

Look-East Policy of India and North-East States: Problems, Prospects, and Challenges with Special Emphasis on Mizoram

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The new trade policy of India is looking towards East-Asian countries since its implementation of New Economic Reforms by 1990-1991. Sporadic and haphazard liberalization steps had been taken up in the later half of the eighties, but these were ineffective on the whole. The Gulf war in 1990 sharply accentuated many economic problems in India. In addition, political instability was prevailing in that period. These developments led to an erosion of international confidence in India. Now, the governments had two major goals: (a) restoration of economic stability by cutting down the fiscal deficits and bringing stability in the Balance of Payments and (b) to make structural changes or adjustments in the economy; a process of reforms which had been going on for the last decades but on an insignificant pace, but now to be taken up on a wider scale and at a pace whose impact would be direct and seen in the long term. There is now general agreement that the process of economic reforms must be strengthened and deepened. Whereas there was a well-developed consensus among economists about the first order problem which then afflicted the Indian economic policy, the same is not true for second generation reforms.

PARADIGM SHIFT IN INDIA'S TRADE POLICY

In early 1990s most of the South-Asian countries have implemented Look East Policy (LEP) and these countries have had positive impacts on their economies and now need to moved on to the second phase of Look-East Policy (LEP-II). South Asian Countries initiated these policies to enhance closer relations with East Asia in the early 1990s as a part of their economic reform measures. India announced its LEP in 1991, and subsequently, other countries followed suit. Although a lot needs to be done, significant steps were up by these countries to deregulate industrial sectors and to reduce tariffs. It is strongly argued that these policies have had many positive impacts. International trade between South-Asia and East Asia has surged, and China has become the largest trading partner of India. Foreign

Direct Investment (FDI) between countries in the two regions has also increased, Singapore has become the second largest source of FDI to India. A number of Free Trade Agreements (FTAs) have been signed between South-Asia and East-Asia; India holds summit level dialogues with the Association Of South-East Asian Nations (ASEAN) and is the member of the East-Asia Summit. India has started to negotiate the Regional Comprehensive Economic Partnership (RCEP) which is a FTA among ASEAN and its six dialogue partners (Australia, China, India, Japan, Korea and New Zealand).

But now the way goods are produced and traded around the world is no longer the same as before. The new model explains the geographic separation of production or consumption or what Baldwin calls Globalization's first grade unbundling. All separate tasks involved in producing a good were entirely at home. Under the second unbundling, production is sliced and diced into separate fragments and production of parts and components can be spread around the world. This new idea of production is called product fragmentation theory pioneered by Jones and Kierzkowski. Nike is well-known example of this phenomenon. While research and designs of shoes remain in the United States, most of Nike's production is in developing countries. Nike relies on production in around 50 countries mostly in Asia and Latin America. Another is the production of the iPhone. iPhones are designed and marketed by the Apple in the US. Apart from software and product design in the US, the production of iPhones takes place outside the US. Manufacturing of iPhone involves nine companies which are located in China, Korea, Japan, Germany, and USA. All iPhone components which are shipped to the US and the rest of the world.

The major catalyst for product fragmentation are the reduction in transport and logistics cost and advantages in technology which have facilitated slicing and dicing of products. Baldwin has emphasized the importance of Information, Communication and Technology (ICT) in the second unbundling. Cheaper

communications allow firms to manage supply chain over great distances. Companies have also discovered that they can build plants to manufacture parts and components in cheap locations abroad, and ship them either back home or elsewhere for assembly into the final product.

East-Asia is dense with production networks. It is estimated that East-Asia accounts for nearly 45% of global production network or supply-chain trade with China and the ASEAN countries in the lead. They argue that such networks have transformed the Asian landscape, contributed to deepening regional economic integration, and brought unprecedented prosperity to the region. To benefit from these developments in East-Asia, South-Asian countries to (1) link themselves to production networks in East-Asia, and (2) develop production networks in manufacturing and services within their region. Such policies would allow both regions of Asia to benefit not only from the dynamic complementarities associated with the new product fragmentation theories.

It is argued that LEP in South-Asia should comprise the following five policies. First, South-Asian countries should complete the economic reform process begun in 1990s. In new trading environment, mobile factors of production, especially foreign investors, can shop around for the most favorable locations for production parts and components and so it is important for host countries to provide a favorable business environment. Second, South-Asian countries should improve their ICT systems to coordinate supply chains efficiently. Third, South-Asian countries should strive to reduce logistics costs. With product fragmentation, efficient logistic service is a key determinant of a country's competitiveness. The logistics performance index calculated by the World Bank suggests that on average South-Asia lags behind all other developing regions except Africa. Fourth, South-Asian countries should support ongoing efforts to enhance physical connectivity between two regions. The dominant mode of freight transport between South-Asia and East-Asia is ocean transport. However, other modes of transportation may also be viable for more sophisticated supply chains. Projects to link ASEAN to India through waterways and surface transport roads are at early stages of implementation. These are the Mekong-India Economic Corridor (MIEC) and the trilateral highway connecting India with Myanmar and Thailand. While the major focus of the MIEC is to connect the automotive industry in Bangkok with those in Chennai, the Thailand Trilateral Highway seeks to develop the North-East region of India which is lagging behind the rest of the country.

The Economic and industrial corridor to be established under the MIEC is to constitute state-of-the-art transportation infrastructure such as expressways and high-speed railways that connect major industrial agglomerations. Both of these projects are consistent

with the master plan on ASEAN connectivity adopted in October 2010 because it seeks to promote connectivity not only within ASEAN, but also broader East-ASEAN region including India. In order to enhance connectivity between South-Asia and East-Asia, in addition to ASEAN-India connectivity, it is also necessary to promote connectivity between China, ASEAN and South Asia. One such project could be Kunming / Mandalay / Dhaka / Kolkata / Kathmandu / Lhasa / Kunming economic corridor. In July 2005, Yunnan province was identified by the Chinese Government as a 'Bridgehead' to enhance sub-regional cooperation with the Greater Mekong Sub-Region countries. With Myanmar opening up, this concept could be extended to link Kunming with Kolkata and the rest of South-Asia.

In India, the largest economy in South Asia, should actively lobby and negotiate its participation in various ongoing efforts to promote regional financial cooperation in East-Asia. The former Thai Minister of Finance, Chalongphob Sussangkarn had proposed that India, Australia and New Zealand should be made associate member and contributing partners of the Chiang Mai Initiative Multinationalisation (CMIM). "Expanded" membership of the CMIM and the economic review and policy dialogue would strengthen Asia's voice at the G-20 high table. LEP-II would further deepen South Asia's economic integration with East-Asia and lead to a win-win situation for all. It argues that LEP-II would also reinvigorate economic integration in South-Asia which is among the least integrated region of the world. It will also contribute to the re-emergence of a "prosperous and integrated" Asia which has existed during the first 18th centuries of the post Christian Era. Finally, LEP-II would poise South-Asia and East-Asia to benefit from the gradual but encouraging opening of Myanmar, a node between the two regions.

LOOK-EAST POLICY OF INDIA AND NORTH-EAST STATES

In 1991 when India launched its 'Look East' Policy (LEP) the thrust was not given to the geographical proximity between its North-Eastern region and South East Asia. The lack of adequate physical connectivity between India's North East and South East Asia, an outcome of skeptic mindset of the Indian Policy makers, is one of the most important factors that hindered the possibilities of garnering regional economic complementarities. However, since 1997 when Myanmar was admitted into ASEAN as a full member, India's North-East assumed importance in its LEP. This policy undoubtedly facilitated India's economic and strategic relations with South East Asia but the share of the North East in this policy remained insignificant. North-East region, where socially, economically and politically lagging behind of nation's counterpart, seems not to be get benefits from New

Economic Policy and Look East Policy of India, even though corridors are opening up to connect East-Asia through North-East Region(NER). India's North East has the potential to facilitate or prevent India's vital Look East Policy. Should this policy ever aspire to the substance and credibility that it deserves, connectivity in all its aspects with the North-East and beyond will have to improve substantially. Communication possibilities with South-East Asia have broken down and it is high time that this is rejuvenated. If this integration does not take place, India will be left out of the process of East Asian integration, a process, which South East Asia finds itself completely enmeshed with.

There has been growing realization on the part of Indian Policy makers that development of physical connectivity with South-East Asia is prerequisite to fully harness the opportunities provided by LEP. In order to make the LEP relevant for the region, India has laid greater emphasis on enhancing connectivity through all the possible models of infrastructure development such as land routes, railways, air connectivity, waterways, energy infrastructure development both in the field of hydroelectric and hydrocarbon and telecommunication linkages. As a result, India has initiated some bilateral projects and also become party to some multilateral projects, aimed at enhancing connectivity between the North East and South East Asia. The Important ongoing and potential infrastructure projects in this regard are Moreh – Tamu – Kalewa Road, India – Myanmar – Thailand Trilateral Highway, Trans Asian Highway, India-Myanmar rail linkages, Kaladan Multimodal Projects, the Stilwell Road, Myanmar – India – Bangladesh gas and/or oil pipeline, Tamanthi Hydro-electricity project and optical fiber network between India's North-East and South-East Asia is not a cakewalk because there are also geographical, technical, political and security challenges that limit the process of infrastructure development.

MIZORAM AND LOOK-EAST POLICY OF INDIA

Mizoram has often been portrayed as the "Model North-Eastern State." With a peaceful situation and India's second highest literacy rate, the province's readiness for development should have earmarked the state as the ideal recipient of the Look East Policy, particularly after the Indian Government "committed itself to making Assam the center of our great economic enterprise towards the East," as professed by Manmohan Singh in 2004. However, this has not been the case, as exemplified by the lowest road density of Mizoram among the eight North-Eastern states that makes transport difficult within the state and also with neighbouring regions. The LEP did not pay much attention to Mizoram until Bangladesh refusal to grant transit to India made further reflection on connectivity an imperative – a process out of which the multimodal Kaladan project came about. The

Kaladan projects offers multiple opportunities to Mizoram. The construction of the project will bring investment and employment to the state. Besides, by opening India's North-East to the Bay of Bengal, the Kaladan project will transform Mizoram into a major transit route in the region. Further, enhanced connectivity will facilitate investment that could take advantage of the state's high literacy rate. The border trade post at Zokhawthar in Champhai District has the potential to be a significant port of entry for goods from South East Asia.

What is needed is to initiate intra-regional capacity building programmes in the North-East: Development of better connectivity within the region, development of export oriented industries, development of technical and entrepreneurial skills in the local population and develop consensus over a common agenda for the development of, as a separate economic entity, which, in turn, would facilitate the harnessing of available regional economic opportunities. The bottom line is that the idea of enhancing connectivity between North-East and South East Asia is a welcome step and has the potential to change the economic landscape of the region. But to make this effective it should be supplemented by efforts to prepare the North-East for this Opportunity.

However, certain challenges must be addressed for that possibility to happen. These challenges take the form of non-traditional security concerns, namely, the inflow of people on the one hand, and the inflow of narcotics drugs and the spread of HIV/AIDS on the other. Indeed, for the past Twenty Years, Mizoram has been hosting temporarily a Myanmar population estimated at 70,000 to 100,000 - and which can be classified into two main categories : Refugees, who are settled in Mizoram and probably represent 50 to 70 per cent of the whole Myanmar population, and migrants, who come and go at ease in search of economic opportunities. Another issue that Mizoram faces is the spread of narcotics. Approximately 38 percent of drug users below the age of twenty in India are found in Mizoram. As 48 per cent of drug users in Mizoram have never been employed, drug addiction may seriously hamper the workforce – a workforce that is educated and therefore essential to development. In addition, as 76 per cent of injecting drug users in Mizoram share needles, HIV/AIDS propagates among drug users, worsening the issue.

These Concerns are aggravated by the reaction of the Mizo society and the passivity of the authorities. Despite a feeling of brotherhood, Mizo's tend to pin the entire responsibility for crime and drugs on the Myanmar population, and a violent upsurge against them in 2003. As a result of this rather conservative reaction, further opening of the state implied by greater connectivity and by development projects may not be seen favorably by Mizo's, as it will undoubtedly expand

these flows. On the other hand, local and central authorities have not shown earnest commitment to monitor the inflow of people and narcotics – for instance, no official record is kept of the Myanmar population living in Mizoram.

Hence, for the LEP to transform Mizoram into a truly prosperous and stable state, proper monitoring of the inflow of people and drugs from Myanmar must be set up and the spread of drugs use and HIV/AIDS must be tackled, so that greater linkages with South East Asia appear as an opportunity rather than as an additional source of trouble.

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