



CSEAS, GU OCCASIONAL PAPER 2

Emerging Bay of Bengal and Northeast India

Prabir De

Series Editors

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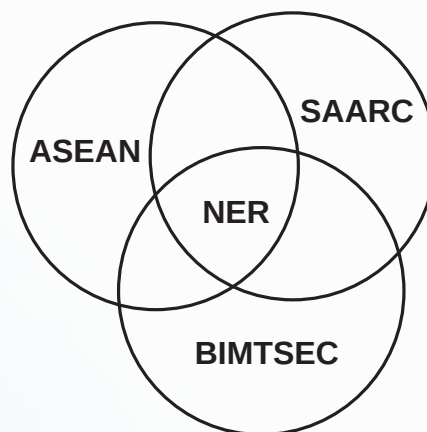
1. Introduction

The Bay of Bengal Initiative for Multi-Sectoral and Economic Cooperation (BIMSTEC) is a unique regional cooperation initiative in terms of geographical contiguity and access to ocean. It not only has direct access to the Bay of Bengal but also enjoys shared history and civilizational links.¹ BIMSTEC's objective is to accelerate economic growth and social progress in the sub-region through joint endeavors; and to cooperate more effectively in joint efforts that are supportive of and complementary to national development plans of member states. BIMSTEC is presently home to around 1.6 billion people, which constitute around 23 percent of the world population. BIMSTEC brings together US\$ 3 trillion economy, which accounts for 4 percent of global GDP and 3.7 percent of global trade.²

Although BIMSTEC made its humble beginning in the year 1997, till recently, it was a low-profile regional bloc, and there are many reasons for this underachievement. BIMSTEC celebrated

its 20th year of establishment in 2018. Intra-regional trade has grown slightly to 5 percent in the last one decade and a half. Growth of intra-regional investment is negligible. The region is yet to witness any regional connectivity project on ground. Nevertheless, one can see a rejuvenated momentum to the BIMSTEC process at present due mainly to political directions as it has received at the BRICS-BIMSTEC Outreach Summit held at Goa in 2016, and the fourth BIMSTEC Summit, held at Kathmandu in 2018. A substantial progress has been made thereafter in terms of taking steps to energise the BIMSTEC integration.³

Figure 1: NER as Pivot



1. Refer, for example, Kelegama (2001).

2. Refers the year 2018 based on the World Development Indicators (WDI), the World Bank.

3. Refer Kundu (2016) for a quick overview of BIMSTEC's performance. Also refer the summary of the conference organised by the Observer Research Foundation (ORF) on 6 December 2017 at New Delhi on BIMSTEC titled "BIMSTEC@20: The Way Forward", available at <http://www.orfonline.org/research/bimstec-way-forward-december-2017/> (accessed on 3 November 2019).



BIMSTEC provides a regional platform to address a range of economic and security issues, as well as the opportunity to counter the underdevelopment of border regions, particularly in the India's Northeast. The North Eastern Region (NER) of India shares international boundaries with four BIMSTEC countries, namely, Nepal, Myanmar, Bangladesh and Bhutan, which are all members of BIMSTEC. NER, therefore, acts as an important “wheel” driving India's Act East and Neighborhood First⁴ (Figure 1).

Although NER is central to India's Act East Policy (AEP) and has been playing a critical role in BIMSTEC, NER is one of India's most economically laggard regions, contributing only 3 percent to the country's gross domestic product (GDP). However, no other region in India can outperform the NER in terms of availability of natural resources and benefiting from its location as the international border.⁵ Notwithstanding its access to international border, NER's high transportation cost negates its border advantages.⁶

Imperatives for NER-BIMSTEC connect are many. BIMSTEC is gateway to ASEAN, where NER is the pivot.

BIMSTEC, being a viable and stable alternative to SAARC, provides greater economic opportunities to NER. On the other hand, a stronger BIMSTEC may also lead to generate development opportunities of NER states.⁷ For example, increased employment in export industries and related industries in NER can lead to rising per capita incomes and also stronger SDG scores. However, unlocking the potentials require closer cooperation between state governments and union government, and also among the BIMSTEC countries.

Given the above, the major objectives of this paper are to analyse current scenario of NER's economic linkages with the Bay of Bengal countries, discuss the challenges faced by the region, and finally present policy implications.

2. NER's Trade in the Neighbourhood: Emerging Pattern

The NER is a services-driven economy, having 54 percent of annual average income coming from the services sector.⁸ With 24 percent share in aggregate GDP of NER, industry comes next.⁹ Agriculture is still the mainstay of the economies of the NER as it accounts for 22 percent,¹⁰ and is a

4. For further interests, one can refer Sarma and Choudhury (2018)

5. Border is seen as a connector and economy building asset than deterrent.

6. Refer, for example, Brunner (2010).

7. Refer, for example, CUTS-FICCI (2017), PwC (2013, 2014), KPMG (2015).

8. For the year 2017-18, taken from MoSPI, Government of India, (MoSPI, 2019).

9. Ibid.

10. Ibid.



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major source of employment and livelihood in the region. In general, the NER has very negligible share in industry sector in India (Sarma and Bezbaruah, 2009). The industries of the NER states include coke and refined petroleum products, food products, other non-metallic mineral products, basic metals, beverages, wood and products of wood and cork, pharmaceuticals, medicinal chemical and botanical products, chemicals and chemical products, textiles, electrical equipment, other transport equipment, fabricated metal products, except machinery and equipment, rubber and plastics products. The manufacturing activities are based on locally-available resources for which the optimal plant sizes are not very large. Industries requiring large-scale production such as petrochemicals, cement, steel, and sugar are completely absent despite the fact that the region is a rich source of the basic raw materials required for the production of such goods. For example, there is abundance of limestone (in Meghalaya and Assam), but there is not a single large-scale cement factory in the region. Assam has the largest oil reserves (onshore) but the state has no large manufacturing unit of petrochemical products. On the other hand, we also observe some industries like

insulated wires and cables coming up in the region, although the region has no known reserves of copper.¹¹

The NER presents 98 percent of country's international land border. India and Bangladesh share 4091 km-long international border, out of which the NER shares almost 1,880 km border with Bangladesh (wherein 1,434 km is land border and 446 km is riverine tract). Four NER states, namely, Assam, Meghalaya, Tripura, and Mizoram, have international borders with Bangladesh. However, a large part of this international border with Bangladesh is porous.

Nearly 94 percent of exports from the NER comprise tea and coal. Remaining 6 percent is accounted for by boulder stones, limestone, and fruits. While trade between India and Myanmar has increased sharply in the last one and a half decades, a full-scale trade with Myanmar with greater engagement of the NER is yet to happen. Trade has special significance for the economies of the NER states. While trade pattern between NER and Bangladesh follows a strong resource-industry linkage,¹² NER's trade with Myanmar through land border is largely transit trade, of which a large volume is contraband.¹³ Several studies argue that NER needs drastic improvement in border

11. The ranking of major industries in a state has been done according to the value of their gross output. The industry with maximum gross output is ranked first and others in descending order of their gross output.

12. Refer, for example, Das (2005).

13. Refer, for example, RIS (2012a).



infrastructure, particularly dealing trade with Bangladesh and Myanmar.¹⁴

2.1 NER's Trade with Bangladesh
Currently, the NER has 26 trading points (we call it LCSs) with Bangladesh, of

which 20 are functional (Table 1). Tripura and Meghalaya have seven and eight functional LCSs, respectively. Importantly, three LCSs in Assam are yet to be functional.

Table 1: Trading with Bangladesh: Number of LCSs

NER States	Functional	Non-Functional	Total
Assam	5	3	8
Meghalaya	8	2	10
Mizoram	0	1	1
Tripura	7	0	7
Total	20	6	26

Source: RIS (2012b)

The NER contributes only 3 percent of India's export to Bangladesh. Table 2 presents the trends in NER's export to and import from Bangladesh. The NER's export to Bangladesh has increased in recent years, compared to imports from Bangladesh. The total trade between the NER and Bangladesh turned out to be US\$ 387 million in 2018-19, increased from US\$ 156.07 million in 2010-11. Contrary to popular belief, the NER has trade surplus with Bangladesh. Table 3 presents LCS-wise border trade with Bangladesh. The

NER's exports to Bangladesh are mostly horticulture items such as ginger, orange, dry fish, and citrus fruits; as well as raw hides, woven fabrics, synthetic filament, bricks, petroleum products, and minerals such as coal, limestone, and boulderstones. On the other, the NER's imports from Bangladesh is well diversified and mostly secondary items such as cement, processed food, plastic furniture and items, knitted and crocheted synthetic fabrics, garments, cement, fish, PVC pipes, wooden furnitures, and melamine, among others.

14. Refer, for example, Das and Purokaysta (2010); RIS (2012b); De and Majumdar (2014); Dutta (2015).



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Table 2 : Trends in NER's Trade with Bangladesh

Year	NER's export to Bangladesh		NER's import to Bangladesh		NER's total trade with Bangladesh	
	Value ⁺	Share*	Value ⁺	Share**	Value ⁺	Share***
2010-11	91.56	2.82	64.51	14.44	156.07	4.23
2011-12	134.62	3.55	81.94	13.99	216.56	4.95
2012-13	171.23	3.33	75.77	11.85	247.00	4.27
2013-14	172.71	2.80	80.89	16.70	253.60	3.81
2014-15	221.30	3.43	85.54	13.77	306.84	4.34
2015-16	229.39	3.80	83.88	11.54	313.27	4.63
2016-17	210.44	3.09	93.41	13.31	306.94	4.04
2017-18	236.62	2.75	103.33	15.07	342.70	3.66
2018-19	257.11	2.79	126.90	12.15	386.80	3.74

Notes: *Share in India's total export to Bangladesh (%) **Share in India's total import from Bangladesh (%) ***Share in India's total trade with Bangladesh (%). + Value in US\$ million

Source: Author

Table 3: NER's Trade with Bangladesh*

Sl. No.	Name of LCS	Top Five Products Traded	
		Export	Import
1	Sutarkandi	Coal & quick lime	Cement, miscellaneous food items & plastic items
2	Karimganj Steamer & Ferry Station (KSFS)	Ginger, orange, dry fish & citrus fruits	Knitted & crocheted synthetic fabric
3	Mankachar	Coal & boulder stone	Cement, vest, cloak & religious literature
4	Borsora	Coal & limestone	—
5	Bholaganj	Limestone, boulder stone & quartz stone	—
6	Dawki	Coal, limestone, raw hides, quartz stone, stone boulders, seasonal fruits & vegetables	Food items, fire clay & bricks
7	Shellabazar	Limestone & boulder stone	—
8	Bagmara	Coal	—
9	Dalu	Coal	Cement synthetic fabric
10	Ghasuapara	Coal	—



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Sl. No.	Name of LCS	Top Five Products Traded	
		Export	Import
11	Mahendraganj	Coal, crushed stone, boulder stone, dry fish & ginger	Cotton waste, synthetic fabric & food product
12	Agartala	Craft paper, vulcanized rubber tread, acmesip & mango classic	Stone, cement, fish, PVC pipes & furniture
13	Srimantapur	Raw hides, woven fabrics & synthetic filament	Stone, cement, & plastic sheet of polymers
14	Khowaighat	–	Stone & cement
15	Manu	–	Broken stone, bricks & cement
16	Muhurighat	–	Stone, bricks & cement
17	Old Raghonabazar	Citrus fruits	Textile items, cotton vest & others

*Average of the years 2015-16 to 2017-18, Source: Author based on Indian Customs

Some Indian border posts (LCSs) dealing trade with Bangladesh are already being converted into ICP such as Agartala. Dawki in Meghalaya is being improved as ICP and expected to be ready by 2020. Two more LCSs, namely, Kawrpuichhuah (Meghalaya) and Sutarkandi (Assam), are also identified for ICPs in the next phase of development.¹⁵ These LCSs are equipped with basic border facilities to handle trade with Bangladesh. However, many of the LCSs suffer from inadequate infrastructure, both physical and non-

physical.

2.2 NER's Trade with Myanmar

The NER's trade with Myanmar has been growing rapidly in the recent years. In general, NER's informal trade volume with Myanmar at border has been more than its formal trade.¹⁶ Table 4 presents the number of LCSs dealing trade with Myanmar. Four NER states have functional LCSs with Myanmar, of which Moreh (in Manipur) is the largest border post in terms of volume of trade, whereas the Zokhawthar (Champai LCS) (in Mizoram) comes next.

Table 4: Trading with Myanmar: Number of LCSs

State	LCS in India	LCS in Myanmar
Arunachal Pradesh	Nampong (Pangsau Pass)	Pangsu
Manipur	Moreh*	Tamu
Mizoram	Zokhawthar (Champai)	Rih
Nagaland	Avangkhu	Somara

*Converted into an ICP since 2019

Source: De and Ray (2013).

15. As per data from LPAI, New Delhi (LPAI, 2019).

16. Refer, for example, RIS (2012).



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The NER's export to Myanmar through landborder has increased from US\$ 4.50 million in 2010-11 to US\$ 18.62 million in 2015-16 to US\$ 23.52 million in 2018-19 (Table 5). The NER's import from Myanmar was more than its export in 2018-19. In 2018-19, India's formal import through Moreh increased to US\$ 177.13 million, thereby making the total trade to exceed US\$ 200 billion.

Table 6 presents LCS-wise trade between NER and Myanmar. NER's exports to Myanmar are high-speed diesel (HSD), wallpaper, cumin seed, cotton yarn, auto parts, soya bean meal, wheat flour, and pharmaceuticals, whereas imports are betel nuts, dry ginger, green moong beans, black matpe beans, turmeric roots, resin, and medicinal herbs. However, the informal trade between NER and Myanmar has been carried out extensively, and some of

the Indian products traded between them through informal channels are food items, cosmetics, wood and timber products, construction materials, garments, gas cylinder, medicines, plastics and materials, rubber products, solar and electrical items, betel nuts, auto parts, petroleum products, etc. According to the Myanmar Department of Border Trade (MDBT), the border trade turnover between India and Myanmar will be higher if the informal trade is taken into account. Secondary reports show the prevalence of smuggling of items like fertilisers, vehicles, particularly two-wheelers, etc. from India to Myanmar through the land border.¹⁷ The formal trade volume at Moreh appears to be lesser than the informal trade volume.¹⁸ Services trade between NER and Myanmar has been growing in tourism, health and hospitality, education, etc.

Table 5: Trends in NER's Trade with Myanmar

Year	NER's export to Myanmar	NER's import from Myanmar	NER's total trade with Myanmar
	(US\$ million)		
2010-11	4.50	8.3	12.8
2011-12	6.54	8.87	15.41
2012-13	11.67	26.96	38.63
2013-14	17.71	30.92	48.63
2014-15	18.11	42.61	60.72
2015-16	18.62	53.02	71.64
2016-17	17.55	80.45	98.00
2017-18	22.79	122.32	145.11
2018-19	23.52	177.13	200.65

Source: Author.

17. Refer De and Ray (2013).

18.. Refer Singh (2010). Some of the informal trade items include food items, cosmetics, wood and timber products, construction materials, garments, gas cylinder, medicines, health and clinical services, plastics and materials, rubber products, solar and electrical items, betel nuts, auto parts, and petroleum products.



Table 6: NER's Trade with Myanmar

Name of LCS	Major Commodities Traded (Formal (Trade)	
	Export	Import
Moreh (Manipur)	Cumin seed, cotton yarn, auto parts, soya bean meal, wheat flour, Pharmaceuticals, high-speed diesel, wallpaper, methyl bromide, fertilisers, cotton yarn etc.	Betel nuts, dry ginger, green moong beans, black matpe beans, turmeric roots, resin and medicinal herbs, fresh vegetables, and fruits
Zokhawthar (Mizoram)	—	Betel nuts

Source: Manipur Government, based on Indian Customs.

Table 7: Trends in Vehicles and Passengers at Moreh ICP

Year	No. of Vehicles			Passengers		
	Import	Export	Total	Incoming	Outgoing	Total
2010-11	0	0	0	0	0	0
2011-12	0	0	0	60	60	120
2012-13	50	15	65	185	103	288
2013-14	11	18	29	201	246	447
2014-15	50	71	121	438	363	801
2015-16	98	131	229	707	630	1337
2016-17	79	88	167	440	508	948
2017-18	57	140	197	557	670	1227
2018-19	77	161	238	3595	4121	7716
2019-20*	26	25	51	2146	2199	4345

*April to June 2019

Source: LPAI, New Delhi.

Since 2015, formal trade based on most-favored nation (MFN) principle started between the two countries. There is a rise in border trade since 2015 and improvement of trade facilitation including setting-up of ICP.¹⁹ The opening of the land border on 8 August 2018 at Tamu (Myanmar) marked

the abolishing of special land entry permission, which was previously required for visitors entering the country via land routes. Myanmar has allowed people from both the countries as well as a third country, holding a valid passport and visa/e-visa, to cross the land border, both at

19. The border infrastructure through its ambitious Integrated Check-Post (ICP) project at Moreh is yet to be completed.



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Tamu (Myanmar)-Moreh (India) and Rikhawadar (Myanmar)-Zowkhawthar (India). The passenger movement between Tamu and Moreh border has increased considerably over the last few years (Table 7). Especially, the passenger movement has picked up since border was opened for passenger movement between the two countries at Moreh and Tamu on 8 August 2018. As illustrated in Table 7, there has been a steep rise in movement of vehicles and passengers through Moreh.

Most of the Myanmar people visit India for purposes of business, tourism, pilgrimage, medical, etc. The medical tourism between the two countries is a successful project (the case of Shija Hospital in Imphal). People of Manipur, on the other hand, would visit Myanmar for culture, tourism, and business purposes. For Myanmar nationals, travelling to India via Tamu is relatively cheaper.

Trade flows between the two countries would eventually grow fast once the connectivity through land border is improved, and to accommodate the rising trade, border infrastructure at all the LCSs and ICPs on both sides of the India-Myanmar border has to be improved quickly up to world-class standard. Recent developments in border trade

arrangements between the two countries are no doubt encouraging, but there is still a long way to go to engage the border effectively for normal trade. While the physical infrastructure development calls for special attention, strengthening soft infrastructure would pave the way for convergence in rules and regulations in border management programmes and institutions over time.

2.3 Border Haats in NER

The Border Haats have been set up across the India-Bangladesh border to promote the wellbeing of the people living in remote areas across the borders of two countries by establishing traditional system of marketing the local produce through local markets.²⁰ Illustrated in Table 8, Border Haats (market) along the India-Bangladesh border, located at Meghalaya and Tripura, are operating successfully and becoming popular for the exchange of locally produced goods such as agricultural and horticultural crops, spices, minor forest products excluding timber, fish and dry fish, dairy and poultry products, cottage industry items, wooden furniture, handloom and handicraft items, etc. India and Myanmar have signed MoU in 2012 to open Border Haats between the two countries.

20. Refer the Govt. of India's Press Report dated 14 December 2016, available at <http://pib.nic.in/newsite/PrintRelease.aspx?relid=155324> (accessed on 19 November 2019).



Table 8: Border Haats across India-Bangladesh Border

Sr. No.	State	Location of Border Haats
1.	Meghalaya	● Kalaichar ● Balat ● Bholaganj* ● Nalikata* ● Shibbari* ● Ryingku*
2.	Tripura	● Srinagar ● Kamalasagar ● Palbasti* ● Kamalpur*

**Proposed*

Source: Author based on Ministry of Commerce and Industry, Government of India

Currently, four Border Haats are operational, along the India-Bangladesh border. Two Border Haats are located in Meghalaya at Kalaichar and Balat and two are located in Tripura at Srinagar and Kamalasagar. The trade at Border Haats is permitted to be carried out in Indian Rupees/Bangladesh Taka and on barter basis, and data of such trade is maintained by the Haat Management Committee of the respective Border Haat. As per data furnished by the concerned State Governments, cash trade equivalent to INR 168.662 million was carried out at the said four Border Haats in the five-year period ending 2015-16.²¹ In addition to the four functional Border Haats, six more Border Haats, two in Tripura at Palbasti

and Kamalpur and four in Meghalaya at Bholaganj, Nalikata, Shibbari and Ryingku, are being planned between India and Bangladesh. There are no Border Haats in operation along the Bhutan and Myanmar borders.²² It is expected that more Border Haats will be established in coming years along India-Bangladesh border and India-Myanmar border.

3. NER's Value Chain Potentials

There is “resource-industry” link between the NER and Bangladesh, whereas the same has been missing between the NER and Myanmar. However, cross-border value chains between NER and Myanmar are not remote. It is important to assess such development, which could then help countries to undertake policy measures in

21. *ibid.*

22. However, the Government of India has planned 15 Border Haats along Myanmar border. See Appendix 1 for the list of proposed Border Haats.



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order to design appropriate strategy to build and benefit from production networks, for instance through improvements in logistics services.

Between the NER and Bangladesh, value chains have come into view in industries such as (i) cement, (ii) RMGs, (iii) processed food, (iv) bicycle, and (v) plastic products.²³ The trade between them in these products has been steadily growing and facilitated by regional and bilateral trade agreements.²⁴ While Bangladesh buys cotton yarn from India, the NER buys RMGs from Bangladesh. We argue that there is an increasing evidence of vertical (or horizontal) production networks emerging between the NER and Bangladesh.

Today's value chains between India and Bangladesh are outcomes of a relatively open trade arrangement between the two countries, which has been continuing for decades. In sharp contrast, formal trade at border between NER and Myanmar has been conducted in limited items, which are purely for domestic consumption at both sides of the border. In other words, NER and Myanmar are yet to have a full-scale exchange of goods and services through land border. It might be possible to build cross-border value chains in those industries on which NER has manufacturing capacities and complementarities that match with demand or supply capacity of Myanmar and vice versa; and NER's natural resources that can feed as inputs to cross-

border production unit(s).

Value chain opportunities

While India produces 6.34 percent of global production of pineapple, the country only shares 0.06 percent of the global exports. Within India, the NER contributes 48.33 percent of India's total production of pineapples. Thailand produces 8.92 percent of the global production, but shares 13.37 percent of the global exports. As Thailand is one of the leading food processors and world's largest exporter of pineapple juice (17.92 percent global share), pineapple produced in the NER if exported to Thailand will be beneficial for both as it faces severe crisis of pineapples for almost three quarters in a year (Q1, Q2, and Q4). Therefore, supplying pineapples to Thailand via Trilateral Highway will be a win-win situation for both the countries. This resource (in NER)-industry (in Thailand) linkage will ensure remunerative price for the farmers as well as profit margin for the intermediaries leading to rise in level of their income. Our estimation shows that the traders might reap about 90 percent return on their investment even after paying nearly double farm gate price (Paul et al, 2017).

While India is the number one producer of ginger in the world which alone produces 26.6 percent of the global production, it only shares 2.74 percent of the total global exports of ginger. In contrast, China produces 15.19 percent of the global production but shares 52.16 percent of the

23. Refer, for example, De and Majumdar (2014).

24. Preferential tariff reductions have been given under, for example, SAFTA in case of India-Bangladesh trade.



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global exports. Within India, 56.52 percent of the country's total production comes from the NER states. Much of this ginger is sold raw at a lesser price without any processing and value addition. A significant part of this raw ginger is exported to Bangladesh across the border in south Assam. As Thailand is one of the net importers of ginger and offers much higher price compared to Bangladesh, it will be beneficial for both the ginger cultivators in the NER and ginger merchants in Thailand to enter into trade. Thailand will have access to raw materials and the NER will have access to a lucrative market. The technology, processing efficiency and market penetration skill of the Thai firms while combined with the raw material availability in the NER will

create a win-win situation for the stakeholders in both the countries. As Japan and Singapore are also net importer of ginger, the ginger traders in Thailand due to their close network in those countries might reap additional benefits by importing surplus available in the NER (Paul et al, 2017).

Apart from pineapple and ginger, the NER is also rich in bamboo plants. While India is one of the leading countries in the world in bamboo resources, more than 40 percent of them are grown in the NER. As bamboo shoots are popular in China and Southeast Asian countries, there is a huge opportunity for the Thai processing firms to enter into trade with the players in NER.

Table 9: Trends in Production of Fruits in NER

States	2000-01		2009-10		2016-17	
	Production (million ton)	Share* (%)	Production (million ton)	Share* (%)	Production (million ton)	Share* (%)
Arunachal Pradesh	0.123	5.919	0.108	3.148	0.306	6.037
Assam	1.294	62.214	1.854	54.035	2.413	47.559
Manipur	0.119	5.708	0.342	9.965	0.342	6.744
Meghalaya	0.187	8.987	0.295	8.592	0.447	8.816
Mizoram	0.067	3.207	0.185	5.406	0.304	5.993
Nagaland	0.290	13.964	0.151	4.409	0.383	7.554
Sikkim		0.000	0.018	0.539	0.023	0.463
Tripura		0.000	0.477	13.907	0.854	16.834
NER	2.080	100.000	3.431	100.000	5.073	100.000

**Share in NER*

Source: Government of India.



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The NER is rich in bio-diversity and agro-climatic conditions. The region produces a wide variety of horticulture, rare and rich flora and fauna, herbs and aromatic plants, etc. (Table 9). Some of its unique advantages are as follow:

- ◆ India is the sixth largest producer of pineapple in the world, and the NER produces more than 48 percent of India's total pineapple.
- ◆ India contributes 1/5th of world's bamboo production, and the NER shares over 65 percent of the India's bamboo production. Mizoram alone accounts for 40 percent of the country's bamboo production.
- ◆ The NER has excellent quality of bamboo shoots, which have a huge export potential in entire Southeast and East Asia.
- ◆ The NER is emerging as the rubber hub of India. Most of the rubber plantation is concentrated in state of Tripura, followed by Assam, Mizoram and Meghalaya.
- ◆ The NER is a vibrant source of horticulture crops. Major horticulture crops grown in the NER include citrus, pineapple, orange, kiwi, mango, guava, litchi, and banana among fruits; potato, onion, tomato, cauliflower, cabbage, brinjal, chilly, beans among vegetables; chrysanthemum, rose, orchids etc. in flowers; ginger, mushroom, turmeric, large cardamom, coriander, cumin among spices; and cashew nut,

arecanut and tea among plantation crops.

Myanmar has relative labour cost advantage arising from labour market tightening in China and poor security and labour standards in existing players such as Bangladesh. Myanmar has been receiving GSP benefits from EU in RMG, over and above the trade preferences the country gets as a LDC. In coming years, Myanmar would get more such trade benefits from the developed and developing countries. Being a member state of ASEAN, Myanmar would enjoy a more integrated ASEAN common market once the ASEAN Economic Community (AEC) is established. Therefore, building production networks between India and Myanmar is not remote, particularly in the textile and clothing industry. India has the advantage of a strong textile base and the proximity in supplying textiles to apparel production in Myanmar. India can also provide the apparel technology/design centre, train workers in textile & clothing industry, and supply the machinery to Myanmar. Sourcing yarn from India, Myanmar may replicate the Bangladesh model in RMGs. Private sector has a strong role in revival and building joint ventures of apparel factories in Myanmar. Production networks are also possible in handlooms and handicrafts and food processing, for example, between the Northeast and Myanmar. Kaladan multimodal transit transport project is aimed to facilitate production networks



between the states of Mizoram (India) and Chin (Myanmar) in horticulture and forest products.

Similarly, production networks can also be developed in cement industry since Myanmar (Sagaing state in particular) and Manipur have limestone reserves. Per capita consumptions of cement in Myanmar and the NER are low at present, which may eventually rise due to construction activities in both Myanmar and NER in coming years. Value chains are also possible in handlooms and handicrafts, food processing, etc. between the NER and Myanmar. In particular, the NER offers high business prospects in processed food industries such as squash, juice, jam, jelly, candy, canned, extraction of papain, ginger oil extraction, candy, fruit drinks, pickles, powder, etc. Assam has become a new investment destination. Some of the companies that have invested in recent years are ITC, Patanjali, Dabur, NATCO Pharma, and Sun Pharma.

Besides agri-horticulture and plantation crops, there are potentials in building value chains between the NER and Myanmar in (i) pharmaceuticals and preparations, (ii) refined petroleum products, (iii) other non-metallic mineral products, (iv) cement, (v) textile and textile articles.²⁵ Value chains in services industries between the NER and Myanmar may also take a formal shape (presently conducted informally at a lower scale) in (i) health, (ii) tourism, (iii)

education, and (iv) transport and communication.

Guwahati is the new destination of India's premier hospital chains - Apollo, Sankardev Netralaya, Narayana Health, Fortis, etc. A section of overseas patients from Bhutan, Bangladesh, and Myanmar are now treated here, but numbers will rise certainly. Shija Hospital in Imphal is one of the popular hospitals in Northeast, where several patients are from Myanmar. Likewise, through AEP, Northeast can become a hub for higher education. For the government, the imperative is to create more regulatory space and provide a facilitating ethos for the private sector. An education boom would bring huge returns for the entire Northeast economy.

Cross-border facilitation would yield major efficiency gains. This requires coordination among countries and could be achieved through mutual recognition of standards, simplification of customs procedures, information-sharing, establishment of transparent rules and regulations, etc. Nevertheless, availability of infrastructure, particularly electricity is first and foremost required in order to develop production networks between the NER and Myanmar.

The economic progress of NER would depend not only on the redefined physical and institutional linkages with the neighboring countries, but also on how efficiently the resources of the region are utilized and marketed leveraging the

25. Refer De and Majumdar (2014).



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revamped connectivity. Therefore, policies aiming at increasing agricultural productivity in NER should consider investments in marketing infrastructure as improved market access can drive productivity by providing incentives, information and cash flow for working capital.

4. Physical Connectivity Corridors Linking NER

India's Northeast is constantly evolving. Today, Northeast India is standing at the verge of a trillion-dollar business opportunity. The NER's economic linkages can be accelerated by a number of measures across different areas, of which trade logistics, e-commerce supply chains, transportation and border infrastructure deserve better attention. The connectivity agenda in the NER largely follows two aspects: first, national connectivity programmes need to be upgraded and dovetailed into a regional roadmap; and second, border areas and gateways need hard and soft infrastructure.

The corridors considered for linking up of the NER with the Southeast Asia are (i) Trilateral Highway, (ii) Kaladan Multimodal Transit Transport Project, (iii) BCIM-Economic Corridor, and (iv) Rhi-Tedim Road. On the southeastern front, Mekong-India Economic Corridor (MIEC) and Sittwe Industrial Park are two important projects, which are also promoted to facilitate multimodal connectivity and investment between India and Southeast Asia.

Trilateral Highway

This corridor is planned to connect Moreh, the Manipur state of India to Mae Sot, Tak Province of Thailand via Myanmar. The length of the Trilateral Highway is approximately 1360 km. The alignment of this Highway falls within Asian Highways 1 and 2. The agreed route of the TH is as follows: Moreh (India)-Tamu-Kalewa-Yargi-Monywa-Mandalay-NayPyiTaw-Yangon-Thaton-Hypaan-Kawkareik-Myawaddy-Mae Sot (Thailand). Along this corridor, there are two border crossings (India-Myanmar and Myanmar-Thailand), four customs check-points, three international time-zones, three customs EDI systems, two different vehicle-driving standards and three different motor-vehicle laws. India has also announced extension of the Trilateral Highway to Cambodia, Lao PDR, and Vietnam.

India has taken responsibility to upgrade Kalewa to Yargi portion of the Highway—a 122 km road is under construction. Besides, India has agreed to upgrade 69 WW-II vintage bridges on a 149 km stretch between Moreh/Tamu to Kalewa. New RCC bridges are planned (7 major, 62 minor) and construction of 14 new and widening of 34 existing culverts along this route. Myanmar and Thailand have completed their respective portions of the highway. This project will help in establishing trilateral connectivity from Moreh in India to Mae Sot in Thailand via



Myanmar. The project is likely to be completed by 2021. India has also announced the extension of the Trilateral Highway to Cambodia, the Lao PDR, and Vietnam.

At the same time, the Trilateral Motor Vehicle Agreement (MVA) is being negotiated. This Agreement will allow vehicles and passengers to move seamlessly for regional and international trade transportation purpose along the Trilateral Highway. The MVA may provide a series of procedures that would facilitate movement of cargo and passengers along the corridors such as operating procedures (OP) for vehicles, customs procedures, etc. and facilitation measures. The MVA will also provide the transit and transportation rights and obligations through Annexes and Protocols. This Agreement will have a critical role in realizing seamless movement of passenger, personal and cargo vehicles along Trilateral Highway.

Kaladan Multimodal Transit Transport Project

One of the objectives of Kaladan Multimodal Transit Transport Project is to provide an attractive access to the Bay of Bengal to the landlocked NER. The components of this project include: (i) construction of an integrated Port and Inland Water Transport (IWT) terminal at Sittwe including dredging; (ii) development of navigational channel along river Kaladan from Sittwe to Paletwa (158 km);

(iii) construction of an IWT - Highway trans-shipment terminal at Paletwa; (iv) construction of six IWT barges (each of 300 tonne capacity) for transportation of cargo between Sittwe and Paletwa, and (v) building a double-lane highway (109 km) from Paletwa to the India-Myanmar border (Zorinouri) in Mizoram. Framework Agreement and two protocols (Protocol on Transit Transport and Protocol on Maintenance) were signed by India and Myanmar on 2 April 2008. Construction of integrated Port-cum-IWT jetty at Sittwe is substantially completed. Construction work of IWT terminal at Paletwa has been started in April 2013. The Border to NH 54 (Lawngtlai) Road on the Indian side in Mizoram is in progress under the Ministry of Road Transport and Highways, Government of India.

Construction of the integrated port-IWT jetty at Sittwe is substantially complete. Construction work of the IWT terminal at Paletwa was started in April 2013 and is expected to be completed by 2018. The construction of the India-Mizoram border at Zorinpuri to NH 54 (Lawngtlai) road on the Indian side in Mizoram is in progress under India's Ministry of Road Transport and Highways, which is also termed as National Highway 502A (NH 502A). About 66 percent of the new 99.83 km NH 502A, starting from NH 54 at Lawngtlai to Zorinpui in Mizoram, is done and will be completed by June 2018.²⁶ The road

26. Refer Indian Parliament question and reply by Gen. V K Singh, Minister of State (External Affairs) in April 2016.



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contract of the 109 km road from Zorinpui on the India-Myanmar border to Paletwa in Myanmar has been awarded.

BCIM Economic Corridor

The proposed Bangladesh, China, India and Myanmar-Economic Corridor (BCIM-EC) is aimed to connect China, Bangladesh and Myanmar with India and vice-versa. The BCIM-EC encompasses Kolkata in India to Kunming in China's Yunnan Province, passing through Bangladesh and Myanmar. The proposed corridor covers 2800 km, encompassing an estimated 440 million people in China's Yunnan Province, Bangladesh, Myanmar, and West Bengal and NER in India through the combination of road, rail, water, and air linkages in the region. BCIM-EC has been determined as follows: Kolkata - Dhaka - Silchar - Imphal - Mandalay - Tengchong - Kunming. A large part of this route overlaps with the Trilateral Highway (TH), and follows Asian Highway (AH) 1 (up to Mandalay) and AH 14 (from Mandalay to Kunming). Link routes connecting other nodes in the North Eastern Region (NER) such as Shillong, Dimapur, Aizawl, Agartala, Nagaon, and Dibrugarh may also be established. These are the major urban cities in the North Eastern region, which will become major economic centers along the BCIM-EC. Along this about 2490 km corridor, there are four border crossings between China - Myanmar; Myanmar - India; and two in India - Bangladesh, eight

customs check-points, four international time-zones, two different working weeks, four Customs EDI systems, two different vehicle-driving standards, and four different motor-vehicle laws. This interconnectedness is likely to facilitate the cross-border flow of goods and services between the four countries.

Rih-Tiddim Road

This road project is aimed to provide all weather connectivity between eastern part of Mizoram with western part of Myanmar and facilitate trade between India (Mizoram) and Myanmar. India has agreed to upgrade existing cart road of 52 km long to two-lane formation from Rih to Tedim in Myanmar. The existing road is predominantly mountainous and the fresh alignment brings road length to 100.495 km. Under this project, construction of 1 major bridge, 14 minor bridges, 480 culverts have been envisaged. Timeframe for completion is 4 years. The National Highway Authority of India (NHAI) has been entrusted as project management consultant to develop this road.

Connectivity with Bangladesh

Much of NER's value chain potentials with Bangladesh, ASEAN countries, and the rest of India in agriculture, horticulture, floriculture, processed food, engineering, automobiles, garments, pharmaceuticals, etc. have remained unlocked. There are vast opportunities in trade with livestock, horticulture, fishery, agro-processing



sectors or natural resource areas. Value chains across the NER may eventually go up once supporting supply chains are in place. For example, NER needs specialised cold-chains. To promote trade, all airports and land-ports in NER must have enough cold-chains. The NER states shall encourage the start-ups which are exporting processed food, organic fruits and vegetable, high-end fashion products through borders. New value-chain opportunities in view of the Regional Comprehensive Economic Partnership (RCEP) or India-Bangladesh Comprehensive Economic Partnership Agreement (IBCEPA) are also expected to emerge. The NER, therefore, must modernize cross-border supply chains to unlock value and create business opportunities. This has to be done jointly by state and union governments. First, the rise of synchronized commerce needs integrated supply chains. The expansion of e-commerce supply chains and start-ups pave the way for further visibility globally. Second, the NER states may undertake drastic reforms in labor and land regulations. Third, with disappearing border barriers, expansion of existing units (benefit of scale economy) makes sense when RCEP and/or IBCBTA come in effect. This requires that the North East Industrial Development Scheme (NEIDS), 2017, is redesigned to facilitate new investments in the region.

Compared to what was a decade back,

inter-country bus, air or rail services from North Eastern India are in better shape today. Truly, it is the airlines that connect the NER with the rest of India. Guwahati is now directly connected by air with most of the major Indian cities and Dhaka, Paro and Bangkok for passenger and Hong Kong for freight. However, the NER's other airports are behind Guwahati in connecting with abroad. Air service between Imphal and Mandalay is needed to support the growing health and wellness tourism in the NER. Maiden flights from Imphal to Mandalay and Agartala to Dhaka are likely to start soon. International flights from Bagdogra will certainly boost tourism in north Bengal, Sikkim, and Bhutan, and, at the same time, we liberalise restrictions of foreigners entering Sikkim. Sikkim government may consider introducing online permit or on-arrival permit at the entry points. Pakyong airport in Sikkim and Tezu airport in Arunachal Pradesh, both inaugurated a few months back, are yet to be fully utilized due to technical constraints. What next is Imphal, Guwahati, and Bagdogra airports should be expanded to accommodate international flights. Other NER airports such as Agartala, Aizawl, and Shillong also need capacity addition and more domestic and international flights. The ongoing expansion of Guwahati or the Imphal airports may take time to complete. Will Guwahati or Imphal airport be able to manage a sudden surge in international



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flights?

Railway connectivity in Northeast has progressed well, no doubt. Capitals of NorthEastern states are getting connected by rail with the rest of India. Agartala and Silchar are now having broad-gauge railway lines and are connected with other parts of India. Railway development has made positive impacts on common people, who are now more integrated with the rest of India. Indian Railways has already started train services between the Dharmanagar, Agartala, and Sabroom in Tripura. The railway link to Sabroom is vital for the development of the state of Tripura, and linking it with Chittagong Port will open new vistas for the entire NER. The railway line will reach Imphal by 2020. It has to be extended to Moreh and then to Tamu and Kalay in Myanmar. Assam government has also mooted a proposal to reopen the pre-partition railway links with Bangladesh, for example, Chittagong to Makum, Cox Bazar to Ledo and Golakganj to Moirabari. The Railcum-Road Bridge at Bogibeel is a breakthrough, which connects the north Bank of Brahmaputra with the south Bank at Dibrugarh in upper Assam. But, the supply does not match the demand in railways. Electrification of railway tracks and introduction of high-speed trains are the next step forward. Drastic reforms are must in NorthEast Frontier (NEF) Railway headquarter, the custodian of railways in the Northeast.

Railway connectivity with Bangladesh will be a game changer. Today, Agartala has direct rail, road, and air connectivity with the rest of India, and Bangladesh has been providing transit to all modes of transportation except railways. Once Agartala and Akhaura railway line is completed, the journey time between Agartala and Kolkata will reduce to 10 hours from 31 hours. Akhaura being located on Dhaka-Chittagong rail route, the NER will start using Chittagong as the region's main port which was the situation before 1947. India and Bangladesh currently have four operational rail links between West Bengal and western Bangladesh-Petrapole-Benapole, Gede-Darshana, Radhikapur-Biral and Singhabad-Rohanpur, of which Radhikapur-Biral and Singhabad-Rohanpur are also notified for use of Nepalese transit traffic.

Road transport is the dominant mode of transportation in the NER. In the last 3 to 4 years, several road connectivity projects have been taken up in the NER under the Bharatmala. Under Bharatmala Pariyojana, about 5300 km long road would be developed for border road and international corridors. The road from DimapurKohimaImphal is relatively good with four-way lane. By 2023, almost 80 to 90 percent of the road connectivity in the NER under BharatmalaPariyojana would be completed. With the ongoing expansion of project between Imphal and Moreh and



proposed alternative route of four-way lane till Moreh, the connectivity within the NER and with the neighboring countries would improve. What NER needs, perhaps in an accelerated manner, is seamless road connectivity between Guwahati and border towns such as Moreh in Manipur or Dawki in Meghalaya. At the moment, the journey from Imphal to Guwahati takes about 12 hours, with many sections of the road being in bad condition. Similarly, the Imphal-Silchar road should be widened and made all-weather.

The National Highways and Infrastructure Development Corporation (NHIDCL) has been entrusted to complete the construction and maintenance of the National Highways in NER. The NHIDCL is also working to improve the roads between Imphal to Kohima and Imphal to Jiribam. The World Bank and Japan International Cooperation Agency (JICA) are also engaged in logistics sector in NER. However, there are many challenges such as land acquisition and encroachment, unlawful activities of insurgent groups, particularly between Imphal and Jiribam and between Imphal and Dimapur, etc. Active participation of state governments in the central projects is needed for timely completion of the projects.

On international projects, the road connecting Samdrup Jongkhar (Bhutan) and Guwahati shall be taken up for upgradation. The Trilateral Highway

(TH) between India, Myanmar, and Thailand is coming up very fast. At the moment, the Kalewa-Yargi section in Myanmar (122 km) is under construction, which is likely to be completed by 2021. However, the TH can be made operational if the three countries implement a Motor Vehicle Agreement (MVA) or Cross-Border Transport Agreement (CBTA) and rehabilitate the old bridges along the TH.

Connectivity through waterways has also witnessed some major changes in recent years. Cargo transportation through National Waterway (NW) 2 has been rising. Export to Bangladesh using IWT has also gone up in recent years. Dhubri (in Assam) is now well connected with Narayanganj (in Bangladesh) through IWT, and there has been regular sailing of cargo vessels. Neighboring Bhutan has been using this IWT route for trade with Bangladesh. Improvements are underway in both Bangladesh and India to improve several IWT terminals, including Ashuganj river terminal, which is one of the most strategic locations in Bangladesh. Ashuganj has road links and custom facilities for transit cargo to NER via Akhaura-Agartala land border and also links to Chittagong port terminal. The Protocol on Inland Water Transit and Trade (PIWTT) between India and Bangladesh also includes additional ports of call, and specifically grants India access to Chittagong and Mongla ports for shipping goods to NER, while the Coastal



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Shipping Agreement between the two countries provides for direct connectivity between seaports of eastern part of India and Bangladesh. Bangladesh has already allowed the use of Chittagong port for the NER. Taken together the various initiatives around IWT provide for a much more flexible system for transport and logistics that can only benefit the NER.

Heritage tourism along the waterways between the NER and Bangladesh can attract millions of tourists from the region and abroad. Cruise tourism is another opportunity. Fresh investments are needed to convert river terminals along the river Brahmaputra into full-fledged river ports. However, to promote safe navigation using electronic charts, night navigation aids and Differential Global Positioning Systems (DGPS) stations along the rivers are needed and needs to be maintained well. A major task is to develop IWT terminals with appropriate cargo handling equipment and to establish Road-Rail link including a roll-on roll-off (RO-RO) facility. Jogighopa in Assam is being developed as multimodal IWT terminal. Promoting the use of waterways can lead to greater economic activities along the river banks by communities, which in turn will have a positive impact on the local economy and livelihood.

The NER requires logistics parks all across the major trading points. This indeed generates huge business opportunity since the NER is a consumption-driven region.

DP World is setting up a logistics park in Punjab and some other parts in India. The Asian Development Bank (ADB) is also setting up such facilities in Assam. Indian and global logistics operators shall be invited to develop specialized logistics centers in the NER.

The NER states may consider setting up Special Economic Zones (SEZ) for timber, food processing, etc. Building smart cities in Moreh and Dawki will enhance economic activities in the region. Industries with potential to serve neighbouring markets and ASEAN need to be identified and promoted in NER, and harmonisation of customs procedures and other trade facilitation measures would help facilitate Northeast's trade. At the same time, the North East Council (NEC) must be revamped to undertake the connectivity-led activities for which NEC can provide the leadership.

The NER has drawn a comprehensive connectivity agenda with Bangladesh. There are four major projects ongoing and completion of which would lead to strengthen the connectivity between the NER and Bangladesh: (i) redevelopment of Ashuganj Port; (ii) strengthening of Ashuganj-Akhaura Road; (iii) building of Akhaura-Agartala Rail Link; and (iv) construction of Belonia-Belonia Rail Link. Completion of the Akhaura-Agartala Rail Link will provide an access to Chittagong Port. This will also reduce the rail distance between NER and rest of India after the 2nd



bridge over Jamuna River in Bangladesh is constructed. Presently, the construction of the Akhaura-Agartala Rail Link is in progress at both ends. The linking of the Chittagong Port from Sabroom in Tripura will open up an effective link for the NER. The Bangladesh-Bhutan-India-Nepal (BBIN) MVA for regulating passenger and cargo vehicular traffic between the countries was signed and ratified (except Bhutan). However, BBIN MVA is yet to be implemented. The BBIN MVA may restore a seamless transportation between India, Bangladesh and Nepal. Subsequently, pilot implementation of electronic cargo tracking system (ECTS) was conducted along the Kolkata-Jaigaon-Phuentsholing corridor and for inland routes in India (port to container freight station and from air cargo to SEZ) as well as between Dhaka and Delhi. Direct bus services have been started in Dhaka-Kolkata; Dhaka-Agartala and Kolkata-Dhaka-Agartala; Guwahati-Shillong-Dhaka routes. India and Bangladesh have mutually improved rail connectivity between Dhaka and Kolkata, and started new service between Khulna and Kolkata. Missing rail links are planned between Karimganj / Mahisasan (India)-Shahbazar (Bangladesh). India and Bangladesh have signed and implemented the India-Bangladesh Coastal Shipping Agreement and PIWTT usage is on the rise.

Connectivity within NER

Railway connectivity has progressed well. Most of the capitals of North Eastern states are getting connected by rail with Guwahati, Delhi, and Kolkata. Agartala and Silchar are now having BG railway system and connected trains with Kolkata and Delhi, and other parts of India. Recent development in railway system has made very positive impacts on common people, who are more integrated with rest of India and feeling proud. Railway construction is going on full swing towards Sabrum (southern Tripura) and then to Chittagong or other new ports in Bangladesh. Railway line will reach Imphal by 2020 and Bangladesh border through Sabrum in 2021.

Dredging of Brahmaputra River and highway along the banks in upper and central Assam is now a national project. The World Bank has extended US\$ 150 million to Assam government for modernization of river ferry and cargo services and IWT terminals. The Governments of India and Assam have undertaken dredging of Brahmaputra river and building of highway along the embankments.

Border customs are getting new look with digitization and single window (SWIFT). Some of the border posts have been made to operate 24x7 basis. Numaligarh Refinery's petro products are being exported to Myanmar through Moreh-



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Tamu border. Regular export through Siliguri to Bangladesh will start soon. Numaligarh Refinery is also exploring IWT option to export petro products.

Several industrial parks, trade clusters, townships, logistics centers, etc. are coming up in Assam and the rest of Northeast.

Manipur government is planning to build a township close to the Moreh border (with Myanmar). A food park has been set up on the outskirts of Imphal city in Manipur and an SEZ is proposed at Thoubal in Manipur, which once completed, could become a major processing center for fruit, pulses and other agricultural products. Export from this food park to Myanmar has been started already.

5. Imperatives for NER-BIMSTEC Connect

The reality is that NER suffers from economic isolation. The region imports almost every consumer goods from outside the region. The absence of adequate institutional and physical infrastructure, both national and international, coupled with insurgency have slowed down NER's development process. Nevertheless, given its strategic location, the NER can be developed as a thriving and essential base for India's growing economic linkages, not only with BIMSTEC countries but also with ASEAN and China.

Several studies have identified that the NER has the potential to grow faster than

its current pace, provided the region builds cross-border production links, particularly with Bangladesh, Myanmar and other Southeast and East Asian countries. However, the bottlenecks to cross-border production links are many, of which inadequate connectivity, logistics and trade facilitation, more particularly at the border areas, are the major ones. NER's trade with Bangladesh, China and Myanmar, its immediate neighbors, significantly suffers from not only infrastructure-related bottlenecks but also regulatory burdens associated with customs, security, standards, and certification.

Therefore, emergence of BIMSTEC has offered an alternative and promising regional initiative centering NER. Followings are some reasons for why NER-BIMSTEC cooperation should be a priority.

First, viable and stable alternative to SAARC. BIMSTEC offers a promising alternative regional cooperation initiative to SAARC. A sustained mutual cooperation based on trust will enable the member countries to attain their common goals of eradicating poverty, addressing climate change, combating terrorism, and promoting overall wellbeing and prosperity.

Second, development of North Eastern States. The Northeast region of India accounts for nearly 8 percent of India's land mass, around 4 percent of the country's population and contributes 2.5 to



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India's GDP. The region is endowed with rich mineral resources. It has hydropower potential estimated at nearly 50,000 MW, natural gas reserves of 190 BCM, coal reserves of more than 900 MT and oil reserves of at least 500 MT. Further, it also has huge reserves of limestone, a key raw material in the production of cement, of around 5000 MT.

India's north eastern states can leverage their proximity to Nepal, Bhutan, Bangladesh, and Myanmar to develop greater trade and other economic partnership with these countries. Countries such as Nepal, Bhutan, and Myanmar share common challenges with India's north eastern states in terms of protecting biodiversity, securing livelihood of tribal population, developing power and road infrastructure, among others. A coordinated policy approach between India and these countries to address these challenges will be more effective than if these countries adopt policies independently. Development of road and rail infrastructure between India's north eastern states and these countries will open new vistas of trade opportunities.

Third, BIMSTEC as gateway to ASEAN countries. India can use BIMSTEC as a gateway to its trade and economic relations with ASEAN countries. Myanmar is the only ASEAN country with which India shares its border. Development of road and railway infrastructure between India and Myanmar can not only enhance

bilateral trade, but also promote trade with other neighboring ASEAN countries such as Thailand, Vietnam, Cambodia, and Lao PDR.

Fourth, forming a counterweight against China. From a geopolitical standpoint, a united BIMSTEC bloc is essential to counter China's access to Bay of Bengal. China is having friendly relations with BIMSTEC member states such as Thailand and Myanmar as these countries are strategically important for China. China is importing oil and gas from Myanmar by setting up dedicated pipelines from Myanmar's port city of Kyaukpyu to its southwestern province of Yunnan. The country is also investing in deep sea ports and other logistics projects in Myanmar so that it can import goods from EU, Middle East and other countries through Myanmar rather than transporting all the way to Chinese ports through Strait of Malacca and South China Sea. China is also eagerly expecting the development of the Kra Canal in Thailand, which will connect South China Sea to the Andaman Sea. Once constructed, this Canal can be used by China to transport its cargoes, instead of depending on Strait of Malacca.

Fifth, in recent years, India's trade with Bangladesh and Myanmar, particularly NER's trade with Bangladesh and Myanmar, witnessed sharp rise, suggesting existence of a large trade potential. However, supply-side constraints, among others, inhibit the two-way trade across the



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borders with India's two neighbors. Enhancing the NER's existing level of trade and economic linkages between Bangladesh and Myanmar would need infrastructure and institutional support, which would facilitate growth and remove the region's economic isolation. Therefore, the economic links between NER and BIMSTEC may spur additional investments in connectivity improvement leading to build a stronger partnership among Bay of Bengal countries.

To conclude, NER-BIMSTEC connect, therefore, not only serves India's objective of a prosperous and inclusive ASEAN-India integration but also adds momentum to our connectivity programmes in South and Southeast Asia.

Scope for New Cooperation

Among seven member countries, five members of BIMSTEC are also members of SAARC, two are part of ASEAN and six are part of SASEC. Therefore, BIMSTEC appears as a connector to multiple regional initiatives. Notwithstanding its cross-regional structure, BIMSTEC has high economic potential, given the region's economic dynamism, huge markets and rich natural resources.

BIMSTEC's members are at different levels of development with different income levels. It has three developing countries (India, Sri Lanka and Thailand) and four LDCs (Bangladesh, Bhutan, Nepal, and Myanmar). Given such a

structural variation, regional integration may generate high hope, particularly among LDCs and smaller economies. Therefore, scope for further cooperation is very high.

Following three supporting developments in the last two decades add tremendous value to the integration process in BIMSTEC, and provide further support to its integration process :

First, BIMSTEC now has a permanent secretariat at Dhaka with a Secretary General at its head. A professional team is now running the office. Except two all BIMSTEC countries have nominated Directors to the Secretariat.

Second, with zero inter-state political or border dispute on continuous basis in BIMSTEC, member countries are motivated to speed up the integration process, both within and across the region.

Third, due to cross-regional FTAs between some of the member countries, BIMSTEC has become an effective alternative for Bay of Bengal countries to connect with the world.

In the Goa Retreat in October 2016, the Leaders of BIMSTEC have given following directions on regional connectivity:

- to seek greater physical and economic connectivity between South and Southeast Asia;
- to advance multi-modal physical connectivity (air, rail, roads, and



waterways) in the BIMSTEC region;

- to prepare a Master Plan for BIMSTEC Connectivity;
- to conclude BIMSTEC Coastal Shipping Agreement; and
- to explore the possibility of having a BIMSTEC Motor Vehicle Agreement.

The declaration of the 4th BIMSTEC Summit, held at Kathmandu in 2018, has following recommendations:

- Strengthening BIMSTEC Secretariat
- Activating the BIMSTEC Institutions
- Setting up BIMSTEC Development Fund

Recent years have shown increasing awareness of the opportunities offered through stronger regional cooperation in BIMSTEC. BIMSTEC has however made progress in several other areas such as physical and people-to-people connectivity or energy cooperation. At the same time, it has also witnessed many failures or slow progress.²⁷ It has been facing several challenges that cover a number of areas and which call for concerted efforts by the member countries.

A New Strategy for NER

In the foregoing sections we have discussed the trends in NER's economic integration with the Bay of Bengal region. There is no doubt that the AEP has been

paying rewards to the NER, at least at this moment. More and more NER states are getting integrated with the AEP's ambit. New connectivity projects are introduced, while ongoing projects are getting ready. This is a very crucial moment for NER in its quest for a hub in India's growing economic association with Southeast and East Asia. We need to leverage the existing institutions in support of the Act East Policy.

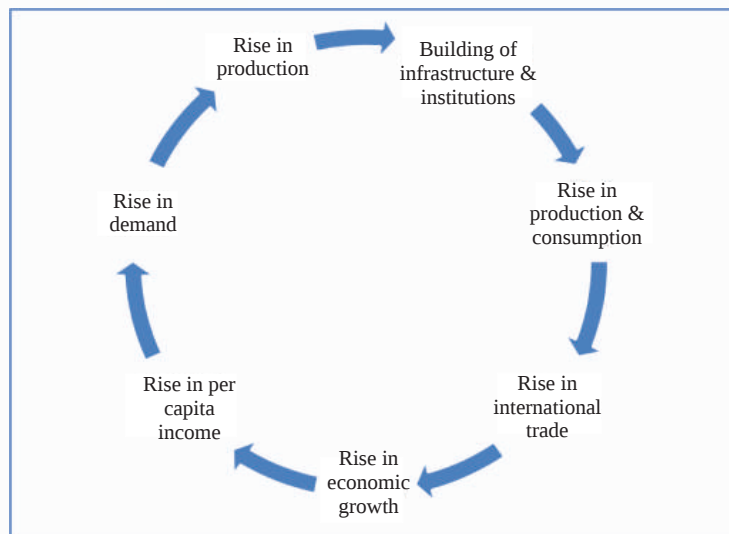
The connecting role of infrastructure in a series of mutually reinforcing relationships linking growth and economic integration through higher economic exchanges within and across borders is very significant. Infrastructure provides services that people need and want. Infrastructure facilitates economic integration in two ways: first, it supports the processes of growth on which economic integration depends; and second, it helps the people access basic services that can improve their lives and income opportunities. Success of the illustrated relations depends on the quality of institutions. In our particular case, economic integration in the NER, both internal and external, would depend very much on infrastructure, growth, and access determinants. Policies and institutions such as the Act East Policy play a crucial role in making the links between economic integration, growth and infrastructure.

27. Read Bhattacharjee (2018) for BIMSTEC's achievements vis-a-vis SAARC. Also, refer Yhome (2017) and Rahman and Kim (2016). Also read Xavier (2018).



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Figure 2: Removing the Economic Isolation: Development Cycles for NER



Source: De and Majumdar (2014)

A three-pronged strategy may be followed to elevate the momentum into the next level.

First, we need to put forward an inclusive development approach of the AEP. All NER states are equal partners in the AEP. All NER states should acquire a common strategic vision tallying with that of the country. To engage the NorthEast in the AEP, the NER states must be given greater policy space and autonomy. A strong leadership is essential.

Second, the AEP needs accountability and risk management. We need to reward organizations that perform well. This would help improve the efficiency of institutions.

Third, the AEP needs strong coordination. This is needed for turning the strategic

vision into reality. Without effective coordination, the AEP may not be able to perform at the required pace. To drive the AEP, a Central Ministry, the Act East Department to start with, would add further momentum to the AEP and buttress the NER's partnership with the BIMSTEC, Southeast and East Asia. The Assam government has shown the leadership with several key measures the state has introduced.

Strengthening the NER's existing level of trade and economic linkages with Bangladesh and Myanmar would need infrastructural and institutional support, which will gradually facilitate local growth and remove the region's economic isolation (Figure 2). Removing the status quo, therefore, means that the NER has to



invest heavily in building physical and institutional infrastructure, which would in return lead to a higher production, both within and across borders, and enhance the growth of the region.

6. Conclusions

This is also not to deny that underachievement is also high. BIMSTEC has made little headway in terms of the implementation of its various regional schemes, while the grouping's intra-regional trade and commerce has failed to grow substantially over the years. The goal of regional integration has also remained unfulfilled as infrastructural bottlenecks persist. The NER's net outcome from BIMSTEC till date is not very promising. Nevertheless, BIMSTEC is a "potential game changer" for the Northeast's overall development. Some of the benefits for the NER are quite explicit considering the potential of BIMSTEC to bring trade, transport, tourism and other linkages to the states of the Northeast.

While efforts at the government levels, along with political will, have been playing a pivotal role in strengthening relations, enhanced connectivity in all dimensions is needed to contribute to the deeper integration, which would positively influence the future course of BIMSTEC-NER connect. There is an increasing awareness that regional economic integration offers unique opportunities to

address some of the key economic challenges facing by BIMSTEC. Improving BIMSTEC integration, particularly in terms of connectivity, commerce and culture, would pave the way in integrating South and Southeast Asia through BIMSTEC. Assistance of Japan as development partner will strengthen the BIMSTEC-NER partnership.

Low private investment is another big challenge to overcome. Providing enabling environment for private investment would pave the way for engagement with Southeast and East Asia. India's Act East Policy and major thrust on connectivity in the NER presents an opportunity to unlock the region's trade potential. Dealing with connectivity in the NER would thus call for an analysis on trade flows, infrastructure status and linkages with neighbouring countries, which would then help us identifying the challenges and also drawing the way forward. Greater involvement of development bank (e.g. ADB) and countries (e.g. Japan) will certainly pave the way for development of connectivity in North East India.

Expanding trade is one of many manifestations of growing economic integration with Southeast and East Asia. The NER has to identify the products, which are of great demand in neighboring Bangladesh and Myanmar and other ASEAN countries based on supply-



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demand balances. In parallel, we also have to identify the potential growth points that can be linked to the NER's larger resource base and market as well as global production networks.

The NorthEast has a number of logistics handicaps. Physical infrastructure such as electricity, communication, transportation, and banking and finance are very sporadic and unevenly distributed among urban and rural areas. Amenities are limited in nature, and the lack of economic opportunities encourages migration, particularly that of skilled resources to work and live in better developed and developing parts of India. Most of the government officials are not aware of the advantages of international integration and the Government of India's AEP initiatives, and also do not know about benefits that the state and region have. Success of AEP will happen only when border infrastructure is upgraded to facilitate trade and investment at the border region.

Bottlenecks to cross-border production links are inadequate connectivity, logistics and trade facilitation, more particularly at the border areas. Removing the status quo, therefore, means the North East has to invest heavily in building physical and institutional infrastructures, which would in return lead to a higher production, both within and across borders, and enhance the growth of the region.

Connectivity is important, but converting the connectivity corridor into economic corridor is the main challenge. The AEP outlines an ambitious plan for building economic corridors, linking India with Southeast Asia (and also China). For example, the Government of India has been working with ASEAN to enhance physical connectivity via the India's Northeast and India's eastern seaboard. The Trilateral Highway, which is under implementation would dramatically reduce travel time across borders and would open up numerous cross-border opportunities for trade and investment. Industrial clusters located along the connectivity corridor could emerge as economic nodes in NER. In the same way, the BCIM-Economic Corridor (BCIM-EC) that envisages linking Kolkata with Kunming would facilitate investments in the sub-region, more importantly in India's most recent 'Make-in-India' initiatives.

Sometimes Northeast India is a feeling. Sometimes it is a decision. The AEP is not the panacea. If India implements policies that boost economic integration, confidence should rise naturally. Once investment picks up, NorthEast India will be able to recapture its past glory. That outcome would benefit not just India, but the entire Asian economy.



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Appendix 1
Export Potential (US\$ Billion)

Reporter	Partner	Actual	Potential
India	Bangladesh	5.67	36.46
India	Bhutan	0.37	0.08
India	Myanmar	1.14	14.55
India	Nepal	4.53	2.03
India	Sri Lanka	4.12	15.38
India	Thailand	2.96	192.76
Reporter	Partner	Actual	Potential
Bangladesh	India	0.68	37.23
Bangladesh	Bhutan	na	na
Bangladesh	Myanmar	0.02	15.67
Bangladesh	Nepal	na	na
Bangladesh	Sri Lanka	0.03	19.47
Bangladesh	Thailand	0.06	37.85
Reporter	Partner	Actual	Potential
Bhutan	India	0.13	0.01
Bhutan	Bhutan	na	na
Bhutan	Myanmar	na	na
Bhutan	Nepal	na	na
Bhutan	Sri Lanka	*	0.14
Bhutan	Thailand	*	0.14
Reporter	Partner	Actual	Potential
Myanmar	India	1.04	10.63
Myanmar	Bhutan	0.02	11.65
Myanmar	Myanmar	*	0.46
Myanmar	Nepal	*	6.55
Myanmar	Sri Lanka	*	11.66
Myanmar	Thailand	2.24	9.43



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Reporter	Partner	Actual	Potential
Myanmar	India	1.04	10.36
Myanmar	Bangladesh	0.02	11.65
Myanmar	Bhutan	*	0.46
Myanmar	Nepal	*	6.55
Myanmar	Sri Lanka	*	11.66
Myanmar	Thailand	2.24	9.43
Reporter	Partner	Actual	Potential
Nepal	India	0.38	0.33
Nepal	Bangladesh	na	na
Nepal	Bhutan	na	na
Nepal	Nepal	*	0.71
Nepal	Sri Lanka	*	0.71
Nepal	Thailand	*	0.71
Reporter	Partner	Actual	Potential
Sri Lanka	India	0.76	9.79
Sri Lanka	Bangladesh	0.12	10.43
Sri Lanka	Bhutan	*	0.46
Sri Lanka	Myanmar	*	10.54
Sri Lanka	Nepal	*	6.55

Notes: *Very negligible trade. na - not available

The indicative potential trade has been computed for each 6-digit product. The supply is represented by the exports of the selected country to the world. The demand is represented by the imports of the selected partner country from the world. The minimum between the two from which the bilateral trade is subtracted is the indicative potential trade. In a formal way, the unrealized trade potential for any commodity between India and Mongolia is given by $[\text{Min} (Y_i, X_j) - Z_{ij}]$, where Y_i , X_j and Z_{ij} are country i's global exports, country j's global imports and existing trade between the country i (exporter) and country j (importer), respectively. Products having trade potential were identified as those with (a) adequate demand in the importing country, and (b) adequate supply capabilities in the exporting country. The caveat is that the estimates of trade potential have to be treated with caution as they are merely indicative of the untapped trade possibilities. The estimate of trade potential is the maximum possible trade that two countries can have if they sourced all items from each other which they sourced from the rest of the world, ceteris paribus. The estimates also vary depending on the year of reference.

Source: ITC Trade Map based on www.trademap.org.



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About the Centre for South East Asian Studies, Gauhati University

The Centre for South East Asian Studies, which was established in 2017 under the annual budget (2016-2017) of Government of Assam in the Gauhati University and currently being located in the Department of Political science, is the first of its kind in North East India. The North East India region has assumed crucial significance with regard to India's emerging relationship with South East Asian countries particularly in the context of India's Act East Policy. Against this backdrop the Centre for South-East Asian Studies has been designed to further dialogue and generate knowledge network to understand the challenges and opportunities faced by the India and particularly North-East India in relation to East and South East Asia. In order to act as a knowledge hub for promoting India's relation with South East Asia, the Centre has proposed to undertake number of academic activities which includes organizing regular seminars and symposia, publication of peer reviewed books, monograph and journals by research scholars and faculty members, liaison with scholars and students in various universities of North-eastern region, promoting inter university research programme on themes of trans-border challenges and opportunities.

Objectives of CSEAS

The CSEAS strives to achieve the following objectives:

1. To generate knowledge and develop understanding about East and South East Asian region.
2. To produce insights on India's relation with East and South East Asian nations and provide policy inputs for deepening and strengthening their mutual relations.
3. To understand the significance and concerns of North East India in the context of emerging relationship between India and South East Asia and the need to integrate the interests of the region in this evolving pattern of relationship between them.
4. To facilitate the track I and track II diplomacy between India and East and South East Asian nations for a more engaged and sustained mutual relationship between them by establishing and developing contacts/networks of their institutions, academicians, students, civil society etc. through mechanism like students exchange programme.

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