

## Rediscovering eastern region of India through India's Act East Policy

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### Abstract

The north eastern region of India is a resource rich backward region. What stands out in the development narrative of India is the inability of the state to restore the dynamism and vibrancy of the region at the time of independence. Partition of British India into India and Pakistan in 1947 led to complete dislocation of traditional routes of trade and commerce developed over centuries. The emergence of international borders compelled the people to use much longer routes which rendered most of the economic activities highly uncompetitive. The region which started with only 3 states now has 8 states and there is a clamour for more states. The region has been bypassed by economic development. India's Look East Policy (LEP) aroused lots of optimism as it would lead to rediscovery of the self. Not only it would lead to reopening of the traditional routes, it will also give the region access to a dynamic fast growing market. When LEP was initiated in the early 90s because of geo politics, India's LEP had little northeast content. Today, geopolitics is giving this region a much bigger role in India's renewed attempts to participate more meaningfully in the Asian century.

**Keywords:** Dependency syndrome Geopolitics Underdevelopment Five year plan Comparative advantage defiance Look East policy

### Introduction

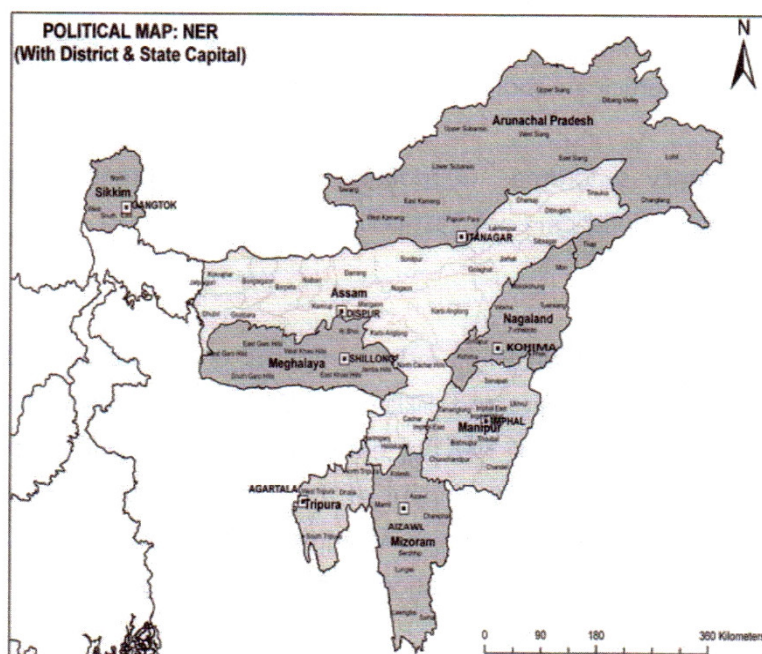
The North Eastern Region (NER) India comprises of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. These eight states cover an area of 2,62,189 sq. km. constituting 7.98 percent of the country's total geographical area and accounting for only around 3.79 percent of the total population of India. The NER borders with China and Bhutan in the north, Myanmar in the east and Bangladesh in the south and the west. Table 1 shows international border of every state.

**Table 1:** International Borders of north eastern region of India

NER states	Bangladesh	Bhutan	China	Myanmar	Nepal	Total
	(length in km)					
Arunachal Pradesh		217	1126	520		1863
Assam	263	267				530
Manipur				398		398
Meghalaya	443					443
Mizoram	318			510		828
Nagaland				215		215
Sikkim		32	220		99	351
Tripura	856					856
Total	1880	516	1346	1643	99	5488

Source: Department of Border Management, Min. of Home Affairs, Govt. Of India

The region has over 200 of the total 635 tribal groups in the country speaking a variety of Tibeto-Burman languages and dialects with a strong tradition of social and cultural identity.



North Eastern Region Vision 2020, prepared on the basis of prolonged interactions with the people across the region, sums up the aspirations of the people as

“People of the region have an ambitious vision: by 2020, they aspire to see their region emerge peaceful, strong, confident, and ready to engage with the global economy. They would like to march on the path of economic, social and cultural progress towards prosperity and well-being, to participate in governance and determine the allocation of public resources and public services they receive. Political empowerment in evolving responsive governance would help to achieve social and economic empowerment as well. They want to banish poverty and illiteracy and ensure that every family in the region has the opportunity to live a healthy and secure life with dignity and self-respect. Moving away from the dependency syndrome, people in the region would like to acquire the capability and self-confidence to shape their own destinies. They would like to enjoy their freedoms – freedom from hunger and poverty, the freedom to exercise choice in their avocations, income – following independent component earning and spending decisions, and political, economic and social freedoms without fear. They would like to enjoy peace and achieve sustainable progress and prosperity.”(North Eastern Region Vision 2020: 1-2)

The document puts forward a strategy comprising of the following interdependent components for inclusive development of the region:

- i. Participatory development articulated through grass-roots planning with focus on developing the sectors and sub-sectors with comparative advantage;
- ii. Augmenting the capacity of the people to participate productively in the economic activities and creation and development of the institutions to design and implement developmental programmes as desired by the people;
- iii. Augmenting infrastructure, particularly connectivity and transport infrastructure to facilitate two-way movement of people and goods within the region and outside, attract private investments and create greater employment opportunities and choice for the people of the region;
- iv. Ensuring adequate flow of resources for public investments in infrastructure, implementing a framework for private participation in augmenting infrastructure and creating an enabling environment for the flow of investments to harness the physical resources of the region for the welfare of the people; and
- v. Transforming governance by providing a secure, responsive and market-friendly environment including protecting the property rights of the investors and ensuring a corruption free administration.

**TABLE 2: NER States: Various Indicators**

State	Literacy Rate 2011 (% )	Infant Mortality Rate (per1000) 2012	Poverty Ratio (2011- 12) Tendulkar Methodology	Per capita NSDP (Rs) 2013-14 at 2004- 5 prices	Population 2011	Density per sq.km 2011	Proportion unemployed 2011-12
Arunachal Pradesh	66.95	33	34.7	37996	1382611	17	8
Assam	73.18	55	32	24533	31169272	397	17
Manipur	79.85	10	36.9	23996*	2721756	122	14
Meghalaya	75.48	49	11.9	42467	2964007	132	3
Mizoram	91.58	35	20.4	40930*	1091014	52	14
Nagaland	80.11	18	18.9	46889*	1980602	119	79
Sikkim	82.20	24	8.2	75137*	607688	86	6
Tripura	87.75	28	14.0	42315	3671032	350	57
All states	74.04	42	20.9	39804	1210193422	382	9

Note: \* refers to 2012-13.

Source: Planning Commission (2014) “Report of Expert Group to Review the methodology for Measurement of Poverty” Govt. Of India

NSDP CSO website

Labourdata: National Sample Survey report 563(68/10/4)

Arguing for the need to see the region as an asset rather than a liability Madhav (1999) argued that “its hydropower potential, oil and gas resources, its forest wealth, if prudently used with linkages with South east Asia can benefit the whole country.” Hope in the region resurged with the thrust on new Asia. According to Sarma (2013) “the underlying thrust on ‘A new Asia’ makes one think of ‘A new North East,’ too.” The change in attitude has also been quickened by the changing geo politics of the region where Myanmar, on the way to democracy, is no longer an outcast. Every country is trying to normalise its relation with Myanmar.

The purpose of this paper is to highlight the constraints hampering growth in this region and try to contextualise it with India’s Look East Policy, now repackaged as Act East policy underscoring the urgency for doing something concrete for the region. Look East Policy, essentially a foreign policy initiative, has never been as concrete as industrial or foreign trade policy.



### What ails the region?

Despite such pronouncements, getting the region move forward fast has indeed been a challenge. Rich in natural resources and a treasure house of floral and faunal bio-diversity, the region used to be a gateway to East and Southeast Asia before independence. Today, this region has come to be considered a backward region having been bypassed by the process of development. The combination of history, geography and politics has cast the north eastern region as a far away land, remote, isolated and surrounded by intimidating and hostile environment. Upadhyay (2013) nicely sums up the geopolitics of the region leading to its isolation “it was only in independent India that the region became a ‘remote corner’ surrounded by hostile countries” Hostile neighbourhood is a post independence reality reflecting on India’s foreign policy. It was made more complicated by the presence of insurgents from the NER in the neighbouring countries. It is difficult to alter this stereotype image of the region. Despite its natural resources, the region has inexorably slipped into the category of what is called “backward” and “lagging”. The social tensions that have characterised this region are also attributed to the lack or quality of development.

Partition of British India into India and Pakistan in 1947 at the time of gaining independence from the British adversely affected the infrastructure for trade and commerce that had developed over centuries of interaction in the north eastern region. On the enormity of the change Goswami (2013: 71) writes “The distance between Guwahati and Chittagong is 40 percent of the distance between Guwahati and Kolkata the port through which Assam tea is now exported. All exports and imports of Tripura take place through Kolkata port, a distance of nearly 2000 km, though Chittagong port is only 75 km from Tripura. Route distance involves cost of time and money which adversely affect competitiveness of a product.” So adversely was the region affected and its products made non-competitive that from being a thriving region at the time of independence it became increasingly dependent on the centre despite the abundance of natural resources and substantial policy intervention. The failure of policy interventions so far has become paradoxical.

### Causes of underdevelopment of the region

The major factors constraining the economic development of this region are initial conditions, infrastructure deficiency, insurgency, imperfection/distortion in factor and product markets and indifferent governance.

#### Initial conditions

**Disruption of traditional links:** Driven by expanding global trade and investment, the region was in the forefront of development almost 150 years ago. The expanding

global trade was conducted through the sea route through Chittagong, network of inland waterways, and land transportation through road and railways. In fact, the railway network between Dibrugarh in upper Assam and Chittagong in Bangladesh was one of the earliest projects in India implemented by the British in the late 19th century. If the road to the north from Gangtok, the capital city of Sikkim, established the 'Silk Route' for trade with China, the port town of Chittagong served as the gateway for global trade. The large river systems and small rivulets provided a means of livelihood for the vast majority of the population in the valleys and plains. The natural transportation route through East Bengal not merely reduced the physical distance but brought emotional closeness as well to make Manipur to participate in the independence movement. The rapid spread of tea gardens following the first tea garden in 1835 and the export of the first consignment of tea to London in 1838 ensured employment and prosperity to the people of Assam. The discovery of oil in Makumpathar and establishment of a crude oil refinery in Digboi in upper Assam in 1890 laid the foundation for the development of undivided Assam. The zeal of Christian missionaries was largely responsible for spreading literacy in the remote areas of the region leading to dominance of Hindus in valley areas and Christians in hill areas. Partition of India in 1947 into India and Pakistan disrupted the connectivity of the region developed over centuries of trade and commerce.

The distance between Kolkata and Agartala was 300 km in pre-partition era and it rose to 1700 km in post-partition era because of absence of transit facilities across erstwhile East Pakistan, now known as Bangladesh. In pre partition days, boats laden with tea, coal and timber reached Kolkata from Dibrugarh in 8 days. Post-partition passage from Kolkata to Guwahati took more than 25 days due to lack of night navigation and customs formalities at various points. The considerable market disruption, socio economic distancing and retardation that resulted due to partition are yet to be compensated.

- i. Population influx from across the borders: The influx of Bangladeshi and Nepalese migrants continues to be a cause of social and political mobilisation leading to a prolonged disturbed situation not conducive for investment and growth.
- ii. Unharnessed resource endowments: Hydropower potential as well as oil and gas based downstream industries remain undeveloped. Unharnessed Water resources have continued to cause flood and erosion year after year resulting in immense human sufferings and loss of lives. Such regular devastation of farmland weakened farmers' incentives for investment.
- iii. Enclave economy: Crude oil production and its refining, tea plantation and plywood industry are few resource based modern industries in the region. But oil and tea industries have failed to induce any industrial growth involving



backward and forward linkages. The backward linkage based industries of tea industry i.e. fertilizers, insecticides, umbrellas, small tools etc are based outside the region. The oil industry also was not accompanied with petro chemical complexes. The modern industries remained enclave economies without any linkage with the larger segment of traditional activities.

- iv. Monopolistic operations of deeply entrenched trading interests: The region gets its requirements through a trade and distribution network. Food-grains, edible oil and fish are largely imported from other states. The trade network is organised on the basis of monopolistic operations. Entrenched mercantile capital from outside the region has prevented the emergence of local entrepreneurship. Shukla commission estimated that about Rs 25 billion worth of consumables are imported from outside the region every year. The banking sector transfers about Rs 50 billion from this region to other regions for investment. NER is a growing market of nearly 50 million people where most of the requirements are still being 'imported' from other parts of India, rather than being produced in the region itself. The business of 'import' and distribution across the region has led to the emergence and strengthening of interest groups. These interest groups in league with 'uninterested' bureaucracy see to it that the incentives for entrepreneurship never reach the entrepreneurs in any meaningful manner. There are innumerable cases of local entrepreneurs outcompeted in the market by bigger entrepreneurs from outside the region.

### Infrastructure deficiency

The region lacks the basic minimum physical, social and administrative infrastructures for growth. Physical infrastructure such as power, communications, transports, irrigation and market access are grossly inadequate. Poor infrastructure turns off private investment. Although the NER is rich in resources like hydrocarbons, forest, hydro-electricity, and other minerals, high transportation cost did not allow her to grow according to her comparative advantages. The connectivity bottlenecks have made the region perpetually underdeveloped and hence politically volatile.

**Table 3:** Indicators of infrastructure

States	Hydro potential		Road length (km/'000 sq km of geographical area (2008))
	Identified capacity(MW)	Developed capacity (MW)	
Arunachal pradesh	50328	423.5	196.96

Assam	680	375	2936.51
Manipur	1784	105	739.11
Meghalaya	2394	185	438.57
Mizoram	2196	00	292.11
Nagaland	1574	99	1345.32
Sikkim	4286	84	263.95
Tripura	15	15	3026.23
All states	148701	30946.50	965.73

Table 3 shows that except for Tripura only a fraction of the identified hydro power capacity has been developed. There is also a wide difference in road length across the states ranging from 196 km per 1000 sq.km in Arunachal Pradesh to 3026.23 km in Tripura. Given the rugged topography, the ease of transportation cannot be equated with the distance.

### **Insurgency**

Except for Sikkim which became a part of India in 1975, there is no state in this region which has not passed through different phases of insurgency. Most of the insurgencies in this region had their origin in underdevelopment. It is both effect and cause of underdevelopment of this region. Insurgency is associated with high transaction cost. This has become an excuse for the rent seeking behaviour of bureaucrats and politicians. Substantial amount of money earmarked for developmental projects have been diverted. Not only money for developmental projects been diverted, an increasing amount of money which could have been earmarked for developmental projects, are being spent on maintenance of law and order. The conflicts in some of the states can be termed low intensity wars.

### **Distortions in factor and commodity markets**

Large inflow of goods and outflow of savings impede growth. Low credit deposit ratio in the financial sector means most of the deposits in the region are invested outside the region. Due to narrow production base and heavy dependence on the rest of the country for their requirements, growth of local demand generates income and employment in the states with larger production base outside this region.

### **Indifferent governance**

The state governments in the region have not succeeded in mainstreaming the development process. Except for Tripura, a Communist Party ruled state, and Sikkim



which became a part of India in 1975 ,other states in the region have a poor governance record.

### **India's evolving policy of NER**

Resource endowments is by itself not sufficient to spur growth. Consistent pursuit of clearly defined priorities in a development perspective contributes to growth. Development policies with well articulated thrusts pursued over a period of time will unleash the growth potential. In the beginning of the planning era in India in the early 50s the development initiatives in the region used to be anchored on two perspectives : security perspective and perspective based on least interference in traditional institutions and practices. Up to the third five year plan (1961-66) North East region does not figure explicitly in the development policy discourse. In the plan it used to figure in the context of balanced regional development. The focus was on how to secure the fullest possible utilization of the resources of each region so that it could contribute its best to the national pool and take its due share from the benefits accruing from national development. The reason behind backwardness of regions including the north east by implication was the failure to secure proper utilization of resources. The second five year plan(1956-61) envisaged an effort to promote greater mobility of labor between different parts of the country and to organize schemes of migration and settlement from more to less densely populated areas. Shortage of labor was considered an important reason for lack of optimum utilization of the bountiful resources. The existing system of shifting cultivation, a major source of livelihood in the NER, was sought to be improved.

The Fourth Five Year Plan (1969-74) was a watershed for development in the North East. The North Eastern Council under NEC Act 1971 was established as a regional planning body. It was under the Home Ministry reflecting the obsessive concern for security among the policy makers. The concept of sub plan was introduced. Central assistance to the hill areas was made more systematic .Though the need for central assistance for development of hill areas forming part of larger composite state as in Assam was recognized as early as the Second Five Year Plan yet it was not systematized. It was recognized that the investments needed for meeting the infrastructural gaps in communications, transport, power generation and transmission , for the development of stable and diversified agriculture in place of *jhum* cultivation, horticulture, plantation crops and large scale afforestation was immense and there was no way these states can generate matching resources. This justifies the current practice of central plan assistance for the special category states. This practice has not been given up under National Institution for Transforming India (NITI) Aayog, an institution which replaced the Planning Commission in India.



During the Fifth Five year plan (1974-79) and Sixth Five year Plan (1980-85) the economic policy of the region was part of the Hill area development programme which highlighted the issues of difficult terrain, agro-climatic conditions and historical lag in economic development and also the immense growth potential. Since the Seventh Five Year Plan (1985-90) it came under the Hill area development programme component of Special Area Development Programmes. The programmes were beneficiary oriented. The emphasis shifted to eco-development in the sixth Five year plan. The seventh Five year plan emphasized the development of ecology and environment aiming at evolving programmes to take care of socio-economic growth, development of infrastructure and promotion of ecology of the region. The seventh Plan identified the basic tasks of the region as follows (i) attainment of self sufficiency in food (ii) viable solution to the problem of shifting cultivation (iii) ecological and environmental protection (iv) reduction in infrastructural bottlenecks (v) development of suitable small, village and cottage industries and generation of productive employment (vi) manpower development. During the eighth Five year plan (1992-97) the focus was on productive sectors of the hill economies by modernizing the agricultural practices and small scale industries at household, cottage and village level.

The thrust areas during the ninth Five year plan (1997-2002) were (i) eco-restoration and eco-preservation (ii) involvement of the local population (iii) gender sensitive planning (iv) Use of appropriate technology (v) redevelopment of traditional agro-eco systems based on traditional knowledge and technology (vi) scientific approach to agriculture, animal husbandry and horticulture in order to raise productivity (vii) development of ecologically sustainable industries and tourism. The high level Shukla commission examined the backlogs in basic minimum services, and gaps in important sectors of infrastructure development. A detailed report was submitted in 1997. Since the mid 90s the NE economic development began to find place in the mainstream collective psyche. In October 1996, Shri H.D. Deve Gowda, Prime Minister of India, announced new initiatives for the north eastern region which included an economic package of Rs 61 billion for specific projects in the NER. This led to earmarking of at least 10% of the plan budget of the central ministries for NER and creation of the Non lapsable central pool of resources (NLCPR). In January 2000 Atal Behari Vajpayee, another Prime Minister of India further announced a Rs 102.71 billion package for the region. During the tenth FYP NER appeared as a category in special area programme. The focus shifted to improving implementation and ensuring better delivery of results, providing upstream assistance and policy support and strengthening capacity and public involvement. The Department of Development of the North Eastern Region (DoNER) was set up in September 2001 to cater to the developmental needs of the north eastern region. The NEC Act 1971 was amended in December 2002 to make Sikkim the

eighth member of the council. Since 2005 NEC has started functioning as a regional planning body. The preparation of State Development Reports and Human Development Reports for each of the states has given the opportunity for critically examining the state economies in a holistic manner than ever before.

### LEP in action

Genesis of LEP: India's Look East Policy has evolved in four different waves spanning over centuries. The initiative in the early 90s under P.V. Narasimha Rao, then prime minister of India which became known as India's Look East Policy constituted actually the fourth wave of India's eastward engagement. According to Muni (2013: 67) the first wave led to cultural and commercial engagement between India and its eastern neighbours. The second wave was the strategic and commercial engagement by the British Empire in India. The third wave came when in post independence India Jawaharlal Nehru, India's first Prime Minister introduced India's policy of Asian resurgence with East Asia as an important player. The fourth wave came in response to the end of Cold War. It presented a range of new political, economic and security challenges for India as the international relations underwent a profound change as a result of the disintegration of the USSR. The foreign policy of India shifted its perspective of giving preponderance to politico-security calculations during the Cold War era to economic expediency in the post Cold War era. At the same time India tried to keep up with the prevailing trend of liberalization, privatization and globalization.

India's expectation of a robust trade with western countries as its economy got liberalised was not realized. India's need for western capital, technology and market was rather more than the western countries' need for India's market. The leading capitalist countries of the West were preoccupied with Eastern Europe, the Russian Federation, China and other emerging industrializing countries in Asia. India's bargaining power was also reduced substantially vis-à-vis the United States in the post- Soviet era. Even after the liberalization programme was initiated at both domestic and external level, India could not get any substantial concession on security front. It was the case with European Union too. European Union at that point of time was also more interested in the growing economies such as China and Southeast Asian countries. Since mid 1991, the government of India has been taking coordinated action among the concerned ministries in consultation with leading economic chambers of India like the Confederation of Indian Industries (CII) and Federation of Indian Chamber of Commerce and Industries (FICCI) to woo Japanese investors. Japan, after carefully studying the domestic problems of India adopted a wait and watch policy.

It was the Southeast Asian countries which India could identify itself with during those days. India was motivated by the success stories of the Southeast Asian countries



and wanted to emulate the success stories for itself. At the same time India realised the need to keep a tab on its eastern flanks, as China was becoming a formidable economic and military power in the absence of Soviet Union. Therefore, India felt the urgency to establish linkages with countries in its eastern neighbourhood on institutional level such as ASEAN. India saw ASEAN as the “Springboard” from where it could leap into other major economic groupings with which it has linkages such as EU, APEC, and NAFTA. Over the past several years, a number of regional and sub-regional initiatives have been taken by countries in South and South East Asia, which would help shape the economic geography of the region. These include the enhanced cooperation among the members of the South Asian Association of Regional Cooperation (SAARC) that have agreed to set up a South Asian Economic Union, the Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation (BIMSTEC), the Asia-Pacific Trade Agreement (APTA). Besides, India has adopted the “Look East” policy and is engaged in deepening economic cooperation with the ASEAN and countries belonging to the East Asia Summit (EAS), which bring together the ASEAN and six of its partner countries, including India. Providing fillip to these initiatives is not possible without NER playing a pivotal role. India also realised the potential of this initiative in ushering economic growth in its north eastern region.

At the same time dynamic changes were sweeping across ASEAN both in economic and strategic arena. The mood in the region at that time was manifested in the “Singapore Declaration” released in its summit meeting in 1992. The declaration clearly reflects the need felt by the member countries of the association to revamp the economic and security structure in Southeast Asia and ASEAN in particular. In this declaration the ASEAN countries, after reviewing the profound international political and economic changes that had occurred since the end of the cold war and their implications for ASEAN pledged that the association should move towards a higher plane of political and economic cooperation to secure regional peace and prosperity. In his Singapore lecture in September 1994 prime minister P.V. Narasimha Rao defined and articulated the fourth wave which emphasised strong economic and security relationship between India and its eastern neighbours. It was an articulation of India’s desire for connecting with its eastern neighbours (Muni 2013:81).

### **LEP and its implications for the Northeast**

The economic progress of the NER would require a radical change in the relationship with the neighbouring countries as part of a Govt. of India initiative for developing economic links with neighbouring countries on mutually beneficial terms and strengthening historical ties. NER enjoys very special advantages over other parts of India in trade in view of India’s Look East Policy (LEP) in general and India’s economic

engagement with her eastern neighbours through India-ASEAN FTA and other bilateral FTAs in particular. NER's locational advantage and rich natural resources justify its development as a base for cooperation not only with the ASEAN but also with neighbouring countries such as Bangladesh, Bhutan, and Nepal. Regional cooperation centring NER can be extended through Myanmar to Mekong region, comprising of Cambodia, Lao PDR, Thailand, and Viet Nam. NER can emerge as a strategic base for foreign/domestic investors to tap the markets in SAARC, BIMSTEC, and ASEAN. At the same time, it has certain problems, which, if tackled and leveraged in the right perspective, can yield rich dividends. It is therefore essential to evolve a regional approach as opposed to individual state approach while framing trade policy for the NER. That calls for much higher level of coordination among the states in the region. Though a number of states have already been carved out of this region to accommodate the growing aspirations of people, the need for coordinating the policies of NER states for availing of the opportunities provided by LEP also has arisen.

Commenting on the impact of LEP on NER, Rao (2009) wrote, "Given the geographical contiguity, cultural ties, and proximity to the countries in Southeast Asia, the policy should have helped to break the economic isolation of the NER states. However, even though the Look East policy has been in existence for more than a decade and a half and even as it has benefited other parts of India, its benefits to the NER have been negligible. For the region, the policy has remained a slogan and has never evolved into a harmonious and productive economic relationship with Southeast Asia."

The inability to have any significant impact of LEP on NER is to be attributed to the geo politics of the region which had Myanmar as an international outcast and looking east from the NER without Myanmar posed several logistic problems. LEP was not considered as a serious alternative. Does the LEP exist in a manner as concrete as the Industrial policy or the Export Import policy? Ambassador Rajiv Sikri had admitted in a recent seminar that the north east indeed was not in the picture when India's Look East Policy (LEP) was initiated in the early 90s. The important infrastructure initiatives to promote NER trade with Southeast Asian countries through Myanmar include the Asian Highway link and Asian Railway network. While the NER will have access to the Asian Highway through the Imphal-Tamu feeder road, the railway systems of India and Myanmar are planned to be linked at the Dibrugarh railhead, which will give the region access to Asian Railway Network. India already constructed a Friendship road in 2001 in Myanmar linking the township of Tamu with the railhead at Kalemmyo which connects Mandalay, the cultural hub of Myanmar. There is also a time bound proposal to construct a 1,360 km Trilateral Highway from Moreh (India) to Mae Sot (Thailand) through Bagan (Myanmar).



With the signing of India-Thailand Free Trade Agreement (2003), the steady rise in two-way trade with Myanmar and spectacular growth in Sino-Indian trade, this region can become a hub for transit trade. In the long run ASEAN-India connectivity would help to unlock the tremendous potential of the region by removing constraints and bottlenecks to growth. Trade and connectivity between India and ASEAN may be seen as ushering in enormous opportunities generated by the dynamic growth centres which otherwise would have stopped at the border.

It can be argued that 'Act East through the North-East', implemented in the right perspective, would bolster the geo-economic significance of the region and fetch huge dividends in terms of its Vision Document facilitating India's economic relations with its Eastern neighbours in the long run. However, India's security dilemma cannot be totally ignored and as a consequence, the AEP is to be continuously reviewed protecting the country's national interest for the benefit of all the stakeholders in the region.

Indeed, in economic terms, the LEP should go beyond the immediate neighbourhood of Myanmar and reach out to markets in East Asian and Southeast Asian countries. This calls for significant initiatives to strengthen connectivity and infrastructure within the region and open the natural transportation networks through the sea, inland waterways and land routes. No less important is the improvement in quality of governance without which even the most ambitious schemes are likely to fail. Central funding with good governance only can do it otherwise it will degenerate into another quicksand of vested interests.

It is often said that activating the land route with Myanmar can make the "Look East" policy to start from the North-eastern region. Generally, goods from North-East India are brought through road and railways of the narrow Siliguri corridor to Kolkata covering near about 1600 kilometres and then trans-shipped through the Strait of Malacca to South-East Asia and China. The present route takes near about seven days for the landing of cargo whereas the same consignment through the Stilwell route can land in Myanmar and China in less than two days. The Guwahati-Kunming Corridor has huge potentialities which would bring perceptible change in the economy of the North-East. The corridor, through the Stilwell Road is significant for transnational connectivity and sub-regional cooperation. It starts from Guwahati in Assam (India) and goes across Nampong in Arunachal Pradesh (India) and Shindbuiyang, Bhamo and Myitkyina in Kachin (Myanmar) linking the Ledo-Burma road junction through Wanding and Yunnanyi to the city of Kunming (China) over 2276 km.. Beijing is also looking ahead to connect Kunming with Singapore through three trunk-lines traversing Myanmar, Laos, Vietnam, Cambodia, Thailand and Malaysia, and is also contemplating a high-speed rail network connecting Kunming with Singapore through the domestic railways of ASEAN by 2015. After the infrastructures are fully commissioned, then goods from Singapore can directly reach



Nampong, Ledo and other parts of North-East India through the Kunming-Singapore Trunk Road or Kunming-Singapore railways and vice versa. Potentialities of the region in pharmaceuticals and petro chemicals (2P) & (5H) hydro, herbal, horticulture, handicraft and handloom & (1T) tourism should be explored by tapping cross-border synergies. It can provide a transit route to Southeast Asian countries and end the NER's disadvantageous land-locked condition.

Supply-side constraints are also inhibiting NER's two-way trade with its neighbours. India's merchandise trade due to Free Trade Agreements – regional and bilateral FTAs – is expected to increase manifolds in coming years, and NER is central to India's trade integration with ASEAN. Without improved connectivity, NER wouldn't witness higher trade creation and expansion of its export. Its geography negates most of the benefits of trade liberalization due mainly to high transportation cost. One suggestion is that the region has to be linked through alternate access to sea and the remaining part of India across Bangladesh. The Kaladan multimodal transport project would provide the region quick access to the sea, and trans-shipment facility at Chittagong port in Bangladesh and transit through Bangladesh will help facilitate the region's national and international trade in a big way. Facilitation of border trade should be another important priority for the government. There is urgent need to promote interaction with neighbouring countries for enhancement of cross-border trade and investment. This also brings up the issue of pursuing a comparative advantage defying strategy for industrialising the region.

The relation between trade, infrastructure and economic development is not beyond controversy. We have a perspective of a world in which countries exchange goods, factors and ideas. Free trade in goods leads to equalization of factor prices across countries according to the factor-price-equalization theorem. In the traditional literature on neo-classical growth model, capital and labour play the central role as two main factors of production. From the perspective of conventional one sector neo-classical growth theory international linkages do not matter, but from the trade perspective they are the crucial determinants. Although infrastructure plays the role of a very important catalyst, it gets virtually no explicit mention in the relevant literature on trade and inclusive growth. It may be argued that greater openness of an economy is potentially beneficial to all but require appropriate policy designs to realize it. Trade and infrastructure development in NER may be seen in this perspective. As the national market centres are far away, markets across the border can act as the vents for surplus generated in NER. Undoubtedly, distance is exogenous, and it is a major determinant of a region's trade prospects. The economics of Continental trade through this region has to be reassessed when connectivity improves.

During the twelfth Five year plan(2012-17) the following components of LEP have been spelt out as follows:

- i. Focus on strong relationship with Bangladesh to ensure effective connectivity by different transport modes- Access to Chittagong port, declaring Ashuganj (Bangladesh) as port of call, Kolkata– Agartala–Dhaka bus service.
- ii. Connecting the North eastern region by road to south-east Asia through Tri-lateral Highway–Moreh(India)–Mandalay/Bagan (Myanmar)–MaeSot/Chiang Mai (Thailand).
- iii. Focus on development of all Land Customs Stations for strengthening border trade and business communication.
- iv. Expeditious implementation of multi-modal transport using Kaladan River in Myanmar as alternate connectivity to the North-East.

At the 12<sup>th</sup> ASEAN-India summit Shri Narendra Modi, Prime minister of India stated Externally, India's 'Look East Policy' has become 'Act East policy'. The measures related with Act East flagged off so far are as follows:

- i. Development of IT and communication network
- ii. Recruitment of male and female candidates from the eight states in Delhi police
- iii. Improvement of transmission and distribution of power in the Northeast
- iv. Funding of important state highways.
- v. Withdrawal of protected areas permit for foreign tourists visiting Manipur and Nagaland
- vi. Mega tourist circuit connecting Kaziranga-Tezpur-Bhalukpung (Assam)-Tawang-Bomdila (Arunachal Pradesh)
- vii. Integrated check posts at Agartala (Tripura-already functioning), Moreh Manipur), Kaladan, Khawarkuchi (Mizoram), PangsuPass (Arunachal Pradesh) Dhubri and Karimganj (Assam), Dawki (Meghalaya)

The measures taken up so far emphasise the issue of connectivity. These also underscore India's commitment.

## Conclusion

LEP is going to be a rediscovery of the drivers of growth of this region based on itself. This will take care of inclusive growth. It is going to restore self respect to the people. If a region with so much of natural resources joins the growth process on its own, not only India but Asia also will benefit. How can India's economic ties be



enhanced with countries in her eastern neighbourhood, in the process turning the NER into a gateway to Asian prosperity? Connectivity will play a significant role in reactivating the developmental cores of the region. It is natural to look at India's Act East policy as a confidence booster and a facilitator. These are the intangibles of this opening up process. The people to people contact will be followed by trade in goods & services. If the planned connectivity improvements materialize and India's uneasy relations with neighbours like China and Bangladesh get sorted out, the North east will emerge as India's gateway to the east and Northeast India-Myanmar can emerge as a major trade corridor between South Asia on the one side and East and Southeast Asia on the other. The NER can have a significant role in the supply chain and redefine its comparative advantage.

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