Emerging Scenario of Trade Potentialities of North-East India: Challenges and Opportunities

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Introduction: The North-East Region (NER) of India which comprises of eight states, namely Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura shares most of its boundary with China, Bangladesh, Bhutan and Myanmar. The NER accounts for about eight per cent of the country's geographical area and about four per cent of population. Tribals account for more than 30 per cent of the total population of NER. Inadequate and poor infrastructure, inhospitable terrain and a comparatively late start in the development process are some of the reasons for economic backwardness of the region. However, the NER has certain strengths in different angles to achieve economic development in easy way. From the geo-political angle, the NER is located in a strategic location as it is bounded by these several foreign countries. Naturally it has got both advantages and disadvantages due to its location. So far advantages are concerned it is connected with the South-East Asian countries mainly China, Myanmar, Bhutan, Bangladesh, Malaysia, Thailand, Philippines, Cambodia and Indonesia etc where almost half of the world's population live. There is no doubt that this vast population could have great advantage for establishing any kind of trade and commerce. But the vary geographical condition basically the rivers and mountains of the country stand as a barrier and create geo–political tensions which ultimately act as most disadvantages factors in creating a conducive atmosphere in the path of developing trade relation among those countries. But in the recent developments in the field of communication and technology, some visible changes are taking place. Now the NER have felt the need of the hour regarding the modern facilities of lives. They have realized that in order to develop the economy of the nation, the border trade could be an effective solution.

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Border trade would help to great extent in the field of economic development and also the route between production points of India to the Northern district of Myanmar via North-East region is economic viable as it is much shorter than sea route.

Border trade has special significance for the economies of the North-Eastern States, which have a large segment of international border on their boundaries. Of the border trade conducted through the international border of these states, it has been mentioned in the report of the Inter-Ministerial Task force that the trade with Bangladesh and Myanmar is especially important for a variety of reasons. Apart from the fact that these two nations account for the major portion of the border trade with the North-Eastern States, India has to forge special trade relationship with both Myanmar and Bangladesh in view of the Inter-Country trade issues. It is also important in view of the need to promote trade in locally produced goods in which the region has strength. The report suggests that a focus or promotion of export through the border trade will promote greater value addition in the North -East and help in shifting the export initiatives from the trading centres located outside the region to those located within the region. So a special importance needs to be given to the measures connected with simplification and facilitation of border trade.

In the context of globalization and liberalization and of the emerging 'Look East Policy' of the government of India, the issues of border trade across the North Eastern States of India has attracted the attention of the governments, planners, development agencies and the academics in India. Considering the geographical proximity and huge potentialities, the existing value and volume of bilateral trade between the neighbouring countries like Bhutan, China, Myanmar and Bangladesh on the one hand and India on the other appear to be too small. It is because, trading between these countries is quite difficult due to transport bottlenecks and the protectionist policy followed in the pre-globalization period. Lack of wider markets had impeded the economic development and the process of exploitation of potentialities of all these countries. With the initiation of liberalization policy, border trade is now viewed as one of the important instrument for the development of the bordering regions. Border trade lessens the insecurity and hardships of life in border areas particularly if it is far away from national market places. It may observe that besides economic implications, unlike sea or air borne trade, border trade unifies the interest of the people across the border and it tends to strengthen the links among the people living in the bordering areas which in turn help in a greater way to make better border management possible. Recent developments widen the scope of India's trade with countries bordering North East India like academic initiatives, a regional cooperation among these countries; proposed development in transport and communication, prospects of border trade of the regions by exploring new frontiers with its rich bio-diversity like beautiful orchids horticultural crops, major and minor forest products, economic mineral resources, tourism products, plantation sector including tea, coffees, rubber, bio-diesel products (viz. jatropha) etc.

The objectives of this paper are three fold to analyze the emerging scenario of trade potentialities of North-East India in view of its challenges and opportunities. **1. It seeks to find out the current dynamics of India's proactive attitudes and multilateral initiatives in this direction. 2. It is designed to examine the potentialities of border trade pertaining to India's North-East region. 3. It tries to investigate the underlying challenges for the development of North East border trade and its opportunities in the event of emergence of a strong regional cooperation among Bangladesh, China, India, Myanmar and Bhutan and finally conclusion follows.**

A. Current Dynamics of India's Proactive Attitudes and Multilateral Initiatives in this Direction

Bilateral trade exchanges with some of the countries in the region have not only grown exponentially, but there has also been a rapid increase in bilateral, sub-regional and regional linkages and institutional interactions aimed at enhancing and consolidating all round cooperation. In order to demonstrate the current dynamics of India's proactive attitudes and multilateral initiatives in this direction, we may cite just a few examples:

1. India and ASEAN Countries: India maintains continuous dialogue with ASEAN and Southeast Asia countries. Ministerial meetings and official level discussions are held in order to fulfill the Look East Policy agenda. India is now one of the four summits levels partners of ASEAN, the other three being China, Japan and Korea. During December 2005, India participated in the ASEAN Summit interactions and East Asia Summit interactions held in Kaula Lumpur. Ministerial level meetings had also been held with a number of ASEAN and East Asian dignitaries. These had provided the frameworks and directions for the various issues involved in enhancement of trade and investment relations (Ministry of Commerce and Industry. Annual Report: 2005-2006). India has also suggested the formation of Asian Economic Community including ASEAN, China, Japan, Korea and India.

During 2003-2004, South East Asia, East Asia and ASEAN countries taken together accounted for 21.3 per cent of the total volume of India's international trade. India's trade relation with North-East Asian countries like China, Japan, Republic of

Korea and Hong Kong has also increased tremendously over the years. China has now emerged as India's third highest trading partner after the US and UAE, overtaking countries like UK and Belgium in 2003. To provide physical connectivity, India has already signed Trans-Asian Highway projects, initiated by Union Nations Economic and Social Commission for Asia Pacific (UNESCAP). On the political fronts, India has made efforts to improve relationships with neighbouring countries especially with China, Myanmar and Bangladesh.

2 BCIM Forum for Regional Co-operation: If a regional co-operation among the countries of BCIM (Bangladesh, China, India and Myanmar) is established through extensive trade through various bilateral and multilateral trade agreements, all the participating partners will be benefited immensely. A modem transport and communication network between India, Myanmar and China can only break the existing impediments. The improvement of the transportation network between India, Myanmar and China includes construction of railway, road and air routes. For example, the construction of a Trans Asian Railway route, which will connect Lekhapani railway head in Assam, India with Kunming in South China through Myitkyina in Myanmar may be considered, as proposed by the Economic and Social Commission for Asia and Pacific (ESCAP). The construction work of the 1360 km India-Myanmar-Thailand connecting Highway is to be started very soon at the cost of $700 million dollars will go a long way in improving trade relationship between India and ASEAN countries.

The BCIM countries have also taken a few steps in this regard at diplomatic level. They have signed several diplomatic and bilateral trade agreements. For example, India and China have already launched a determined bid in 2003 to chart out a roadmap to forge an enduring and string partnership based on the principles of co-operation and mutual sensitivity to each other's concerns and equality. The roadmap in the form of a joint declaration, the first-ever between India and China, was signed during the then Prime Minister Atal Behari Vajpayee' historic visit in Beijing in June, 2003, leading to a flurry of high-level exchanges, including the launch of a new political initiative for the early resolution of boundary issue that bedeviled bilateral relations. The year 2003 also saw the continued expansion and intensification of Indo-China economic co-operation. During Vajpayee's visit, it was decided with his Chinese counterpart Wen Jiabao, to form a joint study group to examine the potential complementarities and also draw up a programme for development of India-China Trade and Economic Cooperation for the next five years. This economic cooperation between India and China, the two giant nations, having nearly 38 percent of world population, in collaboration with the ASEAN, can transform the entire Asian

Continent into the biggest trading zone in the world. The existing intervening obstacles both natural and political between these countries will disappear when strong economic forces through active and vibrant trading activities are generated in the region.

BCIM Forum for Regional Co-operation also popularly known as Kunming Initiative-a second track diplomacy was an exercise to promote and explore regional co-operation between Bangladesh, China, India and Myanmar focusing on their contiguous region. The exercise began in August 1999 in Kunming, capital of Yunan, one of south-western provinces of China convened jointly by institutions from the four countries. These included the Yunan Academy of Social Sciences from China, the Institute of Chinese Studies and the Centre for Policy Research from India, the Centre for Policy Dialogue from China and Co-operating institutions from Myanmar. Scholars and academicians, representatives of governments, industry and business, as well as media persons from all four countries attended it. The Forum represented the combined effort by the four countries to increase connectivity, culture, trade and tourism ties and people-to-people contact among them, in border areas in particular. The BCIM project also hoped to encounter issues of trans-border crimes, such as drug-trafficking, gunrunning, illegal migration etc through increased inter-country co-operation and greater harmonization of border policies. The Forum had already held its conference in New Delhi (2000), Dhaka (2002), Yongon (2003), Kunming (2004). The Sixth Forum was held in New Delhi on March 2006. It addressed issues like conceptual framework for regional and multilateral cooperation, livelihood issues of the peoples of the border areas in the context of national economic co-operation, social and human development and culture as well as strategies for the economic development of the region including co-operation in the health sector, especially in the field of HIV / AIDS.

India and China Trade Relation: The rapid economic growth of China in recent years has opened the possibilities of expanding trade relationship further with India. China's huge population and growing per capita income and rapid infrastructural development have created opportunities for exporting several new products from India. India with its current economic reforms and growing GDP can emerge as a good market for Chinese goods. The recent bilateral trade agreements between India and China can act as a catalyst in this emerging scenario of trade potentialities between the two countries.

As a first step, India and China signed a memorandum on expanding border trade through Nathula Pass on the Indo-China boundary. This was followed by a move by the Chinese Foreign Ministry which stopped showing Sikkim as an independent country in Asia on its official website and India also recognized that Tibet is part of the territory of the People's Republic of China. Another area where India and China have made solid progress in 2003 is in the defense sector, where mutual suspicion had prevented the two largest armed forces in Asia from engaging and interacting with each other. The two sides were also decided to step up bilateral military exchanges at different levels to boost mutual trust and understanding. For example, on November 14, 2003, the Indian and Chinese Naval Ships successfully conducted the search and rescued exercise off the coast of Shanghai in the East China Sea.

Trade Routes: Considering topography and geographical nature of the BCIM zone, rail and road transport seem to be more realistic and economical viable for all BCIM countries. In addition to the existing roads, the Kunming initiatives have identified the following land routes for multilateral and bilateral transport connectivity between the BCIM countries.

1. The Kunming – Baoshan – Myitkyina – Ledo Road (popularly known as Stilwell/ Ledo Road);
2. The Kunming-Mandalay- Yangon Road (with outlet to the sea);
3. The Kunming-Kyauphyu Road (with outlet to the sea);
4. The Kunming-Mandalay-Monywa-Moreh Road;
5. The Chittagong- Yangon Road.

The **Stilwell** was built during the Second World War connecting Kunming Boashan (China) - Myitkyina (Myanmar)-Ledo (India). The total length of the road between Kunming and Ledo is about 1700 km of which 800 km is in Yunnan Province of China, 727 km in Myanmar and 173 km in India. But between Myitkyina in Myanmar and Ledo in India, a stretch of about 160 km to 200 km, this route needs rebuilding because beyond Myitkyina upto Kunming the road is already well developed. From Myitkyina the road takes a southern turn towards Lashio via Bhamo; from Lahio it takes north-eastern turn towards Kunming. Since Kunming is already connected with Hong Kong by an express highway, the North East India, for that matter India as a whole, could establish direct road link with Hong Kong if the Stilwell Road is well developed. Moreover, since Lashio is well connected by rail and road with provinces of south and central Myanmar, bordering Laos, Thailand, Malaysia and Singapore, the Stilwell Road can connect North-East India with the entire South East Asian countries. If the Stilwell Road is reconstructed as a Trans-Asian Express Highway and along with it, if a Trans-Asian Railway line is built up, then in near future not only the North-East India but the entire nation would be connected by both road and railway with Myanmar, South Chinese trading centres and the entire South East Asian region.

Another land route recently opened (2001) is the 160 km Tamu-Kalewakalemy road. If this road is extended by another 250-300 km across Myanmar, it can meet the Stilwell Road at Bhamo from where Kunming is already well connected. The Governments of India and Bangladesh have recently proposed to extend this road by a distance of about 300 km across Manipur and Southern Assam to Bangladesh border so that it can be the shortest land route between Bangladesh and Myanmar through North East India. In this case the distance to Chitagong seaports from Agartala, Imphal, Shillong, Guwahati etc. will be shorter than that to Kolkata.

In recent years the possibilities of forging regional cooperation including formation of a trading block among the BCIM countries have been highlighted in various academic as well as diplomatic forums. The first such academic initiative was taken by the Institute of Chinese Studies, New Delhi in collaboration with the Indira Gandhi National Centre for Arts, New Delhi in a conference on Regional Development in India and China held on 19-20 November, 1998 in New Delhi. The second major step involving all the BCIM countries in this regard was the famous 'Kunming Initiatives' held for the first time at Kunming in Yunnan Province of China in 1999. The second, third and fourth meeting of the Kunming Initiatives were held in New Delhi in 2000, in Dhaka in 2002 and in Yangon in 2003 respectively. The five noble principles of the Kunming Initiatives are equality and mutual benefit, sustainable development, comparative advantage, the adoption of international standards and infrastructure development. However, the Kunming Initiatives are yet to be implemented for the mutual benefit of the zone.

3. Indo-Myanmar Co-operation: Myanmar constitutes one of the critical components for the success of India's Look East Policy. It has not only a common land border of 1,643 km with India's North East states like Mizoram, Manipur and Nagaland and Arunachal Pradesh but also share a long maritime boundary. Besides border trade between India and Myanmar, India has involved in oil and gas sector and infrastructure development of Myanmar. India and Myanmar formally signed Border Trade agreement on January 1994 to exchange goods produced locally by people living along both sides of the border as well as to create mechanism to deal with foreign trade transaction. Both governments agreed to open border trade through the following points: (i) Moreh (Manipur) in India and Tamu in Myanmar (ii) Champhai/ Zokhawthar (Mizoram) in India and Rhi in Myanmar. Effort is also underway to open border trade between Bangladesh and Mizoram. The states of Assam, Meghalaya and Tripura had already operated border trade relations with Bangladesh. Sino-Indo Border trade is expected to grow up in a big way in the North East following the reopening of the historic Nathula Pass in Sikkim. India has already constructed the

160 km long Tamu-Kaewa-Kalemyo road at a cost of Rs 90 crores and also offered to upgrade Rhi-Tiddim and Rih-Falam roads.

India is actively participating in the currently proposed Indo-Myanmar-Thailand Superhighway Project, 1400 km long to connect Moreh in Manipur to Maesot in Thailand, running through the ancient city of Bagan in Central Myanmar. Another project called Kaladan Multimodal Transport Project (approximately 411 km) providing connectivity between India and Myanmar along the Kaladan River in southern Mizoram upto the Sittwe port (Myanmar) in the Bay of Bengal has also been approved by Government of India. The total estimated cost is US$ l05 million. India is to provide US$ 95 and Myanmar US$ 10 million. The Government of India has further agreed to provide the amount in the form of a Line of Credit to Myanmar Government. India has also been taking interest in Myanmar's large gas reserves that would help to address its energy security concerns. A trilateral deal between India, Myanmar and Bangladesh has already been negotiated to export Myanmar's natural gas from Shwe natural gas field in the Bay of Bengal to India through Bangladesh. The Shwe pipeline consortium comprised of 4 entities: Daewoo International 60%, Korean Gas Corporation 10%, India's ONGC and Videsh Ltd 20% and Gas Authority of India 10%.(The Shew Gas Pipeline Campaign Committee (India).

Considering the geographical proximity between India and Myanmar, the overland trade and transit trade seem to be more suitable, effective and profitable between the two countries. Myanmar's entry into ASEAN block, its signing of an MoU with India in 1994 recognizing two border trading points between Myanmar and India, viz., Tamu (Myanmar) - Moreh (India) and Rhi (Myanmar) - Champhai (India), the opening of 160 km Tamu- Kalewakalemy Road in February, 2001, the opening of the Myanmar- India Friendship Centre at Yagoon and signing of a bilateral trade agreement between India and Myanmar in October, 2003, the bilateral trade agreements between India and China and ASEAN block in October, 2003, are likely to play a major role in improving the regional economic co-operation between the three countries.

The signing of an MoU between Senior General Than Shwe, the Chairman of the ruling State Peace and Development Council (SPDC) of Myanmar and Mr. Kamal Nath, Minister of Commerce and Industry, Government of India, on 25th October, 2004, at New Delhi, for cooperation on economic and security issues, is a landmark in the process of bilateral cooperation between Myanmar and India. In addition to the issues like terrorism, drug trafficking, smuggling, money laundering, international economic crimes, cyber crimes, the MoU covers several economic issues as well. India has agreed to upgrade the Yangon-Mandalay rail link, to help in laying fibre optic network in Myanmar and to conduct a feasible study of deep-water port and cooperate in energy sector. Both the Governments have agreed to upgrade Mizoram-Chin State road and Kaladan multi model transportation system.

There are a number of cooperation agreements at bilateral level too. For instance, an Indo-Myanmar bilateral agreement of far-reaching significance to Northeast is the Multi-Modal Inland Waterway-cum-highway project on the Kalodyne River, estimated to cost $104 million. Under this project, Sittwe Harbour in Rakhyne, Myanmar and navigation on Kalodyne as also Highway from south Mizoram will be developed so that Northeast is directly linked to a seaport. All the attendant protocols to the agreement have been signed and the project is ready to take off.

4. **Indo-Bangladesh Border Trade:** Bangladesh has long border of 4100 km with the north eastern Bangladesh and North East India because of their geographical proximity. But no lasting foundation of cooperation has yet been laid between Dhaka and New Delhi for a beneficial trade relation. Several thorny socio-political and border issues, some real and some imaginary, have stood in the way of regional economic cooperation between these two countries. The Indo-Bangla Joint Economic Commission (JEC) has so far failed to settle any of the above issues, delaying economic cooperation between the two countries. The proposed Indo-Bangla Free Trade Agreement (FTA) can go a long way in establishing regional cooperation between these two countries. Prof Nural Islam and Prof Rehman Sobhan, who were associated with the Bangladesh Planning Commission, has suggested joint venture manufacturing units like cement, fertilizer and sponge-iron to accelerate further trade between the two next-door neighbour. Prof. Nurul Islam further stated that the administrative and professional skill supported by elaborate study on formal and informal trade between Bangladesh and India were essential before establishing a free trade area between the two countries. The implementation of the proposed FTA between Bangladesh and India was possible only when Bangladesh got itself rid of the suspicion against the big neighbour country like India.

The first Trade Agreement signed between India and Bangladesh on 28th March, 1972, incorporated a specific provision for border trade “in order to meet the day to day requirements of the people living within a 16 km belt of the border between West Bengal, Assam, Meghalaya, Tripura and Mizoram on the one side and Bangladesh on the other”. Before the provision could be implemented and the necessary instructions for issue of permits, finalization of routes, check posts, travel and custom documents and inspection facilities could be finalized , the government of Bangladesh reported large scale smuggling across the border and asked in October 1972 for the border trade to be scrapped. It was conveyed that its meaningful implementation was not possible unless adequate checks and controls were established along the entire length of the border. In absence of any formal agreement with the long and open border between the two countries, the situation had led to a thriving informal trade smuggling across the border. In a trade talks between India and Bangladesh the Indian Delegation led by the Commerce Secretary insisted on giving transshipment facilities i.e., carrying Indian goods from one Indian state to another (Northeast) through Bangladesh land routes. But the Bangladeshi Delegation led by its Commerce Secretary Suhel Ahmed, pointed out that the Indian demand of transshipment did not meet now because of its politically sensitive nature.

5. South Asia Free Trade Agreements (SAFTA): The leaders of the South Asian Association for Regional Cooperation (SAARC) during the Twelfth SAARC Summit held in Islamabad, Pakistan on 4-6 January 2004 have finalized the formation of South Asian Free Trade Area (SAFTA) which would accelerate the trade among the SAARC countries and the Agreement on SAFTA was signed and would be effective from January 2006. Under SAFTA, a phased Trade Liberalization Programme (TLP) is envisaged under which, Non Least Developed Contracting States (NLDCSs) (India, Pakistan and Sri Lanka) would reduce their existing tariffs to 0-5% for other NLDCSs within a time frame of seven years from the coming into force of the Agreement. NLDCSs shall be the same for Least Developed Contracting States for LDCSs (Bangladesh, Bhutan, Maldives and Nepal). The LDCSs would reduce their existing tariff to 0-5% within a time frame often years from the date of coming into force of the Agreement.

6. Trans-Asian Highway: The Trans-Asian Highways comprising the Asian Highway (AH), the Trans-Asian Railway (TAR) and facilitations of land projects were initiated in 1959 to promote regional cooperation, international trade and tourism to provide access to the landlocked countries and territories across Asia. Thirty two Asian countries already endorse the Asian highway project and it will cover a network of 141,000 km of standardized roadway crossing these countries with linkages to Europe. When completed, it will be the largest road network in the world. India is also a party to this project. Asian Highway (AH-l) will pass through four states of North-East India. It will enter Meghalaya after crossing Bangladesh, then enter Assam and pass through two more states, Nagaland and Manipur before entering Myanmar. The project is expected to promote trade, commerce, tourism etc in the region. It will provide a critical linkage between North-East India and South East Asian countries.

7. **BIMST-Economic Cooperation:** Bangladesh-India-Myanmar-Sri Lanka-Thailand Economic Cooperation was an important element in India's "Look East"

strategy and added a new dimension to India's economic co-operation with South East Asian countries. This multilateral initiative involved 3 members of SAARC (India, Bangladesh & Sri Lanka) and 2 members of ASEAN (Thailand & Myanmar). This group was expected to provide a vital link between ASEAN and SAARC countries. Initiated by Thailand in 1994, BIMST-EC tried to explore economic co-operation on a sub regional basis involving contiguous countries of South East and South Asia grouped around the Bay of Bengal. Nepal and Bhutan also had already joined this grouping. The aim, principle and purpose of this group were contained in Bangkok Declaration of 6th June 1997. The first ministerial meeting held in 1998 agreed that free trade agreement would be the main objective and decided to focus on activities that facilitated trade, increased investment and promoted technical co-operation among member countries. Six areas were identified for co-operation, namely, trade and investment, technology, transportation and communication, energy, tourism and fisheries. Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand signed the Framework Agreement on BIMST-EC Free Trade Agreement on 8th February 2004 in Phuket, Thailand. The Framework Agreement included provisions for negotiations on FTA in goods, services and investment.

8. Mekong-Ganga Cooperation (MGC): MGC is an effort to link the countries situated on the shores of the Indo-Chinese Rivers. The main agenda has been to consolidate cultural and tourist exchange between these countries. The first meeting was held in Vientene, the Laotian capital, on November 10, 2002. These countries included China, India, Cambodia, Lao, Vietnam and Thailand.

9. **South Asia Growth Quadrangle (SAGQ):** Since Bangladesh, Bhutan, Nepal and North East India, all located in the eastern fringe of South Asian, have several critical and strategic advantages in jointly initiating the development process of the region; the idea of having a South Asia Growth Quadrangle has emerged recently. The foreign Ministers of these countries, in their meeting in Delhi, on April 8, 1997, formally launched a sub-regional economic co-operation initiative among the four countries. The entire initiative would be outside SAARC and that development projects to be undertaken would be from six sectors viz., multi-modal transport and communications, energy, trade and investment facilitation and promotion, tourism, optimum utilization of national resources endowment and environment. However, like any other regional initiative in South Asia, the SAGQ has not really taken off mainly because of the poor political commitment of the member countries and the non-inclusion of the real stakeholders in the decision making process, i.e., the states of the Northeastern region (Lama, 2003).

10. Free Trade Area (FTA) Agreements: India has already signed free trade agreements (FTA) with Thailand and Singapore. The Framework Agreement for establishing Free Trade Area between Thailand and India was signed on 9^{th} October, 2003 in Bangkok. The agreement covered FTA in Goods and Services, and Areas of Economic Co-operation. The modalities for the first phase of the FTA between India and Thailand involving the reduction of tariff on 82 agreed items in three years had already been finalized. To be implemented in a phased manner, the two countries will have a fully free trade regime by 2010. There are also plans to implement FTA with other ASEAN countries like Indonesia, Malaysia and Brunei by 2011 and also with the Philippines, Cambodia, Laos, Myanmar and Vietnam by 2016.

B. Potentialities of Border Trade Pertaining to India's North-East Region

The potentialities of growth in India's trade with the neighbouring countries are immense. The North-Eastern region can also be a partner of this emerging trade scenario. The major impediment towards the growth of Border trade with India's Eastern neighbours is found to be the absence due to lack of strong and efficient transport and communication networks between India and the countries of BCIM because of their geographical proximity to each other. To achieve such benefits from Border trade, the physical linkages among the trading partners in the form of Trans-National Highways, Railways, waterways and Airways, wherever possible, are essential. A huge amount of capital expenditure would be necessary to build such infrastructural facilities. It is possible only through financial assistance from international financial institutions and the participation of multinational corporation (MNCs).

The prosperous East and South East Asian countries are attractive destinations for Indian exports. ASEAN markets provide big opportunities for India. Most of ASEAN populations have similar cultural background as in India. Affinity in cultural background will make Indian products acceptable and saleable in ASEAN markets. By the end of the year 2000 Indian exports to Indonesia, Malaysia and Singapore increased impressively (87% increase to Indonesia; 47% to Malaysia and 39% to Singapore.). Export figures to other countries of the region have also shown market increase. Seeing such export figures India realized that East and South-East Asian region offered attractive destination for exports. Accordingly, India decided to diversify its export direction towards the East. This is another aspect of India's Look East Policy. It is hoped that spectacular success would be achieved in this endeavor. The NER has following resources:

1. Forest and Horticulture Products: North East India is famous for its exotic flora and fauna. The North East is one of the few bio-diversity zones in the world. It has immense flora and fauna. The world's annual trade on medicinal and aromatic oil/plants is of amount, over $60 billion. North East only supplies the raw materials for many of the industries inside and outside the country. Out of the 925 varieties of orchids available in India, as many as over 650 can be grown in the region due to the favourable climatic conditions. In fact approximately 200 varieties are unique to this region and 60 per cent of these are ornamental in nature with high demand at the international markets. It is also ideally situated to produce spices, fruit & vegetables, flowers and herbs. Therefore, the North East India can emerge as an exporter of orchids, flowers, apple, orange, pineapples, spices, herbs etc. Some of the best and rare quality fruits and vegetables are produced in North East region for example, pine-apples produced in North East are considered to be of the highest quality. Moreover, the forests of North East offer a vast array of aromatic plants which can be used in the aromatic industry for the manufacture of perfumes, incenses etc. In fact, there is an increasing international trend towards natural perfumes and room fresheners, shifting the focus from chemical ones. With proper planning there exists scope for establishing aromatic industry in the region. . The climate of North East is also suitable for wide range of agro-horticultural as well as exotic floricultural products. With support services like training, tissue culture labs, production, finance, marketing tie-ups and farm to market roads, the region can produce both for domestic market and international market.

2. Tourism: The North East India is well known for its bio-diversities and heritage sites. Tawang in Arunachal Pradesh, Majuli, Kaziranga, Manas, Pabitara etc. in Assam can be developed further as tourist spots attracting more tourists from Europe and America. The multi-ethnic culture coupled with snow capped mountains and mighty Brahmaputra provides ideal setting for development of tourism. The name Tawang was given by Mera Lama in the 17th century. Tawang Monastery popularly known as the 'Tawang Gompa' is the second oldest Monastery in Asia more than 460 years old and the largest Monastery in the Himalayan region constructed by Lama Lodre Gyatso in 1681 AD. Tawang is the birth place of the sixth Dalai Lama, the only Indian so far who rose to the highest position in Gelupa Sect of Buddhism. If modern transport and communication system between the ASEAN countries and India along with the requisite infrastructural facilities are developed, then tourists visiting the ASEAN countries are likely to extend their tour programmes to the North East India, a few hundred miles away, for visiting its exotic bio-diversity and heritage sites. In 1996, an internationally reputed consultancy firm, Coopers and Lybrand submitted a report to the Government of Assam, which state that if the vast tourism potentials of the North East India are fully tapped and developed, within 20 years the region will receive more tourists than Singapore or Bangkok. Because almost all the Western and Japanese tourists visiting South East Asian region would fly or drive a few hundred kilometers more to enjoy the scenic and cultural beauties of the North Eastern Region. This alone can boost the economy of the entire North East. But for this, road and airways between the South- East Asian region and India have to be developed. All this is possible only when the region can attract foreign direct investment complemented with domestic investment.

Recently, the Madrid-based World Tourism Organization has evinced interest in promoting tourism in North East India and already identified Nagaland and Sikkim as its priorities. These United Nations-affiliated organizations will assist initially Nagaland in preparing a suitable tourism development programme with emphasis on employment, especially for women and other disadvantaged groups. The World Tourism Organization has advised the Union Tourism Ministry to constitute a panel of consultants for framing suitable tourism development programmes in Nagaland and Sikkim in the areas of rural tourism, eco-tourism, social-tourism, architecture-tourism and historical tourism.

3. Hydroelectricity: Due to its geographical location and its hilly terrain, the North-East Region has an immense hydel potential to use the power of water to produce electricity. The region is of turbulent perennial several rivers, big and small having high gradients which possess enormous hydro-electric generation potential. Arunachal Pradesh, which possessing a huge hydro power potential, may alone fulfill 60 per cent of the existing demand of the country if the potential is fully harnessed. The National Hydroelectric Power Corporation (NHPC) has already undertaken to construct several mega multipurpose hydropower projects in upper reaches of the Brahmaputra River in Arunachal Pradesh, estimated to generate 25,000 MW of power. The projects included Subansiri upper, lower and middle; Dihang, Dibang and Siang hydro projects. In near future Arunachal Pradesh is expected to be made a Power Surplus State so much that after fulfilling the home demand it would earn much revenue by exporting power to rest of the country. The hydro-power potentialities of the major five rivers in Arunachal Pradesh are shown in Table 1.

Table 1: Major river basins and their potentials

Name of the River/Basin	Probable Hydro Potentials (MW)			Name of Districts
	ROR	Storage	Total	

Kameng	3799	847	4646	W&E/Kameng
Subansiri	10141	5050	15191	U&L/Subansiri/Kurung Kumey
Siang	3557	11700	15257	W&E/Siang U/Siang
Dibang	5946	1282	7228	U & L/Dibang Valley
Lohit	3594	3075	6669	Lohit
Total Potentials	27037	21954	48991	

Source: Deptt. of Power, Govt. of Arunachal Pradesh, Itanagar.

Therefore, Arunachal Pradesh, having untapped estimated hydro power potential of 49,000 MW, may alone emerge as Power House of India when this potential is fully harnessed. The power sector will herald a golden era for the region once its hydel potential is harnessed to make it the power house of the country. A major part of this power can be exported to neighbouring countries. But the development of these power projects requires huge investment and technological support, which is possible only through foreign direct investment. The WTO regime has given an opportunity to develop these power potentialities of the region.

4. Oil and Gas: Assam alone has an estimated 1,300 million tonnes of oil and 156 billion cubic metres of natural gas. Not even 40% area has been explored. Assam, Mizoram, Tripura, Nagaland, Arunachal and even Brahmaputra have a number of oil bearing strata, still to be explored. Other mineral resources like Thorium, Limestone etc. are available in huge quantities.

5. Plantation

(i) Tea: Assam alone produces about 50 per cent of country's tea and tea industry in India needs new international markets. However, to capture such market, tea industry needs attention on the fronts that the tea industry has to overcome the two major problems of low productivity and high cost of production faced by the tea industry of the country. However, Indian tea will have to compete with other tea producing countries of the world in terms of quality also and tea industry of Assam, vis-à-vis North East should also take up the challenge in the coming years.

(ii) Coffee: Although coffee regions in India are in the three southern states of Karnataka (53 per cent), Kerala (28 per cent) and Tamil Nadu (11 per cent), a small quantity (approx. 8 per cent) is grown in the non-traditional belts of Andra Pradesh and the North Eastern States such as Assam, Nagaland and Arunachal Pradesh. However, the non-traditional coffee areas of North East is certainly preserving not only the natural forests in these areas by preventing shifting cultivation and providing employment to the tribal force (90 per cent of whom are women and uplifting their socio-economic status) but also enabling the preparation of some fine distinct coffees from the areas. Therefore, such qualitative coffee plantation in North East India has great prospects for exports.

(iii) Rubber: The world natural rubber production was 6.8 million tons in 2002. There is a high demand for natural rubber in the world market. At present India is producing about 613000 tons and India's production is projected at 720,000 tons by 2010.The Government of India selected North East as a major production centre of natural rubber during the Tenth Five Year Period (2002-2007). The rubber planters have been guaranteed a grant of Rs. 20,000/- per hectare for holdings up to 5 hectares and Rs.16,000/- per hectare for holdings about 5 hectares to 20 hectares. The target of plantation and re-plantation of rubber for the entire North East has been fixed at 7050 hectares by the end of the Tenth Plan against 1410 hectares at the end of the Ninth Plan. The highest target of 3500 hectares has been fixed for Tripura followed by Assam at 2000 hectares. Considering the potentialities of the region and the growing global demand for natural rubber the target in the Tenth Plan appears to be too conservative. Therefore, during Eleventh Plan Period (2007-2012), rubber plantation in this region should get top priority so that plantation coverage can be expanded by at least ten-fold increase.

(iv) Bio Diesel Plantation/Jotropha: Another emerging potentiality of the North East is the plantation of jatropha plants from which bio-diesel can be produced. This plant is grown wildly in the entire North East. If its scientific captive cultivation can be undertaken in a large scale, the region can save lot of foreign exchange in terms of reduced import of crude oil, the price of which is increasing sharply. The plant produces seeds with oil content 37% and the oil can be combusted as fuel without being refined. It burns with clear smoke- free flame and is fit for diesel engine. The byproduct is pressed-cake which can be used as fertilizer. The plant grows relatively quickly, producing seed within 4-5 years and survives for about 40-50 years. The Government of India has emphasized for the plantation of Jotropha plants throughout the country. The Ministry of Petroleum & Natural Gas, Govt. of India has announced bio-diesel Purchase Policy 2005, declaring the procurement price of bio-diesel at Rs.24/- per litre. For such economic viability, several NGOs, Government and Private companies, etc. have shown interest for jatropha plantation in the North .East .Region. If large scale cultivation of these plantation crops is undertaken in the region, it will protect region's environment.

C. Challenges for the Development of North East Border Trade and its Opportunities

Challenges: To develop border trade there are so many barriers that should be overcome first. Some of these are given below.

1. Insurgency-related issues: Insurgencies in the region have already caused serious damage to the regional economy and taken away a number of valuable human lives. A consensus is emerging among scholars that contrary to popular belief, civil wars and ethnic conflicts in several parts of the world are not due, primarily to ethnic and religious diversity, but rather to high levels of poverty, failed political institutions and economic natural resources. Deep political and economic development failures, not tribalism, ethnic hatred and linguistic fragmentation, are the root causes of the problem. The implication of these findings is significant. Something can be done to reduce the prevalence of violent conflicts in the affected countries and prevent their recurrence. Democratic reforms, improved political governance and institutions for economic management are needed in the societies to manage effectively the challenges to maintain political stability and also to diversify their economies. Based on the observations, central government and state governments in the regions need to restructure the styles and systems of governance to address the root cause of conflicts in the regions.

2. Transport and Communication and other facilites: Trade between BCIM countries can flourish only when people, goods and vehicles can move with minimal technical and procedural obstacles across the borders. Development of an efficient transport and communication system greatly contributes to rapid progress of the merchandize trade. Transport cost being a significant determinant of competitiveness, cheaper mode of transportation is essential for the development of trade and services between the BCIM countries. In hills, the construction as well as the reconstruction of roads in- the north-east region involves rock cutting, soiling in soft patches, construction of retaining walls, etc. which requires a lot of human labour throughout the year. The whole of topography was dissected into isolation by numerous rivers and streams, many of which being big and at the same time full of rocks as well as subjected to very strong cross current rendering navigation impossible to a considerable extent. Such type of characteristics of this area signifies how many difficulties to construct roads in this area the agencies face. As the region has very heavy rainfall, the roads suffer from surface and gully erosion. The situation is further deteriorated by the loose soil-base derived largely from alluvium in the plains and such sedimentary rocks as sandstone, mudstone, shale etc. in the hills. The roads have, therefore, to be constantly repaired and maintained in serviceable condition, needing a huge expenditure. It is completely disrupted during every monsoon season. Railway services are yet to reach the nooks and corners of the region while the road network is not free and smooth. The Telex-communication facilities are available only in and around the urban centres and the postal services cannot be said to be satisfactory.

The region has numerous turbulent rivers and hill-streams which flow with fury during the rainy season. Besides, many of them change their course very often. Some of them, again, are very wide. They are not only wide but also subject to very cross current. The roads need to be frequently bridged and many culverts, retention walls, spurs etc. have to be constructed requiring huge labour and expenditures. But it must be noted that unless exportable surpluses are produced within it, regarding roads, airports, power, railways, telecommunication, banking and finance the North Eastern Region could not be able to derive the full benefits of all developments simply by acting as a corridor of exports of other countries.

3.Institutional and Structural Corruption: There is no dearth of funds to hasten the development of the NER since 1996 when the former prime Minister H.D.Deva Gowda first declared a package of Rs.6100 crores for the infrastructural development in the region. But one does not know how much of these huge funds actually flowed down the development pipeline. The leakages of development funds in the region have been at a higher level than it is in the rest of the country. All financial allocations for development and the wealth generated thereof have flowed out of the region or into the hands of the corrupt politicians, bureaucrats and contractors. The region has remained still cut off both physically and emotionally from the national mainstream primarily due to the absence of a coherent perspective on development (Passah, 2007).

Opportunities: There are a vast economic opportunities and benefits to link North-East Region with dynamic Asia including the deepening social and cultural ties between the people of northeast and its neighbouring countries.

1. There are a variety of benefits that India can extract through North-East India from FTA with ASEAN:

(a) FTA has the potential to speed up the reforms process in North-East India. There will be a greater urgency to align India's economic policies with those of ASEAN. Clearly, economic liberalization under the provisions of FTA would happen even in areas that are considered sensitive. It creates incentives for countries to liberalize in the context of these agreements, which, in turn, favours deeper liberalization in the context of multilateral negotiations. Proponents of this view argue that 'competitive regionalism' can catalyze global trade liberalization (Hilaire et al, 2004)

(b) There would be significant gains for North-East India's economy and industry in terms of free flow of trade, services and investment. Besides, being a part of an important regional block will also enhance India's bargaining capacity at the WTO.

(c) If a zero duty imports are allowed in certain sectors then cost-benefit analysis of a number of Indian companies may alter. It will be an opportunity to establish new units and create new capacities to cater the local market in the northeast region and ASEAN markets. Indian companies can also set up plants in ASEAN and export to the entire ASEAN region through this region. By setting up plants abroad Indian companies can leverage some of the cost efficiencies that may come from better infrastructure and lower tariff and non-tariff barriers in this region.

(d) It will put immense pressure on Indian policy makers to align their own tax policies with those of other ASEAN so as to make investments equally attractive in North-East India.

2. Regional cooperation through trade and investment among the BCIM countries is the only way for rapid economic development in the zone. The following areas and measures that need immediate attention of the BCIM governments in this regard are discussed below.

The border disputes among some of the BCIM countries are to settle for good immediately;

(a) To sign joint trade agreements;
(b) To actively promote plural and diversified trade;
(c) To develop and expand overland transit through cross-border infrastructural development;
(d) To establish BCIM trade centres, research and training institutions for promotion of trade and human resource development;
(e) To establish BCIM free trade zone in due course of time.

3. Border Haat:

a) The Border Haat may be established to cover a well-defined geographical area of about 1 km radius on both sides of the border at specified locations so as to enhance the living standard and to facilitate the good fruits of modern age in the border areas. The border crossing should be at specified entry points and proper record of entry/exit should be kept.

b) The Traders may be allowed to carry goods by head load, rickshaw and other non-merchandised means of transport only. Merchandised Transport should not be permitted.

c) Identity cards may be issued to the traders by the respective Governments for which a common procedure/system may be worked out.

d) In the specified zone of the Border Haat, the traders should be allowed to do transaction in the local currency of the respective countries. The transaction should be duty-free and there should be there should be no requirement for customs documentation, licensing etc.
e) Border Haat may be held 2-3 days per week.

4. The economic liberalization will have a bearing upon the present volume of trade and commerce between India and its neighboring countries. If the Government of India takes positives steps for the development of routes between India and it neighboring countries and improve the relations, whole economic scenario of the North-East India would be changed which would ultimately solve many of our existing problems specially unemployment and over dependence on agricultural sector.

5. There is a very strong case both on economic and political grounds for India regarding its northeast region to extend unilateral duty-free and quota-free access to its market for products from the least developed countries of the region.

Conclusion

It is true that along with bringing in lot of benefits, the outward looking development strategy of the region may also import a few vices such as erosion in social bond in tribal society, emergence of economic inequality at the initial stage, spread of HIV, drug addiction, women trafficking etc. These are the costs of development. What is necessary is to find out a trade-off. The economic benefits of the market- oriented, trade-led, outward looking economic strategy would definitely outweigh the costs in the form of importation of vices, imaginary or real. Thus the globalization and India's 'Look East Policy' can accelerate trade /border trade between India and the South East Asian countries, which can bring in progress and prosperity for the entire country including North East India.

With the developments discussed above, the North East India with its geo-strategic location advantage could emerge as a business transit centre for the BCIM, SAARC and ASEAN groups of nations. The author will be reached by rkm_1966@yahoo.co.in

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