

The India-Myanmar Kaladan Project: Vision and Reality

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India's recent connectivity projects in the East, like the USD 484 million Kaladan Multi-Modal Transport Project, stem from a compulsion imposed by the sub-continent's post-Partition geography. Pakistan lost its eastern wing in a bloody civil war in 1971 because it was logistically impossible for its army to hold on to an alienated province with millions of Bengalis up in arms and their insurrection fully backed by India.¹ India did not lose its restive 'Seven Sisters' in the Northeast, but a spate of violent insurgencies by battling ethnicities (Naga, Mizo, Manipuri, Assamese, Bodos and other tribes) challenged Delhi's control over the remote region.² That has compelled post-colonial India to seek alternate trans-national connectivity to the region to get round the limitations imposed by the 21 km wide 'Siliguri Corridor', the only land link connecting the Indian mainland to the Northeast. A combined armoured-infantry-airborne thrust by China through the Zompheri Ridge down the Chumbi Valley and Jaldhaka, cutting off this Siliguri Corridor – this is the worst nightmare scenario for India's military planners.³

1. Origins and Legal Basis of the Kaladan Project

Before 1971, the possibility to connect India's mainland to its Northeast through East Pakistan was seen as impossible by Delhi, with a hostile Pakistani military regime not only determined to deny that, but actually backing Naga, Mizo and Manipuri insurgents in tandem with China to weaken India's hold on the area.⁴ When India's legendary editor and geo-strategist B.G. Verghese served as information adviser to late Prime Minister Indira Gandhi (1966-69), he was the first to push for a multi-modal transport project through Burma (now Myanmar) by using the Arakanese port of Sittwe and the Kaladan River that flows out of India's Mizo Hills to the Arakan (now Rakhine)

coast and Bay of Bengal. At a 2009 book launch, he stated that he had submitted a detailed note to Mrs. Indira Gandhi on the eve of her visit to Rangoon (now Yangon) in March 1969 to take up with Burmese military strongman General Ne Win the possibility of connecting to India's Northeast through Myanmar's Arakan province.⁵ "That would help us bypass East Pakistan and beef up our supplies, both military and civil, to Northeast", he told this author, recalling that his note to Mrs. Gandhi was the precursor to today's Kaladan Project.⁶

Mrs. Gandhi did raise this with General Ne Win, along with her request that he use his forces to stop Naga and Mizo rebels from going to China for guerrilla warfare training and weapons through Myanmar's Sagaing-Kachin corridor. But the emergence of a friendly Bangladesh under its founder Sheikh Mujibur Rahman, a great friend of India, explains why India lost interest in a Bay of Bengal-Arakan-Kaladan connect to the Northeast through Mizoram. It is only after the electoral defeat of Mujib's daughter Sheikh Hasina and her pro-India Awami League in 2001, that India resurrected the Verghese proposal. Bangladesh's BNP government under Prime Minister Khaleda Zia not only blocked the transit agreement suggested by India to use Bangladesh railroad and ports to connect to the Northeast, but she also refused to allow a Myanmar-Bangladesh-India gas pipeline project proposed by the American energy major UNOCAL through her country. Her government even started backing anti-Indian insurgents in the Northeast and Islamist insurgents from mainland India.⁷

It was during the March 2008 Delhi visit by Myanmar Senior Vice General Maung Aye that the memorandum of understanding for the Kaladan Multi-Model Transport Project was signed, with a cost estimate of USD 110 million. It later grew in phases to USD 484 million. The project was intended to provide easier access to the Northeast and alternate connectivity between India and Myanmar, bypassing Bangladesh. "The project envisages connectivity between Indian ports on the eastern

¹ *A Tale of Millions: Bangladesh Liberation War*, Major Rafiqul Islam, Bangladesh Books International, Dhaka, 1981.

² Subir Bhaumik, *Troubled Periphery: Crisis of India's Northeast*, Sage, Delhi/New York/London, 2009.

³ "Behind the Chinese Push in Sikkim", *The Eastern Link*, 11 May 2020 (all sources from *The Eastern Link* referenced in this brief are available on its web site). An assessment on the vulnerability of the 'Siliguri Corridor' by military think-tank CENERS-K with input from Lt. Gen. J.R. Mukherjee (former Chief of Staff of India's Eastern Army) and Maj. Gen. Arun Roye (former brigade commander of 164 Indian Brigade in Sikkim-Bhutan frontier with Tibet).

⁴ Subir Bhaumik, *Insurgent Crossfire: Northeast India*, Lancers, Hurst & St. Martin's Press, Delhi/London/New York, 1996.

⁵ B.G. Verghese, then with the Delhi-based Center for Policy Research (CPR), in an interview with Subir Bhaumik on the sidelines of the launch of *Troubled Periphery* at the Nehru Memorial Museum and Library on 8 December 2009.

⁶ *Ibid.*

⁷ Anil Kamboj, "Bangladesh Factor Affecting Insurgency in Northeast", Institute of Peace and Conflict Studies, New Delhi, 6 May 2015 (available on its web site).

seaboard and Sittwe Port in Myanmar and then through riverine transport and by road to Mizoram. India will contribute about USD 100 million as well as be liable for any cost overruns while Myanmar will contribute USD 10 million and free land for the project”, it was stated in a joint press communique after the signing, at which this author was present.⁸

The legal basis for the project is a protocol signed by India and Myanmar on 2 April 2008, specifying the parameters of the project, its funding structure and objectives. Ratification by the Indian government rather than Parliament was seen as enough at the time, because Myanmar was still ruled by a military junta and the first parliamentary election in 20 years was still two years away. Subsequently, Myanmar’s elected government ratified the protocol. A joint statement issued by India and Myanmar during the 26-29 February 2020 Delhi visit of President U Win Myint reiterates support for the Kaladan Corridor by the two governments in point 9, which, *inter alia*, “welcomed the appointment, since 1 February 2020, of a Port Operator to operate and maintain the Sittwe Port and Paletwa Inland Water Transport Terminal and associated facilities”.⁹

2. Original Project Design

The Kaladan Project aims to create a gateway linking the landlocked Northeast to the sea. Through this project, the Indian mainland will be linked to the Northeast through three modes of transport: sea, river and road. The project has been on a fast track since the ‘Look East Policy’ was re-labelled ‘Act East Policy’ by Prime Minister Narendra Modi. This long-delayed project began road construction in April 2018, and is India’s single largest developmental activity on foreign land.

The shipping distance from Kolkata (Calcutta) Port to Sittwe Port in Rakhine is 539 km, across the Bay of Bengal. From Sittwe to Paletwa by inland waterway is 158 km. From Paletwa to the Indo-Myanmar border by road will be 110 km. And from Zorinpui on the border to Lawangtlai in India is 100 km by road. By comparison, the existing journey from Haldia Port near Kolkata to Lawangtlai in Mizoram through the above-mentioned Siliguri Corridor is 1,880 km. When the Kaladan Project becomes operational, the distance will be cut in half to 950 km. Goods can be transported to Mizoram through the multi-modal transitway, from where existing NH 54 connects to Assam and other north-eastern states of India.

India hopes the Kaladan Project will reduce its dependency on Siliguri Corridor that lies squeezed between Nepal and Bangladesh, thereby reducing the cost and time of transportation. It should also expand India’s trade with Myanmar and other countries of Southeast Asia, and maybe even China whose ports are far away and whose south-western and western provinces are easy to reach through Myanmar. However, the biggest potential of the project lies in the development of India’s Northeast, allowing goods made there to be exported by sea without long overland transport to ports in India.

India seeks to link the Kaladan Project to its other big road connectivity project through Myanmar: the India-Myan-

⁸ Anasua Basu Ray Chaudhury and Pratinashree Basu, “Proximity to Connectivity: India and its Eastern and Southeastern Neighbours. Part 2: India-Myanmar Connectivity: Possibilities and Challenges”, Observer Research Foundation, Kolkata, 2015 (available on its web site).

⁹ “India-Myanmar Joint Statement during the State Visit of the President of Myanmar to India (February 26-29, 2020)”, 27 February 2020 (<https://www.legal-tools.org/doc/akqys1>).

mar-Thailand Highway (‘IMT’). This linking is seen as important to diversify India’s options for trade with Southeast Asian countries (such as Laos) and some northern regions (like in Myanmar) that are located far away from coastal regions – these regions have drifted into the Chinese orbit of influence. The much-delayed IMT Highway is stuck with the construction of 69 bridges (including approach roads on the Tamu-Kyigone-Kalewa section) and the upgrade of the Kalewa-Yargi section. The new deadline for completion of the IMT Highway has been set for 2021.

3. Challenges

India has already rebuilt Myanmar’s Sittwe Port, making it capable of handling large cargo ships (up from 2,000-3,000 to 20,000-ton vessels). Investing around USD 134 million in the project, India handed over the port to Myanmar in December 2018 (after initial support for operations). There are, however, some challenges. The dredging of the Kaladan River, the completion of the land port at Paletwa (the key link on the Myanmar side), and the Paletwa-Zorinpui road are all behind schedule. Work on the latter is expected to spill into 2021. India’s slow speed of execution reflects that it has more limited funds than China, likely to get worse post-Covid 19 with the Indian economy severely affected.¹⁰ There has been no environmental impact assessment, which is a major concern especially in the context of dredging at the river mouth for the barges. An additional factor is that Bangladesh, following a long delay, has granted India permission to use the Chittagong Port which is only 222 km from Agartala, the capital city of Tripura in India’s Northeast. India’s connectivity with Chittagong Port could lead to less shipment via Sittwe Port than expected, as long as the relations between Bangladesh and India are close.

The Kaladan Project also increases the chances of illegal trade of drugs, weapons and more, which is a cause of concern for both countries. Myanmar will be responsible for the safety of cargo from Sittwe Port to the Indo-Myanmar border. As this route is primarily for the Indian mainland to transport goods to its relatively less developed Northeast, any illegal trade could trigger a backlash from Myanmar. Large seizures of amphetamine and heroin from sea and river ports in Myanmar and Bangladesh – in particular in the Cox’s Bazar-Teknaf-Rakhine stretch – have turned the spotlight on the threat of drug trafficking in this region.

The last two years, insurgents of the Arakan Army (see Section 5. below) have started disrupting work on the Kaladan Project, causing further obstacles and some level of uncertainty. Any future disagreement between India and Myanmar could create tensions at Sittwe Port, affecting the flow of goods. If a problem arises in north-eastern India or in Myanmar – such as the Rohingya crisis – it would affect both countries, especially India as it has borne the cost of the Kaladan Project.

4. Expanded Kaladan Vision: Indian-Japanese Cooperation and Modes of Financing

Once link roads connect the Kaladan Project with the India-Myanmar-Thailand Highway, India will gain three advantages: (a) an alternative to the sea route to Southeast Asia, which does not reach the hinterlands of Laos, Upper Myanmar and even North Thailand; (b) an effective bypass for its own trouble-prone

¹⁰ Subir Bhaumik, “Indian Economy in Nosedive”, *The Eastern Link*, 13 May 2020.

Northeast to achieve such access, as it is still a long time before the Northeast's own infrastructure can be developed to handle Southeast Asia-bound trade, and before political resolution of protracted conflicts (like the six-decade old Naga imbroglio) can provide trouble-free land access; and (c) an alternative access to the Northeast in case future regime-change in Bangladesh would reverse the progress in connectivity through that country achieved during the 2010-20 governance of Sheikh Hasina.

India is now in the process of firming an alternative to China's ambitious Belt and Road Initiative in Myanmar.¹¹ The Kaladan-IMT axis, together with Japan's twin Special Economic Zones at Thilawa and Dawei in Myanmar, and India-Japan's joint effort to fund and back the development of Sri Lanka's Colombo Port, are seen as the first baby-steps to challenge or at least provide an alternative to China's Belt and Road Initiative.¹² There is also a proposal to build a 1,575 km Sittwe-Aizawl-Silchar-Guwahati-Siliguri-Gaya gas pipeline to transport gas from Sittwe gas fields (where ONGC and GAIL hold 30 per cent stakes in oil and gas exploration). On this score, India is not taking chances with Bangladesh after Khaleda Zia's refusal, although Delhi's friend Hasina has been in power for eleven years now.

Because of the real risk of debt trap, Myanmar has recently lowered the budget of the Kyauk Phyu Port construction 105 km south of Sittwe in Rakhine, a project to be implemented by a Chinese state-owned firm. Not being able to pay back the loan would compel Myanmar to write off the port to China, as was the case with Sri Lanka's Hambantota Port – fears of this risk gripped the Aung San Suu Kyi government. India, on the other hand, has not asked Myanmar to pay back the project's cost, as it benefits a smaller economy like Myanmar's and strengthens India-Myanmar ties. This project will not only improve north-east India's economy, but could help reduce youth unemployment in the region and thus the sting of insurgencies. The former Indian ambassador to Myanmar, Vikram Misri (at the time of writing, Indian ambassador to China), told the present author in an interview that Delhi's model of project-financing differs from China's: "We win hearts, not just create assets; we do projects on local needs, not merely to further our strategic or economic interests, but if the two meet, so much the better and we hand over to local government whatever we make", he said, alluding to China's takeover of some projects like the Hambantota Port in Sri Lanka after Colombo expressed inability to pay for the debts incurred by the project.¹³ India has played this card in all neighbouring countries when funding projects: finance projects wanted by those countries, but which also helps India and its regions. No wonder the Chinese have sought joint projects with India in Afghanistan – accepted by Delhi – so that while Beijing figures out Delhi's development financing model, India can shield its Afghan projects from Pakistan-sponsored terror by having China as a joint partner.¹⁴

¹¹ Interview with Sachin Chaturvedi, chairperson of the Research and Information Systems (RIS) think tank of the Indian Ministry of External Affairs, 21 November 2019, in Delhi's India International Centre.

¹² Rupakjyoti Borah, "Did Japan and India Just Launch a Counter to China's Belt and Road?", *South China Morning Post*, 6 June 2019.

¹³ Subir Bhaumik, "We help but do not set the agenda for Myanmar – Indian ambassador", *Mizzima Media*, 31 August 2017 (available on its web site).

¹⁴ PTI, "India for more joint projects with China in Afghanistan after dip-

Myanmar is strategically important for India as it is the only Southeast Asian country that it shares borders with, as a bridge for India to Southeast Asia. Indo-Myanmar joint patrolling indicates India's commitment to the security of Sittwe Port which will influence growth and stability in India's Northeast. Hence, the operationalization of the Kaladan Corridor will help India to move closer to achieving the primary objective of its 'Act East Policy'. This explains the suggestion to connect Myanmar's Sittwe Port with other South Indian ports, thus increasing the flow of goods to the Northeast. Sittwe's location closer to Southeast Asian countries than Chittagong Port will ensure that it remains important.

5. The Arakan Army Insurgency in Rakhine

The post-2015 revival of Rakhine and Rohingya insurgencies in the Rakhine-Chin region has affected the Kaladan and IMT Projects. In 1998, the Indian army double-crossed the leaders of the National Unity Party of Arakan ('NUPA'), Arakan Army's predecessor. When seven top leaders and some 50 NUPA rebels landed in Indian Andaman Islands, all the leaders were rounded up and shot in cold blood by the Indian Army, and 38 NUPA activists were imprisoned. All their weapons brought to smuggle into Rakhine were seized. The incident was exposed by the present author in *Times of India*,¹⁵ and later developed into a book by India's top human rights lawyer.¹⁶ A military intelligence agent, Colonel V.J.S. Grewal, who had been a mole of the Burmese Defence Services, was allegedly behind the episode.¹⁷ The killings dealt a blow to NUPA and its Rohingya ally, Arakan Rohingya National Organisation ('ARNO'). Although the activists jailed in India secured release, the organization was finished.¹⁸

The Arakan Army emerged in 2009 in northern Kachin State, bordering on China. It first recruited among Rakhine workers in jade mines. By the time of writing, it had emerged as one of Myanmar's most powerful armed rebel group. It has penetrated deep into Rakhine State and neighbouring Chin State, and fought the Myanmar Defence Services to a standstill in the spring of 2020, inflicting casualties on, and even kidnapping, soldiers and policemen. Veteran Myanmar-watcher Bertil Lintner has detailed how the Arakan Army could be seen to have 'turned the tables' on Myanmar's Defence Services, by their strategic thinking and tactical ability, mobility and psywar capabilities.¹⁹ As the Arakan army was creating its own zones of influence in Rakhine and Chin States, a new Rohingya group called the Arakan Rohingya Salvation Army ('ARSA') started a wave of violence in 2016-17 by attacking Myanmar police and military outposts, ruthlessly killing men in uniform. Its co-ordinated attack on 30 police stations and a military camp in northern Rakhine in August 2017 provoked a massive response by the Burmese military that sent some 700,000 Rohingya Muslims fleeing into neighbouring Bangladesh.

lomats' training", *The Economic Times*, 19 November 2019.

¹⁵ Subir Bhaumik, "The Great Betrayal", *Times of India*, 26 July 1999.

¹⁶ Nandita Haksar, *The Rogue Agent*, Penguin India, Delhi, 2009.

¹⁷ He resigned from the Indian Army soon after and lives in Myanmar, running a bicycle manufacturing unit set up with slush funds from Burmese military.

¹⁸ Subir Bhaumik, "Burmese Rebels in India Appeal", *BBC News*, 14 September 2006.

¹⁹ Bertil Lintner, "New-Age Rebels Wining the Fight in Myanmar", *Asia Times*, 26 February 2020.

In recent months, the Arakan Army and ARSA appear to have co-ordinated attacks on Myanmar's Defence Services for maximum impact, though there still does not exist a political alliance based on a common vision of a future independent Arakan, as was the case with the NUPA-ARNO alliance. The ARSA is far too radicalized in Salafist Islamic ideology by their Pakistani mentors²⁰ to be willing to fight for a 'shared future' with Arakanese. On the other hand, the Arakan Army – more nationalist Arakanese, than devout Buddhist – is unwilling to provide the military with propaganda mileage by drawing close to the ARSA, as that would leave them vulnerable to attacks by Buddhist fundamentalist groups that may be backed by military leaders.

6. The Arakan Army and the Kaladan Project

Neither the Arakan Army nor the ARSA have attacked Indian interests directly, despite their reservations about Indian army and intelligence services in the aftermath of the 1998 liquidation of the NUPA leaders. In 2018-19, after persistent requests by Myanmar, Indian troops attacked and demolished several Arakan Army bases in south Mizoram, in what was described as 'Operation Sunrise'.²¹ This was a *quid pro quo* for a Burmese military offensive against bases of Naga and Assamese rebel groups in Sagaing province of Myanmar. The Arakan Army camps destroyed sit on an arms-trafficking route used to bring weapons from Southeast Asia through Bangladesh to Rakhine (the Chittagong-Mizoram-Chin Hills region).²²

Since then, the Arakan Army has attacked contractors and labourers, engineers and suppliers working on the Kaladan Project, causing uncertainty in Delhi amid fears that India could get dragged into a Burmese conflict.²³ Mizoram, which stands to gain the most from the Kaladan Corridor, has pushed Delhi to complete the project. Its rebel-turned-chief minister, Zoramthanga – whose MNF separatists (now legitimized as a political party after surrendering in 1986) were based in Rakhine during insurgency days – has offered to broker an understanding between the Arakan Army and Delhi, so that the Indian contractors can finish their work on time.²⁴

Many of the Arakan Army attacks have come in the Palet-

wa region, where the Kaladan Project goes from river to land mode. Though Paletwa is in Chin State, the Arakanese rebels have managed to muscle their way in. Some India-backed Chin groups – like the Chin National Front – have opposed the Arakan Army's forays, but are not in a position to oppose the much stronger Arakanese rebel army, now believed to count 7,000.

When asked why they disrupt work on the Kaladan Project while leaving the Chinese Kyauk Phyu Project alone, spokesperson Khaine Thukha of the Arakan Army said: "China recognizes us, while India does not".²⁵ Maybe the Arakan Army is looking for payments from Indian companies to fund their armed campaign against Myanmar. Indian officials say it would be difficult for them to do what the Chinese are doing – arming Myanmar as well as the Arakan Army and other rebel groups, and paying cash to rebels on the sly – to get projects completed undisturbed.²⁶

The stakes are high in Delhi. India's BJP government sees the Kaladan Project and India-Myanmar-Thailand Highway as crucial to the success of India's 'Act East Policy', and as an effective counter to China's Belt and Road Initiative, in collusion with Japan's many projects. But unless Delhi can sort out its own Northeast bushfires through domestic political accommodation, and handle the Arakan Army – either by backing Myanmar's Defence Services in a successful Sri Lanka type counter-insurgency campaign or by paying it off without upsetting Myanmar – the connectivity projects will suffer further delays. Some even see the bloody civil war in Rakhine as "killing India's Act East dream".²⁷ That may be too early to say, but Delhi is yet to find a way to hunt with the hound and swim with the crocodile, as may be necessary to get the Kaladan and IMT Projects realised.

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²⁰ Subir Bhaumik, "Pakistan, ISIS Allegedly Behind Rakhine Imbroglio", *Mizzima Media*, 5 September 2017; Subir Bhaumik, "Mere Coincidence?", *Mizzima Media*, 26 August 2017.

²¹ Abhishek Bhalla, "Operation Sunrise: India-Myanmar Target Insurgent Groups Camp in North East", *India Today*, 17 June 2019.

²² Subir Bhaumik, "Arakan Army Gets Chinese Weapons Through Bangladesh", *Eleven Media Group*, 24 April 2020 (available on its web site).

²³ Subir Bhaumik, "India's Rakhine Headache", *The Telegraph*, 16 April 2020.

²⁴ "I told Atalji negotiating with a rebel group is like wooing a lady: Zoramthanga", *The Telegraph*, 9 February 2020 (the present author's interview with Zoramthanga).

²⁵ Subir Bhaumik, "India's Arakan Problem: Jaffna Lesson in Avoiding Myanmar Muddle", *The Quint*, 15 May 2020.

²⁶ Chavi Vasisht, "Myanmar Ethnic Strife: The Rise of Arakan Army", Vivekananda International Foundation, 30 April 2020 (available on its web site).

²⁷ Anthony Davis, "Myanmar War Killing India's 'Act East' Dream", *Asia Times*, 20 March 2020.