

ISAS Special Report

No. 11 – 18 April 2013

469A Bukit Timah Road
#07-01, Tower Block, Singapore 259770
Tel: 6516 6179 / 6516 4239
Fax: 6776 7505 / 6314 5447
Email: isassec@nus.edu.sg
Website: www.isas.nus.edu.sg



The Way Forward for Northeast India¹

Laldinkima Sailo²

In his last Budget speech, India's Finance Minister P Chidambaram said: "Combining the Look East policy and the interest of the Northeastern states, I propose to seek the assistance of the World Bank and the Asian Development Bank to build roads in the Northeastern states and connect them to Myanmar". A couple of days earlier, Railways Minister P K Bansal announced plans to commission the first rail link to Arunachal Pradesh and the intention of his ministry to put Manipur on the railway map of the country. The idea of linking Northeast India to Southeast Asia gained popular imagination following the release of the North Eastern Region Vision 2020 document in 2008. However, at the time, the document noted that despite the rest of the country appreciably benefitting from greater integration with Southeast Asia, the Northeast Region (NER) had gained very little. Five years on, little has changed.

The rhetoric of possible connections to Southeast Asia has not been matched by corresponding allocation of funds and burst of action. Then, there are deep internal challenges in the Northeast as well as in two of the key neighbouring countries, Bangladesh and Myanmar, which are crucial for any plan based on 'imagining new geography' in respect of socio-economic connections for Northeast India.

What is, however, encouraging is that the latest political and economic reforms process in Myanmar has given fillip to the idea of harnessing opportunities presented by greater land connectivity between India and Southeast Asia. Participants at a workshop titled 'Connecting

¹ This is a thematic report on the main issues discussed during the workshop on 'Connecting India to ASEAN: Opportunities and Challenges in India's Northeast', held under the auspices of the Institute of South Asian Studies (ISAS), an autonomous research institute at the National University of Singapore, on 20 March 2013.

² Mr Laldinkima Sailo is Research Associate at ISAS. He can be contacted at isasls@nus.edu.sg. The line of presentation in this paper is that of the author and does not necessarily reflect the views of ISAS.

India to ASEAN: Opportunities and Challenges in India's Northeast', organised by the Institute of South Asian Studies (ISAS) in Singapore, explored issues related to the internal challenges as well as those presented by the two neighbours, while noting that rhetoric was on the right track but corresponding follow-up actions were lacking.

Discussions at the workshop took place against the background of an increasing recognition of the importance of NER in linking India and Southeast Asia. The proposed India-Myanmar-Thailand Trilateral Highway, Trans-Asia Railway and the Association of Southeast Asian Nations' own Master Plan on ASEAN Connectivity (MPAC), which makes provision for connectivity with neighbours, can all connect Northeast India with Southeast Asia. From the ASEAN side, several land connectivity initiatives have been taken up, and are in different stages of planning and early implementation.

Scholars have suggested that Northeast India is disadvantaged since the Partition of British India in 1947 and that it is important to find routes through which the region can access resources and markets in its neighbourhood. At the time of India's independence, per capita income in the Northeast region was 4.1 per cent above the national average but by 1980 fell to 27 per cent below the national average; and by 2008, the index fell 46.38 per cent below the national average.

Taking stock of the opportunities that exist in the region, some speakers highlighted areas and industries that have growth potential. These include oil and other natural resources like coal, forests (and forest products) and water. Tea has been one of the main exports of the region, and the agro-processing industry (fruits like pineapples, lychees, oranges, apples and kiwis) has been touted as an area with huge potential. Bamboo, cane, ginger, herbal and medicinal plants are other products with potential for trade.

Tourism was suggested as a sector where nascent infrastructure can generate revenues that can in turn be invested to create the dynamism needed for further growth. Culture and natural beauty-based tourism (including excursions to tea garden and for rhino safaris), along with historical tourism (memorial for battles fought by the Japanese army and the Indian National Army during the World War II), are sectors that can be developed. Tourist arrivals to the region are currently very low. In India where 99 per cent of foreign tourists arrive by air, the nearest international airport, Kolkata, receives only 3.7 per cent of all international tourists into India. Guwahati can be the tourism hub, provided provision is made for an international airport. Northeast India can also work with Bhutan and Nepal to develop integrated tourist destinations.

Bangladesh and Myanmar

Trade (mostly on head-load basis) and people-to-people interaction on the eastern front have benefitted from a porous border; but, for the region to truly grow out of its landlocked

disadvantages, there is the need to look at opportunities for opening-up on the Bangladesh front as well as on the Myanmar side. The opening-up on the Bangladesh front has historical precedence. During the colonial time when oil and tea were the main exports of the region, this provided the trade route.

The ports in Bangladesh could be an opening through which goods from Northeast may in turn be moved to Southeast Asia and vice versa. Transit through Bangladesh can also drastically reduce distances and transport costs between NER and the rest of India. Currently, the movement of men and materials from NER to Kolkata port entails travel of 1400-1650 km. If transit is allowed through Bangladesh, the distances would be around 450-700 km. The likely saving in transport cost per ton has been estimated to range between 12 per cent and 80 per cent, depending on the route to be used. There are considerable benefits that could accrue to Bangladesh in the process. An argument was made on the lines that the Bangladesh route might be more economical for NER's trade with Southeast Asia and that the northward land route could be more relevant for trade with China.

The issue of opening-up through Bangladesh has already figured in considerable official-level negotiations but with little results. The opening of a trade route through Bangladesh is linked to its bilateral issues with India such as exchange of enclaves, the *Teesta* water sharing etc. The view expressed at the workshop was that a permanent concession is unlikely to be given by Bangladesh as this remained one of the key bargaining chips it held against India.

On the other side of the border, the thriving 'informal' trade with Myanmar is something that needs to be built upon. The recent signing of a Memorandum of Understanding on Border Area Development between Myanmar and India is significant, and it may well be the building block for trade and development in Northeast India and western Myanmar. That Myanmar in turn is a crucial bridge between India and Southeast Asia is an idea that has gained considerable traction but remains fraught with difficulties. There are huge 'gaps' in the transport infrastructure in Myanmar, and carrying the connectivity agenda forward remains mired by concerns of 'structural flaws in policies, red tape and hidden costs (including issues of migration)'. Ethnic issues, which remain a critical for Myanmar's future, can also affect specific projects. Trouble in the Rakhine state twice in 2012 unsettled India's Kaladan Multi-Modal project that involves the modernisation of the Sittwe port and dredging the Kaladan river to access Mizoram.

As such, the idea of building infrastructure and connectivity projects, including telecommunications facilities for greater people-to-people interaction, and even possibly the development of integrated grids have gained traction in some quarters within the Northeast itself. However, the question impinges on the need to pay attention to the current capacity in the Northeast, and a relevant issue is whether the region will be able to gain from these planned developments or absorb new opportunities that are generated. For instance, the region has a very low manufacturing base and produces very little to export; development of

manufacturing plants will be pulled back by lack of adequate power; skills base is low to absorb new economic opportunities and jobs.

Ethnic Conflicts and Security

The challenges in implementing connectivity projects are immense. Besides the huge financial requirements, some of the trickiest issues include the fragile ethnic politics that is endemic in large parts of the region. Armed ethnic conflicts and the related problem of creating a medium for access to resources can derail infrastructure projects. While there has been a decrease in insurgency, it may be a while before all ethnic political issues are settled. Further, the region has an overwhelming aversion towards outsiders and therefore even as 'new geographies are created, mindsets need to change'. And this can take a long time.

The region itself is connected to the rest of India through the narrow 21-km 'Chicken Neck'. This is an area flanked by Bangladesh and Nepal on the Assam side and is a region inhabited by the Bodo tribe. Being a region that serves as the immediate reception point for migrants from other parts of India and Bangladesh, the region is susceptible to violent clashes between Bodo militant groups and other minority groups like Muslims, Hindus of East Bengali origin and tribes like Santhals, Mundas and Oraons migrating from Bihar and Jharkhand. On the West Bengal side of the corridor, the Nepali-speaking Gorkhas have been agitating for a separate state.

On the eastern front, too, the major road corridor that connects the Northeast region to Myanmar passes through areas affected by ethnic conflict and separatist violence. The highway that enters Nagaland from Assam and passes through its main commercial town Dimapur and capital Kohima to end further south towards Manipur's capital Imphal and frontier town of Moreh are regularly affected by blockades and violence. Some of these blockades have gone on for months including the instance when it was blocked for more than 100 days in 2011. The reasons behind the internal blockades are mainly related to inter-ethnic tribal contestations between Nagas and Meiteis. Road blockades have also been used to leverage demands made by tribal groups to bargain with the central government. The Kuki State Demand Committee (KSDC) had blocked the highway through which the most recent ASEAN-India car rally was to pass, in late 2012. The blockade was resorted to as an effective means to get a commitment from the central government to look into the demand for statehood by the Kukis.

From a security angle, concerns emanate mainly from the danger of roads and transport infrastructure being used for the smuggling of drugs and arms into the Northeast. Then, there is the latent fear that this may also be the opening through which illegal Chinese goods may *flood* the Indian market.

Yet, two of the Northeast states bordering Bangladesh and Myanmar – Mizoram and Tripura – stand out as examples where conflict resolution can be achieved through dialogue and therefore can create an environment to move forward on connectivity. Both states are also relatively peaceful, and the state governments have taken nascent initiatives to explore trade with Bangladesh and Myanmar. Without substantial coordination with the central government under which all trade with neighbouring countries is administered, the process is slowed down. The state governments have also been slow to realise the substantial benefits that may accrue; and, so far, corresponding plans to benefit from the possibilities have failed to take shape.

Moving Ahead

Delegates at the workshop agreed that while there were clear opportunities, the challenges were enormous. The way to move forward would be to identify projects and focus on the implementation process. There needs to be a comprehensive stock-taking of the internal challenges and an identification of regions and sectors where there is potential; and there is the need to initially work on bite-size projects. Announcements of large plans need to be followed up with action: identification of specific projects, allocation of resources for each of the projects and the setting of deadlines for each project. At the current rate of progress, it may be a while since the vision is realised; but as the Chinese philosopher Lao Tzu has said, the journey of a thousand miles begins with a single step.

.....