



## Linking India's Northeast with Southeast Asia Significance of Internal Connectivity & Backward Integration

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In the past few years, India has been actively engaging with ASEAN through the India-ASEAN Free Trade Agreement signed in 2009 and bilateral free trade agreements. Today, India is ASEAN's fourth largest trading partner and eighth highest investor. In this backdrop, this brief attempts to answer two significant questions: Why is it important for India to look through the prism of the Northeast (NE)? Why is the NE region not able to gain the benefits from the growing India-Southeast Asia trade alliances?

### I NORTHEAST AND SOUTHEAST ASIA: UNDERSTANDING THE PROBLEMATIQUE

Connectivity through the Northeastern states became a priority for India's foreign policy in 2003, providing a new dimension to the Look East Policy (LEP). However, it is illogical to talk about extending the linkages with Southeast Asia if there are no potential markets on the Indian side of the border. The economic reforms, policies initiated by both Central and State governments do not complement the existing infrastructure in these states. Thus Northeastern states have always been used as a transit point and a huge economic gap can be tinted between the Northeastern states and the rest of India.

The trade between India and ASEAN is mostly manufacturing products and is restrictive towards the agricultural products. Therefore the NE states does not have the comparative advantage in India's export to ASEAN. In order to take the advantages of the growing trade alliances, effort should be on improving inter-state connectivity and market integration.

The Union government has in fact made efforts to improve the development activities of this region. The Northeast Vision 2020 drafted by the Northeast Council (NEC) and released by Indian Prime Minister Manmohan Singh in 2008, focuses on development planning in the Northeast. New Delhi has drawn ambitious plans through this doctrine to improve the communication linkages. High priority is given to infrastructure development in the Five Year Plans, in form of nearly 50 per cent of its plan outlaying on this sector. The recent regional consultation meeting on the 12th five year plan stressed on carrying forward the objectives of the 11th plan, i.e the development of infrastructure for rural transformation and improving connectivity.

The 2011-2012 Union budget of India proposes to serve as a more transparent and result oriented mechanism. For the Fiscal Year 2011 the Centre allocated a special assistance package of INR 8,000 crore to the Northeastern states and special category states. Out of this, INR 5,400 crore has been allocated as Untied Special Central Assistance to the region. There is also a province under which the states can utilize the Internal Extra Budgetary Resources (IEBR), which comprises of the external borrowings.

Despite grant of funds, why is the regions unable to address the infrastructure deficit? It is essential to identify the priorities in order to improve the delivery mechanisms.

### II PRIORITIZING THE UPGRADATION OF ECONOMIC CORRIDORS: BACKWARD INTEGRATION

In the last few years, constructing the Stilwell Route/Ledo Road has been seen as a medium to

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extend trade linkages with Myanmar and China. However, there has been little progress in resurrecting this route, due to major disagreements between Indian and Myanmar governments as also within the Indian factions. While the trade groups in India, especially in the Northeastern region have shown keen interest in reopening this strategic roadway because of its enormous economic potential, the security agencies have been wary due to the threat of an increased insurgency in NE, a spike in the volume of contraband coming in from the Golden Triangle and a rise in arms trafficking.

Furthermore, even if the road is constructed successfully, how will this benefit NE? What should be the tradable products to China and Myanmar that will help the region's economic growth?

India needs to first integrate the market in the NE, to make it an attractive hub for the Southeast Asian and Chinese traders. To improve and build a market hub in NE, emphasis should be on the backward integration. There has been a substantial development in the communication infrastructure sector; new projects have been introduced to improve the transport networks. The central plan scheme has provided loans amounting INR 68 crore for the North East States Road Project (NESRP). The National Highways Authority of India under the Ministry of Road, Transport and Highways has introduced the North South - East West Corridor (NS-EW) highway project for better connectivity within the country. The EW corridor will connect India's Northeast to its mainland through a 3,300 km long four-lane highway between Porbandar (Gujarat) and Silchar (Assam).

The connectivity within the NE is extremely poor. The presence of national highway is quite negligible in most of the NE. The Centre has envisaged connecting the NE state capitals to the EW highway through the Seven Sister's Corridor project. This will link the capitals of the seven states and the border points of Bhutan, Bangladesh and Myanmar. Many Thai companies have shown

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interest in investing in this project. From the EW Corridor, the road will extend to the Golden Jubilee Rail link border point which will further connect Assam (Kokrajhar) with Bhutan. This road will extend through Akhaura in Tripura to Ashuganj Port border point with Bangladesh. It will also link up with the existing Moreh-Myanmar-Friendship road and two other border points: first, Zowkhathar in Mizoram and second, Avakhung in Nagaland which again will extend to Myanmar.

However, the EW Corridor which was projected to be completed by 2009 is on standstill. Only 6 per cent of the work has been accomplished till date and near about 43 per cent of the land required to broaden this highway has not been acquired. Land acquisition is a major hindrance, mostly because of the lack of land records. The cadastral survey that is needed for reporting on land records is absent in most of the NE states. Also, a major part of the road will pass through the NC hills in Assam and constructing a four-lane highway in such difficult terrain is a major hindrance.

Many other projects to develop roadways are still on paper and have not been implemented or have failed to operationalize. Under the NLCPR scheme during 2010-11 the central government introduced around 151 infrastructure projects. It has been reported that till now only 25 projects have been completed. Most of these infrastructure projects have failed due to the geographical condition of the region and the problem of transferring heavy construction materials from far flung areas.

## II ACCELERATING THE TRANSFER OF GOODS & SERVICES

While roadway is one medium for improving the connectivity within the Northeast, through the rail networks, air transfer and inland waterways the transportation of heavy trade goods can be carried out conveniently.

Connecting NE with Trans-Asian railways (TAR), the government this year ratified an intergovernmental agreement on constructing and upgrading a rail network connecting India with China in the east and Europe in the west. Although this is a long-term project, it will enhance and improve trade activities and tourism in Asian countries. As part of this, there are plans to construct a 350 km rail track from Jiribam in Assam to Moreh in Manipur and further on to Myanmar. New projects have been introduced to connect the tracks of Jiribum-Imphal-Moreh line and Tamu-Kalay-Segyi line which will further extend to Myanmar. The present rail budget (2011-2012)

proposed the Agartala-Akhua rail connectivity which will boost trade and business activities in the region. The Indian government in 2007 announced a rail link from Jiribham in Assam to Hanoi in Vietnam. However, no progress has been seen in this regard in Assam.

Also, there is a significant variation within the region. Except for Assam, the rest of the states have a negligible rail network. The total railway track length in the entire region is only 2,592 km, with 97 per cent of the broad-gauge track confined to Assam and 2 per cent in Tripura. The disparities within the NE region have been a major issue in extending the rail network to its neighbouring countries. It is projected that by 2017 all the capital cities of the Northeast are set to be on the Indian railway map. However, it remains doubtful that with such a slow progress.

While the railway connectivity will take a longer period to accomplish, as an immediate task the air-routes can be used as a medium for promoting tourism and trade in the region. There are positive signs in terms of development of air connectivity within the region, such as the Northeast Shuttles (P) Ltd. that has started small flights on daily basis from Guwahati airport to Silchar, Imphal, Aizawl, and Dimapur. Initiative has been taken in terms of developing Greenfield airports-the Sikkim-Pakyong near Gangtok will be operational by end of 2011.

How far these new plans as projected will materialize cannot be stated right now. But, improving the quantity and quality of flights, introducing charter flights, cargo carriers and ground infrastructure such as cold storages, night landing facilities will need immediate attention. At present airport with night landing facilities is only operational in Assam and Agartala. Improving the Cargo handling capacity in the airports will support the growing food processing industry in the states.

Reviving the old airstrips in the region and upgradation of the non-operational airports and routes is needed. The Guwahati airport (Lokapriya Gopinath Bordoloi International airport) has been recognized as an international airport, but it has not been able to facilitate international flights. It is only the Druk Airlines that operates flights between Guwahati to Bangkok and Paro twice a week. This is not sufficient to the heavy transfer of goods. The state governments along with aviation industry must emphasize on monitoring the development and modernization of the Guwahati airport. This airport has every prospects of becoming a major hub for air connectivity in the NE. Regional hubs should also be built as proposed in Agartala,

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The DoNER and NEC should take into consideration the proposal forwarded by the Chief Minister of Tripura who insisted on a direct flight from Agartala to Dhaka and get New Delhi's approval. Provisions were made in the 9th five year plan (1997-2001) to construct airports in Arunachal Pradesh's Itanagar, Pashighat, Zero, Tezu, Along, Daporizo district and Rupsi in Assam. But due to lack of facilitation, unsuitable terrain these airports are not functional yet. Review meeting between the Centre, State, Aviation Ministry, and local bodies should be organized by DoNER and NEC soon to address these issues and monitor their progress. Further, the ASEAN-India aviation cooperation framework which was introduced in 2008 to improve air connectivity between the two regions should be revised.

Immense potential also lies in the inland waterways of this region, which have been neglected. The Minister of State for Shipping Mr. Mukul Roy said that the Barak River stretching from Lakhimpur to Bhanga in Assam is in the process of declaration as the sixth National waterway. This step to augment inland water transportation has seen positive responses from investors and will help in improving the inland water transportation.

With the priority on the Kaladan Multimodal Transit Project which envisages the link between Indian ports and the Sittwe port in Myanmar with riverine transport and road connectivity to Mizoram, Brahmaputra River too can be used as a means of transportation connecting the cities and extending towards the neighbouring states. The ferry services in these rivers needs to be increased and upgraded.

Further extending the inland water transportation and active use of the sea ports, India must improve its diplomatic relations with Bangladesh. Better access to the Chittagong port will lead to an economic resurgence of the region. This will not only help Bangladesh to access Indian markets transit facilities for goods but will provide India a way forward to Southeast Asia.

### III IMPROVING BORDER INFRASTRUCTURE

The lack of proper cross-border transit points and integrated transport networks has posed major challenges. To facilitate growth of border trade the Union Minister of Commerce has introduced an Export Development Fund (EDF) for the Northeast traders and entrepreneurs. There is no provision to track where and how these funds are utilized.

International trade centres at the border points and connecting these points through the existing roads to state capitals is vital, as is coordination in banking operations, such as extending banking services and ATM booths, telecommunication network at the border points to improve trade activities.

Maintaining and monitoring the functioning of the major border points such as Moreh, Tamu and Tiddim (in Manipur) and Champhai (in Mizoram) should be the priority. Till date only the 160 km Tamu-Kalaywa-Kalemyo Road connecting Moreh to Myanmar has been accomplished. This road will eventually become a part of the Asian Highway. However, the completion of this project has not been able to bring any economic development for the region, due to increase in informal trade.

In addition, exploring and developing new points-Lungwa/Ledo, Pongru and Pokhungri in Nagaland and Nampong, Vijayanagar and Khimiyang in Arunachal Pradesh are needed. The Manipur Commerce and Industries Minister had proposed an alternative border point-Behiang in Manipur's Churachandpur district along the Indo-Myanmar border which needs consideration. The proposal to upgrade the Rih-Tidim and Rih-Falam road, which will operationalize the India-Myanmar border trading point at Rih-Zokhawthar in Mizoram along with the Moiwa-Chindwin-Thailand trilateral highway project, needs immediate attention.

### IV CONCLUSIONS

Although there are new projects to improve the communication network, primary focus should be to improve, manage and maintain the already existing and successful stock of infrastructure. The quality of existing roads in the region is extremely poor-they are worn out by heavy rain or due to use of poor quality of construction materials. All these issues need to be addressed by the state government with close coordination with the local

people. These projects should be forwarded to the private contractors and local road development centres in the districts.

The implementation will then depend on the funds available and allocated by the government; but the enormous task of these developments will also need cross-border investments. Close cooperation and coordination with bodies such as the North Eastern Development Finance Corporation Ltd. (NEDFi) under the Companies Act, 1956 which was incorporated in 1995 for the development of the Northeastern states is needed. This body has grown as an instrument in nurturing entrepreneurship and as a catalyst for growth in the region. The government of Assam along with the Central government has taken up the Public Private Partnership (PPP) mode of investment for implementation of the infrastructure projects. The PPP mode of investment needs to be widely promoted in other NE states too.

The North East Industrial and Investment Promotion Policy (NEIIPP) of 2007 is an important policy document which provides special fiscal incentives to all industrial units and subsidies for investments in the region. The individual industrial policies in the states should be reviewed in accordance to the NEIIPP of 2007. The provision of the NEIIPP policy 2007 itself needs a revision. The DoNER Ministry has forwarded a proposal to the Ministry of Finance to enhance the provisions, such as exemption from the levy of Service Tax to the eligible units of the NER in line with the norms of the Special Economic Zones.

Connectivity will be improved only if these projects are executed within a time frame. A review and monitoring mechanism will help to ensure transparency and time-bound implementation. Geographical Information systems and monitoring centres are required in all the NE states. Regular meetings should be held between the state governments and local bodies to discuss on issues based on the data collected by these centres.

The immediate step should be a review meeting between the DoNER, NEC, state governments and local bodies on the 'Northeast Vision 2020' doctrine. This review meeting should be conducted every year to monitor the development of the plans and projects. Also, more frequent border level talks and nurturing entrepreneurs in the region will help boost trade and address the broken links.