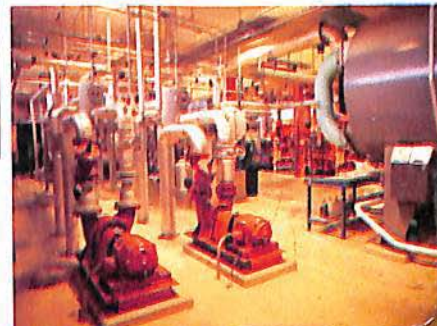


Industrialisation in North-Eastern Region



Jaynal U. Ahmed



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Annual Publication

INDUSTRIALISATION IN
NORTH-EASTERN REGION



== THE AUTHOR ==

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INDUSTRIALISATION IN NORTH-EASTERN REGION



Edited by

JAYNAL U. AHMED



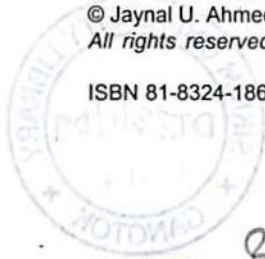
MITTAL PUBLICATIONS
NEW DELHI (INDIA)

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First Published 2007

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ISBN 81-8324-186-7



Call No..... 831.89 216

Acc. No..... 1577

Published and printed by Krishan Mittal for Mittal Publications,
4594/9, Daryaganj, New Delhi - 110002, India.
Phone: 23250398, 25351493 Telefax: 91-11-25351521
e-mail : mittalp@ndf.vsnl.net.in
Website : www.mittalbooks.com

FOREWORD

I am happy to write this foreword of the book entitled *Industrialisation in North Eastern Region* edited by Dr. Jaynal Ud-din Ahmed, Reader, Department of Management Studies, North Eastern Hill University, Tura Campus, Chandmari, Tura, Meghalaya. The book contains twenty research papers on industrialization in the context of economic reforms specially related to north eastern region. The writers are the eminent scholars and well known academicians in the region and have effectively addressed relevancy and prospects of various industries in the region for overall economic development

The book is expected to be a significant contribution on industrial scenario in the North East Region. I am sure this will prove to be very useful to the scholars in the field and policy makers for re-engineering the industrial scenario and for creating a sound industrial atmosphere in the region.

I congratulate the editor and the authors for their contribution to this book, which may prove to be a milestone for industrial growth of North Eastern Region.

S.S. Khare

Pro- Vice-Chancellor,
North Eastern Hill University,
Tura Campus,
Meghalaya

ACKNOWLEDGEMENT

I gratefully acknowledge the good wishes and words of praise and encouragement for the idea and commendable endeavour to bring out a volume on *Industrialization in North Eastern Region* expressed by my revered teachers Dr. R. K. Raul, Head, Department of Business Administration, Assam (Central) University, Silchar and Professor S. S. Khanka, School of Management Sciences, Tezpur University, Napaam, Tezpur, Assam.

I am specially thankful to Prof. S. S. Pabla, Director, Sikkim Manipal Institute of Technology, Sikkim and Prof. S. S. Khare, Pro-Vice-Chancellor, North Eastern Hill University, Tura Campus, who despite their heavy engagements, contributed valuable forewords of this volume.

I take this opportunity to offer my gratitude to Prof. A.R.M. Rahman, Dibrugarh University, Prof Furquan Qumar, Jamia Millia Islamia, New Delhi, Prof. Z. M. Khan, Institute of Objective Studies, New Delhi, Dr. N. M. Panda, North Eastern Hill University, Shillong, Prof. Keya Sengupta, Assam (Central) University, Silchar, Prof. Javed A. Khan, Aligarh Muslim University and Prof .M. K. A. Siddiqui, Institute of Objective Studies, Kolkata Chapter for their inspiration in my academic pursuits.

The academic encouragement received from time to time from Dr. Abdul Aziz Choudhury, Mrs. Nibedita Raul, Karimganj College, Assam, Alhaj Abdul Jalil, Assam (Central) University and my colleagues and friends is gratefully acknowledged.

I am beholden to my parents who have been constant source of inspiration in my academic works and indebted to my brother Moulana Md. Nazrul Islam for his encouragement in my research pursuits. In the same measure, I wish to express thanks to Miss. Shamp-Ana B.Choudhury for her mental support during this publication.

I can not refrain from expressing my appreciation of the help extended by Mr. K.M. Mittal, Proprietor of Mittal Publications for co-operation to publish this edited volume in elegant manner.

JAYNAL UDDIN AHMED

PREFACE

Industrialisation plays a dominant role in the economic development of any region. The industrial sector contributes significantly in the eventual achievement of self-sustained economy with continued high level of investment and rapid rate of increase in income and industrial employment. This sector, thus, serves a foundation on which basic structure of economy has to be build up.

Despite concerted efforts on Industrialisation in India during the last five decades, the North-Eastern region in by-passed by industrial development in spite of having great potentiality of industrial resources in the region. As the region is predominantly agrarian bias, the comparatively lower per capita income reflecting the backwardness of the region, could possibly be speed up development by setting the pace of industrial culture which will ensure higher rate of per capita income.

The region is floated with excess supply of labour in agricultural sector having zero marginal productivity. The high rate of growth of population with negligible opportunities in north east create the problem of unemployment and poverty which hampers the overall development of the region. Industrial sector with high marginal propensity to save and invest contributes towards the self-sustaining regional economy. This will help in high level of investment, increase in income, industrial employment and thereby enhance the regional economic co-operation.

The nourishment of entrepreneurial ventures is the *sine-qua-non* for industrialisation. The potentialities are not absent in north-eastern region for new entrepreneurial ventures. North-east has long tradition in manufacture of a varieties of goods for domestic, agricultural and other uses. The accumulated experience, availability of cheap skilled and semiskilled manpower, congeniality of the social tradition, prevalence of favourable Law and order situation offers a favourable environment for growth of industrial ventures. Of course, the geographical hazards of the region, fragility of prevailing

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CONTENTS

<i>Forewords</i>	vii
<i>Acknowledgement</i>	ix
<i>Preface</i>	xi
<i>List of Contributors</i>	xiii
1. Look East Through North-East —Its Impact on Industrial Economy of North-East ❖ <i>S.S. Khanka</i>	1
2. India's Look East Policy—Breaking Trade Barriers with Special Reference to North-East India ❖ <i>Anindita Adhikary, Bedanta Bora and Sujit Sikidar</i>	9
3. Production Trend of Oil Sector in North-East —With Special Reference to Assam ❖ <i>Nazimuddin Khadem</i>	17
4. Tourism as an Industry in North-Eastern Region —A Case Study of Meghalaya ❖ <i>P.M. Passah</i>	27
5. Arunachal Pradesh as an Emerging Power House ❖ <i>R.K. Mandal</i>	35
6. Small Scale Industries in Mizoram—A Study ❖ <i>Baharul Islam Laskar</i>	43
7. Bank Financing of Small Scale Industries —A Diagnostic Evaluation ❖ <i>Jaynal U. Ahmed</i>	51
8. Prospects of Cultural Tourism in Arunachal Pradesh ❖ <i>Kangki Megu</i>	61
9. Industrial Pollution in Shillong City—A Case Study ❖ <i>Mohd. S. Uddin</i>	73

10. Industrial Scenario of Meghalaya—An Overview ❖ <i>Surojit Sengupta</i>	81
11. Infrastructure Development for Industrialisation —A Case Study ❖ <i>J.U. Ahmed, H. Choudhury, and N.U. Khadem</i>	89
12. Constraints Experienced by Women Entrepreneurs in South Assam ❖ <i>S.B. Choudhury</i>	105
13. Working Capital Management of Women Vendors in Manipur—An Empirical Study ❖ <i>N. Tejmani Singh and Th. Jitendra Singh</i>	109
14. Study of the Impact of Entrepreneurial Dynamics of Small Tea Growers in Rural Transformation of Tripura ❖ <i>P.K. Halder</i>	121
15. Threats and Opportunities for Industries in Jharkhand ❖ <i>Vikas Kumar and Ravindra Kumar</i>	129
16. Industrialization Paving the Way for Urbanization —An Economic Study ❖ <i>D. Solomon Raj</i>	135
17. Globalisation and Industrial Scenario—A Study of Sikkim ❖ <i>Amit Chakladar</i>	141
18. Entrepreneurs and Entrepreneurship —Challenges and Opportunities ❖ <i>R.K. Raul</i>	151
19. Industrial Policy Framework and Entrepreneurship Development in North-East India—A Critical Perspective ❖ <i>G. Singaiah and B. Hazarika</i>	165
20. Tourism as an Industry in the North-Eastern Region ❖ <i>Benjamin F. Lyngdoh</i>	193
<i>Index</i>	197

LOOK EAST THROUGH NORTH-EAST

—Its Impact on Industrial Economy of
North-East

S.S. KHANKA

The Backdrop for Border Trade

The seven sister states—Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura—constitute the North-Eastern Region (NER) of India. About 3.74 per cent (3.85 crores) of the population of India lives in its 7.76 per cent (2.55 lakh sq. km) area in the NER. The NER has a characteristic geographical location. While China and Bhutan fall on its north and northwest, Myanmar and Bangladesh on its east, south and southwest. Thus, the NER is characterized by its unique geopolitical entity. It shares a longer border (98 per cent) with these four neighboring countries than with India (2 per cent only). It is connected with 'mainland' India by a narrow land, corridor often called '**Chicken Neck**' having an approximate width of 33 km on the eastern side and 21 km on the western side. As such, the narrow corridor is bound to be overburdened and constricted.

Given the geopolitical entity, coupled with constricted narrow corridor connecting the NER with 'mainland' India, and poor infrastructural facilities within the NER has led to a situation where each of the states in NER is looking more to neighbouring countries than to mainland India for economic relations. As such, the NER has a natural advantage for border trade. The same justifies the need for and significance of establishing Regional Cooperation for facilitating growth of business and investment between the NER and

2 / Industrialisation in North-Eastern Region

the South Eastern Asian Nations (ASEAN). If it happens, then the NER of India could become an economic bridgehead for tapping a market of 500 million people in our extended neighborhood in Southeast Asia.

In aggregate, trade with Southeast Asia will serve two main purposes:

One, it will connect the NER with mainland India which has been a great desideratum of the time.

Second, income and employment forged by border trade will subdue the tendencies of militancy and other antisocial activities hovering in the NER for quite some years.

It is against this backdrop, the present paper tries to address to the following issues pertaining to NER and its trade opportunities with neighbouring countries:

1. What specialities the NER holds for border trade?
2. How to exploit the opportunities, whatsoever available?

Before we examine the trade opportunities of NER for border trade, let us first present an overview of border trade presently going on between the NER with neighboring countries.

Border Trade at Present : A Snapshot

Trade history is witness that these neighbouring countries had been the traditional markets, or say, border trade for a variety of goods and services produced by the Northeast before its traditional links were disrupted by partition in 1947. But, border trade has come down heavily after the partition because of overnight chopping off all the road, rail and river routes connecting Northeast with these neighbouring countries especially with Bangladesh, on the one hand, and the host of rules and regulations applicable to foreign trade serving more as trade barriers than facilitators to it, on the other. Let some facts speak themselves.

As of now, there is no formal agreement on the opening up of border trade with Bangladesh. Whatsoever border trade takes place at present is through authorised custom stations. Though the Government of India has, at present, approved some 89 land custom stations and several land and rivers routes for the movement of goods on the Indo-Bangladesh border, the irony of the fact is that of these 89 land custom stations, as many as 35 are in the Northeast of which only 14 are operational. According to a study conducted by

the Indian Institute of Foreign Trade (IIFT), New Delhi in 1995, the volume of informal, or say, illegal trade with Bangladesh was estimated to be around Rs. 600 crore and that of formal trade Rs. 300 crore.

There is so far no formal Indian trade with China either. Arunachal Pradesh has been trying for three specific points for trade with China—Zemithang in Tawang district, Gelling in Upper Siang district, and Kibithoo in Lohit district. At present, these points are not well connected with the 'mainland' by State or National Highways. Till that does not happen, border trade will not happen. That is a fait accompli.

Of course, India has a free trade agreement with Bhutan and there are three notified land custom stations too on the Indo-Bhutan trade—Darranga, Halisar and Uttapani. These are, however, not functional because of lack of infrastructural facilities and are used just to keep the records. Hence, there is need for beefing up infrastructural facilities at these three stations to promote the Indo-Bhutan border trade.

As a matter of fact, the 'Official' border trade as of now takes place only with Myanmar which shares a border of 1640 km with four states of NE—Arunachal Pradesh, Manipur, Mizoram and Nagaland. A border trade agreement was signed between India and Myanmar on January 21, 1994 (which became effective from April 12, 1995) and provided for border trade initially through two points—Moreh in Manipur and Champhai in Mizoram. As per the agreement, though more points were to be identified and made effective over a period of time, as of now only Moreh-Tamu (in Myanmar) sector has been operative. Indo-Myanmar border trade through the Moreh-Tamu sector is estimated at around Rs. 1,600 crore per year whereas informal trade is estimated to be around Rs. 2000 crore. But, the Champhai-Rih (in Myanmar) sector has been fading away into trade folklore. Why? Because of proverbial tango caused by lukewarm attitude on the part of Myanmar and frigid approach on the part of India. The result is obvious. The potential trade posts of Lungwa, Pongru and Pokhungiri in Nagaland and Nampong, Vijayanagar and Khimiyang in Arunachal Pradesh remain at present just that—nondescript names.

Only this much of border trade from Northeast. Now, another pertinent and perhaps more significant question is : What and how much the Northeastern States have to offer for trade with the countries of South East Asia? This we investigate in the next

section.

Trade Opportunities of NER

Opportunity identification precedes trade. Hence, it seems pertinent first to make a perspicacious identification of potential items available for border trade, of course, with reference to their strengths and weaknesses of the NER in terms of their location, resource base and status of infrastructure, on the one hand, and demand for various items across the neighbouring countries, on the other.

Some well known organizations in India like Indian Institute of Foreign Trade (IIFT), New Delhi; National Council of Applied Manpower Research (NCAMR), New Delhi; Federation of Indian Export Organization (FIEO), Kolkata; Tata Consultancy Services (TCS), Kolkata; Export Import Bank of India (EXIM Bank), Kolkata; Confederation of Indian Industry (CII); Federation of Indian Chamber of Commerce and Industry (FICCI); Indian Institute of Entrepreneurship (IIE), Guwahati; North Eastern Chamber of Commerce and Industry (NECCI), Guwahati; and Federation of Industries and Commerce in NE Region (FINER), Guwahati have undertaken research studies investigating into the potential items NE has to offer for border trade and have listed out a large number of potential items for export from NE. We have presented the major ones of these items Statewise in Table 1.1.

<i>Items</i>	<i>States</i>
Processed fruits and vegetables (orange, lemon, jackfruits, ginger, papaya, potato, chilli, pineapple, guava, brinjal, turmeric)	Arunachal Pradesh, Assam, Manipur, Mizoram, Tripura
Tea	Assam, Manipur
Rubber	Manipur, Tripura
Medicinal Plants and Herbs	Assam, Manipur, Tripura
Drugs and Pharmaceutical Products	Manipur
Paints and Varnishes	Manipur
Handloom products	Manipur
Silk	Assam, Nagaland

It is clear from Table 1.1 that the NER of India is reservoir of resources that promise for trade with the neighbouring countries.

Besides above opportunities in terms of speciality items, there is one service sector too holding good promise for border trade and that is 'tourism'. The NER of India with its picturesque landscape, turbulent rivers, lofty mountains, snow-clad peaks, wildlife sanctuaries, national parks, biosphere resources and thousands of species of exotic flora and fauna provides ample opportunities for tourism development. In fact, NER is not only a hotspot of biodiversity, but of tourism also.

Recognizing this, the Government has already declared the four places of tourism potential, namely, Guwahati, Shillong, Kaziranga, and Tawang as *tourism hubs* with an objective to exploit the tourism potential of these locations, in particular, and the NER, in general. The motive behind the decision of constructing an ASEAN Super Express Highway is, among other things, to develop tourism. If developed properly, tourism can emerge as a vibrant sector in the economy of NER. It will prove as the panacea for economic development of the Northeast India.

Besides, there are some potential areas where India can make investments in neighbouring countries of NER. Indian Institute of Foreign Trade (IIFT), New Delhi has identified the following potential areas for investment by India:

1. Teak processing including handicrafts,
2. Electricity generation,
3. Cutting and polishing of precious and semi-precious stones,
4. Stainless steel utensils,
5. Cutting and polishing of granites,
6. Polishing and milling of oil seeds,
7. Leather manufacturing,
8. Construction (housing complexes),
9. Industrial chemical gas,
10. Rubber products,
11. Exploration of coal, and
12. Food processing,

Now that we have investigated into the opportunities for border trade available in the NER, let us now think how to exploit the same for the best advantage of the NER, in particular, and of the country as a whole, in general.

How to Exploit the Trade Opportunities?

Various forms of regional cooperation like EU, NAFTA and LAFTA taken place around the world well confirm the need for and importance of establishment, maintenance and strengthening of regional cooperation for promoting trade and business across the regions. It is with this realization, in South Asia too, the South Asian Association of Regional Co-operation (SAARC) was set up in 1985 to promote economic cooperation among the South Asian countries. So was set up the Association of South East Asian Nations (ASEAN) to forge regional cooperation among the member nations. As a validation of a conscious adoption of a "Look East" Policy, India became a full Dialogue Partner of the ASEAN and participated for the first time at the Post Ministerial Conference (PMC) of ASEAN in Jakarta in July 1996. Efforts are made from time to time under the banner of ASEAN to strengthen the economic cooperation and trade among the nations of South East Asia. It is this cooperation the trade between India and ASEAN countries has grown by 25 per cent in 2003. The ultimate objective of ASEAN is to facilitate economic growth, improve employment opportunities, and reduce poverty in the region by tapping the comparative advantages of the participating countries. The formation of BIMSTEC Group (Bangladesh, India, Myanmar, Singapore and Thailand - Economic Cooperation), which is likely to be joined by Bhutan and Nepal, is another step to forge regional cooperation which will benefit the North East, to a large extent. Similarly, the SAARC Conference held at Islamabad in January 2004 of seven nations had signed an agreement called South Asian Free Trade Area Framework Agreement 2004. As per this agreement, by 1st January 2006, the seven SAARC nations would create a South Asian Free Trade Area (SAFTA) to liberalise trade restrictions (barring certain exemptions) among themselves. Till then, attempt is on anvil to form a sort of economic cooperation in the name of South Asian Preferential Trade Agreement (SAPTA). However, due to one reason or another, much progress has so far not been made in this direction. There is, much scope for making head ways in this front and it needs to be done without delay. How? Following are some of the ways that may help foster regional economic cooperation among the members of ASEAN and, in turn, gorge trade and business among them.

- **Establishment of Cooperation in Transport and Communication:** This facilitates, promotes, and plays a catalytic role in generating support for sub-regional

cooperation. Very possibly, the proposal for having a Stilwell Road, known as Ledo Road at its beginning in 1945, is, among other things, with the same motive of promoting sub-regional cooperation through interaction and integration.

- **Organisation of Interactive Activities:** Activities need to be initiated facilitating the interaction among the people across the region/nations. The Government of India has taken one such initiation by organizing a car rally in November 2004 from Guwahati to ASEAN and there is a proposal to have such car rally in every two years. The car rally will have its impact on tourism, interaction, integration and cooperation among the people coming into contact with each other. Similarly, organisation of fairs and exhibitions may be yet another effective means to establish interaction and cooperation among the nations.
- No doubt, foreign Trade Policy is required to monitor and regulate the trade. But, it should not serve as barrier to foreign trade, but as a facilitator to it.
- In order for the sub-region to accelerate trade activities, serious attention should be given to
 - (i) Developing supportive physical and social infrastructure within NER with its effective cross border linkages. This will help dismantle barriers which have so far denied these regions benefit from trade, access to technology, and capital and labour mobility;
 - (ii) Promoting peace and stability to offer a cost effective and secure destination for investments;
 - (iii) Promoting small and medium industry, including agri-business, to unleash the region's comparative advantage;
 - (iv) Promoting tourism, i.e., the world's fast developing smokeless industry; and
 - (v) Developing institutional mechanism for trade facilitation.
- Discussion forums like Business Summits, Seminars and Conferences should be organised from time to time to exchange ideas, share views, explore newer and better opportunities, disseminate new information and knowledge among the members of the regions/nations.
- As echoed by the Indian Prime Minister in the SAARC meeting held in January 2004 in Islamabad, like EU, let

SAARC also have a common currency and even common passport. It will help forge regional cooperation among member nations.

Concluding Remarks

In the era of LPG, i.e. Liberalisation, Privatization and Globalisation, no option is left for India but to adopt globalisation which India has joined since 1994. As such, promoting trade across the nations has been the necessity of the day. However, promoting trade across the nations is as important is not so simple. There is no denying the fact that the NE offers opportunities for trade with South East Asian countries. But, at the same time, it is also beset with certain threats like illegal influx of people, drug trafficking, narcotics, HIV and so on which have already assumed alarming proportions in some of the states of North East India. For instance, in Manipur, each family is estimated at least two injectable drug addicts. This causes huge harms and, therefore, needs immediate attention and action. The Indian Narcotics Officials report how not long ago China closed its border with Burma which was opened for trading four years ago when it faced a similar problem of drug addiction and HIV spread in its Sichuan and Yunan province. It is a warning signal for India too to think over attendant consequences of border trade. All this underlines the need for a perspicacious and holistic understanding and approach with resolute efforts to exploit the opportunities the NER offer for borders trade to the best advantage of the NE, in particular and the country as a whole, in general. Sooner we start the same, better it will be for border trade from NE with its extended neighbouring countries of South East Asia.

INDIA'S LOOK EAST POLICY

—Breaking Trade Barriers with Special Reference to North-East India

ANINDITA ADHIKARY, BEDANTA BORA AND SUJIT SIKIDAR

Introduction

The North Eastern region of India has often been visualized as the remote landlocked backward region of a dynamic economy. The difference between the potential and actual economic performance is most startling for the region that has large international borders with several neighbours like Bangladesh, Bhutan, China, Myanmar and Nepal. The North East region of India comprising of eight states has a unique geographical configuration with 98% of its borders shares with neighbouring Asian countries. This along with the fact, that most of these states distinctly vary in terms of their ethnic composition, political ideologies, socio-economic characteristics and cross border interactions make a major differences in the national and local perspectives of borders. The most critical aspects of the border trading regime is to bring forth the genuine traders who are looking forward to a sustainable exchange of goods and services with the neighbouring countries. The 'Look East Policy' of the Union Government and the emerging trends of sub-regional cooperation including Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand Economic Cooperation (BBIMNSTEC) and South Asia Growth Quadrangle (SAGQ) have in them cross border policy intervention with a view to harness the comparative advantages of all the eight North Eastern states. The 'Look-East Policy' of India is of added importance to this region that all goods from and to India in the trade relation with

South-East Asian market have to pass through this region and hence, it will reap an extra advantage of commercial transaction-benefits.

The then Indian Prime Minister Atal Bihari Vajpayee's Southeast Asian tour to participate in the Association of Southeast Asia Nations (ASEAN) summit in Bali, Indonesia on 7th and 8th October 2003, marks the success of a decade-long shift in Indian foreign policy — known as the "Look East" strategy — initiated by former Prime Minister Narasimha Rao in the early 1990s.

On November 23, 2004, Prime Minister Manmohan Singh flagged off the first ever India-ASEAN car rally in Guwahati. The non-competitive rally, organised by CII, has emphasized India's new found stress on the 'Look East' policy signifying new trade initiatives with the country's eastern neighbours and ASEAN nations. The Indo-ASEAN car rally has revived the speculation on vast possibilities of reaping benefits from trade that could take place between the north-eastern states and South-East Asian nations. If the concerned governments, particularly that of India, Myanmar and Thailand, and local authorities of these countries are serious about their declared intentions, then these new initiatives would indeed rediscover, renew and rejuvenate the age-old cultural and historical ties between the peoples of South-East Asian nations. In turn, greater interaction would undoubtedly boost trade, commerce and tourism prospects in the entire region.

India-ASEAN Trade Trend

ASEAN was founded in 1967 by five South-East Asian countries (Indonesia, Malaysia, the Philippines, Singapore and Thailand). They were joined by Brunei (1984), Vietnam (1995), Laos and Myanmar (1997) and Cambodia (1999). India became a sectoral partner of ASEAN in 1991, a full dialogue partner in 1995 and member of the ASEAN Regional Forum in 1996. The ASEAN region now encompasses about 500 million people with \$737 billion income and \$720 billion of external trade.

India's exports to ASEAN member countries include oil, meals, gems and jewellery, meat and meat preparations, cotton yarn, fabrics, machinery, rice, drugs and pharmaceuticals, chemicals, etc. The imports mainly consist of artificial resins, plastic material, natural rubber, wood and wood products, electronic goods, organic chemicals, edible oils, fertilizers, etc. ASEAN countries, particularly, Malaysia, Singapore and Thailand, are also increasingly investing

in India in sectors such as telecommunications, fuels, hotel and tourism services, heavy industry, chemicals fertilizers, textiles, paper and pulp, and food processing.

Among ASEAN-members, Singapore and Malaysia have been India's most prominent trading partners and India's trade with Laos has been the least in value terms (as per 2001-02 trade statistics). Growth in India's exports to ASEAN in recent years has been much higher in comparison with other important destinations. There has not been any significant change in the product composition of India's major exports to ASEAN since 1991-92 with the exception of electronic goods that emerged as one of the leading export items by 2000-01. As regards composition of India's imports from ASEAN, electronic goods again have turned out as the single-most important constituent. Overall, product concentration in India's imports from ASEAN is far higher than that in India's exports to the region. Inter-temporal changes in product composition highlights that while India's exports to ASEAN are becoming increasingly less concentrated, but concentration in its imports from the region has been rising. An assessment of shares commanded by India and ASEAN in each other's global trade illustrates the asymmetry in market penetration. ASEAN enjoys a pre-eminent position in India's import market, but India's share in ASEAN's global imports has always been modest. In particular, while Singapore, Malaysia and Indonesia occupy fairly respectable share in India's total imports, the converse is not true.

In contrast to India's small and sluggish share in ASEAN's global imports, there has been a magnificent rise in the corresponding for China over the years. Even though there are a few products in which India managed to improve its share in ASEAN import-markets between 1993 and 2000, India's performance pales into insignificance when compared with that of China. Not only the products in which India lost market share saw a substantial increase in the share of China (e.g. textiles & apparel for Indonesia, hides & leather for Malaysia as well as Singapore), but even in areas where India registered an increase in import-market share (for instance, stone/cement/ceramics for Indonesia; footwear for Malaysia; vegetable products for Philippines) China had outperformed India. Further, there has also been a growing trend in the share of intra-regional sources in ASEAN's world imports. There are many instances where potential imports were diverted away from India to greater intra-ASEAN trade (prepared foodstuffs in the case of Indonesia; plastics, gems & jewellery in the case of Philippines;

fish, meat & other animal products in the case of Thailand). With the BCLMV countries (Brunei, Cambodia, Laos, Myanmar and Vietnam) India's current trade is rather low both in terms of absolute value and relative share, with Myanmar being an exception. The reasons inhibiting augmented bilateral trade are many including high shipping cost, lack of contact between the business communities, relatively lower volume of demand and so on.

India's Trade with Neighbouring Countries

The closure of the borders between the North East and the neighbouring countries namely Tibet/China, Myanmar and Bangladesh has been regressive on the economy and society in the North East. Now the most significant question is that will India's 'Look East policy' lead to a new era of economic growth and increasing trade and commerce in the region.

	1987-88	1992-93	1997-98	2003-04
India Total Trade (\$ mill)	29244.2	40418.8	76490.9	140486
Percentage Share				
Share of Developing Countries	16.0	21.1	26.6	30.3
Share of Asia	12.0	16.5	19.9	24.2
Share of SAARC	1.3	2.3	2.4	3.3
NE Neighbours*	1.7	2.6	4.6	8.0

Source: Export-Import Data Bank, Ministry of Commerce & Industries, Government of India.

*North East Neighbours include Bhutan, Nepal, Bangladesh, China and Thailand

Table 2.1 provides data on India's direction of trade during the last 15 years. It needs to be emphasized that with outward looking policies, India's foreign trade, which was below \$ 40 billion in the early nineties, has risen dramatically to US\$ 140 billion by 2003. There has also been substantial progress in India's trade with other developing countries and with Asia after the initiation of 'Look east policy' of India. India's immediate neighbours in South Asia too have found easier access to the Indian market, though it is still very small and far below the potential. India's trade with countries bordering the North East has seen the most dramatic expansion, with the share going up more than five times from 1.7% to 8% (Table 2.1).

North East India And Neighbouring Nations

The scenario in the neighbourhood of the North East is changing.

The setting up of a SAARC Free Trade Area (SAFTA) in the SAARC region and the removal of quantitative limits on a large number of products under SAPTA agreements augurs well for the North Eastern Region, in terms of large export opportunities. The dramatic expansion of trade with India's eastern neighbours has had little or no impact on the North East. Most of this trade expansion has taken place through the seaports. It would not be incorrect to argue that the North East has once again been marginalized. India is Looking East, but not through its borders.

	1999-2000	2000-2001	2001-2002	2002-2003
Total Export	393.55	408.23	384.47	409.36
Indo-Bangladesh Border	169.81	151.27	186.13	201.99
Indo-Myanmar Border	3.31	5.52	1.23	4.96
ICD Amingaon	220.37	250.86	195.68	201.15
LBGI, Guwahati	0.06	0.58	1.43	1.26

Source: Customs Office, Government of India, Guwahati

	1999-2000	2000-2001	2001-2002	2002-2003
Total Import	18.57	19.63	16.91	19.82
Indo-Bangladesh Border	9.44	7.19	5.5	6.13
Indo-Myanmar Border	6.68	12.36	7.59	11.83
ICD Amingaon	2.45	-	3.77	1.66
LBGI, Guwahati	-	0.08	0.05	0.2

Source: Customs Office, Government of India, Guwahati

It needs to be emphasized that the physical infrastructure for facilitating trade and economic links between the North East and the neighbouring countries is largely absent. Indeed, one can argue that the links are weaker today than they were in 1947. The Stilwell Road is now a mere muddy track and the rail links with Bangladesh stand severed. Infrastructure bottlenecks and delays at border points

add substantially to the transaction cost in international trade. It is hardly surprising that with closed borders and open ports, the North East is not part of India's trade expansion strategy with eastern neighbours. Hence, in all probability the bulk of trade with the Greater Mekong Sub region, Bangladesh and ASEAN is likely to move through the international sea lanes, completely bypassing the North East region. The regions gaining so far are the hinterlands of Chennai, Vizag and the Kolkata port on the eastern flank. It would be reasonable to argue that given the state of infrastructure and the poor state of road, rail and air links with the neighbouring countries in the North East, the bulk of the trade is likely to move through the sea ports of India.

The close and cooperative relationship that India and Myanmar have come to share for long and the strengthening of economic ties with Myanmar would certainly boost trade in the North East region which could develop the backward nature of its economy. It is not only that the plywood industry which has already died down in Assam could revive with Myanmar's raw materials, but the joint venture could also give a new direction to the development of energy, transport and communication, bamboo products and science and technology sectors. It is important to note that the two countries share a 1600 km long border and people residing on both sides will certainly find their life much easier with cross border trade and commerce since marketability will be least costly as compared to the respective main-land alternatives in their own countries. It is important to note that until 1960, India was a major trading partner of Myanmar. There is no reason why the countries could not regain the lost trade relation. Though the trade between north east and Myanmar is still existing one has to note the fact that the unofficial volume or simply smuggling is much larger than the formal volume of trade. Many economists pointed out that Indo-Myanmar Trade can play a vital role in promoting speedy development of North East region. In this connection, B.K. Sharma & S.N. Goswami (2000) pointed out that with the liberalization of the border trade, the activities like trade and commerce, banking and insurance services transport and communication, warehousing facilities, etc., would be increased in North Eastern region which in turn would accelerate the economic activities of the region. Border trade can also create external economies which could be reaped by the State.

Conclusion

North East to gain from India's PTA and FTA with the economies of

the east, the key variables are transit arrangements, proliferation of trade routes and custom check post, easy visa regime making it possible for traders, businessmen and transport operators to move in and out of the region. For this to be possible would require substantial investments in infrastructure, construction of highways and bridges, re-establishment of rail links and communication facilities. In this regard, Baruah (2000) supported that the decision of the SAARC nations to have a regional liberalization to move towards a South Asian Free Trade (SAFTA) would definitely have certain positive implications on the economic prospect of North Eastern regions.

The 'Look East Policy' when successfully implemented will make Myanmar the gate way of India to Asian countries. It is a fact that once trade with Myanmar is in full swing, it could enter the South East Asian market. Since all goods from and to India have to pass through the north eastern region, the latter will certainly develop commercially through the 'Look East policy' of the Government. With Myanmar becoming an ASEAN member, common markets of as many as 500 million consumers are at the door step of North Eastern region for which Myanmar will be the entry point to South East Asian market. However to achieve the end, it is not only that the road conditions have to be improved but also that the already experienced frequent disruption of transport due to agitations and militant activities of insurgent groups have to be brought under control. The most urgent need at this moment is to develop Special Economic Zones at appropriate places of the region to start with the trade ventures.

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