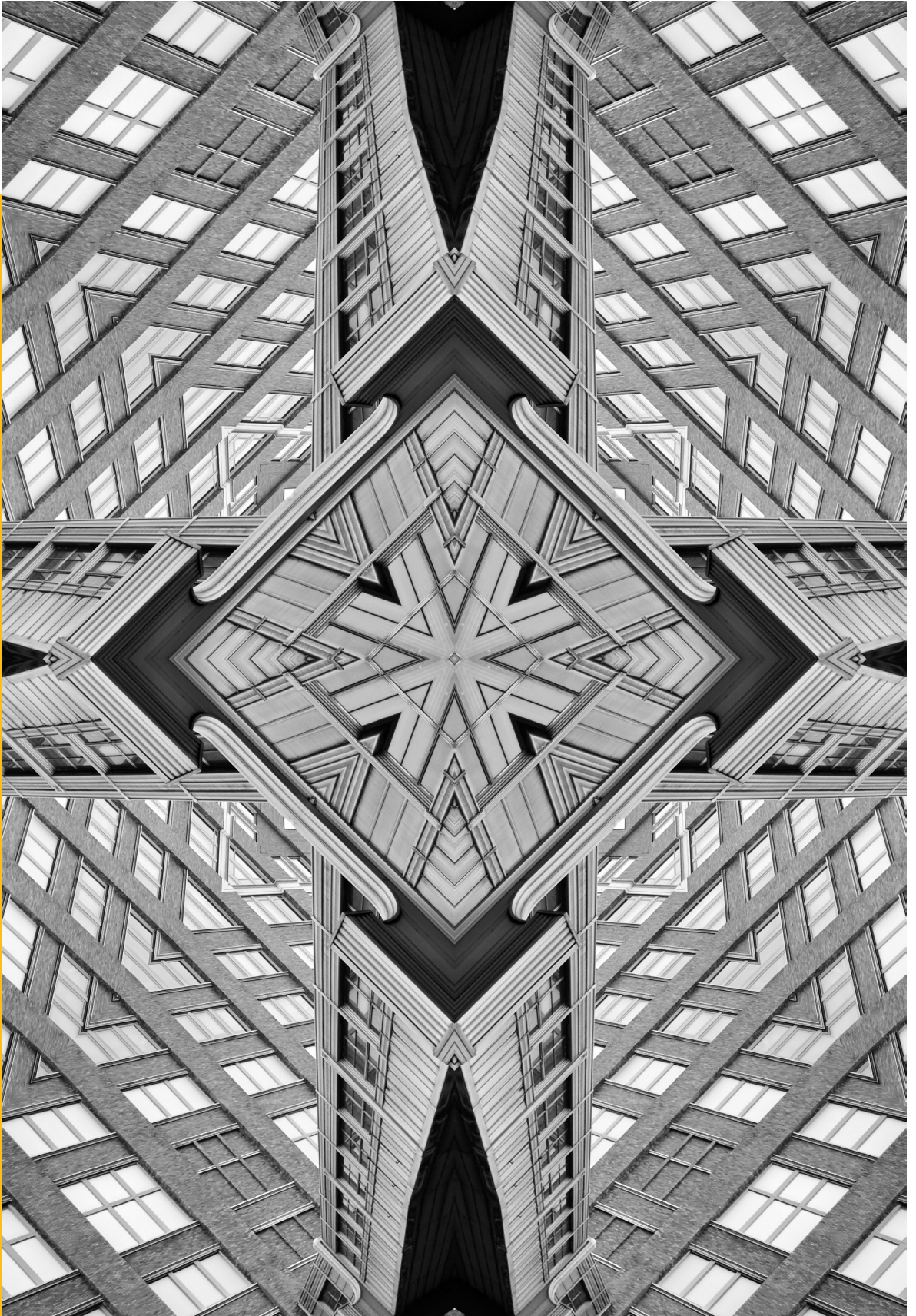


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Facilitating India-Myanmar Trade Through Sittwe Port: Opportunities and Challenges

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Abstract

Sittwe Port in Myanmar's Rakhine State is part of India's Kaladan Multimodal Transit Transport project. It connects India's northeastern states to the Bay of Bengal, advancing the country's Act East policy and strengthening regional connectivity. Operational since May 2023, the port has handled over 109,000 tonnes of cargo so far, showcasing its potential to bolster trade. However, challenges to the port's commercial viability persist, including Myanmar's political instability, insurgency threats, and infrastructural delays. These challenges need to be addressed, as Sittwe Port holds strategic importance in countering China's Belt and Road Initiative and fostering regional cooperation under frameworks such as the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation. This paper examines the operational readiness, economic imperatives, and strategic significance of Sittwe Port while exploring avenues for enhancing its role in promoting regional integration and stability.

Advancing connectivity, particularly maritime connectivity, is a cornerstone of India's regional strategy and underpins trade facilitation, energy security, and diplomatic engagement, acting as a conduit for socio-economic growth and geopolitical stability.¹ Key maritime routes in India's vicinity, such as in the Bay of Bengal, are essential for connecting South Asia and Southeast Asia, fostering collaborations that reflect the aspirations of India's Act East policy.

The Indian government's decision in April 2024 to take complete control of Sittwe Port through India Ports Global Ltd. (IPGL) exemplifies this strategic intent.² Sittwe Port, positioned at a pivotal maritime crossroads in Myanmar's Rakhine Province, is a linchpin for the Kaladan Multi-Modal Transit Transport Project (KMMTTP), which was approved in 2008, directly linking India's Northeast to Myanmar and the Bay of Bengal. This project not only enhances India's logistical capabilities but also consolidates the country's position as an important regional player in groupings such as the South Asian Free Trade Area (SAFTA) and the Association of Southeast Asian Nations-India Free Trade Area (AIFTA), as well as the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC).

Under IPGL's operational management, Sittwe Port is positioned to bridge geographical and economic distances while fostering people-to-people ties. By facilitating trade transactions in Indian Rupees and investing in infrastructure upgrades, the port is a testament to India's ambitions of creating a resilient and inclusive regional connectivity framework.

However, operationalising Sittwe Port is contingent on addressing various challenges, including its commercial viability and Myanmar's political instability, particularly following recent advances by the Arakan Army (AA). Hurdles include ensuring that the port generates adequate trade volumes to cover operational costs and navigating the growing complexities of Myanmar's post-coup dynamics.

Introduction



This paper examines the operational readiness, economic imperatives, and geopolitical relevance of Sittwe Port. It highlights the opportunities and barriers to leveraging this strategic asset to redefine India's role in the Indo-Pacific and Bay of Bengal regions. The paper aims to provide a comprehensive understanding of the port's role in reshaping regional dynamics by integrating perspectives on trade, infrastructure, security, and diplomacy.

The Significance of Sittwe Port

The Bay of Bengal is a vital maritime corridor that facilitates a substantial volume of international trade, particularly for energy imports from the Middle East to the rising economies of Asia. As ports along the Indian eastern coastline, such as Vizag and Paradip, become connected with the newly operationalised Chennai-Vladivostok trade route, the importance of the Bay of Bengal will only heighten.³ Strategically located in the Bay of Bengal, Sittwe Port enhances India's role in the Indo-Pacific region and strengthens its position in sub-regional initiatives such as the BIMSTEC. The port occupies a pivotal position, providing maritime access to a region at the crossroads of South Asia and Southeast Asia, thus fostering regional integration and cooperation. Historically, the Bay of Bengal region has served as a conduit for trade and cultural exchanges between civilisations. Today, it is a theatre of strategic competition among powers such as India, China, and the United States. The opportunities for connecting the states located in India's Northeast with ports from East India (Kolkata port) are highlighted in Map 1.

Map 1: Connectivity Between East and Northeast India Through Sittwe Port



Source: Prabir De (2023)⁴

The Significance of Sittwe Port

The port was operationalised on 9 May 2023, with the Minister of Ports, Shipping and Waterways and Ayush inaugurating the new terminal of Sittwe Port by receiving an inbound cargo vessel that had sailed from Kolkata port on 4 May 2023. At the time of writing, the port has been operating for more than 430 days, handling some 70 vessels carrying 83,000 tonnes of relief cargo and 30 vessels transporting 26,000 tonnes of commercial cargo, amounting to a combined total of 109,000 tonnes.⁵

The infrastructure at Sittwe Port has been built with the evolving business potential in mind. It includes pier jetties that reach into the river, offering adequate depth to support vessels up to 20,000 Dead Weight Tonnage, although the port primarily caters to smaller coastal ships.⁶ Developed with Indian assistance, these modern jetties are tailored for handling small-scale cargo vessels. Meanwhile, the older jetties at Sittwe Port continue to handle general cargo, such as rice, timber, and pulses, which are predominantly transported to Yangon.⁷

Utilising the Sittwe–Chittagong–Sabroom–Agartala route via water and land will reduce the transportation time from four to only two days, saving money and time as well as reducing carbon emissions.⁸ As part of India’s KMMTTP initiative, the port is designed to connect India’s landlocked northeastern states to the Bay of Bengal via sea, river, and road routes.^a Therefore, by reducing logistical challenges and strengthening connectivity, Sittwe Port bolsters India’s integration with its northeastern states, which has been a longstanding strategic priority.

The completion and operationalisation of Sittwe Port allows India to establish a strategic foothold in Myanmar. While China has cultivated deeper engagement with Myanmar across economic, political, and strategic dimensions—most notably through projects under the China-Myanmar Economic Corridor (CMEC), under which the Kyaukphyu

a The KMMTTP consists of two parts, the first being the waterways component, which is completed. This component includes the construction of the port and Inland Water Transport (IWT) terminal, along with backup facilities at Sittwe and Paletwa; dredging activities at Sittwe Port and along the 158-km Sittwe-Paletwa river stretch; and the delivery of six IWT vessels. However, the second part, i.e., the road transport component, involving the construction of a 109-km double-lane highway between Paletwa and Zorinpui, has been long delayed and is still in progress (See: <https://www.orfonline.org/research/india-s-connectivity-projects-with-myanmar-post-coup-a-stocktaking>). Once completed, this newly constructed connectivity linkage will provide an alternative to the narrow Siliguri Corridor (commonly referred to as the “Chicken’s Neck”) for accessing India’s northeastern region.

The Significance of Sittwe Port

deep-sea port is waiting to be established—Sittwe Port positions India as a credible and significant partner for the Southeast Asian neighbour. By successfully delivering this project, India demonstrates its ability to execute infrastructure initiatives that can directly benefit Myanmar's trade and development opportunities, on the one hand, and bolster its internal and external connectivity linkages, on the other. This accomplishment also allows India to exercise greater influence in the region, offering Myanmar an alternative to China's dominant presence.

Before the coup in 2021, Myanmar had been diversifying its partner base to reduce its dependence on China. However, the coup and the resultant backlash from Western nations and regional blocs have made Myanmar more dependent on China, which was instrumental in shielding the former against criticisms from the UN Security Council.⁹

Economically, Sittwe Port creates opportunities for trade, energy imports, and resource sharing, particularly given Rakhine State's rich oil and natural gas resources. For now, the primary commodities in Myanmar's export basket to India include rice, timber, fish and seafood, petroleum products, and garments and textiles.¹⁰ The port also facilitates the import of crucial construction materials such as cement, steel, bricks, and other vital commodities from India.¹¹ Improved connectivity could stimulate bilateral trade and investment flows, benefiting both India and Myanmar. Moreover, development in the region could contribute to socio-economic stability in Rakhine, which has been plagued by ethnic conflicts and the Rohingya crisis. By creating economic opportunities, Indian initiatives through Sittwe Port could address some of the underlying grievances in this volatile region, aligning with India's broader regional security goals.¹²

Besides offering enhanced export opportunities from India to Myanmar, Sittwe Port creates the possibility of sending consignments to India's Northeast states and facilitating exports from these states. However, as the land connections between Sittwe Port and the northeastern states are yet to be completed, business opportunities are not immediately expected.¹³ The port can also serve as a gateway for Indian products to adjoining ASEAN countries like Thailand and Laos, provided Myanmar's political and economic environment, in general, and Rakhine State in particular remain favourable.¹⁴

The Significance of Sittwe Port

Given this broader context, the port not only supports India's strategic interests but also underlines its commitment to promoting connectivity, stability, and prosperity in the Bay of Bengal and beyond. The Sittwe Port is, therefore, a cornerstone of India's efforts to secure its trade routes, counter external influences, and play a more assertive role in the regional geopolitical landscape.

Determinants of Commercial Viability

The commercial viability of a newly constructed port depends on multiple interconnected factors that influence its functionality and sustainability. Three aspects deserve particular attention in this regard.

First, factors relating to operational ease surrounding the port (e.g., room for adequate draft to allow larger container ships, favourable waves, and sea currents along the route to reach the port; logistic access in behind-the-border areas) are important for securing future business growth. Sittwe, a deepwater port, can handle vessels carrying cargo up to 20,000 DWT, and small-to-mid-sized container ships can safely access the berths therein.¹⁵

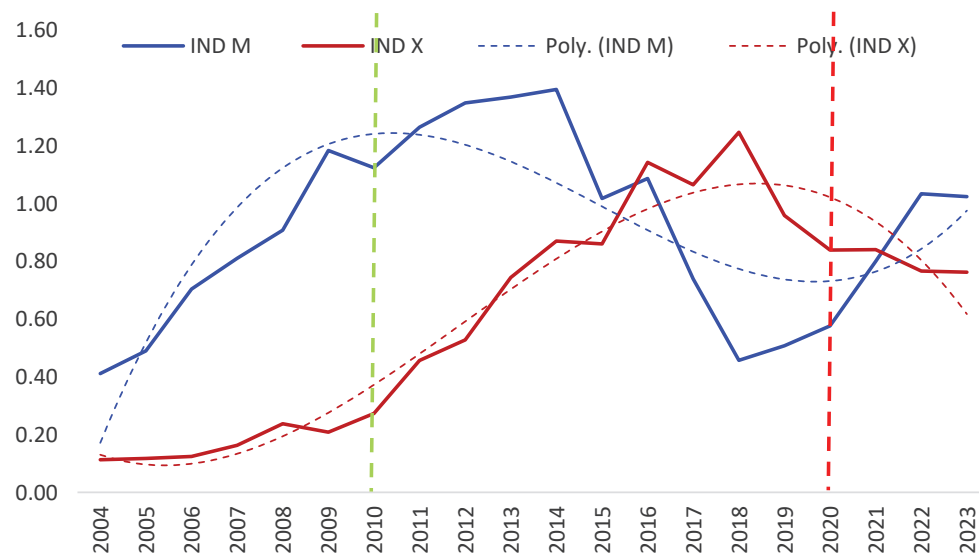
Second, the state of technology installed in a port determines the volume of cargo handling. Sittwe Port, being a crucial part of the KMMTTP initiative, has a suitably planned infrastructure, with appropriate provisions for critical machinery such as dockside cranes, container gantries, and Roll-on-Roll-off (RoRo) tug masters.¹⁶ The planned infrastructure allows for the berthing of commercial vessels with a Length Overall (LOA) of 219 metres, capable of transporting a large cargo volume.¹⁷

Third, both-way cargo movements through a port ultimately depend on economic factors (e.g., current and anticipated demand proximity between partnering countries, export and import complementarity and similarity patterns, and the presence of a trade agreement). As the economic shortfall in this case may overshadow the geographical and technological-infrastructure advantages, there is a need to analyse the former in the context of broad trends from recent Indo-Myanmar bilateral trade flows. Two questions are of utmost interest. First, it needs to be ascertained whether the current level of trade flows offers reasons for optimism. Second, based on past trends and future expectations, it needs to be considered whether the extent of bilateral value-chain integration might deepen, which may lead to specialisation benefits and, in turn, future trade opportunities.

India-Myanmar Trade Flows: Emerging Trends

From the India-Myanmar aggregate trade pattern, along with their trendlines over the last two decades (Figure 1), it is evident that while trade between the two countries has moved in the right direction, the trends have been fluctuating in the last few years. The bilateral trade volume increased after India and the ASEAN countries entered the AIFTA in 2010. However, Indian imports from Myanmar declined after 2014, while the corresponding export figures declined from 2018 onwards. While Indian imports from Myanmar began rising from 2018 onwards, exports are still declining. While India's exports to Myanmar have declined from US\$1.24 billion to US\$0.76 billion from 2018 to 2023, the corresponding import figures stood at US\$0.45 billion and US\$1.04 billion, respectively. The quantum of trade is only modestly impressive. Besides, as the trade balance has tilted in favour of Myanmar, the country is not under any pressure to implement destabilising measures.

Figure 1: India-Myanmar Trade: Engagement Scenario (US\$ Billion)



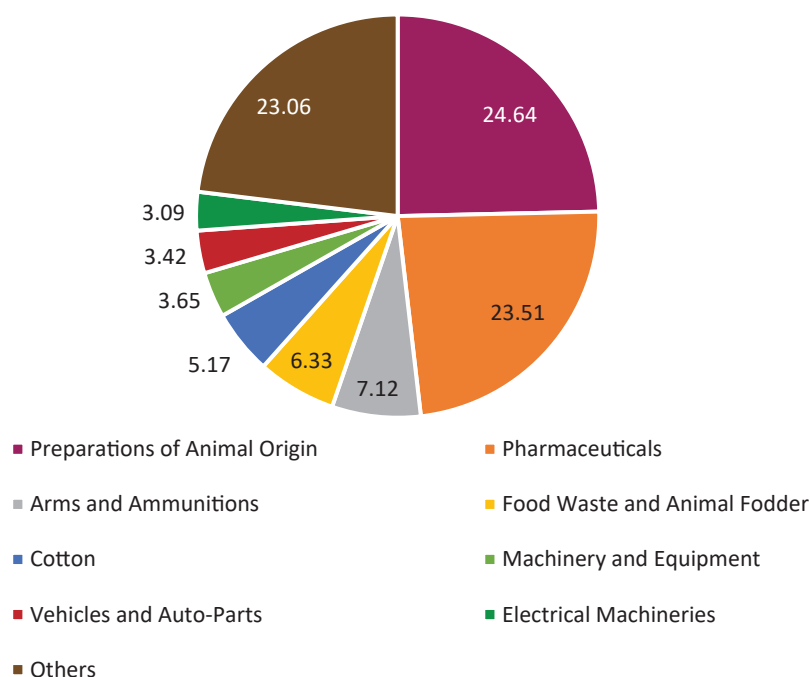
Source: Authors' own (constructed from Trade Map¹⁸ data)

India-Myanmar Trade Flows: Emerging Trends

Figures 2 and 3 show the composition scenarios for Indian export and import baskets to Myanmar. Figure 2 shows that eight sectors collectively account for around 75 percent of India's export basket to Myanmar. India's export basket is considerably diversified and includes both capital-intensive products (auto parts and vehicles, arms and ammunition, pharmaceuticals, machinery, electrical machinery) and primary (cotton, food waste, preparations of animal origin).

Meanwhile, as seen in Figure 3, Indian imports from Myanmar are concentrated in the edible vegetables sector, which accounts for more than four-fifths of total trade flows. Other commodities are concentrated across the primary (fish and marine products, fruit and nuts), mineral (lead and zinc), and material-intensive (wood and rubber) categories. The absence of adequate diversification in Myanmar's exports to India raises questions about the possibility of any rapid increase in inward cargo movements through Sittwe Port, unless a rising demand is generated in the Indian market.

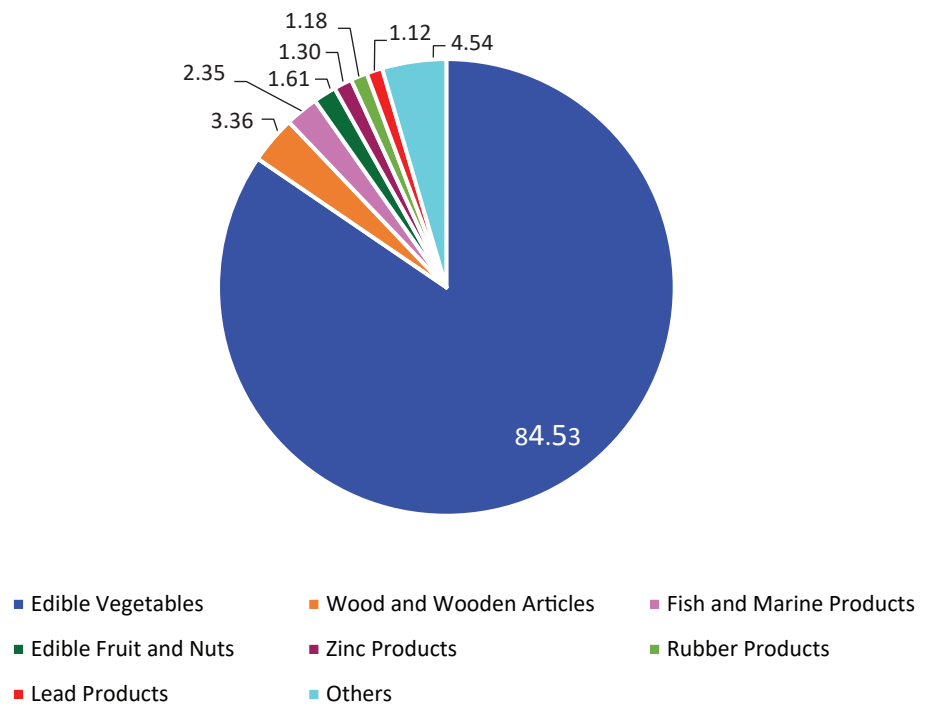
Figure 2: Indian Export Composition to Myanmar in 2023 (%)



Source: Authors' own (constructed from Trade Map data)

India-Myanmar Trade Flows: Emerging Trends

Figure 3: Indian Import Composition to Myanmar in 2023 (%)



Source: Authors' own (Constructed from Trade Map data)

To understand the evolving trade dynamics, the average export and import growth rates since 2010 are computed for sectors characterised by higher trade flows, which are reported in Table 1. It is apparent from the upper panel of the table that India has witnessed the highest export growth in the arms and ammunition sector, which has emerged as an opportunity in recent years (2021-23). Export growth has also been relatively higher in other primary segments (e.g., food waste and animal fodder, cotton and preparations of animal origin). The relatively lower growth of Indian manufacturing exports in recent years poses a potential challenge for the future, particularly when viewed in light of the future trade quantum of Sittwe Port. In particular, a large proportion of the cargo from India is transported to Yangon. Given the recent advances of the AA in Rakhine and their political relations with the authorities controlling Yangon, a decline in trade volume is anticipated.

India-Myanmar Trade Flows: Emerging Trends

Table 1: Growth Dynamics in Major Traded Sectors (%)

Indian Major Exports to Myanmar			
Sectors	2010-15	2016-19	2021-23
Preparations of Animal Origin	35.68	-23.06	5.17
Pharma Products	19.67	6.82	-15.69
Arms and Ammunitions	-	-	346.33
Food Waste and Animal Fodder	24.95	14.67	50.23
Cotton	30.61	3.27	5.80
Machinery and Equipment	20.86	13.63	2.23
Vehicles and Auto-Parts	40.65	3.27	1.39
Electrical Machineries	27.96	-1.75	-18.58
Indian Major Imports from Myanmar			
Sectors	2010-15	2016-19	2021-23
Edible Vegetables	4.31	-19.75	11.93
Wood and Wooden Articles	-19.12	-15.81	-10.45
Fish and Marine Products	52.90	26.10	11.77
Edible Fruit and Nuts	67.31	-81.57	5.69
Zinc Products	-	124.98	40.12
Rubber Products	-31.98	99.64	-6.96
Lead Products	-	18.08	128.39

Source: Authors' own (Computed from Trade Map data)

India-Myanmar Trade Flows: Emerging Trends

Meanwhile, from the bottom panel of the table, it is evident that the highest import growth rates are noted in the case of lead and zinc products, which are characterised by a modest trade base. While the import growth rate is also comparatively higher for edible vegetables, fish, and marine products, the current import level of the latter sector is also relatively modest. While a rise in exports in the short run can be anticipated in the arms and ammunition and food-waste sectors along with growing imports in the edible-vegetable segment, trade in the other sectors is expected to cross critical levels only in the long term.

Legally and Commercially Together?

With India's decision to not join the Regional Comprehensive Economic Partnership (RCEP) mega-bloc involving ASEAN and its six FTA partners in 2020, the country's exports to Myanmar might suffer further due to a trade diversion effect.¹⁹ However, the disadvantages of not participating in the RCEP bloc can be partially compensated by India's growing enthusiasm for the BIMSTEC arrangement in recent years.

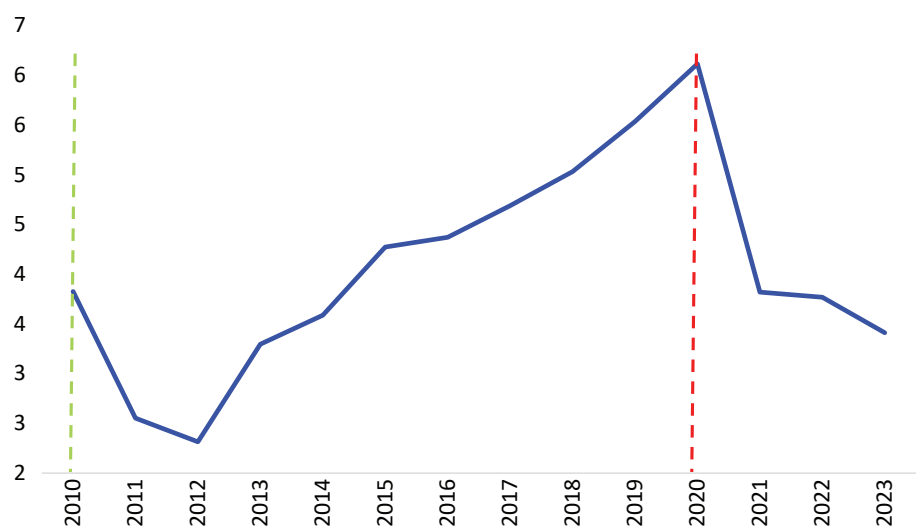
While the idea of BIMSTEC was introduced in the late 1990s for economic and political reasons, the collaborations were slow to progress in its initial years. However, since the launch of the Act East policy in 2014, India has been actively participating in various BIMSTEC forums, including developing the India-Myanmar-Thailand Trilateral Highway and the KMMTTP initiative to enhance regional connectivity and economic cooperation.²⁰ Among the initiatives that may facilitate bilateral trade flows in the future is the BIMSTEC Trade Facilitation Strategic Framework 2030.^{b,21} Once trade facilitation cooperation improves across the member countries, particularly Myanmar, Sittwe Port can become a gateway for augmenting India-ASEAN bilateral trade volumes.

While the benefits of the BIMSTEC trade facilitation cooperation framework will be realised in the long run, short-term opportunities can be tracked based on the Export Similarity Index (ESI) and Trade Complementarity Index (TCI), computed from the Indo-Myanmar bilateral trade data at Harmonized System (HS) classifications at the two-digit level. The value of both indices ranges over a zero-to-hundred-point scale. The computed aggregate ESI index for India and Myanmar is reported in Figure 4. Higher values of the ESI index over time indicate increasing similarities between the export basket of a country (India) and the same of its trade partner (in this case, Myanmar). Rising ESI values in bilateral trade underline the possibility of potential conflicts in the export interests of the two trade partners in the future. However, as the figure shows, the bilateral ESI index has consistently remained low while witnessing a sharp

b The BIMSTEC Trade Facilitation Strategic Framework 2030, developed with the Asian Development Bank (ADB), aims to enhance trade facilitation among member states by addressing existing challenges and fostering a cohesive regional approach. It provides recommendations for soft and hard infrastructure development, capacity-building strategies, and cooperation, considering the varied capacities of member states. Guided by principles like country ownership, results-oriented pragmatism, private sector involvement, and partnerships with development partners, the framework emphasises funding through both internal and external resources to achieve its goals by 2030.

decline from 2020 onwards. In other words, a trade tussle between India and Myanmar, with the emergence of a protectionist undercurrent owing to export rivalry, is not expected. Notably, after 2020, i.e., following India's withdrawal from the RCEP negotiations, the ESI between the two countries has fallen significantly.

Figure 4: Export Similarity Scenario between India and Myanmar



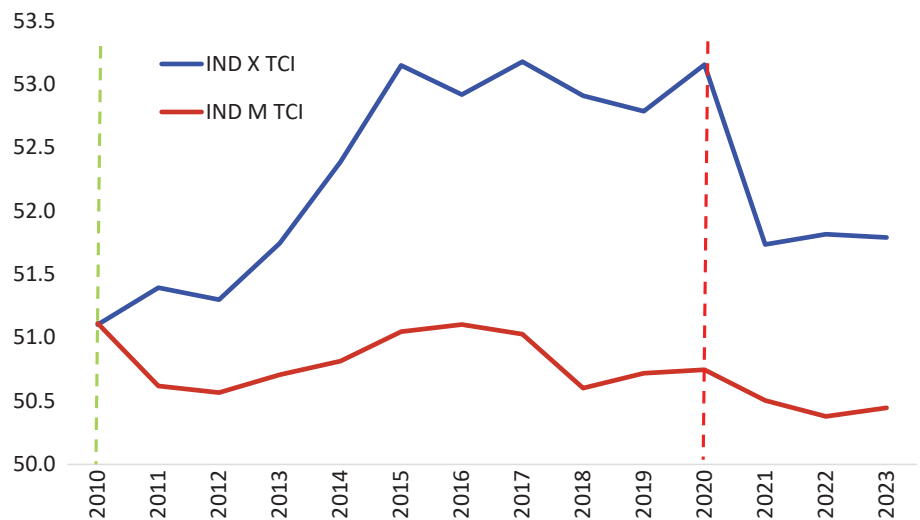
Source: Authors' own (Computed from Trade Map data)

Conversely, higher values of TCI in exports over time indicate increasing complementarities between the export basket of a country (India) and the import basket of its trade partner (i.e., Myanmar), and vice-versa. Rising TCI values in bilateral trade underline the possibility of smooth trade growth in the future, given the growing complementarities in demand and supply patterns of the trade partners. The computed TCI indices involving India exports–Myanmar imports and India imports–Myanmar exports are reported in Figure 6. Both the index values oscillate cyclically around 50, indicating modest complementarities in bilateral trade patterns. The TCI patterns underline the reasons behind the modest trade scenario reported

Legally and Commercially Together?

in Figure 2, despite the otherwise favourable ESI patterns seen in Figure 4. Notably, after 2020, India's export TCI with Myanmar has decreased, while any corresponding effect in the country's import TCI has not been observed.

Figure 5: Trade Complementarity Scenario Between India and Myanmar



Source: Authors' own (Computed from Trade Map data)

Current trade flows are modest, necessitating an examination of the future trade potential between the two countries in leading sectors. Table 2 reports the five-year average potential trade between the two countries over the last decade. The potential trade volume has been determined by considering the difference between the highest trade potential (given by the minimum global export potential of the exploring country, i.e., India, and the global import potential of the importing country, i.e., Myanmar) from the actual volume of bilateral trade, and vice-versa. If the trade potential is narrowing over time, then the countries are reaching the limit of their potential bilateral sectoral trade flows. Conversely, rising trade potential implies that the two countries can enhance bilateral trade flows by effectively catering to prevailing demand and supply dynamics.

Table 2: Annual Average Trade Potential (US\$ Million)

Indian Major Exports to Myanmar		
Sectors	2014-18	2019-23
Preparations of Animal Origin	Data Problem	Data Problem
Pharma Products	224.12	307.78
Arms and Ammunitions	Data Problem	Data Problem
Food Waste and Animal Fodder	134.54	311. 28
Cotton	59.76	93.07
Machinery and Equipment	1759.40	1276.20
Vehicles and Auto-Parts	2143.42	642.22
Electrical Machineries	1067.79	1046.40

High Potential?

Indian Major Imports from Myanmar		
Sectors	2014-18	2019-23
Edible Vegetables	412.04	784.53
Wood and Wooden Articles	Data Problem	76.57
Fish and Marine Products	68.36	128.63
Edible Fruit and Nuts	246.19	422.29
Zinc Products	Data Problem	15.31
Rubber Products	172.43	334.15
Lead Products	8.18	18.20

Source: Authors' own (Computed from Trade Map data)

Given the modest trade growth, the widening trade potential across different sectors, which already dominate the current trade basket, can be considered a redeeming factor. Moreover, once Sittwe Port is fully operational, the resulting freight cost advantages may create newer opportunities for other sectors that are currently underexplored. Realising the unfulfilled trade potential, both in currently traded and upcoming segments, can enhance the operational viability of Sittwe Port.

Value-Added Trade Scenario

Over the last two decades, the International Production Networks (IPNs) in key industrial sectors have spread across East and Southeast Asia.²² Given the deepening of these IPNs and the spread of forward and backward linkages, India has evolved as a network partner to a number of East and Southeast Asian players in several manufacturing segments, such as the IT industry.²³ In this context, an analysis of existing IPN linkages between India and Myanmar is necessary to ascertain whether they can gravitate towards a deeper value-chain-led trade pattern that covers the bilateral flows of intermediate products instead of primary commodities and mineral-led exchanges.

Findings involving India and Myanmar (along with ASEAN) from the analysis of detailed country-wise breakdowns of origin of value added in gross export figures, derived from Trade in Value-Added (TiVA) data, maintained by the Organisation for Economic Co-operation and Development (OECD), are reported in Tables 3-5. The figures reported in the tables can be interpreted in the following manner: When a country (e.g., India) exports a finished product (e.g., motor vehicles), it may obtain the necessary raw materials/intermediate components (e.g., clutch, gearbox) from either domestic or foreign suppliers. A proportional rise in the procurement of intermediate components in final exports from a partner country (reported as percentage share) implies deepening integration of its sectoral value chain with that trade partner.

Table 3 shows Myanmar's value-chain integration as an exporter of intermediate commodities in the final exports of key Indian manufacturing segments. At present, in INR 100 worth of final Indian exports, the value contribution from Myanmar is less than INR 1 in all the reported product categories. Barring a marginally increasing backward integration from Myanmar for Indian computer, electronic, and optical exports, a near-stagnation is observed in the other segments. Table 4 shows the corresponding figures for Indian intermediate products in key final exports from Myanmar. Interestingly, Myanmar's dependence on intermediate imports from India for key export segments has deepened over the years. Table 5 shows the composite value-chain integration of ASEAN countries in the selected Indian export categories. A generally fluctuating trend is

noticed, while India's backward integration with ASEAN reduced in several sectors (e.g., base metal, motor vehicles) over 2015-19.

Table 3: Value Chain Integration of Intermediate Imports from Myanmar in Final Exports from India (%)

Indian Export Sectors	2015	2016	2017	2018	2019	2020
Pharmaceuticals	0.02	0.02	0.01	0.02	0.01	0.02
Chemical Products	0.04	0.03	0.03	0.03	0.02	0.03
Textile, Apparel, Leather	0.03	0.03	0.02	0.03	0.02	0.02
Basic Metals	0.02	0.02	0.02	0.03	0.02	0.03
Fabricated Metal Products	0.01	0.02	0.02	0.02	0.02	0.02
Computer, Electronic, and Optical Products	0.03	0.03	0.04	0.04	0.05	0.06
Electrical Equipment	0.02	0.02	0.02	0.03	0.02	0.03
Machinery and Equipment n.e.c.	0.02	0.02	0.02	0.03	0.03	0.03
Motor Vehicles, etc.	0.02	0.03	0.02	0.02	0.02	0.02
Other Transport Equipment	0.02	0.03	0.02	0.02	0.02	0.02

Source: Authors' own²⁴

Table 4: Value Chain Integration of Intermediate Imports from India in Final Exports from Myanmar (%)

Myanmar Export Sectors	2015	2016	2017	2018	2019	2020
Pharmaceuticals	0.94	2.15	2.42	3.01	2.37	2.08
Chemical Products	0.96	2.29	1.86	1.94	1.29	0.95
Textile, Apparel, Leather	0.67	1.29	1.06	1.13	0.93	0.87
Basic Metals	1.03	1.63	2.03	2.24	1.38	1.38
Fabricated Metal Products	1.30	2.32	2.54	2.57	1.69	1.90
Computer, Electronic, and Optical Products	1.29	1.88	2.04	2.17	1.69	1.46
Electrical Equipment	1.44	2.25	2.43	2.66	1.99	1.83
Machinery and Equipment n.e.c.	1.47	2.37	2.52	2.52	1.94	1.85
Motor Vehicles, etc.	1.24	1.98	2.36	2.35	1.76	1.70
Other Transport Equipment	1.04	1.84	2.68	2.52	1.96	2.03

Source: Authors' own

Table 5: Value Chain Integration of Intermediate Imports from ASEAN in Final Exports from India (%)

Indian Export Sectors	2015	2016	2017	2018	2019	2020
Pharmaceuticals	1.79	1.69	1.64	1.90	1.90	1.66
Chemical Products	3.14	2.93	2.95	3.36	3.19	2.75
Textile, Apparel, Leather	2.15	2.15	2.15	2.34	2.24	1.99
Basic Metals	6.78	5.67	5.13	4.60	4.76	4.46
Fabricated Metal Products	3.43	2.94	2.75	2.55	2.56	2.45
Computer, Electronic, and Optical Products	3.40	3.15	3.27	3.80	4.02	3.58
Electrical Equipment	3.24	3.03	3.02	3.07	3.16	2.89
Machinery and Equipment n.e.c.	2.77	2.44	2.31	2.51	2.57	2.39
Motor Vehicles, etc.	3.44	3.19	3.18	3.17	3.33	2.95
Other Transport Equipment	2.79	2.66	2.44	2.32	2.95	2.67

Source: Authors' own

The value chain analysis over the 2015-20 period indicates that, as with final products, the possibility of enhancing trade in intermediate commodities with Myanmar is expected only in the long run. However, the objective of enhancing India-Myanmar trade through Sittwe Port can be fulfilled if the growing industrial base in Myanmar can partially replace India's intermediate trade with other ASEAN members. The offshoring of production units through outward investment by Indian firms in the industrial clusters of Myanmar would be key for this. Conversely, Indian exports of intermediate products can reach Sittwe Port not only to support the exports of final products from Myanmar but also to exports from other

Value-Added Trade Scenario

ASEAN countries. The potential exports of intermediate products from India to offshoring manufacturing units located in Special Economic Zones (SEZs) being developed in Thailand near the Myanmar border, namely, Tak and Kanchanaburi, deserve particular mention in this regard.²⁵

For enhancing bilateral trade (both in general and value-added forms) between the two partners, the deepening of economic activities in Myanmar in general and Rakhine in particular is important, which is, in turn, contingent upon the prevailing uncertainties. Estimates on value-added trade patterns between Northeast India, Rakhine, and the east-coast states of India would provide crucial inputs for Indian business houses to target appropriate segments in Myanmar for investment purposes. However, the OECD TiVA database reports the decomposition of value-added trade only at the aggregate country level and not from a sub-national perspective.

Rakhine State is dependent on primary produce and handicraft. However, as a result of continuing blockades and poor infrastructure, the economy of the region is struggling.²⁶ In addition, given the evolving scenario in Bangladesh,^c integrating entities from the Southeast Asian country into a regional value chain (RVC) in the near future seems unlikely. A survey of Indian businesses that are already engaging with counterparts from Myanmar, complemented by interactions with local stakeholders, would help identify the scope of GVCs or RVCs in the Bay of Bengal region in the long run.

It is apparent that, while Sittwe Port has immense potential to enhance trade and connectivity linkages between India and Myanmar, its operational and commercial success is closely tied to Myanmar's production patterns, which are, in turn, linked to the political and security dynamics of the country. The region's instability, however, poses multiple challenges, which must be addressed to unlock the port's full potential.

c The regime changes in Bangladesh, following the ouster of Sheikh Hasina in August 2024 and the establishment of an interim government led by Muhammad Yunus, have initiated a re-evaluation of key policies, including trade and regional cooperation. While efforts are being made to create a stable environment, shifting priorities, such as managing the Rohingya crisis and economic stabilisation, may delay long-term commitments to regional value chain integration.

Value-Added Trade Scenario

Apart from the possibility of enhancing bilateral trade flows through maritime routes, the completion of road infrastructure as part of the KMMTTP initiative can enhance border trade. India has developed the Moreh (in Manipur) and Zowkhathar (in Mizoram) land customs stations (LCS) in 1995 and 2004, through which border trade with Myanmar (through Tamu and Rhi LCS, respectively) can be facilitated. In 2017-18, Indo-Myanmar border trade stood at US\$0.02 million, which was a mere 0.01 percent of the overall border trade flows.²⁷ Moreover, most of the current border trade is concentrated in perishable categories. For instance, India's exports through border trade primarily consist of beans and pulses, capsicum, cumin, and wheat, and the corresponding import basket includes betel nuts, black pepper, and ginger.²⁸

The volume of bilateral border trade has suffered due to multiple challenges, including poor connectivity linkages, the persistence of non-tariff barriers, lack of quality infrastructure in LCSs, limited trade finance opportunities, and complexities pertaining to rules of origin.²⁹ The development of an all-weather transport framework and the opportunity to move refrigerated cargo will create newer trade opportunities, both in primary produce and their value-added edible segments.

Political and Security Aspects

Myanmar is in the midst of a brutal civil war between the military junta and various resistance groups, including Ethnic Armed Organisations (EAOs) and pro-democracy forces. The junta, which took control in February 2021 following the ousting of Aung San Suu Kyi's democratically elected government, faces widespread armed resistance. These resistance forces now control large swaths of territory, especially in the peripheral states of the country that share borders with neighbouring nations. The military's efforts to quash the rebellion have led to widespread violence, displacing hundreds of thousands and creating a humanitarian crisis, with over 18.6 million people in need of assistance.³⁰

Rakhine State, situated on the western side of Myanmar, is an underdeveloped region. Despite being rich in natural resources like gas and fisheries, Rakhine State contributes only approximately 5-6 percent to Myanmar's Gross Domestic Product (GDP).³¹ This limited contribution is primarily the result of underinvestment, poor connectivity, and the region's economic marginalisation. Activities related to agriculture, fisheries, and livestock dominate livelihoods in the area. Moreover, the region remains underproductive compared to national averages because of outdated techniques, limited market access, and inadequate support for modernisation and expansion.³²

Coupled with state neglect, the region's challenging terrain has also affected its development path. Rakhine has a fertile coastal strip crisscrossed by rivers and streams, which gives way to rugged, sparsely populated mountain ranges in the north and the east. This topography has historically hindered connectivity with neighbouring states and central Myanmar. Improvements were made only during the reform period from 2011 to 2021, including the construction of better roads, new bridges, and the development of the region's first connections to the national power grid.³³ Internet services also became available for the first time during this period. Despite these advances, only three significant roads presently link Rakhine State to central Myanmar, while connections with India and Bangladesh remain underdeveloped. Even today, most travel from Sittwe to northern Rakhine is conducted by boat.³⁴

Political and Security Aspects

Rakhine State's potential for economic growth is constrained by limited infrastructure and systemic neglect. The coup and subsequent internal strife have worsened conditions. According to a UNDP report, the Rakhine economy is severely affected by the ongoing war between the ethnic armed forces of the AA and the military junta, and critical sectors like trade, agriculture, and construction have been at a standstill since 2023.³⁵

Although Sittwe Port is owned and operated by India, its development has the potential to contribute to Rakhine State's GDP. The port can stimulate local economic activity by creating jobs and business opportunities in ancillary service segments like transportation, warehousing, and port services. It can also provide a platform for local producers to access international markets, boosting regional trade and exports. Additionally, infrastructure upgrades in roads, connectivity, and utilities linked to the port can enhance the productivity of local industries and agriculture. Furthermore, by opening Rakhine to international visitors, the port could unlock the region's tourism potential, generating additional revenue and improving livelihoods, in turn ensuring that the insurgency-related issues in the area remain in check.

The Indian government, in collaboration with the Myanmar military junta, has undertaken continued efforts to ensure the operational security of Sittwe Port, although the AA continues to impact the process. The AA currently controls key areas along Kaladan River, including the Ponnagyun, Kyauktaw, and Paletwa townships, with the exception of Sittwe.³⁶ However, ongoing attacks on Sittwe have prompted the Indian Consulate to relocate and issue safety advisories for Indian citizens in the region, as the AA appears intent on capturing the city.³⁷

India's initial reluctance to engage with the AA has been shaped by the latter's standing as an insurgent group liable for disrupting Indian borders. The AA operates extensively in Myanmar's Rakhine and Chin States—areas that border India's northeastern states, such as Mizoram and Manipur. Several insurgent groups from the Northeast India, including the United Liberation Front of Asom (ULFA), various factions of the National Socialist Council of Nagaland (NSCN), Kuki insurgent groups in Manipur, valley-based insurgent groups from Manipur, and other minor groups, have

Political and Security Aspects

maintained strong ties with some EAOs in Myanmar.³⁸ These insurgent groups have leveraged the support of EAOs such as the AA, the Chin National Army (CNA), and other Chin rebel factions to establish bases in Myanmar's Chin and Sagaing provinces. In turn, the EAOs have provided training, arms, and ammunition to the groups from northeastern region, strengthening their operational capabilities. Additionally, some factions of the NSCN, Zomi Revolutionary Army (ZRA), Kuki National Army (KNA), and CNA are known to operate on both sides of the India-Myanmar border, further complicating cross-border security dynamics.³⁹

The AA's 2019 abduction of 10 individuals, including five Indian nationals and a Myanmarese lawmaker, as they travelled from Paletwa to Kyauktaw also was not well received by New Delhi. Among the captives were two employees of Engineers Projects India Limited (EPIL), a government-owned firm involved in constructing the highway between Zorinpui and Paletwa.⁴⁰ The group was held for nearly five months, with one Indian worker succumbing to a heart attack during captivity.

Amid escalating conflicts between the AA and Myanmar's military, India terminated its contract with EPIL and its partner, C & C Construction Co. Ltd., in mid-2022, citing the uncertainty in Myanmar. The project was subsequently handed over to the Indian Railway Construction International Limited (IRCON), a public-sector company with international experience. Local subcontractors, Myanmar New Power Construction Limited and Su Htoo Sen, were enlisted to complete sections of the highway. This pragmatic strategy was aimed at fostering goodwill and minimising the risk of insurgent attacks on the project.⁴¹

The highway is scheduled for completion in 40 months, but the contract allows for delays from environmental, political, and security challenges. Furthermore, the progress made by the previous contractor will be reassessed, with provisions for reconstructing completed portions if necessary.⁴² In the current circumstances, a concrete timeline for project completion remains unclear.

Political and Security Aspects

However, the changing dynamics within Myanmar are pushing the Indian government to shift its attention and engage with the EAOs to maintain its security position and engagements. Strengthening ties with these groups, despite challenges, has become imperative to safeguarding India's connectivity initiatives and maintaining stability along its northeastern borders.

Strategic Significance Beyond Operations

Although security and political instability present hurdles, Sittwe Port's importance transcends several immediate challenges. Beyond operational concerns, it is a critical component of India's broader strategy to enhance regional influence and counterbalance competing powers, particularly China.

Sittwe Port's strategic importance extends beyond its operational capacity and cargo handling. It serves as a cornerstone of India's efforts to enhance its influence in the Bay of Bengal region, where China's Belt and Road Initiative (BRI) has made significant inroads. Positioned approximately 85 kilometres north of the China-backed Kyaukphyu Deep-Sea Port, Sittwe signifies India's capability to execute infrastructure projects that promote regional connectivity and cooperation.

Unlike Kyaukphyu, which primarily serves China's strategic interests by providing direct access to the Indian Ocean, Sittwe is designed as a multifaceted regional asset: It offers Myanmar an alternative to the current over-reliance on China while strengthening India-Myanmar economic ties and contributing to the latter's development. This further underscores India's approach to fostering partnerships rooted in inclusivity and mutual growth, in contrast to dominance-driven models.

China's maritime strategy in Myanmar extends beyond Kyaukphyu to other projects like Dawei and Thilawa, expanding its influence along the Bay of Bengal coastline. However, Myanmar's recent discussions with Russia about developing the Dawei deep seaport indicate its intent to diversify partnerships and reduce over-dependence on China.⁴³ Meanwhile, countries like India, Bangladesh, and Thailand are advancing their port infrastructure, creating a more competitive and cooperative maritime network. This collaboration—linking Sittwe, Matarbari in Bangladesh, and Ranong in Thailand—can rebalance regional dynamics by diversifying economic dependencies and reducing the influence of any single actor.⁴⁴ Sittwe bolsters India's standing as a critical player in the Bay of Bengal and the Indo-Pacific, in a region shaped by competition from powers like Japan, Russia, and the United States.

Strategic Significance Beyond Operations

In addition to the evolving dynamics in Myanmar, recent developments in Bangladesh further complicate the strategic scenario. Since the fall of the Awami League government in Bangladesh in August 2024, the caretaker government's approach to India has been inconsistent. Although trade has not been stabilised, India was recently denied the right to utilise Bangladesh as a transit point for bandwidth supply to the northeastern states.⁴⁵ It is anticipated that bilateral relations between the two countries may deteriorate over differences such as Sheikh Hasina's extradition from India,⁴⁶ the issue of minority rights in Bangladesh,⁴⁷ and controlling illegal immigration from Bangladesh. This raises concerns about India's long-term strategy of linking Sittwe Port with Matarbari on the one hand and accessing Chittagong Port to facilitate exports from northeastern states on the other. In anticipation of continued anti-India rhetoric in Bangladesh,⁴⁸ the maturity of Sittwe Port is critical for India's strategic and economic considerations.

Key Challenges and Constraints

Political Instability in Myanmar

The post-coup conflict among Myanmar's military junta, ethnic armed groups, and resistance forces can disrupt Sittwe Port's operations. Fighting in Rakhine State has also created uncertainty for infrastructure projects, with operations at the port being halted intermittently. Indian Union Minister for Ports, Shipping and Waterways Sri Sarbananda Sonowal confirmed that there are ongoing efforts to resume operations, highlighting collaboration between India and Myanmar for regional stability.⁴⁹

The escalating conflict in Rakhine State, with the AA reportedly seizing 15 of the 18 townships and securing key border points with Bangladesh and Paletwa in Chin State, which are vital for the KMMTTP, raises serious concerns about the viability of Sittwe Port.⁵⁰ While the port remains under the military junta's control, the surrounding instability and the AA's rejection of a Chinese ceasefire proposal suggest that fighting will likely persist. This increases risks for the port's operations, as territorial gains by the AA could lead to direct offensives on Sittwe Port or disrupt its supply routes and logistics. Even if the junta maintains control, ongoing conflict could deter shipping and undermine the port's functionality, impacting India's connectivity strategy.

Although the AA has assured external powers that connectivity projects will not be hindered if they come to power, military airstrikes on resistance-controlled areas pose risks to ongoing projects.⁵¹ Political uncertainty further complicates long-term planning and investor confidence. To address these challenges, the Indian government is maintaining communication with the junta, key EAOs, and the National Unity Government (the government-in-exile), to ensure the security of its projects and mitigate potential disruptions in the region. Indian Ambassador to Myanmar, Abhay Thakur, visited Sittwe Port on 16 and 17 January 2025 to assess its current activities and evaluate the prevailing situation.⁵² Earlier, Rajya Sabha member K. Vanlalvena met AA leaders and inspected the road component of the Kaladan Project in February 2024.⁵³

Key Challenges and Constraints

In the present scenario, the successful realisation of the Kaladan corridor hinges on Myanmar's ability to address its instability and simultaneously manage securitisation challenges associated with connectivity projects in conflict-prone regions.

Economic Viability

While the port is strategically significant, its financial viability will only become evident once full-scale operation of the port is possible. The cumulative concerns over the underdeveloped area, poor infrastructure, irregular shipping operations, decisions on local currency trading, lack of digital infrastructure, and limited trade volumes from Rakhine State will hinder the port's ability to become an economic hub, at least for the time being. The development of an economic zone around the port, intended to attract regional trade and investment, has not been progressing, thus limiting its effectiveness.

Without investments in complementary industries and regional development, the port's utilisation might remain low, thereby limiting its economic returns. However, the economic spillover effects from foreign investments in the region are contingent upon political uncertainty. In addition, the development potential of service sectors, which, in turn, can positively influence merchandise export prospects, remains low, given the non-realisation of such spillover effects. However, if the political and infrastructural challenges are addressed, Sittwe has the potential to evolve into a significant economic hub, benefiting Myanmar, India, and the broader region in the long term.

Population Discontent and Marginalisation

Effective connectivity projects must account for the needs of local populations. Rakhine State, which has long been economically marginalised, may view Sittwe as an eventuality that disproportionately benefits external interests, particularly those of India, unless the resulting development addresses local concerns. Failing to generate local employment and revenues risks exacerbating grievances, potentially undermining the port's long-term viability. Encouragement to Indian industries specialising in

Key Challenges and Constraints

agri-based processing in the short run and appropriate manufacturing segments (e.g., lead, rubber, and zinc-based industries) in the long run can lead to mutually beneficial outcomes.

Connectivity and Operational Issues

The KMMTTP, aimed at linking India's Northeast with Myanmar, has faced numerous challenges since its inception in 2008. Delays in the road component of 109-km Paletwa-Zorinpui highway persist due to legal, logistical, and security issues. The AA, which controls parts of the region, initially resisted the project but later assured support to safeguard local interests. Following the termination of contracts with previous contractors amid rising conflict, IRCON, partnering with Myanmar-based firms, has assumed control of the project. However, frequent military conflict, including junta airstrikes, poses ongoing risks. An early resolution of the conflicts in Myanmar is unlikely, and sporadic incidents might further delay progress.

In India, unresolved land compensation disputes and sub-standard infrastructure in Mizoram further hinder progress. Existing highways connecting Zorinpui to Lawngtlai and Aizawl need to be expanded to manage future trade volumes. Therefore, despite incremental developments, the project remains hampered by complex geopolitical, legal, and environmental challenges, significantly extending its completion timeline. Solving these challenges in a timebound manner would contribute to securing the operational viability of Sittwe Port.⁵⁴

Empowering the Border Community

The security concerns surrounding Sittwe Port and KMMTTP can be alleviated if the local population feels invested in the project. Fostering a clear understanding of the project's potential benefits among locals on both sides of the border is crucial. If communities see tangible improvements in their lives, they are more likely to safeguard the infrastructure, ensuring the smooth functioning of ports and roadways essential for economic development.

Incorporating the voices and aspirations of border communities, such as those in Northeast India and Myanmar, would enhance the sustainability and success of the launched initiatives. By fostering a sense of ownership, these projects can transform residents into active stakeholders in regional development. Currently, the lack of reliable roads for commuting in Myanmar underscores the need for better infrastructure, a necessity acknowledged even by the AA, which now supports the project. Addressing these gaps and promoting ground-level economic development to improve the livelihood of local communities is pivotal to achieving long-term stability and project success.

Engagement with All Stakeholders

As a democratic neighbour, India should adopt a multi-pronged approach to engage with Myanmar's military regime and other key stakeholders, including the National Unity Government (NUG), EAOs like the AA, and Chin armed groups like the Chin National Army. This inclusive strategy is vital to ensuring the security and progress of crucial connectivity projects that span territories controlled by pro-democracy forces, EAOs, and the AA.

Consequently, India has gradually opened formal channels of communication with diverse stakeholders, with a focus on junta-aligned entities. This was evident during a November 2024 conference in New Delhi, where India hosted a delegation comprising representatives from 11 political parties aligned with the State Administration Council (SAC), six NCA-signatory EAOs, and members of the junta's National Solidarity

and Peacemaking Negotiation Committee (NSPNC). The delegation also included members of the Centre for Peace and Reconciliation (CPR).⁵⁵ These interactions highlight India's efforts to navigate Myanmar's complex political landscape, safeguard its strategic interests, and foster regional stability.

Broadening this engagement to include other, non-junta-aligned groups is also crucial for crafting a more comprehensive and effective policy towards Myanmar. Balancing relations with all relevant actors must be a cornerstone of India's approach moving forward. India also needs to take a more proactive stance in endorsing the five-point ASEAN consensus—a move that the junta has yet to implement in entirety. It is essential for India to collaborate with Malaysia, the ASEAN Chair in 2025, to contribute to Myanmar's stability and bolster the oversight, completion, and operationalisation of critical infrastructure projects in the region, notably the Kaladan Multimodal project.

Coordination Between Central and Provincial Agencies

The involvement of central authorities such as the Ministry of Ports, Shipping & Waterways, the Ministry of Development of North Eastern Region (MDoNER), the Ministry of Road Transport and Highways (MoRTH), and the Ministry of Electronics and Information Technology (MeitY) is pivotal. These agencies play critical roles in overseeing road infrastructure linking India's northeastern region with Myanmar and addressing digital connectivity needs. Their engagement is, therefore, crucial for the success of the KMMTTP and other associated initiatives.

India should establish a dedicated monitoring team to evaluate the progress of each project to ensure effective oversight and implementation. A similar mechanism was created earlier in 2009, but it was ad-hoc and has not been consistently pursued.⁵⁶ Although national and sectoral-level meetings continue to monitor projects, and joint working groups and committees have been established, these efforts require greater institutionalisation and coherence to ensure sustained progress.


Way Forward



Achieving a consensus on the future of these projects necessitates coordination between central- and state-level agencies both in India and Myanmar. Indian authorities must work with all relevant stakeholders to address the procedural and operational challenges at project sites in Myanmar. This includes ensuring the alignment of objectives, timely resolution of bureaucratic hurdles, and effective oversight of project implementation. By fostering close cooperation between central ministries, provincial governments, and local authorities, India can ensure the efficient execution and long-term sustainability of critical connectivity projects, thereby enhancing regional integration and economic growth.

The Sagarmanthan 2024 dialogue in New Delhi in November 2024 highlighted the importance of the blue growth pillar, i.e., ‘building partnership to advance progress in maritime trade and commerce’.⁵⁷ In this context, Sittwe Port embodies India’s vision of fostering regional connectivity and development through strategic infrastructure.

Despite its strategic potential, the port faces significant challenges, including Myanmar’s volatile political climate, insurgency threats, and incomplete land connectivity to India’s northeastern states. These factors, coupled with modest India-Myanmar trade flows and infrastructural inefficiencies, hinder its full operationalisation. However, through engagement with local stakeholders, including ethnic armed groups like the AA, and investments in complementary infrastructure creation, India can effectively navigate these obstacles in the long run.

Sittwe Port symbolises a step towards a connected and stable Bay of Bengal region, in line with India’s Act East Policy. Apart from the pure economic undercurrents, Sittwe’s success depends on leveraging its strategic location to integrate with broader regional initiatives such as BIMSTEC and the India–Myanmar–Thailand Trilateral Highway. With sustained diplomatic and economic efforts, the port can become a regional hub, enhancing trade, fostering socio-economic development, and reinforcing India’s role as a critical player in the Bay of Bengal region as well as in the Indo-Pacific theatre. 

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