

Act East Policy and Development of the North East: An Assessment

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Abstract – North East India is the easternmost region of India representing both a geographic and political administrative division of the country. The economy of North East India has got its definite identity due to its physical, economic and socio cultural features. The north east region consists of eight states- Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim. The North Eastern Region shares an international boundary of about 80% of its total geographical boundary with several neighboring countries. Look East Policy (LEP) is vital in India's effort towards globalization and the economic reform agenda. Terming it as Act East, India was able to feel the change in the locus of world economic power from the 'west' to the 'east' as necessitated by the enlarging geo-politics and trends in the Asia- Pacific. The main goal is to revive political ties, forge regional security cooperation and develop economic linkages by increasing integration with Southeast Asia. This paper reviews the status of economic integration in Northeast Asia and assesses the development. It also discusses the backgrounds of the rise of Northeast Asia economic integration, regional trade and investment relations, financial cooperation, environmental cooperation and industrial cooperation.

Keywords – Act east policy, Economic Integration, North East, Development.

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1. INTRODUCTION

North East Region (NER) of India has got its definite character due to its specific physical, economic and socio-cultural features. The NER comprises of eight States — Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim. This region of India is a treasury of various resources and at the same time is storage of various problems. The region is situated at the North-Eastern Himalayan sub-region of India. The region also lies between 21.57° and 28.30° N Latitudes and 89.46° and 97.30° E Longitudes. The NER is located in the remote eastern corner of Indian union. The region has an area of 2,55,083 sq. km. The region is regarded as remote and landlocked which shares 80% of its border with other countries, including China, Nepal, Bhutan, Bangladesh and Myanmar. The region is connected with the rest of India through a narrow corridor at Siliguri in West Bengal. The region is lagging behind in the development from the rest of the country. And remoteness is regarded as a major reason for the under-development. Northeast has the uniqueness of being the only region having overland links with the ASEAN nations. Considering its closeness to the ASEAN region, some followers of the Indian foreign policy have been advocating opening the region to Southeast Asia to encourage development. The current focus the central government is to integrate development in the region by improving its relationship with the ASEAN. It is

said that greater connectivity and economic integration of India's Northeast with its eastern neighbors is reflected a key focus area for growth and development of the region.

2. METHODOLOGY:

The study is of descriptive type based on secondary sources. The facts are collected from a number of published and unpublished books, records, reports and journals of government, internet surfing etc. The government's published economic survey 2018-19 has been taken under consideration in my study.

3. OBJECTIVE:

- a. To identify the products which are more export oriented from NER.
- b. To find out the drawbacks of existing communicational structure of the NER for export and import to ASEAN countries.
- c. To draw a special attention of the Indian government to enhance the export from NER.
- d. To visualize the trend of India's exports through NER to the ASEAN countries.

4. ACT EAST POLICY AND CONNECTIVITY:

The Geographical location of the NER stands itself as the most favorable location to focus on implementation of India's Look East Policy (LEP) which is stated to be India's vision. The entire NER is the gateway to the South East Asia. Thus the development of communication and infrastructure of the region is very crucial so as to linked with the neighboring South East Asian countries-Bangladesh Myanmar, Thailand, Malaysia, Vietnam, Bhutan and China. Look East Policy is vital in India's effort towards globalization and the economic reform agenda. Terming it as Act East, India was able to feel the change in the locus of world economic power from the 'west' to the 'east' as necessitated by the enlarging geo-politics and trends in the Asia-Pacific. The major steps taken in the Highway Sector of the region are as follows:

- a. **Development of ASEAN Highway:** The road connection to South East Asian countries is available along ASEAN Highway network that can be accessed from the existing NH-39 & NH-36 of Assam through Dimapur –Kohima-Imphal to reach Myanmar at the Border town of Moreh. This route assumes lot of importance as it is able to connect Thailand, Laos, Vietnam Cambodia, Malaysia and Indonesia along the same highway network
- b. **Connection with Bhutan:** The NH-152 from Assam has a direct link to Bhutan. The NH-152 (38 km) has been developed as a two-lane highway with paved shoulder under SARDP-NE. Thus good road connectivity can be established from Bhutan and beyond. Recently two new National Highways viz. NH-127(C) & NH-127(D) has been declared which will connect East West Corridor with Bhutan.
- c. **Connection with Bangladesh through NH-51, NH-40, NH-151 and NH-44:** NER has 3 distinct national highways connecting Dhaka. The routes are:
 - Guwahati-Jorabat-Shillong-Dauki-Sylhet-Dhaka—This route stretches along NH-37& 40 totaling 467 km
 - Guwahati-Jorabat-Shillong-Karimganj-Sutarkandi-Sylhet-Dhaka – This route stretches along NH-37, 40,44&151 totaling 657 km
 - Guwahati-Paikan-Dalu-Dhaka –This route stretches along NH-37, 51 totaling 261 km in the Indian Territory only, of which the entire 22 km of NH-51 (Assam portion) has already

been developed to 2- lane with paved shoulder by PWD under SARDP-NE.

- d. **Connection with Republic of China through Arunachal Pradesh:** The NH-52 in the north bank of Brahmaputra from Baihata Chariali to Dhemaji is a major road connecting Arunachal Pradesh. This Road can be further developed and extended through Tibet through Tawang. The proposed 4-lane connectivity of Itanagar from East West Corridor near Nagaon is in advance stage of implementation. DPR and feasibility report has already been submitted to Ministry of Road Transport & Highways.
- e. **Connection NER with rest of the country:** East-West Corridor is on the edge of completion. NH-31 from Boxirhat (Assam-Bengal Border) connects the entire North East. These two National Highways can adequately and efficiently connect all potential river routes through mighty river Brahmaputra. Gauge conversion to Murkakchelang on the North Bank is nearing completion. BG connectivity already exist upto Tinsukia in Upper Assam. Gauge conversion in Lumding-Badarpur Section is completed. These Railway routes can be improved with double line facility to cater the present-day demand for smooth transportation of goods and services.

5. REGIONAL ECONOMIC INTEGRATION:

The government of India, under sub-regional cooperation initiatives like BIMSTEC and BBIN has initiated various projects to improve the connectivity of the Northeast with the eastern neighbors. Lately, a realization emerged among the policy makers about the importance of internal preparedness, especially for the NER to reap the optimal benefits of these initiatives. Considering the complexities and ground realities, the development in Northeast will require special handling.

Table 1: India ASEAN Merchandise Trade (U.S. \$ Billions)

India's trade with ASEAN	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Export	33.01	33.13	31.81	25.15	30.96	34.20	37.47
%Growth	-10.17	0.38	-3.99	-20.0	23.09	10.46	9.56
Import	42.87	41.28	44.71	39.91	40.61	47.13	59.32
%Growth	1.68	-3.71	8.33	-10.9	0.88	16.04	25.86
Total	75.87	74.41	76.53	65.06	71.57	81.33	96.79
Trade Balance	-9.86	-8.14	-12.9	-14.75	-9.65	-12.93	-21.85

Source: <https://commerce.gov.in/InnerContent.aspx?id=74>

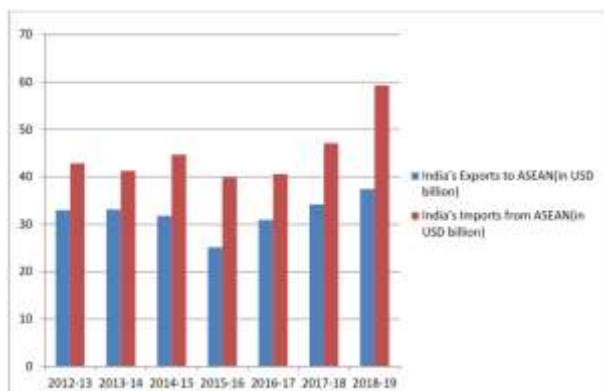


Figure 1: India's trade with ASEAN

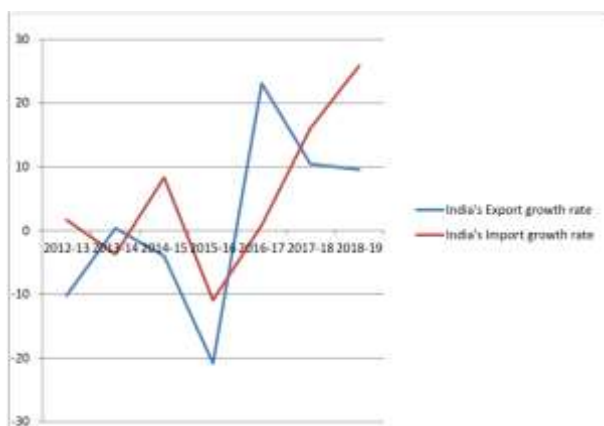


Figure 2: Export and Import growth rate

6. DEVELOPMENT OF NORTH EASTERN REGION VIA ACT EAST POLICY:

From the northeast region perspective, the AEP marks a major foreign policy initiative and is, in many ways, a distinct shift in India's relations with its ASEAN neighbors. For the northeast region, the AEP is much more than just a commercial opportunity.

- The AEP acknowledges the importance of the northeast region by scripting and defining it as an essential part of India's developmental trajectory as well as fitting the region into the nation's foreign policy architecture.
- The AEP clearly assigns a definitive role and agenda for the people of the northeast region in India's pursuit of economic relationships with ASEAN countries.
- The AEP is the only major policy initiative available to the region for the development of tangible trade and commerce with the neighboring countries.
- The policy provides an opportunity to the different communities in the region to re-establish their age-old socio-cultural ties as well as historical links with the people of the Southeast Asian nations.

The NDA government has taken several steps to implement its ambitious agenda of developing the northeast region and strengthen connectivity between the northeast region and ASEAN via trade, culture, people-to-people contacts and infrastructural development. The government is working on various plans, including economic cooperation with Asia-Pacific facilitating bilateral trade, via the northeast region; enhancing sea and road connectivity of the northeast region through other nations; enhancing rail and air connectivity internally in the northeast region; and developing the northeast region as an organic farming hub. The Buddhist-Hindu pilgrimage circuit from India to Southeast Asia, passing through the northeast region, is also being developed further to boost tourism. Furthermore, the government is trying to give the landlocked northeast region access to the sea via Bangladesh and Myanmar. This will transform the region's economy, raise living standards, reduce road and rail transport time, and curb fuel cost. India's relationship with ASEAN is a key pillar of its foreign policy and the foundation of Act East Policy. The promotion of the relationship into a Strategic Partnership in 2012 was a natural advancement to the ground covered since India became a Sectoral Partner of the ASEAN in 1992, Dialogue Partner in 1996 and Summit Level Partner in 2002. There are, in total, 30 Dialogue Mechanisms between India and ASEAN, cutting across various sectors. India-ASEAN trade and investment relations have been upgrading steadily with ASEAN being India's fourth largest trading partner. Similarly, India's trade relations with BIMSTEC countries and China have been thriving in recent years. Development of NER is crucial to augment and strengthen the quantum of exports to ASEAN, as NER is at the lowest distance from the ASEAN member countries, with shared boundaries and proposed multinational infrastructure projects. Provision of Goods and Services from NER will drive down the transaction costs drastically and will amplify the bilateral trade with ASEAN member countries. This could be achieved by investing in infrastructure creation in NER. High rates of economic growth have never been a single sufficient condition for development. Employment rate is crucial in the growth. Revenues from mining sector and allied industries have tremendous potential to contribute to the economic and social benefit of the local population, as these industries create direct and indirect job opportunities and provide government with the funds which could be utilized in regional development. NER has a rich potential wealth of mineral resources with substantial reserves of lime stones of different grades, coal, petroleum and natural gas, fire clay, feldspar, quartz/silica sand, granite, brick earth and silt, fullers' earth, quartz pebbles, and moderate reserves of minerals like china clay and dolomite. Occurrences of iron ore, multi-metallic minerals, chromites, placer gold and phosphate have also been reported and investigated. The NER produces only 3.10 per cent of national food grains production and continues to be a net importer of

food grains even for its own consumption. Although agriculture is the main source of livelihood for most of the rural population in NER, dependence on livestock as an alternative source of income is noteworthy, with significant proportion of landless labourers, small and marginal farmers, female population having access to livestock resources engaged in the sector resulting in household income augmentation and employment generation. The North-East India is rich in fruit diversity and contains near about one-third of the country's total diversity. The major fruits produced in NER include Banana, Oranges, Pineapple, Lime/lemon, Guava, Jack Fruit, Papaya, Plum, Litchi, Kiwi, Passion fruit and others. Northeast is home to a unique range of spices that are quite different in taste and attributes from the commonplace spices used in the cuisines of mainland India. Some of the major spices exclusive to NER are Karbi Anglong Ginger, Lakadong Turmeric, dried pepper long etc.

Tea, coffee, rubber and bamboo are the major plantation crops available in the north-eastern region. Assam alone accounts for about 50% of the total tea production of the country. Coffee cultivation was introduced in the North-East Region with an aim for socio- economic benefit of the local people as well as for preservation of the fragile ecosystem. The NER accounts for about 6% of the total rubber production of the country. The region also has about 18% of the total rubber cultivation land in India. Tripura has the highest yield in rubber closely followed by Assam among the NER states. The Northeast is regarded as "Second Rubber Capital of India", after Kerala. Among the NER states, Arunachal Pradesh has the largest Bamboo Bearing Area. NER's meat production has huge export potential to neighboring countries.

Tourism sector has always been an inclusive growth driver for India by generating employment in sectors such as hospitality, travel, wellness, entertainment and promoting other industries in the economy. With a focus on boosting tourism, Government of India has undertaken various projects through policy interventions and by fostering infrastructure development resulting in a phenomenal growth in domestic tourism, foreign tourist arrivals, foreign exchange earnings, and employment opportunities. Out of the top most traded medicinal plants of the country, majority of them are from the North-East Region. Hence the medicinal plant sector of the NER has great trade potential.

North Eastern India provides for more than 90% of the Eri silk production in the country. Eri is a multivoltine silk spun from open-ended cocoons, unlike other varieties of silk. Muga popularly known as the golden thread is the most expensive and durable of all silk threads in the world. Countries such as Indonesia, China, Philippines, Brunei Darussalam, and Myanmar are interesting new markets for Indian silk. North Eastern Region has

rich potential wealth of hydrocarbon resources, mostly untapped, with parts of Mokokchung, Longleng and Tuensanj districts exhibiting rich potential deposits of petroleum oil. Northeast India has two sedimentary basins viz. Upper Assam Shelf and Assam-Arakan Basin, the former contributing to 90% of the current oil and gas production while only about 10% of the total area of Assam-Arakan fold belt has been explored. This belt is a treasure-house of hydrocarbons as it falls between the prolific oil and gas producing regions of Bangladesh and Myanmar.

PM Narendra Modi and Bangladesh PM Sheikh Hasina jointly inaugurated BSNL's International Internet Gateway in Tripura on 23rd March 2016. India will supply 100 megawatts of electricity in return for 10 Gigabits per second International Internet bandwidth from Bangladesh. Software Technology Parks of India (STPI) is an Autonomous Society set up by the Ministry of Electronics and Information Technology (MeitY), Government of India in 1991, with the objective of encouraging, promoting, and boosting the Software Exports from India. The basic ICT and network coverage can aid seamless inter and intra-regional trade and deliveries across sectors in the North-Eastern Region. The enablement and integration of the digital corridor in the NER can help facilitate and nurture the business environment, by providing diverse growth opportunities to industries and attracting investment.

Table 2: India's export to ASEAN during 2015-16

	U.S. \$ million	% share in total
1.fresh Vegetables & Fruits	216	0.9
2.Meat products	2649	10.5
3.Fish products	1089	4.3
4.Spices	499	2.0
5.Sugar	488	1.9
6.Oil cakes & fodder	225	0.9
7.Petroleum products	3766	14.9
8.Chemicals	1698	6.7
9.Pharmaceuticals	717	2.8
10.Plastic & raw materials	348	1.4
11.Rubber & products	226	0.9
12.Precious stones & jewelry	1106	4.4
13.Paper & pulp	131	0.5
14.Cotton	602	2.4
15.MM filaments/fibre	273	1.1
16.Iron, steel & articles	723	2.9
17.Non ferrous metal	1322	5.2
18.Mechanical appliances	1617	6.4
19.Electronics	798	3.2
20.Transport equipment	2150	8.5
21.Optical instrument	356	1.4
TOTAL	20999	83.2

Source: www.commerce.nic.in/eidb/default.asp

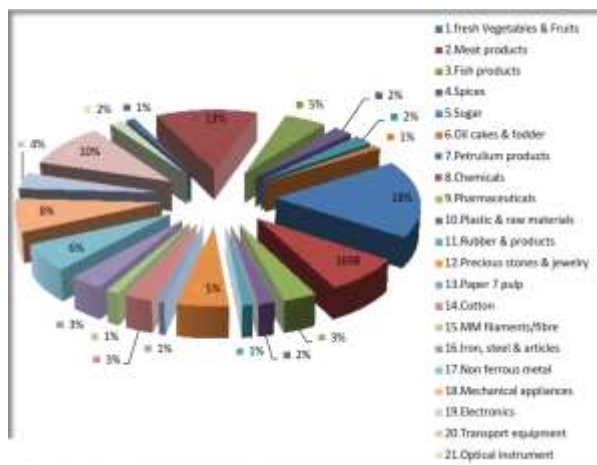


Figure 3: shares of items in India's export to ASEAN (2015-16)

7. FINDINGS AND SUGGESTIONS:

- a) The Indian Government's Act East Policy is to focus on Industrial development of the NER as most of the South East Asian Countries are closely linked to the NER. In this regard some routes of internal connectivity which are presently either under developed or Missing links are to be developed.
- b) There are four or five major missing links in the State which has practically retarded the economic development of the State, in fact that of the North East as a whole. A few of the missing links have been already notified as National Highway notably:
 - i. Srirampur - Dhubri – Phulbari – Tura newly declared as NH-127B..
 - ii. Trans Arunachal Highway – work is in progress,
 - iii. 2 Nos. National Highway to Bhutan NH-127C & NH-127D.
 - iv. Gohpur –Numaligarh including Bridge over river Brahmaputra.
- c) Despite the Modi government's projection of being investor-friendly nation chronic problems of bureaucratic inertia and inter-ministerial coordination and complications associated with forging public-private partnerships and financing remain barriers to accelerate infrastructure connectivity. This can be witnessed in the continuous delays in the completion of two key infrastructure projects: the India (Moreh)- Myanmar (Bagan)-Thailand (Mae Sot) Trilateral Highway (with the goal of eventually extending to Cambodia and Vietnam) and the Kaladan Multi-Model Transit project

(connecting the ports of Kolkata and Sittwe which in the longrun can impact the development efforts in the NER. There is a need to fast tract all the development projects in the North east.

- d) The NER must also look to improve trade relations with the neighbouring countries. Modernizing and harmonizing customs administrations by streamlining and simplifying clearance procedures will be beneficial to traders and businesses and stemming informal trade. Incentivizing the traders/small businesses to get registered and pay duties by providing support in form of subsidies/rebates in the business processes and extending capacity building and training support. Increasing the number of items tradable and number of traders at border haats will help stem informal trade. Adequate information and advisory services are required for spreading awareness amongst traders and suggestions on potential trade items. Ensuring speedy implementation of proposed border points like border haats and LCS and implementing measures to convert the non-functional border trade points would also boost the trade prospects of the region.
- e) The potential workforce could be engaged by development of the region through targeted policy intervention felicitating investments into the region, increasing public funding and creating export-oriented growth avenues. Policy intervention should aim at nurturing an enabling environment for investment by targeted action as the region needs to generate jobs, that are productive relative to investment, have the potential for broader social transformation, and can generate exports and growth. National Skill Mission/ National Skill Development Corporation (NSDC) or allied organizations can work out skill requirement in different sectors and take process for their skill development and employment in the region or other parts of the country or even abroad (ASEAN countries), considering high literacy rate of the region. Setting up one State of Art Educational Institute in NE Region, where 50% seats be marked for admission from ASEAN countries, to increase the bondage in between the countries is very much necessary.
- f) Tourism, sericulture, agriculture/horticulture, IT, Oil and gas and power are some of the sectors that NER must focus and look to further work upon

for better economic development in the region through export.

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