

"INDO-MYANMAR BORDER TRADE AFTER THE 2021 MILITARY COUP: DISRUPTIONS AND STRATEGIC CONCERNS "

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ABSTRACT

The Military Coup that took place in 2021 in Myanmar has been a defining moment for Myanmar's political direction and, most importantly, the cross-border trade relations with India. This paper will delve into the extent and impact of the coup on the trade relations with India. Particular focus is given to the security, informal trade, and the broad area of strategic concerns surrounding China's influence in the Myanmar border regions. The study draws its findings solely from secondary materials — such as scholarly works, policy documents, trade data, and media reports. It argues that a nuanced reassessment of India's border trade strategy is necessary—one that integrates economic goals with security and geopolitical imperatives in a rapidly shifting regional environment.

Introduction:

Four Indian States shares an international border with Myanmar namely, Manipur, Arunachal Pradesh, Mizoram and Nagaland. Myanmar (then Burma) gained independence from British colonial rule in 1948 and since then, it has been marked by endless cycles of military rule, democratic rule and ethnic insurgencies. Essentially, it has never been a stable country, and it is marked by internal conflict. The most recent conflict was the 2021 military Coup. The coup of 2021 was triggered after the military-backed Union Solidarity and Development Party (USDP) faced a crushing defeat in the 2020 general elections. Soon after seizing power, the junta — formally known as the State Administration Council — arrested Myanmar's civilian leader Aung San Suu Kyi, slapping her with multiple corruption and criminal charges. It also placed elected representatives from her party, that is, the National League for Democracy (NLD) and other political parties, along with prominent activists, under house arrest. Hence by 2021 the country's economy contracted by almost one-fifth. At the same time, the COVID-19 pandemic brought the healthcare system to its knees.

In response, the removed National League for Democracy (NLD) parliamentarians joined hands with protest organisers and minority-group activists to form a rival administration called the National Unity Government (NUG). By the end of 2021, the military had begun razing villages suspected of backing the resistance, killing both ordinary people and anti-junta fighters. The escalating brutality has forced thousands of civilians to escape across the borders into India and Thailand. (Maizland, 2022).

In 2024, inflation rose to 25.4 per cent, worsening economic hardships after the country was blacklisted by the FATF for failing to curb illegally obtained money and financing of terrorists and organisations from illicit sources .At the same time, illicit activities like drug production, the unregulated jade trade, gambling, trafficking, and cross-border scams—have expanded, deepening corruption and instability. (Mishra V, 2025). Despite the political

instability of Myanmar, India has long served as one of Myanmar's key trading partners. In 2024–25, total trade between India and Myanmar stood at around US \$2.1 billion. Out of this amount, India exported goods valued at more than US \$614 million, while its imports from Myanmar were approximately US \$1.53 billion, according to the Embassy of India in Yangon.

Literature Review

(Das, P, 2014) According to Das, there are two key elements that determine Border Trade. The first is the remoteness or geographic isolation of border regions, which limits access to the main domestic markets, and the second is the long-standing social and economic ties shared by communities across the frontier. Residents use to carry out trade activities by exchanging their surplus goods for essential commodities, often through trust-based barter systems. Such trade supports development in economically weaker regions and helps reduce smuggling by legitimising traditional exchanges. Moreover, India began paying greater attention to Myanmar when it decided to reconnect economically with Southeast Asia after the Cold War, especially following the collapse of the Soviet Union. In this new phase of foreign policy thinking, Myanmar naturally became important because it is India's only land link to Southeast Asia. Strengthening relations with Myanmar was therefore not just diplomatic courtesy, but a practical necessity for making the Look East Policy work on the ground.

(Rishi Bhargav Das, 2015) According to Rishi. The limited volume of trade at the Moreh Land Customs Station (LCS) is primarily due to an unfavourable business climate and inadequate infrastructure and supporting facilities. These structural constraints have restricted the potential of cross-border commerce. To increase trade volume between India and Myanmar, it is essential to identify and address these bottlenecks through a well-designed strategy that strengthens infrastructure, improves trade facilitation, and revitalises economic activity at the border.

(Nisha Taneja et al, 2019). One of the main reasons border trades has been stronger with China and Thailand than with India is the narrow policy framework that governed trade with India. Transactions were restricted to a limited range of locally produced goods and were largely conducted through barter arrangements. Because of these limitations, trade remained small in scale and lacked the flexibility needed to grow or diversify over time. However, in December 2015, India introduced two major reforms that replaced barter trade with normal trade and converted border trade into normal trade that fundamentally reshaped the regulatory structure governing commerce across the land border and moved toward a more formal, monetised, and integrated trade regime.

(Das O. B., 2024). Das says that against the backdrop of China's growing influence in the region, India needs to adopt a measured and balanced strategy, especially in light of China's growing presence in the region, rather than withdrawing in response to Myanmar's political turbulence. New Delhi has therefore continued its bilateral engagement with Myanmar, while exercising restraint and caution in regional and international platforms. At the same time, India remains vigilant on the situation along its border with Myanmar because any unrest or armed conflict in these areas could intensify security challenges and add to existing tensions in the Northeastern region. This concern is especially significant in light of ongoing debates over border fencing and the deep-rooted social and cultural connections that extend across the frontier.

(Jaimini Bhagwati, 2024) Border trade is believed to make up roughly 24 per cent of the overall trade between India and Myanmar. Yet, this officially recorded border exchange accounts for just about 0.08 per cent of Myanmar's total border trade, according to figures from the country's Ministry of Commerce. At the same time, research points to a considerable volume of unrecorded commerce flowing through land routes between India's North-Eastern

Region and neighbouring countries, especially Myanmar, much of which operates outside formal regulatory and customs systems

(Bhatia, 2026) In the 1990s, India under Prime Minister P.V.Narasimha adopted a “two-track” policy. This approach allowed New Delhi to maintain its principled support for democratic movements while simultaneously engaging with the military authorities in power to preserve and advance bilateral ties. India attempted to reconcile its democratic values by reopening Proper channels of dialogue with pressing strategic and geopolitical considerations. Although India–Myanmar relations have experienced significant political changes over the past thirty years, this carefully balanced strategy has broadly continued to shape India’s engagement with Myanmar.

Indo-Myanmar border trade Framework

Border trade, in simple terms, refers to the exchange of goods and services between people living along the demarcated international borders, while also allowing nearby communities to trade essential items across the boundary through officially permitted routes. In the modern era, formal economic ties began to take shape after Myanmar (then *Burma*) gained independence from British colonial rule in 1948. India and Myanmar signed a bilateral trade agreement in 1970. On January 21, 1994, India and Myanmar signed the landmark Indo-Myanmar Border Trade Agreement. And on April 12 1995, the border trade was opened . The Border Trade Agreement signed in 1995 between India and Myanmar specified that border trade would be conducted through designated countries, viz. a) Moreh in India and Tamu in Myanmar, b) Champai (Zokhawthar) in India and Rhi in Myanmar, and c) Any additional locations that both countries may jointly decide to designate through mutual consent. Additionally, the agreement set up three levels of trade between the two countries. First, people living within 40 km of the border could freely exchange locally produced goods without paying duty, though the value of the goods was limited. Second, certain approved items could be traded through barter, meaning goods were exchanged without money, but this system required documentation, had value limits, and involved reduced customs duties. Third, regular trade allowed other goods to be bought and sold under normal customs rules using standard international currency. (Taneja Nisha et al, 2019). The 1994 Border Trade Agreement allowed only 22 goods for barter. Later on, the list was gradually increased. In November 2008, 18 additional items. Later, in November 2012, another 22 products were added. The idea behind widening the list was to bring commonly traded goods into the legal framework, reduce smuggling by formalizing their exchange ultimately boost the overall volume of trade. (Das, 2014). In December 2015, India introduced two major reforms that replaced barter trade with normal trade and converted border trade into normal trade. In Addition, a Rupee Kyat Trade Settlement Mechanism has been operationalised from 25 January 2024. Under this mechanism, bilateral trade between two Countries (India-Myanmar) would be done in INR. PNB is the nodal agency from the Indian side. Currently, 9 Myanmar banks have already established the Special Rupee Vostro Account (SRVA) mechanism for settlement of transactions in INR. (Consulate General of India, 2025)

Indo-Myanmar Border Trade after the Coup of 2021

The military regime after the coup has reverted to the earlier economic reforms of the democratic era and shifted toward tighter, state-controlled policies that prioritise central authority and economic self-reliance over market openness. At the same time, there is also the rising Ethnic Armed Organisations (EAOs), which have gained significant influence over Myanmar’s border trade. India engaging with various ethnic groups is necessary in order that strategic projects like the Kaladan Multi-Modal Transit Transport Project is successful. This shift challenges the military junta’s authority. It has forced foreign stakeholders, including China and India, to engage directly with EAOs to safeguard their investments. (Windia Soe, 2025)

After Operation 1027, India tightened its border with Myanmar over security concerns and fears of spillover into states like Manipur. (Moe Thuzar, 2024). A source acquainted with developments along the India–Myanmar border, speaking on condition of anonymity, noted that unofficial trade dominates cross-border exchanges, while formally recorded trade remains minimal in comparison. (Banka, 2021)

China’s Sphere of Influence

The government of the United States has alleged that Myanmar’s defence ministry imported nearly USD 1 billion in materials for arms production, while China remains its largest investor, holding around 40 per cent of Myanmar’s external debt. China also plans to leverage in the Indo-Pacific by seeking alternative maritime access to the Indian Ocean to ensure its long-term energy supply by bypassing the Strait of Malacca by developing the China–Myanmar Economic Corridor linking Kunming in Yunnan Province to the Chinese-supported Kyaukphyu deep-sea port and gas pipelines in Rakhine State (Thiha, 2025). China has committed more than \$22 billion to the development of the China–Myanmar Economic Corridor (CMEC) as part of its broader Belt and Road Initiative. (Maheep, 2026). India’s worries that China gaining access to the Indian Ocean through Myanmar could further push Myanmar into greater economic and strategic dependence on China, as we have seen that Beijing-backed projects continue to expand under the Belt and Road Initiative. (Desai, 2024). In 2023, China obtained over 90 percent of its heavy rare earth supply—about 41,700 metric tons—from Myanmar, minerals crucial for electric vehicles and defence technologies. Since the richest deposits lie in Kachin and Shan areas controlled by ethnic armed groups, China must engage with these actors to secure its supply chain. (Thiha, 2025).

Security concerns

Anti-junta guerrilla groups have set up camps just a few kilometres from India’s border, using the thick forests and porous terrain as cover for shelter and supply routes. Moreover, more than 170,000 Myanmar nationals have crossed into Indian border districts since 2021, according to the United Nations, placing heavy pressure on local administrations and humanitarian agencies. (Ali, 2025). According to the UNHRC, as of December 2022 more than 21,000 Rohingyas were living in India. Security and strategic analysts have also raised concerns about the possible emergence of extremist networks linked to the ongoing crisis. In particular, they warn that the Arakan Rohingya Salvation Army (ARSA) could pose a security risk if large-scale recruitment were to occur among Rohingya communities residing in India. (Parashar, R. 2025). Another security concern is that of illegal smuggling of drugs. Most synthetic drug production in Myanmar remains concentrated in Shan State, particularly in “special regions” controlled by armed groups such as the United Wa State Army and the National Democratic Alliance Army, which maintain ties with organised crime networks. After the military coup of 2021, the weakened political fragmentation deepened, thereby giving greater autonomy to armed groups and criminal syndicates, and enabling them to expand synthetic drug production in the region further. (Strangio, 2024). Porous borders, along with Weak border management along the India–Myanmar frontier, make it easier for illicit narcotics and arms to move across undetected, with Manipur emerging as a key transit point in the process. (Bora, 2025)

Discussions and Recommendations

Ethnic armed group control of Myanmar’s periphery meant that India’s key interests in the country – border security, competition with China and the Kaladan project are now all dependent on building good relations with such groups. Therefore, it is in India’s interest to continue bolstering its engagement with the regime’s opponents. India should consider broadening its communication system to a wider range of protagonists. It could reach out to influential armed groups in other parts of Myanmar, as well as to political and civil society organisations. (Crisis

Group Asia, 2025). Oo, M. Z. (2025) points out that although political instability usually slows down trade and weakens GDP growth, its impact is not uniform. Policies which are local friendly and adaptive practices in some areas, can soften the damage and help communities remain economically resilient. In border regions, much of the trade and commercial activity continues through informal routes, leading to significant revenue losses for the state. Thangjam Premkumar Singh (2024) notes that, in place of strict laws that see authorities come down hard, a step-by-step approach toward more organised systems is likely to be more practical. We can achieve this by formulating procedures that are practical and simple, so that small traders have access to low-value customs facilities, and by framing regulations with local conditions in mind. Gradually absorbing informal trade into the formal structure would allow authorities to improve their supervision while also addressing the daily incomes of border communities that depend on small-scale exchange. Over time, such a balanced approach can safeguard local economies while also promoting greater transparency and better revenue realisation for the state.

Conclusion

In conclusion, The underlying variables that determine the relationship between India and Myanmar border trade are the presence of various Ethnic Armed Organisations (EAOs), continuing political instability in Myanmar, and China's expanding footprint in the region. These variables shape the dynamics of trade, security, and governance. For India, the real difficulty is finding the right balance between security needs and economic realities on the ground. Informal trade and unstable border conditions do raise genuine concerns, but responding only with strict measures could end up harming the very communities that depend on cross-border exchange for their survival and may even create more unrest.

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