world is evolving steadily.

Today, while much of these changes are top-down, it is however the expectation that this transition is irreversible. Therefore, while the broad direction is set, the actual pace of change is yet to be gauged. India must also be aware of the fact that Myanmar has not totally changed. It would be a truism yet paradoxical to say that the new Myanmar is not truly new. There is a complex transition underway in this nation of about 52 million people with about 130 ethnic communities.

Even as the international community finally takes serious note of the winds of change, India's future relationship will be defined by its historical relationship as it will be by strategic and economic paradigms.

India and Myanmar enjoy a deep-rooted and multi-faceted relationship. While some of the historic, cultural and societal connections are obvious, much of it is not so well known. Our shared Buddhist heritage is one of many abiding bonds. Our peoples living across the borders share ties of culture and history. These include Bahadur Shah Zafar's tomb in Yangon where the Mughal Empire was finally laid to rest; Tilak's place of confinement in Mandalay and the palace of the last king of Burma Thibaw in Ratnagiri, Maharashtra. Before India's Independence, the support that Subhash Chandra Bose's Indian National Army (INA) received

in Burma is also unquestionable. After independence, Prime Minister Jawaharlal Nehru and Burma's Aung San and later U Nu embraced non-alignment. Although policies and priorities changed in subsequent decades in both the countries, the ties of historical bonds cannot easily be cut.

Myanmar is also important to India from a host of strategic and geo-political reasons. Given its geographical location, Myanmar's domestic and foreign policies have a high potential to directly impact several significant aspects of India's strategic interests.

The first is the protection of India's territorial integrity in the northeastern parts of the country. Four of India's sensitive north eastern states—Arunachal Pradesh, Manipur, Mizoram and Nagaland—have borders with China, Bangladesh and Myanmar. They share a highly porous 1,463-kilometre border with Myanmar. Except for Arunachal Pradesh, all the states have seen protracted insurgencies, some of which have the support of neighbouring countries. The elimination of long running insurgencies in the northeastern states is not possible without the proactive cooperation of Bangladesh and Myanmar. With Myanmar having a large coastal line, India's strategic interests in the Indian Ocean and the Bay of Bengal as well as the security of the Andaman and Nicobar Islands is also linked to our sustained good ties with Myanmar.

Secondly, the economic growth and development of India's remote northeastern states is also linked to our relationship with Myanmar. For example, it makes much good economic sense for the northeastern states to source their requirements of consumer

goods and other daily necessities from neighbouring Myanmar rather than only depend on the long and expensive, transport of these goods from other parts of India. These states and northern Myanmar can constitute a natural economic zone; this win-win situation needs to be re-established. The economic importance of Myanmar also lies in the fact that it is a storehouse of natural resources, especially that of natural gas of which it has more 90 million tonnes in reserves.

Third, China's footprint in Myanmar is the largest among all of India's Asian neighbours. Since 1988 China has been Myanmar's pre-eminent international patron. The conventional belief is that there are over 2 million Chinese in Myanmar today. Myanmar's economy is increasingly linked with the Chinese economy. The country is flooded with Chinese goods; it dominates the oil and gas exploration and mining sectors and has a large presence in the development of infrastructure and hydro power projects. It is also developing four large multipurpose Special Economic Zones (SEZs) there. These factors invest Myanmar with enormous strategic significance for India. It is therefore imperative for India to refashion its economic and political equations that guards its interests vis-a-vis China.

Western countries beginning to overcome their deep seated reservations about Myanmar's democracy initiatives, are in the process of lifting long standing sanctions and are poised to dramatically step up their economic engagement with Myanmar.

Countries in the Asia Pacific region are also showing new interest in reviving ties with Myanmar. With time, these nations will step up the game in the region. Japan also has a special relationship with Myanmar and is viewed most favourably by Myanmar. In fact, it has even decided to waive off the \$ 3.7 billion dollars of outstanding debts with Myanmar.

Therefore, with the world fast taking note of Myanmar, the new window of opportunity for India could be relatively smaller and of limited duration within which India has to stamp its own footprint and one which has to be much larger than the current projects and vision in Myanmar suggest.

For India, this would be best achieved through providing Myanmar attractive stakes in a close symbiotic economic relationship with India. In the contemporary world, economic relations are increasingly shaping the contours of political relations and laying the foundations for strategic congruence. India offers such an opportunity here and now with Myanmar.

Our neighbourly relations have been further

strengthened in recent times through political exchanges including bilateral visits. The forthcoming visit of the Indian Prime Minister Dr. Manmohan Singh therefore holds special significance.

But while we need to have our eyes on the immediate future, it would be in our larger interest to have a longer term strategy spanning about 15 to 20 years. In sum, India's policy options toward Myanmar have to be considered in the context of these overarching imperatives.



Aspen India's Recommendations *for a* **Stronger Indo-Myanmar Relationship**

The Big Picture:

Government to Government

- The context for building a new relationship with Myanmar has to be understood in the backdrop of India's continued dialogue with Myanmar for the last 15 years on the concept of an inclusive process of national reconciliation and transition to democracy.
- Recent years have not only witnessed robust bilateral cooperation but also a number of high-level visits. Our relations with Myanmar encompass a number of important areas like security, trade and investment, energy, capacity-building, health and education, science and technology, as well as infrastructure development. Enhanced connectivity between our two countries is also of mutual interest.
- It has been almost 20 years since India enunciated its Look East Policy (LEP). This policy has yielded many benefits, including closer strategic contact between India and Asian countries. Increasingly, this policy will also be impacted by how far we have been able to interlink our eastern and north eastern regions to the rest of Asia.
- Myanmar should therefore become an integral part of India's Look East Policy. It has the potential of strengthening India's relations with all ASEAN member states in particular.
- Much has also been said the world over about the 'Asian century.' If we transport ourselves in time for a moment to an era when the Silk Route was an important part of the intercourse between Europe, Asia and Africa for so many centuries, the promise of Myanmar as a new link in that modern day New Silk Route cannot be underestimated. Importantly, the traditional Silk Route was not only important for the exchange of goods and precious metals, but also for the spread of ideas and knowledge. It was, in fact, a major factor in the developments of the great civilizations of India, China, Persia, Egypt and Rome. The metaphor of the Silk Route is a useful one today, especially for those of us seeking a common bond to foster Asian stability.
- The development of the north eastern part of India is integral to India's policy on Myanmar. North East is a corridor and a transit route to South East Asia. But at the same time, India-Myanmar economic relations must not be made hostage to the progress made in India's North East as well as with Bangladesh. It can be developed independently.
- Security occupies centre stage in any discussion about South and Central Asia. It is necessary to find solutions beyond the obvious, to understand the contexts rather than to give one-size-fits-all formulaic solutions. We should be ready to work together with the Myanmar government to accelerate the process of development in the areas bordering India. This has traditionally been viewed as an area of common security concern but it is also a new economic frontier. We have cooperated against armed insurgency; however, it is the planned connectivity and development projects in the Rakhine and Chin States and Sagaing Region which are today of special importance.
- More players are entering Myanmar and this means more competition for India. India still has a largely land bound approach to Myanmar. It also needs a maritime boundary-based approach towards Myanmar. In fact, India's maritime border with Myanmar is longer



than India's land border with Myanmar. India can have an open and clear access to Myanmar through the open seas. The proposed sea-route from Sittwe to Kolkata as part of the Kaladan multi modal transit transport project, is an important step in this direction. Thailand has also invited India to have this kind of access through the building of the Chennai-Dawei corridor to connect Southern India's emerging industrial hubs to the proposed industrial and economic hub at Dawei. We must take up this opportunity.

- The community of People of Indian Origin (PIOs) – more than a million strong in Myanmar – is symbolic of our historical links as nations. As Myanmar enters a new economic era – there are hopes for their economic progress as an integral part of the Myanmar nation. These are essentially from the Trading Community and they need to

be re-connected. An outreach program is needed.

- People-to-people contacts therefore have to be strengthened. We have been extending courtesies to Buddhist pilgrims from Myanmar and have also tried to encourage more tourist visits by extending our tourist visa-on-arrival scheme to Myanmar nationals. These efforts should be carried forward. Myanmar has also made requests to set up monasteries and sought the help of the Archaeological Survey of India in the restoration of their monuments. Implementing such requests could strengthen the 'soft' engagement and goodwill among the two nations.
- The level of healthcare infrastructure and facilities in Myanmar is very low. The World Health Organization has rated Myanmar 189 out of 194 countries in terms of total health expenditure per-capita and total health expen-

diture as percentage of GDP (~2%). Morbidity and mortality due to diseases such as malaria and tuberculosis is very high in Myanmar (Myanmar is one of the 22 high-TB burden countries globally). The prevalence of HIV virus in general population is increasing. India can play a huge role by helping set up hospitals in Myanmar and supplying them with doctors and medicines. In the field of education, we can even think of a reservation policy for students coming in from Myanmar. The issue of refugees from Myanmar in India should also be given some priority attention.

- India accorded high priority to the rebuilding of Afghanistan as a nation through investment in various development and reconstruction projects and political visits. Besides core infrastructure projects such as the 218 km Zaranj-Delaram highway, a 202 km transmission line to light up the city of Kabul, construction of the Afghan Parliament and Indian Chancery building, etc, India has committed itself to various people-to-people initiatives in healthcare, education and skill development positively impacting the people of Afghanistan. An innovative scheme focusing on small and community based development projects in fields such as agriculture, rural development, solar energy, vocational training etc has especially had a direct impact on community life. India has also met with a fair degree of success with its 'Africa Fund'. It could explore the use of such models in its engagement with Myanmar.
- India has offered a new concessional facility of US \$ 500 million line of credit to Myanmar for specific projects, including irrigation projects. In the health sector, we are undertaking the upgradation of the Yangon Children's Hospital and the Sittwe General Hospital and are working on establishing tele-medicine connections between the Yangon General Hospital and leading Indian service providers. In the agriculture sector, we have assisted in setting up of disaster proof rice warehouses in disaster prone areas, have supplied agricultural machin-

ery under a US \$ 10 million grant and are working on establishing an Advanced Centre for Agricultural Research and Education focusing on Myanmar's key crops, namely rice, pulses and oilseeds. A rice Bio-park is also to be set up. India is also considering ways of collaborating in science and technology, biotechnology, ICT, electronics and renewable energy. In the future, there is need to expand and strengthen all such efforts.

- In order to enhance capacity building among the Myanmar youth, India has set up the Myanmar-India Centre for English Language Training, Yangon, Myanmar-India Entrepreneurship Development Centre, Yangon, India-Myanmar Centre for Enhancement of IT Skills, Yangon and the Industrial Training Centre in Pakokku. Another Industrial Training Centre is being set up at Myingyan. We are also working on setting up an IT institute in Mandalay. All these institutes have been conceptualized keeping the needs of the Myanmar student and industrial community in mind. We have also offered over 250 scholarships for short term and long term courses in Indian training institutions under the ITEC, TCS and ICCR scholarship programmes. India's flagship National Skill Development Corporation (NSDC) could also reach out to Myanmar to extend help in skill development and vocational training.
- The track record of India in regard to infrastructure projects being done in Myanmar is reportedly poor. These need to be completed quickly to create renewed confidence in India amongst the Myanmarese. Key issues in execution of projects such as the Kaladan multi modal transit transport project, the Tamanthi and Shwezaye Hydro-electric power projects, the India-Myanmar-Thailand trilateral highway etc include inadequate project preparation, coordination challenges among various planning and implementing agencies, inadequate addressal of issues raised by ethnic groups and the civil society, and difficulties in financial structuring and funding of projects. It is critical to address these issues in future projects by suitable institu-

tional and implementation mechanisms. An independent and effective institution or authority can be created to simplify administrative procedures, avoid delays in getting permissions and clearances from various agencies, ensure effective coordination and exchange of information among Governments, technical groups, implementing agencies, financial institutions etc and bring in a 'program management' discipline to project execution. At the pre-implementation stage, high quality project preparation is critical, and must go beyond the techno-commercial aspects and cover institutional, social and environmental aspects as well. Private sector participation in funding, implementation and operations could be explored, with adequate under-writing of risks by Government of India, to bring in efficiencies and ensuring service delivery after creation of infrastructure assets.



Forging Stronger Business and Economic Ties

- At the outset, it is important to understand Myanmar's economic priorities: a financially viable government; resources to build much-needed infrastructure, especially ports and rural roads; allow increased space for economic activity by private entrepreneurs that is free from state or military patronage; develop Myanmar's natural resources—especially natural gas, hydropower, timber, and gems; and work with the international community in clearing debts in arrears owed to the Asian Development Bank and World Bank. Crucially, these economic priorities should be the foundation of a new business and economic relationship between India and Myanmar.
- The current state of Indo-Myanmar commercial relations is healthy, but below its full potential. Annual bi-

lateral trade amounts to US\$ 1.4 billion at present and we have mutually agreed to set a target of doubling bilateral trade to \$ 3 billion by 2015. The balance of trade has always been in favour of Myanmar. Linking Myanmar's agro potential with the Indian market could be a way of the future. + China is now Myanmar's largest trade partner, accounting for about US\$ 4.7 billion, of which the border trade amounts to about 50 per cent. Out of the US\$ 2.9 billion Myanmar-Thai bilateral trade, the border trade represents US\$ 300 million. The total bilateral trade between Bangladesh and Myanmar is about US\$ 150 million, of which border trade represents US\$ 9 million. Total bilateral trade with India was US\$ 1.4 billion, out of which border trade accounted for only US\$ 2.9 million. Informal trade flourishes. According to a study conducted by the Indian Institute of Foreign Trade, informal trade at Tamu-Moreh sector alone was estimated at US\$ 500 million against a paltry US\$ 2.9 million of formal trade. It has to be the endeavour of both the countries to correct this distortion.

- India's investment in Myanmar is quite low: just US\$ 189 million without taking into account the US\$ 1.33 billion investment by ONGC and GAIL. The prospects are good, especially as India has an FTA with the ASEAN. Private sector involvement in both the North East part of India and Myanmar can be enhanced if the government offers insurance cover packages that will reduce the political and economic risks involved in doing business here.
- Myanmar's potential for hydrocarbons and mineral resources is large. Its oilfields are a century old and there is potential for oil and gas both onshore and offshore as Yetagun and Yadana demonstrate. Even during the years when political contacts were shunned, Western oil companies remained active in Myanmar. Apart from upstream activity, there is potential for collaboration in the future on refining and perhaps even setting petrochemicals plants. + Indian companies are actively assessing op-

portunities in Myanmar. The response to the Enterprise India Show held in Myanmar in November 2011 was encouraging and many Indian companies are now engaged in follow-up activity.

- With the Myanmar economy opening up and the world showing greater interest, India has to think big and look consciously for a high profile entry. One of the important new initiatives that India could take up is the setting up of a large, multi-purpose Special Economic Zone around Sittwe. Setting up of another SME-oriented SEZ should also be considered in or near Setpyitpyin (Kaletwa), to which point the Kaladan river is being made navigable, in the region adjoining the Indian border which happens to be amongst the most backward areas in Myanmar.
- India is currently upgrading the Sittwe port and making 225 km of the Kaladan river from Sittwe to Setpyitpyin (Kaletwa) navigable. This point would be connected to Mizoram by a 62 km road which India is committed to construct. The Kolkata-Sittwe sea route is only 539 km. These projects are designed to provide connectivity between mainland India and its northeastern states through the Indian Ocean and Myanmar territory. Sittwe is the hub of these transport connectivity arrangements. The SEZ could have power plants, fertilizers, plastics, chemicals and other downstream industries, export-oriented greenfield projects, tourism complexes, a super-specialty hospital, housing complexes and educational institutions as an integral part of the master plan. Select Indian companies can be encouraged to invest and participate. Such a project would create a high impact economic region for planned and sustainable long term socio-economic development in the country. The need of the hour is to systematically create economic opportunities by bringing together industry and people in well-planned localized areas, with adequate enabling infrastructure and public services. Availability of world-class infrastructure can be a differentiator for Myanmar and

improve its competitiveness as a destination for industry and business investment.

- India's north eastern states and Myanmar should be the main target markets of many products manufactured in the SEZs to once again make India's north eastern states and northern Myanmar a natural economic zone, which they historically were, providing a sustainable economic life line to the north eastern states. But this would require enormous fast-paced infrastructure development on the Indian side of the border with Myanmar which is primitive and is hardly geared to handle the traffic that would be generated due to the Kaladan project.
- Indian private sector companies have a good track record of setting up greenfield airports and ports. These could be additional areas of our collaboration.
- In terms of land connectivity, India's National Thermal Power Corporation (NTPC) has envisioned a vision plan for the next 20 years. Additional rail link and the Sittwe-Aizwal-North Assam road link are also new plans. These should be viewed as long term strategic investments from India and expedited.
- As mentioned earlier, India must also think in terms of leveraging the Indian population living in Myanmar. Further, the border towns have a large number Chettiars. By establishing ties with them, we can build a network of traders and engage better with South East Asia. Thus, they can be leveraged by India to become one of India's best trading assets.
- Finally, India must ensure that on-going projects are expedited and completed. There has to be an appropriate mechanism focused on monitoring and facilitating fast track execution of all Indian projects. There is a feeling in some quarters in Myanmar that India is not able to deliver on its projects. We must change that perception.

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Conclusions

1. A first and immediate high priority task would be to constitute an Empowered Task Force to urgently formulate a project-oriented action plan incorporating the elements outlined above and to provide focused attention for at least the next two years to ensure the smooth and timely implementation of the new India plans for Myanmar. The second priority task is to put in place a dedicated empowered mechanism to ensure the priority grant of clearances to ensure implementation at the earliest.
2. Military to Military cooperation should be enhanced and deepened.
3. Non-Government Institutes could play a useful role, supplemental, by engaging with the pro-democracy political party and other non-military organisations.
4. Select Indian corporates need to be engaged with Myanmar.
5. People to people contacts need attention and action especially between young Indians and young Myanmarese.
6. The hurdles and barriers to trade, especially at the border, need to be resolved urgently. In addition, transit facilitating through Bangladesh need to be concluded. And, Myanmar should be given SAFTA benefits for export to India.
7. The "AID" team in MEA should be fully involved in the work with Myanmar.
8. Prime Minister Manmohan Singh's visit to Myanmar in May 2012 offers immense possibilities. The government's endeavour should be to scale new heights in deepening our relations with Myanmar and the surrounding region. Clearly, we are at a tipping point in our relationship with Myanmar. An invitation will no doubt be extended to Aung San Suu Kyi to visit India.

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Annexure

List of Participants

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