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THE LOOK EAST POLICY AND NORTHEAST INDIA : RUBRIC, RHETORIC AND REALITY

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Abstract : As a region Northeast India has undergone various transformations both in terms of cartography as well as perceptions. This region has often been ascribed as the anthropologists' paradise during the colonial era while in the post-colonial period the perception related to the region has been through the statist paradigm of threat perception and security. The cartographic reality of the region being such that it remains overwhelmingly surrounded by international borders added to this perception. During the contemporary times of globalisation, as India sought to open up to the world, the borders of this otherwise peripheral region is showcased as gateways to prosperity and the much touted Look East Policy has been an initiative in that direction. The official documents attempt to situate Northeast as the arrowhead to the success of this policy. In this regards, this paper deals with the rubric and, rhetoric associated with the policy vis-à-vis the region and in the process understand the emerging reality.

Key Words : Look East Policy, Trade, Macroeconomy

I. The Look East Policy

The Look East Policy (LEP) has been India's effort for a global footprint in the post-Soviet world order. As India embarked on a programme of free market restructuring at home, LEP became instrumental in its search for newer markets and economic partners aboard. As a policy,without any white paper, officially defined and articulated in September 1994, in his Singapore Lecture by the then Prime Minister Narasimha Rao, the stress was on building India's long term co-operation with South East Asia with whom it had a legacy of strong historical, cultural and civilizational relations (Muni : 2011). India tended to come closer to Southeast Asia through improving her relation both at multilateral level with ASEAN and at bilateral level with each of the member nation of the Association. Bilateral cooperation was strengthened by setting up a joint commission with Thailand, Malaysia, South Korea and Indonesia. India also strengthened its economic relations with Japan. The Policy looked forward to private sector-led market oriented growth. This gave the rationale for building connectivity for trade expansion and natural resource flow. It was a package primarily aimed at promoting trade and market relations, inducing foreign direct investment (FDI) and engaging regional and sub-regional partners for investments.

Another and more important factor behind the Look East Policy was integration of the region with the global communities and with the global FDI. The World Bank hooked the

prospect of integration of South Asia and East Asia as the playing field of global finance. The World Bank (2010) felt that integration could help the rise of a globally competitive manufacturing sector. This could be possible by taking advantage of three levels of growing integration: with East Asia, within the region and with the rest of the world. The Document also stated that the gains from a Look East strategy would be even stronger with such an expanded regional market. Such a larger regional market would allow bigger scale economies, induce greater competition and technology spillovers, improve trade logistics and attract greater private investment from East Asia and the rest of the world. India's role would be central to improve integration opportunities for smaller neighbours as they respond. The strategy is to lower tariff and non-tariff trade barriers with respect to East Asia and the rest of the world and to expand opening of services and foreign direct investment.

On the other, as a foreign policy initiative, the scope of the Look East Policy was also extended from its regional focus towards a new horizon of the global economy. Chatterjee (2007) has three articulations of India's Look East Policy, each underpinned by a different conceptual orientation. First, the Look East Policy might be conceived as an extended security trajectory to protect India's legitimate power and resist growing Chinese domination of the region. This is geo-strategic space. Second, a communitarian reading of the Look East venture, interpreting it in terms of sub-nationalism and soft border exercises. This space has shared culture, language groups and social structure that define region. Third is the strategic place for economic cooperation.

Programmatically, Northeast India offered the space for realizing these aspirations. It is noteworthy that although the policy in its present form got initiated with the advent of liberalization in the early 1990s, it was only in 2008 that Northeast India gained prominence with the launch of the NER Vision Document 2020. This document identified the problems of the region to the post-partition peripheralization which isolated the region and exacerbated its socio-economic backwardness vis-à-vis mainland India. Infrastructure development, border trade and better governance were highlighted in the document as the means for ushering inclusive growth in the region. The document emphasized six development components, namely, self-governance and participatory development, creation of development opportunities, developing sectors with comparative advantage, capacity building of people and institutions, creating hospitable climate for investment and building infrastructure through public investment. The Vision Document also emphasized increase in connectivity and in employment opportunities through state investment in infrastructure. It stated that the Look East Policy should focus on the Northeastern region so that Southeast Asia should begin from Northeastern India. Opening up trade routes would expand economic opportunities for the region and accelerate its growth process. It is all about a foreign policy initiative towards building connectivity through road, rail, telecommunication, etc. connecting India's Northeast with

the near east neighbours like Bangladesh and Myanmar and even beyond, with other countries of east and southeast Asia. The driving force of this foreign policy initiative is to expand market economy. The geographical proximity of the Northeast with South East Asia made the region more relevant for the prospects in regional cooperation for trade and for ensuring governance, a *sine qua non* for the FDI and the trade regime. Considering this relevance, the policy did re-imagine the once sensitive border region of Northeast as a prospective economic zone. The implications of the Look East policy are therefore, diverse and multi-dimensional including security, strategy, foreign policy and administration other than the economic imperative dominant in its orientation.

With this understanding about Look East Policy it is worthy to 'look' at the select macro-economic fundamentals of NER so as to compare the idealized scenario being advertised by the Indian state and the existing reality of the region.

II. Select Macro-economic Indicators

If we assess select macro-economic indicators of the region, it provides us with the picture as to where NER stands today e.g., the growth of Net State Domestic Product (NSDP), the unemployment scenario, the formal and informal trade patterns, etc. In this section we briefly deal with these indicators.

a) Trends in Regional Income

The overall growth rate of NSDP of the states in the region shows a marginal increase during the first decade of this century. But compared to the Indian growth story, NER falls way behind. So if we compare the long term trend of the growth in NER in the decade preceding and succeeding liberalization there is hardly any major change in the growth rates.

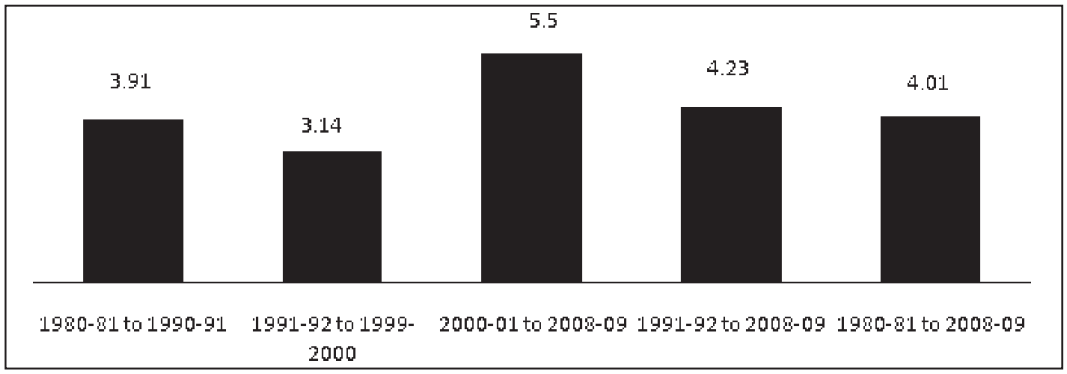


Figure I: NSDP Growth Rates in NER: Different Time Periods

This is amply reflected in the falling contribution of NER towards India's national income, which has declined from 4.23 per cent in 1980-81 to 2.65 in 2008-09.

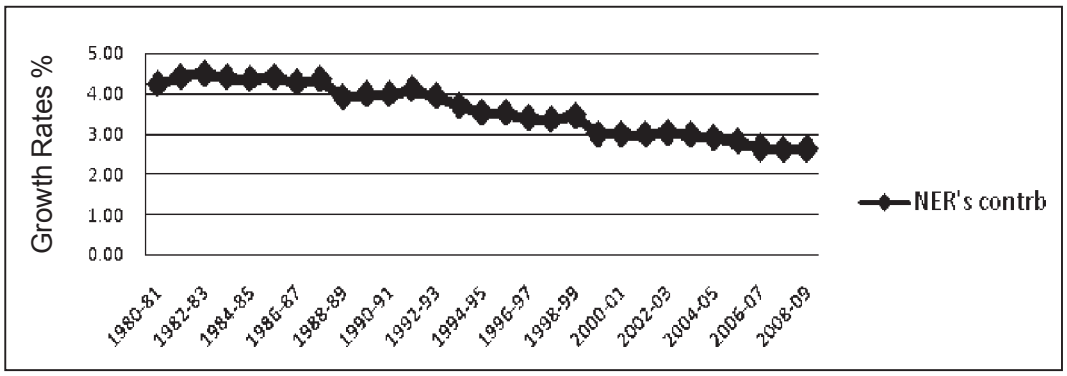


Figure II : NER's Contribution to National Income-1980-81 to 2008-09

b) NSDP Composition and Contribution of Labour

There has been a decline in the contribution of the primary sector to the regional NSDP but the workforce engaged in this sector has not declined commensurately. More than 67 per cent of the rural and 10 per cent of the urban workforce continues to be engaged in this sector. Except Nagaland, contribution of agriculture has declined among all the states in the region. On the other, Mining and Quarrying shows an increasing trend in the region particularly in Meghalaya and Assam.

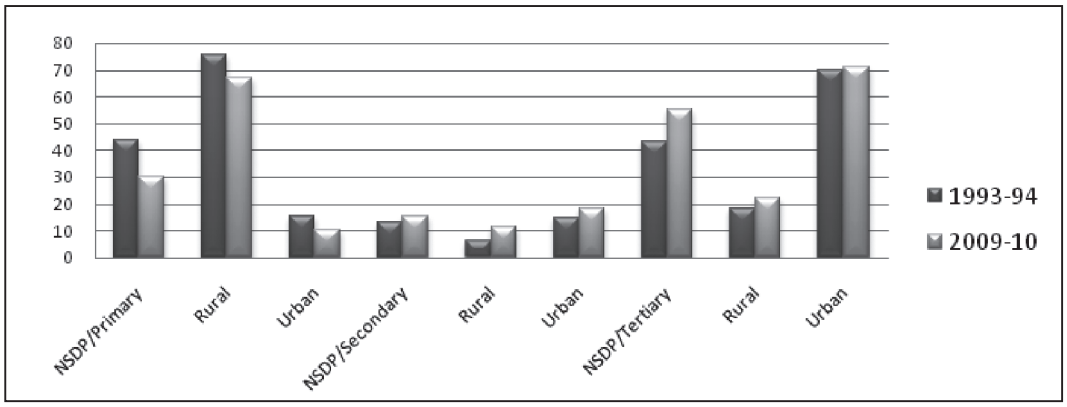


Figure III: NSDP Contribution and Composition of Labour in NER, 1993-94 to 2009-10

The secondary sector has contributed to income and employment generation in the region albeit marginally. Only construction has contributed both in terms of income and employment generation whereas manufacturing shows a declining trend in terms of income with a marginal change in employment generation. It is noteworthy that both construction and manufacturing sub-sectors contributed equally during 1993-94 but thereafter there has been a consistent deceleration in manufacturing, which has been taken over by construction activities.

On the other, despite being the largest source of employment in the urban areas, the tertiary sector failed to engage workforce commensurate with its contribution to the regional income.The aggregated sub-category of Public Administration and Others exhibit a negative trend in employment generation. There has been more than 12 per cent decline between 1993-94 and 2009-10 in this category in the urban areas. Although the contribution of Trade, Hotel & Restaurants has declined but employment generation in this sub-sector has increased substantially, particularly in the urban areas. Only Transport, Storage and Communication have contributed positively to the income generation and urban employment in NER.

c) Unemployment

A comparative analysis of the 50th (1993-94), 55th (1999-2000), 61st (2004-05) and 66th (2009-10) rounds of Survey done by National Sample Survey Organization (NSSO) of usual status of rural unemployment in NER and India exhibited a declining trend for the region during 1999-2000 and 2004-05. But this has reversed in 2009-10. The rate in the region continues to be almost three times higher than all-India. Urban usual unemployment in the region has shown a downward trend since 1999-2000, it continues to be double than the all-India rate.

The all-India trend of declining rates of youth unemployment (15 to 29 age group) is observed in the region too. In both rural and urban areas of the region, the rates were halved in 2009-10 compared to 1993-94. However, here also the youth unemployment rates in NER (4.90 for rural and 7.59 for urban) have remained significantly higher compared to India (1.8 for rural and 5.9 for urban), particularly in the rural areas.

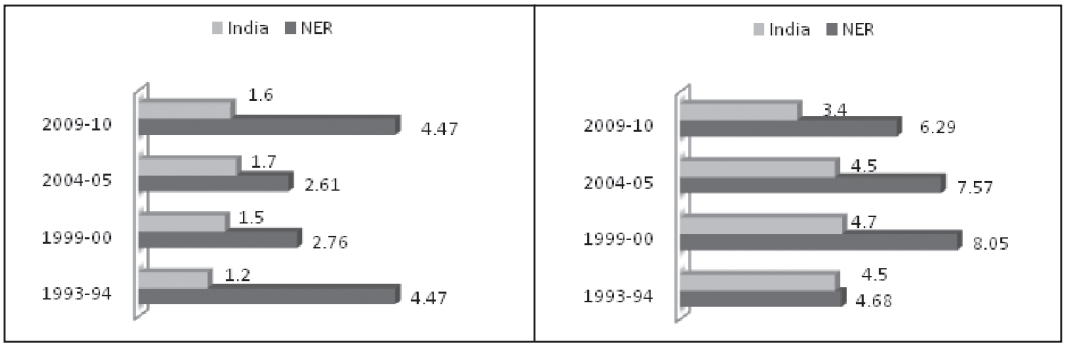


Figure IV: Comparative Percentages of Rural & Urban Usual Unemployment (Persons): NER-India

d) Formal Trade with Neighboring Countries

According to the estimates of the Planning Commission, during 1997-98 to 2005-06, the average value of trade of NER with NC's has been estimated to be Rs. 406 crores.

Balance of trade has been heavily in favour of the NER. In 1997-98, exports constituted more than 88 per cent of the total trade while imports were just over 11 per cent. The pattern of trade remained similar during 2005-06 too.

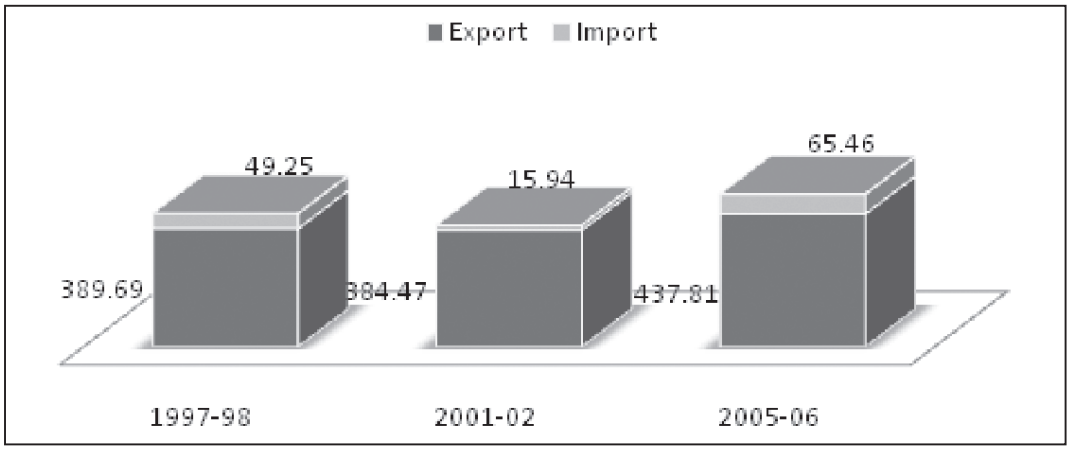


Figure V: NER'S Trade with Neighboring Countries (in Rs.)

The Report indicates that the region mainly exports primary products e.g., boulder stone, limestone, tea, coal, etc. which increased from Rs 395.90 to Rs 437.81 crores from 1999-2000 to 2005-06 with fluctuations in between. During 1999-2000, tea (55.47 per cent), coal (26.68 per cent) and limestone (7.38 per cent) contributed about 90 per cent of the total exports from the region. The share of these three items increased to 94 per cent in 2005-06. The share of tea (45.60 per cent) has fallen significantly although it continues to be the single most exported item from NER. Share of coal has increased significantly from 26.68 to 45.49 per cent, while that of limestone has fallen from 7.38 to 2.75 per cent. Export of coal is fast becoming the most important item, mainly to Bangladesh. On the other hand, manufactured goods have a negligible presence in the export basket. Even the manufactured goods produced in areas other than Northeast are not very significant in formal border trade.

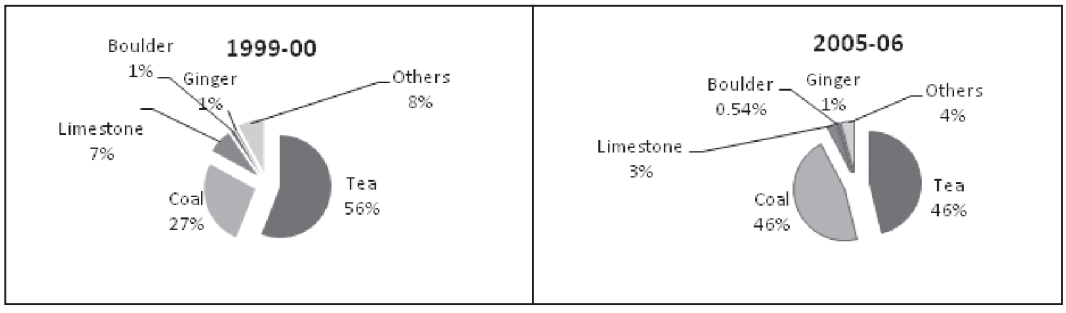


Figure VI: Major Export Items from NER to Neighboring Countries

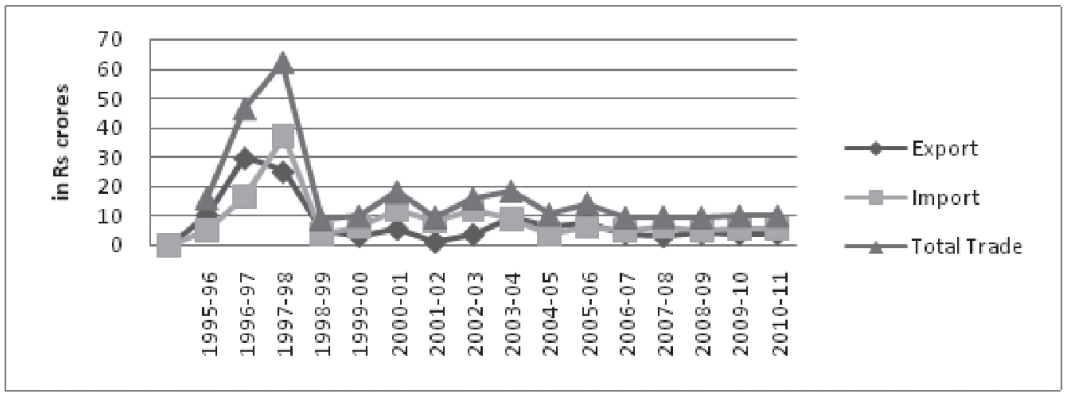


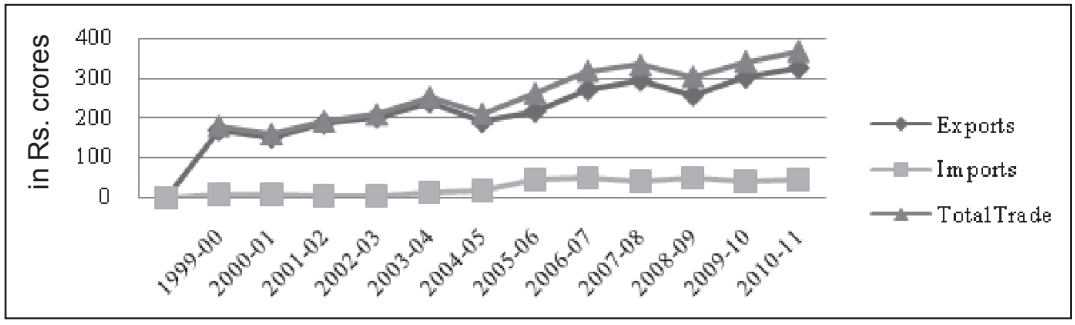
Figure VII: Value of Trade in the Moreh-Tamu Sector

To facilitate official trade The Indo-Myanmar Border Trade Agreement was signed on January 21, 1994. Accordingly, Moreh was transformed into a Land Custom Station on April 12, 1995. The Indo-Myanmar Border Trade Agreement introduced a three tier trade system. But where does the Moreh-Tamu trade stand today?

Analysis of data reveals that after the initial spurt in trading activities there has been a sharp fall in the volume of trade. Other than the initial spurt there has been no major momentum for trade in this sector. Above all, the diversity of tradable items has also been absent.

Presently, there are 33 Land Custom Stations (LCS) along the NER-Bangladesh border, among them 18 are functional, which co-ordinate official border trade. During 1999-00 to 2010-11, average trade between NER and Bangladesh was of Rs. 260.41 crores, average exports consisted of Rs. 233.30 crores and imports Rs. 27.05 crores. NER enjoyed a trade surplus during the entire period.

Among the items exported during 1996-97, mineral products comprised 90 per cent and horticultural products a little over 5 per cent. The rest consisted of agro-horticultural products produced outside the region but exported through the LCS's of the region. The pattern has remained similar with mineral products now comprising more than 98 per cent of the total



FigureVIII: NER-Bangladesh Trade, 1999-2000 to 2010-11

exports in 2010-11. Minerals mainly comprising of coal and limestone were supplied from Meghalaya to meet the demand of industrial units such as Chhatak Cement Company, Lafarge Surma Cement Company, jute mills, brick kilns and tea gardens in Bangladesh. Almost all the items exported from the region were without any value addition.

This is amply reflected in the export profile of the LCS in NER. Shillong division handled over 61 per cent of the total value of exports from the region in 2000-01, which increased to 77 per cent during 2010-11. The share of other divisions has declined. On the other hand, import takes place mainly through the Agartala division although in terms of value it shows a declining trend. Other sections have registered an increase, the highest being in the Karimganj section. Items of import which are consistently found over the years comprise raw and processed items such as *hilsa* fish and dry fish. A host of other items including electronics goods, confectionaries, soft drinks, garments, etc. appear sporadically.

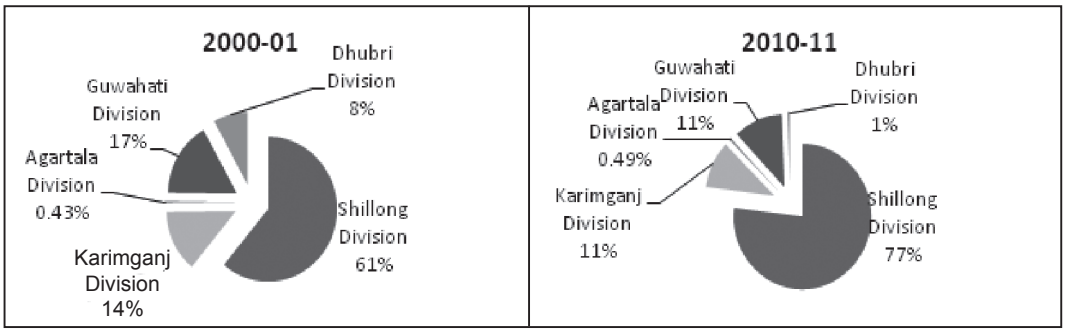


Figure IX :Items Exported to Bangladesh through LCS's in NER

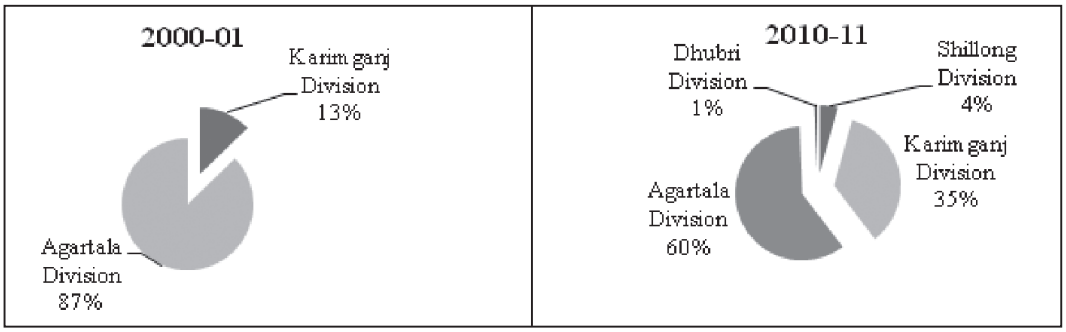


Figure X:Items Imported from Bangladesh through LCS's in NER

d) Informal Trade with Neighboring Countries

Several studies indicate that the volume and variety of informal trade between NER and NC's far exceeds vis-à-vis formal trade. There are number of reasons for this flourishing activity which are beyond the scope of this article but a look at the quantum will indicate the scope of this pattern which exist in the region.

i) Myanmar

Informal trade along the Indo-Myanmar border is a huge business. The Indian Institute of Foreign Trade, New Delhi estimated the annual volume of trade (1995) in the NER-Myanmar border to be Rs. 2200 crores, where the Moreh-Tamu sector contributed Rs. 1600 crores, Champhai Rs. 500 crores and Lungwa Rs 100 crores. Although this estimation is stated to be simplistic and over-estimated, the gap between the formal and informal trade seems to be enormous, about 44 times compared to the formal trade. Indian Institute of Entrepreneurship (IIE), Guwahati, estimated the volume of informal trade (2000-01) based on custom seizure data at Rs. 224.90 crores, where 86.88 per cent of the same got routed through Manipur and the rest through Mizoram. If we take the value of trade as calculated by IIE, the estimates for informal trade is 10 times more than the formal trade in the Manipur sector. Based on the IIE model, Bezbaruah (2003-04) calculated the volume of informal trade at Rs. 227.73 crores, the volume of informal trade thereby was 12 times higher than formal trade. So although there are huge variations in the estimation of the value of informal trade, it is clear that formal trade represents only a small portion of the total trade between NER and Myanmar and the bulk of trading takes place through informal channels.

Although Myanmar has borders with four Northeastern states, informal trade takes place mainly through Manipur (Moreh) and partly through Mizoram (Champai). During 2003-04, composition of imports from Myanmar comprised about 50 per cent electronics and electrical equipment. Textiles and footwear (17 per cent) were the second biggest items of import. In this regard, it is interesting to note that there was a difference in the import profile among the two states - Manipur and Mizoram where informal trade was rampant. While in Manipur, electronics & electrical items comprised the largest component of imports, along with generator sets, inverters and inverter batteries mainly to meet the local requirements in the state where power shortage is a severe menace, a better-off state like Mizoram shows preference for textiles and footwear. It is also observed that recently Mizoram is slowly becoming the preferred route for informal imports vis-à-vis Manipur because of the prevailing adverse law and order situation in the state. On the other, informal exports to Myanmar include manufactured items such as motor cycles, bicycles, agricultural implements, paints, baby food, medicines, fuel, etc. Chemicals used as inputs for producing narcotics also comprise an important item of informal exports from the Northeast (Bezbaruah).

ii) Bangladesh

NCAER (1995) studied 3 districts each from Assam and Tripura (other than 9 districts of West Bengal) and estimated informal trade at the state level. The value of informal trade in Assam was Rs. 35.50 crores and Rs. 8.10 crores in Tripura. Sugar was identified as the single most important commodity of informal trade followed by printed saris along the

Karimganj sector in Assam. In other districts of Assam and Tripura, wood and timber-based products were the major commodities informally exported to Bangladesh. In terms of the group of commodities, food and live animals comprised 40 per cent from Assam, while in Tripura, forest products comprised more than 52 per cent of all the commodities exported informally. RIS(1996) conducted a study titled India's Border Trade with Select Neighbouring Countries where they quantified the value of exports at Rs.42.01 crores and imports at Rs. 13.16 crores. The study found that exports from NER were higher through Mizoram and Meghalaya whereas through Assam and Tripura imports were prominent. Tripura and Assam were the two important states through which informal trade was largely practised. There are a few other studies concerned with the volume and composition of informal trade. Bakht (1996) estimated that informal exports to India were at least 6 times higher than legal exports thereby showing the huge quantum of informal trade. On the other, Rahman (2004) calculates that illegal imports and exports are as large as their formal counterparts. He states that illegal exports from Bangladesh to the NER are limited to few high value items such as gold. Halder (2008) estimates the ratio of legal and illegal imports from India as 1:1.5. Notwithstanding the variety of estimates provided by scholars about the quantum, direction and composition of informal trade, it is apparent that there exists a huge network of informal trade between Bangladesh and the NER.

Informal exports from NER to Bangladesh include spices (23 per cent), textiles (13 per cent), sugar (12 per cent), pharmaceutical products (10 per cent), processed food (9 per cent), cereals (8 per cent), fish (6 per cent) and fruits (3 per cent). On the other hand, informal imports from Bangladesh comprise electronic items (20 per cent), jute (15 per cent), plastic products (10 per cent), palm oil (7 per cent), spices (4 per cent), textiles and fish (4 per cent each) (Halder : 2008). If the seizure criterion is applied to ascertain the volume of informal trade then estimates suggest that during 2000-01 to 2011-12 there were 84,186 cases of seizure in NER where the total value involved amounted to Rs. 123.80 crores (Table I). The number of cases has shown a declining trend although there is a steep rise in value terms of the goods ceased. This indicates the trade of valuable goods in the informal variety.

Table I : Seizures in NER-Bangladesh Border: 2000-01 to 2011-12

Year	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
No. of Cases	6828	7274	7405	7687	7789	7899	8048	6331	7968	6817	6427	3713
Value (in crores)	5.28	8.92	9.69	5.81	8.13	8.65	7.98	7.65	12.19	20.34	19.25	9.89

Source: Office of the Commissioner of Customs, Shillong

III. In Lieu of Conclusion

From the cultural-anthropological paradigm of the 1950s, security paradigm of the 1960s and political paradigm of the 1970s & 80's, Northeast has been re-incarnated under the development paradigm at the threshold of the 20th century. With the advent of the market economy, the peripheral regions of Northeast suddenly became economically and commercially significant for the Indian state. Market economy gave new meaning to this region - a trans-meaning, a new taxonomy, a new focus and a new knowledge system driven by the hard principle of economic rationality. This trans-meaning marked a corresponding transition of Northeast towards a political economy promoted by the worldwide wave of globalization and structural adjustment. It was also an effort towards regional integration and thereby talk shows related to regional cooperation particularly at the supra-national level gained much public attention.

But the questions remain as to how the NER will contribute to the process of trade with the neighbouring countries and other Southeast Asian nations? It is evident from the discussion so far that there has been hardly any remarkable economic growth in the region during the liberalization period as a result of which the region's contribution to the Indian GDP reflects a falling curve. Agriculture continues to be overcrowded and necessitates a structural change; only technology infusion as suggested in the NER Vision Document can hardly change the scenario. Manufacturing sector presents with a dismal plight despite a large resource base in the region. A vision that brings about a resource-industry linkage is missing in the region. The skewed nature of the tertiary sector fails to add much needed vibrancy to the economic system and therefore, bears a residual character. Similarly, trade profile in NER remains insignificant and whatever the region exports are nothing but primary products without any value addition. The inability to formalise the informal trade leads to not only revenue loss for the states in the region but also fails to generate proper employment, trade related infrastructure and facilitation in the region. Moreover, the lack of initiative in bringing about internal reforms among the states in the region acts as an obstacle in NER.

Under these circumstances the much professed idea about NER being the 'arrowhead' of India's Look East Policy seems to be associated more with the pathway that the region provides rather than being a partner in international trade. LEP looks more of an Indian game plan where its foreign policy aspirations, strategic initiatives, geo-economics, security considerations and various aspects of geo-politics are seamlessly entwined whereas the agenda for the development of the region remains an outlier. Until the Northeast and its people are situated within the policy frame of the LEP, it will continue to be an elusive agenda for the population groups in the region.

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