

A bridge not too far

Exploring Opportunities for Strengthening Regional Connectivity through Infrastructural Improvements in Myanmar

This Policy Brief identifies several key infrastructure gaps along the studied corridors in Myanmar that hinder the effective implementation of regional road connectivity initiatives. These gaps are not only limited to hard infrastructure, but also related to soft infrastructure. This Policy Brief highlights possible measures to develop infrastructure in Myanmar for its successful integration with Bangladesh and India.

Introduction

Improved connectivity in the Bangladesh, Bhutan, India and Nepal (BBIN) and Myanmar sub-region can usher in all-inclusive prosperity for the involved countries. While Myanmar shares long stretches of border and deep historical and cultural ties with India and Bangladesh, its trade and economic connectivity with these countries remains stunted. According to the study of CUTS International in association with Myanmar Marketing Research & Development (MMRD), Myanmar's infrastructure obstacles are crucial factors hindering connectivity with Bangladesh and India.

This study focusses on two major road corridors: (1) Myawaddy-Yangon-Mandalay-Tamu corridor that leads to India; and (2) Pyarpon-Bogalay-Yangon- Sittwe-Maungdaw corridor to Bangladesh in Myanmar. The study has collected observations from several key stakeholders who are involved in trading activities.

Current State of Infrastructure: *Facts from the Ground*

Among all the selected indicators of hard and soft infrastructure, the following are the ones that need attention of the policymakers.

Outdated Border Customs Clearance System

Current customs system used for trade transactions between Myanmar-India and Myanmar-Bangladesh is obsolete. Myanmar's Customs has installed the Myanmar Automated Cargo Clearance System (MACCS), based on the Japanese Nippon Automated Cargo and Port Consolidated System (NACCS) and the Customs Intelligence Database System (CIS). Although the system has been installed in Myanmar-Thailand's Myawaddy-Mae Sot border checkpoint, the same is not available in border points connecting Myanmar to India and Bangladesh.

Infrastructure obstacles are crucial factors hindering the connectivity of Myanmar with Bangladesh and India.

Poor Performance of Banking System

An agreement has been made between Myanmar Economic Bank's (MEB) Tamu branch and United Bank of India's (UBI) Moreh branch to allow up to US\$10,000 worth of trade value per bank draft and to trade under Letter of Credit (LoC) if the amount exceeds US\$10,000.

Similarly, a Memorandum of Understanding (MoU) has been signed for cooperation between Myanmar's MEB and Bangladesh's AB Bank Ltd. for facilitating payments through bank draft. Despite these bank-to-bank agreements most of the trade transactions are done by barter which are not reflected in official statistics, causing loss of the country's revenue and illicit trade.

Capacity and Resource Gaps

Myanmar's traders and transport operators still need to build their own proficiency, both in hard and soft skills, to deal with multinational transactions. Financial capital and human resources of local transport operators are still rather restricted and non-containerised trucks continue to be used in the corridors. Truckers do not know the English language and, hence, are unable to understand international traffic rules and regulations. The competence of local transportation services has to be enhanced to keep pace with international transport movement.

Absence of Agricultural Training Programmes

Agricultural products are the main items of trade between Myanmar and India. The present study noted that there is an absence of workshops on the quality of seeds, usage of seeds and fertilisers and farming processes for Myanmar farmers. Myanmar farmers do farming on the basis of knowledge handed down to them by their ancestors, family or friends. The formal and

advanced techniques of cultivation are scarce. Moreover, the majority of farmers are not in touch with technology, such as e-services, therefore, the monetary transactions are made in cash only.

Lack of warehouses, Mechanical Handling Equipment and Plant Quarantine

There is lack of sophisticated warehouses near the selected borders. All warehouses in Tamu and Sittwe have only minimal and basic infrastructure. There are no cold storage facilities operated under warehouse management systems. Hence, the preservation of perishable products becomes a problem.

Also, there are no cranes, forklifts and other equipments for handling cargo. The movement of cargo is done manually by labourers. Testing facilities are not available at the borders. As a result of this, samples are sent to Nay Pyi Taw for testing and the trucks carrying the consignments have to wait for a week to get the clearance done.

Damaged Road Infrastructure for Myanmar-India and Myanmar-Bangladesh

For Myanmar-India connectivity, Indian government is helping to upgrade the Kalewa-Yagyi road stretch of 120 km (75 miles). This road section has been damaged year after year by heavy rains, forcing trucks to follow the longer Gangaw-Pontaung-Ponnya road. The upgradation of Kalewa-Yagyi road along this trade corridor will provide more logistical facilities to transport operators.

The National Highways Authority of India awarded US\$190mn towards construction and maintenance of the Kalewa-Yagyi section in Myanmar through a joint venture of Punj Lloyd and Varaha Infra Ltd. There are 69 bridges between Kale and Tamu (81 miles) which need to be upgraded. The current

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bridges are too narrow for two vehicles to pass simultaneously. The renovation of bridges will involve the Indian government in its assistance plan for Myanmar.

Similarly, there are infrastructural gaps in Myanmar-Bangladesh corridor. Direct road connectivity is impossible as there are over 70 nautical miles across the sea from Sittwe to Teknaf. Therefore, multi-modal connectivity will help to streamline connectivity between Myanmar and Bangladesh.

Policy Recommendations

There are a number of steps to initiate cross border transit for Myanmar to its west. These are:

- Myanmar could embrace the use of IT to simplify and streamline trade related procedures by implementing National Single Window (NSW). This system can help local traders to perform documentation required in each trade transaction across national borders in one single portal. Currently, e-Customs system (MACCS) is available only in Yangon and Myawaddy and this has to be made available in Tamu, Sittwe and Maungdaw for further simplification of procedures for trade with India and Bangladesh.
- Myanmar has to invest more in developing food and drug testing facilities near its borders. The present testing facilities in Tamu, Sittwe and Maungdaw are weak. Majority of Myanmar's imports from India include pharmaceutical products, which are necessary to be certified by Food and Drug Administration (FDA). FDA has three testing laboratories in Yangon, Mandalay and Nay Pyi Taw. For import of food and pharmaceutical products, the samples have to be sent to these testing centres for certification. This process is time consuming as it can take up to six months for each certification. Therefore, building of testing facilities near the borders is imperative for trade facilitation.
- Myanmar has to pay attention to proper practices to be followed by way of banking systems and linkages for bank-to-bank transactions. Formalisation of payment system is important to offset smuggling and informal trade. Despite, official claims that banking systems have been developed; banking is still at a premature stage as Indian banks are still not issuing LoCs.
- To formalise trade, domestic banks should be encouraged to make trade finance available to

Myanmar's exporters. Here, interventions by an International Organisation, such as the Asian Development Bank (ADB) to promote finance for cross-border trade between Myanmar and India is necessary. Local banks should be encouraged to enrol in ADB's Trade Finance Programme (TFP) which guarantees trade finance instruments, such as LoCs, to be available to importers and exporters.

- Myanmar-India cross-border transport of goods could be linked to the dry port in Mandalay. Myanmar is currently constructing a dry port in Myitnge, Mandalay Region, the trade and logistics hub in the northern part of the country, and it is slated for completion in 2019. This dry port is to promote cross-border trade with China. The government should also consider the dry port to be an essential transportation hub to intensify cross-border trade with India as well.
- Road infrastructure renovation is necessary in Tamu-Monywa road section for cross-border trade facilitation. Stakeholders in Myanmar-India corridor proposed that renovation of Kalewa-Yagyi road, which is the shortest route for trade to be expedited. Once completed, the transportation time of consignment between Monywa and Tamu can be reduced from the current 12 hours to only 5 hours.
- Improvement of jetties and port facilities is essential for Myanmar-Bangladesh connectivity.

Currently, cross-border trade between Myanmar and Bangladesh is highly dependent on waterways. The main border point is Shwe Min Gan Jetty in Sittwe. The Yae Chan Pyin Ferry Dock which transports trucks from Sittwe to Maungdaw requires upgrading.

- Fish farming should be promoted in Rakhine State which borders with Bangladesh. Fishery products are Myanmar's main export item to Bangladesh via the border. Currently, fish and fish products are sourced from Myanmar's Delta region via Yangon, which can take up to one week for transportation to Sittwe or Maungdaw border checkpoints. The traders incur high costs and products suffer degradation of quality due to the long distance. Proximity of production points to the export market can reduce the time and cost involved in trading.
- The development of Kayin Chaung Economic Zone near Maungdaw, the main border trade hub with Bangladesh, is a good opportunity to promote public-private partnership in Rakhine State for Myanmar-Bangladesh connectivity. More investments from private sector need to be attracted by the state to tackle infrastructure gaps.

To address all such infrastructural inadequacies, the countries of the region need to work together with vigour and purpose if the benefits of connectivity initiatives like the BBIN MVA are to be reaped.

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