

India's "Look East" policy was envisioned by the Narasimha Rao government in 1991 as a focused foreign policy approach towards South East Asia in particular and East Asia in general. The idea was to bolster relationships with the Association of Southeast Asian Nations (ASEAN) as well as forge deeper ties with China, Japan, South Korea, Australia, New Zealand, etc. Another facet of the "Look East" policy since 2000 is to hinge the development of India's peripheral Northeastern region on greater economic linkages with South East Asia. Such an endeavour is viewed as potentially capable of dealing with problems in this region like economic backwardness, issues of identity and ethnicity, and armed separatist movements. However, policy makers face certain challenges in the North East towards optimal implementation of the Look East policy. This paper throws light on these challenges like lack of infrastructure, crisis of insurgency, the disjuncture between the elites and the social base in the North East regarding the "Look East" policy, and the states' incapacities during the implementation process of this policy. The paper also offers policy responses to these challenges.



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# Looking "East" Through India's North East

## Identifying Policy "Challenges" and Outlining the "Responses"

**Namrata Goswami**



**Institute for Defence Studies and Analyses  
New Delhi**

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# Introduction

The “Look East” policy was envisioned by the Narasimha Rao government in 1991 in order to outline a focused foreign policy approach towards South East Asia, a region of high economic prosperity at that time. It was also propelled during a period of economic liberalization within India itself. The idea behind this approach was that in the post-Cold War period, the geo-political framework of international politics changed drastically and therefore required new measures by India to deal with the emerging reality of regional actors instead of the super-powers of the Cold War period. In this context, the Association of Southeast Asian Nations (ASEAN)’s economic, political, and strategic importance in the Asia Pacific region and its added potential to become a significant partner of India especially in the areas of trade and investment informed Indian policy making. Further on, in the present context, the “Look East” policy has been utilized by India to forge deeper ties with China, Japan, South Korea, Australia, New Zealand, Papua New Guinea, and Pacific Island states.<sup>1</sup> As a result of this approach, convergent measures have been adopted by India and ASEAN in the field of economics and security since 1991 onwards. Regular annual dialogue level meetings are now held at the level of External Affairs Ministers from India and ASEAN countries further buttressed by meetings between senior bureaucrats on issues of technology transfers, health, trade, investment, transport, and infrastructure. The benefits of the cooperation at the national level have been significant and are outlined in the next section.

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<sup>1</sup> See "Keynote Address of External Affairs Minister Pranab Mukherjee at the 9th Asian Security Conference on "Security Dynamics in Southeast Asia: Emerging Threats & Responses" Organized by Institute for Defence Studies and Analyses, New Delhi, February 9, 2007" in Avtar Singh Bhasin, ed., *India's Foreign Relations-2007 Documents, Part II, Public Diplomacy Division, Ministry of External Affairs, Geetika Publishers, New Delhi, 2007, pp. 1471-1473.*



# Look East Policy: The Benefits for India

Unlike nearer home initiatives like South Asian Association for Regional Cooperation (SAARC), heavily influenced by an India-Pakistan historical distrust coupled with the insecurities of its smaller neighbours, India enjoys an advantage with the South East Asian countries with regard to greater regional cooperation. Most of these countries view India as upholding a strong democratic ethos and a benign foreign policy of mutual co-existence based on the ideas of Gandhi and Nehru. As a result, India has benefited from the Look East policy as it has boosted defense cooperation with Myanmar, Indonesia, Vietnam and Thailand. India became a full dialogue partner with the ASEAN in 1995 and also established several bilateral and multilateral frameworks with states of the region. It was admitted as a member of ASEAN Regional Forum (ARF) in 1996 and made summit partner in 2002.<sup>2</sup> In this context, the first ever India- ASEAN business summit was held in New Delhi in 2002. In November 2004, India and ASEAN signed the “India-ASEAN Partnership for Peace, Progress, and Shared Prosperity” at the 3<sup>rd</sup> India-ASEAN summit in Vientiane in November 2004. By 2006-early 2007, India was looking for greater integration with ASEAN +3 (ASEAN countries + China, Japan and South Korea). During the India-ASEAN summit at Bali, Indonesia on October 8, 2003, India signed a Comprehensive Economic Cooperation Agreement, which proposed to set up an India-ASEAN Regional Trade and Investment Area. It was decided to create low tariffs in trade for goods and services, and increase intra-regional trade and investments. India also signed bilateral framework agreements with Thailand, Singapore and Malaysia in 2003 and 2005 respectively for free trade areas in goods, investment and services.<sup>3</sup> India’s trade with ASEAN since 1991 has quadrupled from US \$ 8.1 billion to US \$ 67.5 billion in 2006-07.<sup>4</sup> Significantly, India and ASEAN has a joint

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<sup>2</sup> See “ASEAN Regional Forum (ARF)” at <http://www.fmprc.gov.cn/eng/wjb/zzjg/gjs/gjzzyhy/2612/t15313.htm> (Accessed on August 4, 2008).

<sup>3</sup> See “ASEAN-India Relations” at <http://www.me.gov.in/onmouse/ASEAN%20-India.pdf> (Accessed on July 7, 2008).

<sup>4</sup> See Avtar Singh Bhasin, ed., no.1, p. 1472.

declaration for cooperation to combat corruption and international terrorism.<sup>5</sup> On August 28, 2008, India also signed a free trade agreement with ASEAN close on the heels of the failed talks at Doha on global trade talks in July 2008.<sup>6</sup> Significantly, India also took part in the first East Asia Summit (EAS) held in Kuala Lumpur in December 2005 in which Prime Minister Man Mohan Singh reiterated that a virtual Asian Economic Community was emerging as a result of growing free trade agreements which he suggested should be made into a more concrete Pan-Asian Free Trade Arrangement.<sup>7</sup>

In this context, given India's growing relations with South East Asia, it is but inevitable that its North Eastern region would be drawn into the overall "Look East" policy given its geographic proximity to the South East Asian region. Indeed, the North East shares borders with China, Nepal, Bhutan, Myanmar, and Bangladesh culminating in a 4500 long international border. With Myanmar alone, the prime gateway for the North East to South East Asia, the states of Arunachal Pradesh, Manipur, Mizoram, and Nagaland share a 1643 km long land border.<sup>8</sup> According to Pranab Mukherjee, India's former External Affairs Minister, North East India is poised to benefit from India's growing relations with South East Asia as the process of globalization has shown how cross-border market access can uplift people from poverty, economic backwardness and bring in prosperity. He argued that "geography is opportunity" and therefore regions in India like the North East have enormous possibilities to exploit their geographical contexts and "bring significant benefits to populations residing in those regions in a much more direct and participative manner than before".<sup>9</sup>

The idea of "cross border markets" put forth by Mukherjee in bringing about upliftment of people suffering from poverty, armed conflict, lack of employment opportunities, and insecurity is interesting. Indeed, it is all the more likely that statements such as these from top Indian policy makers indicates that the "Look East" market driven policy has been crafted within the framework of neo-liberalism wherein it is proposed that "human well being can best be advanced by liberating individual entrepreneurial freedoms and skills within an

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<sup>5</sup> For more on the "Look East" policy, see K. Raja Reddy, ed, *India and ASEAN: Foreign Policy Dimensions for the Twenty First Century*, New Delhi, Vedam Books, 2005.

<sup>6</sup> "A Second Best Choice", *The Economist*, September 22, 2008 at [http://www.economist.com/opinion/displaystory.cfm?story\\_id=12068114](http://www.economist.com/opinion/displaystory.cfm?story_id=12068114) (Accessed on September 3, 2008).

<sup>7</sup> See Avtar Singh Bhasin, no.1, p. 1472.

<sup>8</sup> See "Speech by the Minister of External Affairs Pranab Mukherjee at Seminar on "Look East Policy", Shillong, 16 June 2007, in Avtar Singh Bhasin, ed., no.1, pp. 1474-1479.

<sup>9</sup> Ibid.

institutional framework characterized by strong private property rights, free markets, and free trade”.<sup>10</sup> In this approach, the role of the state is to create and preserve an institutional framework attuned to such practices. What is most ambitious about the neo-liberal project is that through the framework of trade and free market, the state hopes to handle social divisions, armed conflicts, ways of life and thought, welfare provisions, land issues, and ethnic differences. In a nutshell, market and trade ethics is viewed as capable “guide to all human actions, and substituting for all previously held ethical beliefs”.<sup>11</sup> The Look East policy presupposes that heightened trade relations and free markets with South East Asia will uplift the North East out of the shackles of insurgency, poverty, and economic backwardness as maximizing the reach and frequency of market economics will result in political, economic and social freedom. But is it really so. In fact, in one of his speeches to an audience in the North East, Mukherjee admitted that the “Look East” policy though enormously beneficial to India at large is creating fears amongst the local people of being submerged by the grand Indian vision of “opening up” to South East Asia and flooding a fragile region with the logic of market economics. He stated “I am aware that many fears that accelerated cooperation could in fact pose serious challenges. These concerns or challenges need to be listed out; we need to dwell on how they may be addressed....there is considerable urgency in this”.<sup>12</sup> This paper is therefore primarily geared towards filling this critical policy gap: to identify and list out the challenges as well as outline the plausibly best policy response. In the light of that backdrop, the following questions are addressed in the paper.

- i. What are the policy measures that have been undertaken under the aegis of the “Look East” policy concerning the North East?
- ii. What are the challenges facing the Centre and especially the States towards implementing the “Look East” policy?
- iii. What could be the best policy responses to these challenges?

The paper is divided into three sections. The first section highlights the measures undertaken under the Look East policy for the North East. The second section highlights the policy challenges with regard to the implementation process of the “Look East” policy. The third section offers certain policy responses to these challenges.

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<sup>10</sup> David Harvey, *A Brief History of Neoliberalism*, Oxford University Press, Oxford, 2005, p. 2.

<sup>11</sup> Harvey, no.10, p. 3.

<sup>12</sup> See Avtar Singh Bhasin, ed., no.1, p. 1479.

# I

## Look East and North East: Measures Underway

Several measures have been undertaken under the aegis of the “Look East” policy to uplift North East India. First amongst these measures has been a proposal to build the “Asian Highway” and “Asian Railway Link” and “Natural Gas” pipeline. The proposed geographical niche for the Asian Highway is the Imphal (India)-Tamu(Myanmar) road going on to Kalemryo railway onto Mandalay in Myanmar. Four lane Asian Highway is also sought between New Delhi-Singapore linked to Kuala Lumpur, Ho Chi Minh City, Phnom Phek, Bangkok, Vientiane, Yangon, Mandalay, Kalemryo, Tamu, Dhaka, and Kolkata. Road construction has already started from Tamu to Kalemryo, Myanmar. There is also a plan to construct a 1, 360km Trilateral Highway from Moreh (India) to Mae Sot (Thailand) through Bagan (Myanmar).<sup>13</sup> Moreh in Manipur is seen as the key to India’s “Look East” policy. According to Manipur Chief Minister, Ibobi Singh, “Moreh is the most strategic international trading point in the region”.<sup>14</sup> His view was reiterated by Pranab Mukherjee in his visit to the region in June 2007.<sup>15</sup>

The Kaladan Multi-Modal Transit Transport Facility aimed at establishing connectivity between Indian ports on the eastern side and Sittwe port in Myanmar through a riverine transport corridor and road in Mizoram is envisaged as providing an alternate trade route to the North East.<sup>16</sup> For purposes of Burmese gas transfer through North East, India is planning to invest \$100 million in improving the old colonial Burmese port of Sittwe on the west Burmese coast.<sup>17</sup> It is hoped that with deeper ties between these countries, the largely illegal flow of goods through Moreh (Manipur) into other North Eastern states from South East Asia will become legalized.<sup>18</sup> In this context, it is arguably

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<sup>13</sup> See North Eastern Region Vision 2020, Ministry of Development of North Eastern Region and North Eastern Council, Agartala, May 13, 2008, p. 275.

<sup>14</sup> Graham Lees, “Burma is the key to India’s ‘Look East’ Economic Strategy” July 19, 2007 at <http://www.worldpoliticsreview.com/article.aspx?id=941> (Accessed on August 23, 2008).

<sup>15</sup> See “Speech by the Minister of External Affairs Pranab Mukherjee, in Avtar Singh Bhasin, ed., no.1, p. 1479.

<sup>16</sup> For more on the Kaladan project, see Ashok B. Sharma, “India, Myanmar expects Kaladan project to increase border trade”, *The Financial Express*, April 04, 2008 at <http://www.financialexpress.com/news/India-Myanmar-expects-Kaladan-project-to-increase-border-trade/292285/> (Accessed on May 5, 2008).

<sup>17</sup> *Ibid.*

<sup>18</sup> Jairam Ramesh, “North East India in a New Asia” at <http://www.manipuronline.com/NorthEast/January2006/northeastindia12> (Accessed on August 12, 2007).

possible for the North Eastern states to develop individual economic relations with, for instance, Thailand or Vietnam. Many analysts are of the firm belief that this kind of a two way model will create a truly federal system of democracy in India.

The region could also benefit immensely from water sharing. The Mekong-Ganga Cooperation and the Kunming Initiative have been undertaken by India and China respectively to reach out to ASEAN. The Mekong-Ganga Corporation was launched by India on November 10, 2000 at Vientiane, Laos to boost cooperation in tourism, culture and education. The signatories were India, Thailand, Vietnam, Cambodia, Laos and Myanmar.<sup>19</sup> These countries also agreed to undertake joint transportation projects including the trans-Asian highway. This initiative is India’s most significant venture in the region. The best part about the Mekong initiative is that it does have the potential for direct flights between Guwahati- Ho Chi Minh City-Imphal-Hanoi. For China, the Kunming Initiative linking the Chinese province of Yunnan with Myanmar, India’s North Eastern states, and Thailand holds promise of greater economic interaction. It is also argued that the North East India must be allowed to revive its old historical, cultural and traditional ties with South East Asia, taking a clue from other significant trans-border linkages like that of Basque, Catalonia, and Ireland, where the European Union allows “transnational politics of recognition”, which empowers them from a marginalized existence in their own states.<sup>20</sup> In this context, the old Stillwell Road connecting Margherita-Ledo in Assam through Myanmar’s (then Burma) Hukawng and Magaung valleys to the Yunnan province in China and built by Joseph Stillwell and the 14<sup>th</sup> Allied Army during World War II could be a potential road link.<sup>21</sup>

## North Eastern Region Vision 2020

On July 2, 2008, the Prime Minister released the *North Eastern Region Vision 2020*, a document which identifies various challenges as well as the strategies required to bring about peace and prosperity in the North Eastern Region by 2020. The core theme of Vision 2020 is that the people of the North East nurture an urgent desire to “march on the path of economic, social and cultural progress towards prosperity and well-being, to participate in governance and determine the allocation of public resources and public services they receive”.<sup>22</sup>

<sup>19</sup> See Chandan Irom, “What Happened to India’s Look East Policy: The Mekong-Ganga Cooperation”, at <http://www.manipuronline.com/Features/January2002/mekongganga19.htm> (Accessed on August 24, 2008).

<sup>20</sup> Sanjib Baruah, *Durable Disorder: Understanding the Politics of Northeast India*, Oxford University Press, New Delhi, 2006.

<sup>21</sup> See “Stillwell’s Road” at <http://www.cbindit.net/stillwell.html> (Accessed on August 4, 2007).

<sup>22</sup> *North Eastern Region Vision 2020*, no.13, p. 1.

The document indicates that there are existential vast development disparities between the people of the North East and the rest of India as well as between the population of the hills and the plains in the North East itself. In order to correct these disparities, the document suggests that a development strategy based on participatory method be utilized for optimal benefits to the local people. In order to establish peace and prosperity, the document argues that the north east needs to follow the following path:-

- i. Catching up with the rest of the country;
- ii. Structural transformation;
- iii. Poverty eradication in North East;
- iv. Maximising self governance;
- v. Harnessing resources for the benefit of the people;
- vi. Building capacity in people and institutions;
- vii. Strengthening infrastructure;
- viii. Creating a centre for trade and commerce;
- ix. Effective governance: establishing peace and harmony.<sup>23</sup>

In order to ensure the realization of *Vision 2020*, the documents construct the following development strategy:-

- a. Empowerment of people;
- b. Creation of development opportunities;
- c. Developing sectors with comparative advantage;
- d. Capacity development of people and institutions;
- e. Creating a hospitable investment climate;
- f. Significant investment in both public and private sectors.<sup>24</sup>

These are admittedly valid general suggestions in terms of empowerment of the local people economically across the North eastern states. In one of its chapters, *Vision 2020* also indicates the benefits of the “Look East” policy for the North East. According to the Vision, “the LE (Look East) policy should be an important factor in promoting economic ties of the NER (North Eastern Region) States with its neighbours with a view to ending its economic isolation”.<sup>25</sup>

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<sup>23</sup> Ibid, p. 7-16.

<sup>24</sup> Ibid, pp. 17-18.

<sup>25</sup> Ibid, p. 271.

The document posits that since the people of the North East share cultural ties with the South East Asian countries and China, strengthening relations with them and India must be a key driver in India’s foreign policy posture. The Document, however, admits that the Look East policy has failed to majorly uplift the North East in the last 15 years or so as most of the goods from the ASEAN countries to India is sent through the sea route as the land route is thought highly unsafe.<sup>26</sup> Some of the recommendation of the *Vision Document* includes the following:-

1. Remove restrictions in border trade via Moreh, Nathu La, and other entry points.
2. Unrestricted trade with neighbouring countries in agriculture and meat products.
3. Improved interaction with neighbouring countries through sports, music, and other cultural activities.
4. Industrial output of NER must cater to the demand for industrial goods in neighbouring countries especially regarding cement, coal and timber.
5. Activate land customs stations.
6. NER must take active part in the growing trade with ASEAN in regard to woods product, ores and rubber products.
7. Integrate IT facilities in promoting for trade with the ASEAN countries.<sup>27</sup>
8. The Vision also recommends the gradual phasing out of the “jhuming process” by rapid replacement of traditional cropping patterns by short duration high yielding varieties of paddy in the Kharif season, followed by wheat, maize and mustard in the Rabi season.<sup>28</sup>

The recommendations of the *Vision 2020* document specifically focused on the “Look East” policy, while interesting, are not impressive. Any visit to Moreh in Manipur would make it rather clear that the town is in a decayed condition and the borders unmanned and therefore it cannot serve as this vibrant trading point as envisioned in the *Vision*.<sup>29</sup> The chapter on the Look East policy in the *North Eastern Vision 2020* document is also not reflective of ground level consultations. It has been mostly based on academic symposiums and existing

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<sup>26</sup> Ibid, p. 275.

<sup>27</sup> Ibid, pp. 285-86.

<sup>28</sup> Ibid, p. iv.

<sup>29</sup> Author’s visit to Moreh in August 2008 vindicated this opinion.

reports on the subject and in that light a rehash of earlier views.<sup>30</sup> Deeper scrutiny could have been undertaken to reflect views from a wider pool of people ranging from elites to the common trader on the matter since it presents itself as a Vision document.

The next section will identify the policy challenges facing the implementation process of the “Look East” policy.

## II

### Policy Challenges

On the surface, the various agreements, bilateral and multilateral frameworks appear poised for an increase in trade between India and South East Asian nations. The incentives for increased trade is enormous given the contiguous landscape, common lifestyles between the peoples overlapping borders as well as the promises of a better life once the Asian highway and railway is set in place. But a deeper study brings the complexities involved into sharper relief. There are a few pressing challenges, which have to be dealt with before the people of the North East are ready for a massive opening up to South East Asia. At present, the impediments to increased relations between South East Asia and North Eastern states are:-

#### **Issues of Infrastructure and Lack of Local Support.**

The “Look East” policy has been largely conceptualized at New Delhi, primarily as a response to the vacuum created in Indian foreign policy with the sudden demise of the Soviet Union. In that light, the policy was originally crafted more as a response by India to the systemic changes in international politics rather than a policy aimed primarily at uplifting its rather backward North Eastern region. The idea that North East could be the prop for the South East Asian-Indian economic linkage occupied the back stage in the early years. Once it was realized around 2000 that the “Look East” policy was a viable way to develop the North East, policy/decision makers started arguing for a proactive engagement of North East India with South East Asia. However, the idea has not caught upon the imagination of the local people across states since they were/are not briefed clearly about the policy by state actors.

Significantly, India’s conceptualization of “Look East” policy has no room for unique local ways of doing trade. The trade envisioned is of a high order,

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<sup>30</sup> See “Look East Policy: A North East Perspective”, Chapter 13, in North Eastern Region, Vision 2020, no. 13, pp. 271-286.

which ethnic societies are ill equipped to handle. Also, such huge flow of trade between North East and South East Asian markets will require sophisticated markets and infra-structure in place, at present, seen only in Guwahati, Assam’s capital. Other state capitals do not possess the wherewithal to handle such high voltage trading. Sensitive handling of tribal societies is also warranted so that in the quest for economic development, they do not lose out their traditional ways of life and destroy the eco-system in the process. How would one get a local farmer whose livelihood is *Jhum* (subsistence) cultivation or a local coal miner to enjoy the benefits from South East Asian societies with their highly developed manufacturing sector? Enmeshed into this are fears amongst local tribal populations of being over-shadowed by entrepreneurs and business people from other more developed parts of India.<sup>31</sup> What is also rather interesting is that there appears a convergence between a set of global actors (elite) and the state, who in the name of development and transnational border trade is trying to bypass the separatists movements by eroding ethnically protected, and community owned cultural and natural resources, with the state (both at the national and unit level) actively becoming a party to such propaganda of “liberalization of the frontiers and boundaries, beyond the reaches of civil society”.<sup>32</sup> According to H. Mate, Vice President, Hill Tribal Council, Moreh, neither the Central Government nor the state government ever consulted the people of Moreh or the local traders’ union while crafting the *North East Vision Document*. Therefore, the entire talk about grass-root involvement in development is rather rhetorical to him. This is even more surprising since the border trade is mostly done by local Kuki porters. According to D. Ravichandran, General Secretary, Tamil Sangam, Moreh, the border trade is highly unstable and the 22 items listed as legitimate border trade items does not meet the demands of the people. The “Look East” policy also threatens the lives of small traders in Moreh town as the Asian Highway bypasses Moreh town. He also argued that there are 58 checkpoints between Moreh and Imphal hampering border trade. Therefore, it would be better to have one or two check posts, an idea supported by the 31 Assam Rifles posted in the area.<sup>33</sup> Incidentally, the banking sector in Moreh is in virtual collapse with the Union Bank of India hardly functional. There are no ATM outlets in the town.<sup>34</sup> The most interesting

<sup>31</sup> Interview with H. Mate, Vice President, Hill Tribal Council, Moreh, Manipur, August 14, 2008.

<sup>32</sup> Prasenjit Biswas and Chandan Sukhlabaidya, *Ethnic Life-Worlds in North East India An Analysis*, Sage, New Delhi, 2008, p.15.

<sup>33</sup> Interview with Ravroop Singh, Commanding Officer, 31 Assam Rifles, August 15, Moreh, Manipur, 2008. Also Interview with Major General T. S. Handa, SM, 57 Mountain Division, Imphal, Manipur, August 17, 2008.

<sup>34</sup> Interview with D. Ravichandran, General Secretary, Tamil Sangam, Moreh, Manipur, August 15, 2008.

input on this aspect, however, came from the Secretary, Chamber of Commerce and Border Trade, Moreh. According to him, the corruption in the customs officials as well as state bodies is crippling trade activities. He also stated that vision statements were written for the “Look East” policy without even conducting a field survey in Moreh.<sup>35</sup> Worse still, when policy makers and crafters of the *North East Vision* talk about great industrial exchange between NER and Myanmar further towards South East Asia, these appears absurd as there is no industry in Myanmar.<sup>36</sup> He argued for the change of the barter system between India and Myanmar, and improve the balance of trade, which is perhaps difficult as there is no stable foreign exchange mechanism in Myanmar.<sup>37</sup> Even with regard to border trade, the Indo-Myanmar trade agreement of 1994 does not provide for trade in agricultural goods, and hence it does not account for the needs of the North East, which is heavily dependent on agriculture. Further, there are too many administrative restrictions in trade with no motorized vehicles allowed for border trade, which is restricted to barter trade under the Reserve Bank of India barter mechanisms and subjected to strict customary documentation.<sup>38</sup> Hence, trade can only be conducted by the border residents.

Also, the state of roadways all across the North East is in a pathetic condition. The NH-39 appears more like a primitive pot-holed road than one maintained by the state Public Works Department.<sup>39</sup> Also road connectivity to towns and villages get completely cut off at times during the monsoon months of April-August due to rains and landslides. The railways also face hazardous conditions and it has become a routine affair for railway bridges in the North East to collapse during the rains (some of these bridges date back to the colonial period). The road to Moreh and Champai, significant border towns for potentially huge border trade in the future, are in worse conditions.

### **The Crisis of Insurgency**

Almost all states in this geographical area, barring Sikkim, Mizoram and to a large extent Meghalaya and Tripura, suffer from militant violence. Meghalaya is however infested by militants belonging to the National Socialist Council of

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<sup>35</sup> Interview with S.S. Singh Patheja, Secretary, Chamber of Commerce and Border Trade, Moreh, Manipur, August 15, 2008. Incidentally, most policy makers highlight the importance of Moreh to the “Look East” policy.

<sup>36</sup> Ibid.

<sup>37</sup> Ibid.

<sup>38</sup> See Appendix II.

<sup>39</sup> Field Visit by the author in August 2008.

*Nagalim*, Isak-Muivah--- NSCN (IM) and United Liberation Front of *Assam* (ULFA) and small arms is routed in through the Bangladesh-Meghalaya border into other states of the North East.<sup>40</sup> Hence, it is perhaps naïve to suggest that it is an insurgency free state. People also fear being openly critical of either the NSCN (IM) or the ULFA. Assam has been plagued by violence and frequent killings by the ULFA of Hindi speaking people in recent years. In 2007 and 2008, the outfit killed nearly 70 Hindi speaking people across several districts of Assam. This violence has continued and spread to new areas like the hill district of Karbi Anglong where nearly 40 Hindi speaking people lost their lives in 2007-2008 alone. On October 30, 2008, 9 serial blasts went off simultaneously at 1130h in Assam’s main city Guwahati, and Barpeta, Bongaigaon and Kokrajhar districts, killing 83 civilians and injuring around 300. This is the main commercial hub of North East and such a situation is a major hindrance to investments and economic development as people live in a constant state of insecurity. Worse still, the October 30 blasts used RDX in two of the attacks and were supposedly the handwork of the National Democratic Front of Bodoland (NDFB) who was supposedly provided infrastructural back up by the ULFA. Investigations are still on in order to ascertain the hand behind these. The Harkat-ul-Jehadi-e-Islami (HuJI) involvement has also been inferred by security forces due to the use of RDX.<sup>41</sup>

Many smaller militant outfits like the United Peoples’ Democratic Solidarity and the *Dima Haram Daogab* are also functioning in this area. In Manipur, where the border town of Moreh is situated, nearly 30 insurgent groups are functioning and extortions are rampant. Across the border in Nagaland, the NSCN (IM) and the National Socialist Council of Nagaland led by S S Khaplang (NSCN-K) are engaged in a factional clash and both groups levy enormous taxes on business establishments and extort money from the common people. In such a situation, where the state is unable to provide basic security to the people, one should question the logic of the “Look East” policy. It will only compound the problem as insurgents view these transnational borders as a weakening of the Indian state’s hold on North Eastern territory resulting in more small arms, free cash, and luxury goods flowing in from East Asia, creating more entrenched interests in insurgency.<sup>42</sup> There also exists a strong linkage between many of these insurgent groups with the Kachin Independence Organization (KIO)

<sup>40</sup> Field Visit conducted by the author in July 2007 and January 2008. The area around Nongrill Hills, Shillong, Meghalaya hosts many NSCN (IM) functionaries.

<sup>41</sup> Namrata Goswami and Dilip Gogoi, "The October 30 Terrorist Attack in Assam", at <http://www.idsai.in/publications/stratcomments/NamrataGoswami141108.htm> (Accessed on January 20, 2009).

<sup>42</sup> See Biswas and Sukhlabaidya, no. 32, p. 28, 0. 15.

across the border in Myanmar. The insurgency situation in Chandel and Thoubal districts, Manipur through which the NH-39 is routed at present and later the Asian Highway will ply, is an eye-opener. The United National Liberation Front of Manipur (UNLFF) operates mostly from the hilly areas of Myanmar, bordering Moreh. The outfit crosses the Indo-Myanmar border with impunity and creates violence in these areas. There also exists a Kuki National Liberation Front (KNLFF) spearheaded by the Kuki National Army (KNA), who dominates Moreh. Despite signing a Suspension of Operations (SOO) with the Indian Army, the KNLFF and the KNA openly extorts huge amounts of money from the local traders on NH-39, generic to border trade. This aspect has been validated by the 31, Assam Rifles stationed in that area.<sup>43</sup> The idea of a “highway patrol” was mooted by the Meitei Council, Moreh, who in several memorandums to the Convenor of the Sub-Committee(II) of Department related to parliamentary standing Committee, who visited Moreh in May 2008, the Consul General of India in Mandalay, and the Indian Ambassador to Myanmar submitted for the need of:-

- a. A highway patrol force to protect NH-39 between Imphal and Moreh. To prevent extortions along Nh.39 etc.
- b. Prevent extortions along NH-39 between Imphal and Moreh,
- c. To increase number of items of Free Trade to encourage the traders.<sup>44</sup>

However, the idea of a Highway Patrol has been turned down by the Tamil *Sangam* as insurgents can extort money via a phone call, which they regularly do.<sup>45</sup> Worse still, at Kohima Gate, the Nagaland State police is heavily corrupt and forces traders to give money, or otherwise face physical abuse. Interestingly, Chandel headquarters is dominated by the NSCN (IM) while Moreh which is in Chandel district is dominated by the Kukis.<sup>46</sup> What is also rather pathetic is that in this situation, when the Indian state goes ahead with its counter-insurgency and the insurgents carry on their armed movements, the voices of a non-violent majority is almost lost.<sup>47</sup>

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<sup>43</sup> Interview with Col. Ravroop Singh, no.33. Also Interview with Major General T. S. Handa, no.33.

<sup>44</sup> Interview with Meitei Council, Moreh, August 16, 2008.

<sup>45</sup> Interview with D. Ravichandran, no. 34.

<sup>46</sup> The author faced a similar situation of extortion while traveling on NH-39 from Moreh to Imphal, when in Tengnoupal, the vehicle in which she was travelling was forcibly taken to an adjacent desolate small hill road by the KNA. After an hour or so of interrogation, she was allowed to leave and her fellow passenger, who works for the electricity department, was slapped an extortion notice of five lakhs with a bullet inside it as coercive posturing. Incident occurred around 1230h on August 16, 2008 between two Assam Rifles checkpoint on NH-39.

<sup>47</sup> Biswas and Suklabaidya, no. 32, p. 15.

## Elite Consensus and the Social Disjuncture

Statecraft is mostly a consequence of a) elites’ preferences and perceptions of a particular environment, ii) and the level of elite support for a particular foreign policy posture.<sup>48</sup> To be sure, there could be many other factors resulting in a particular foreign policy gesture like threat perceptions, lobbying by powerful social groups, and resources available for a particular policy. Nevertheless, with regard to the “Look East” policy, the elite consensus, be it at the national or unit level, is rather cohesive. The *North Eastern Region Vision 2020* has been signed by the eight North Eastern Chief Ministers and Governors. The Assam Commerce Minister, Pradyut Bordoloi argues for the significance of the “Look East” policy in conferences and public meetings in Assam.<sup>49</sup> This policy posture is also supported by the Mizoram Chief Minister Zoramthanga, Manipur Chief Minister Ibobi Singh and Nagaland Chief Minister Nephui Rio. At the national level, the former DoNER Minister Mani Shankar Aiyer wholeheartedly supports the policy. It is, however, rather surprising that none amongst the local politicians have really questioned the logic behind the “Look East” policy or formed an alternative policy to it. Neither have they substantiated as to how exactly a neo-liberal policy would address North eastern problems like identity, ethnic conflicts, separatist movements, and recurrent terror activities. It is rather odd that the future plausible benefits of the “Look East” policy have been accepted as a *fait accompli* at the level of elites. However, when one includes variables in the analyses like “social consensus”, it is easy to discern the lack of enthusiasm amongst civil society in general about the “Look East” policy. Local business persons involved in procuring smuggled South East Asian goods from Moreh (Manipur), Champhai (Mizoram) and Namphalang (Myanmar) to the North East expressed doubt at the idea that with a legal “Look East” trade, the money they had to pay to insurgencies and local policemen will be monitored. They indicated that they had to pay large illegal levies to insurgents under the very nose of legitimate state administrations at present; so how does legalizing the trade help?<sup>50</sup> It must also be noted that the trade of smuggled items through

<sup>48</sup> Randall L. Schweller, “Unanswered threats A Neoclassical Realist Theory of Underbalancing”, *International Security*, 29/2 (Fall, 2004), pp. 159-201.

<sup>49</sup> Talk by Pradyut Bordoloi on “Stillwell Road and Look East Policy”, Institute for Peace and Conflict Studies, May 2008. Also Shankhadeep Chaudhury, “Northeast India is poised to tap economic potential”, *Los Angeles Times*, May 29, 2008 at <http://articles.latimes.com/2008/may/29/business/fi-india29> (Accessed on October 30, 2008).

<sup>50</sup> Interviews with Local Entrepreneurs at Laikhmukhra, Shillong, July 11-15, 2007, Haflong market, July 17-19, 2007, Main Bazar, Lotha Road, Dimapur, Nagaland, July 25, 2007. See Appendix I for questionnaire. Unstructured interviews were also conducted since some people did not want to fill in questionnaires but wanted to narrate their lives’ aspirations and problems in a more open ended manner.

North East India to other Indian states from South East Asia is enormous. Recently, precious stones from Myanmar like ruby and sapphire have been seized from Champhai, Mizoram *en route* to markets across India. The stones mines are mostly located in Sagying division, Myitkyina and Mogok in Myanmar. Interestingly, the KIA is in control of the Myitkyina mines.<sup>51</sup>

The author also procured interesting insights in interviews with the NSCN (IM), the Chandel Naga Peoples' Organization (CNPO) and the local college principal in Chandel Headquarters. According to them, the educational training has to be changed to vocational training if local people are to benefit from the "Look East" policy. The unemployment problem is very high and insurgency appears to be the only viable job option, according to the local NSCN (IM) leaders in Chandel! The suggestion was also made by the CNPO that trade activities have to be locally manned and an International Trade Centre opened but the NSCN (IM) was wary about the natural resource extraction by outsiders and strongly argued against the recommendations by the *North East Vision Document* on phasing out activities like *Jhum* as the culture of the tribes and *ethnic life worlds*<sup>52</sup> revolve around it.<sup>53</sup> The CNPO argued that the Look East Policy is about India's trade with ASEAN, with the North East put in as an after thought.

Perhaps, one plausible reason for this lack of communication between the representatives of the state and the common people is due to overt bureaucratization of the state, dearth of political creativity as well as absence of political leadership. In India, democratization is simply connected to a statist agenda of national integration by tying distinctive identities together without providing a space for dissent. Also, the state has been unable to resolve issues of land and therefore, the inhabitants enter armed struggles to prove who the original settler on a piece of land is. Take the example of the violent struggles between the Bodos, the Santhals, the Karbis and the Dimasas in Assam in this regard and the Nagas, the Kukis and the Meiteis in Manipur. What is also alarming is the ease with which young men and women can procure weapons like Ak-47s or .303 reflecting the poor security measures in place to deter people from illegal possession of arms.

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<sup>51</sup> See "NE Emerges as Major Transit Point" The Assam Tribune, August 27, 2007 at

<sup>52</sup> For a detailed exposition on ethnic life-worlds, see Prasenjit Biswas and Chandan Sukhlabaidya, no.29. The authors have succinctly dealt with the fact that local societies support the insurgent groups as they appear to be fighting for their ethnic life worlds.

<sup>53</sup> Interviews with T.H. Oliver, Principal, United College, Lambeng, Chandel, August 19, 2008. Also interviews with NSCN (IM) and Chandel Naga Peoples' Organization, which is an apex body of seven Naga tribes, Chandel Headquarters.

## The States’ Incapacities

At the level of states, institutions like North Eastern Council (NEC) and the Ministry of Development of North Eastern Region (DoNER) have been given the responsibility to facilitate the opening of North Eastern states to South East Asia. However, the present functioning of both bodies is not optimal. Therein, people are forced to settle for sub-optimal results and lackluster development projects. Local industries are rarely functioning in an efficient manner and have failed to empower locally skilled people. An example is the Fruits Preservation Factory in Haflong, the headquarters of the North Cachar Hills in Assam. For nearly 11 years since 1996, this factory has not been functioning. Earlier, the factory used to make locally produced fruit juices and fruits preserve providing a constant source of livelihood to local men and women. However, neither the district administration could provide it with a stable flow of funds nor did the state government sent an inspection team to find out why the preservation stopped functioning.<sup>54</sup>

Financially, North East India is in a dismal condition with regard to locally generated revenues in order to sustain a decent living. The Union Government contributes nearly 35, 000 crores every year for a population of say 32 million. 85 per cent of Arunachal Pradesh’s funds are given by the Centre, Assam is provided 51 per cent of Central funds; Manipur, 80 per cent; Meghalaya, 70 per cent; Nagaland, 80 per cent, Sikkim, 40 per cent; Tripura, 72 per cent and Mizoram, 70 per cent. Therefore, ideas of local financial autonomy and future burgeoning local trade with South East Asia are a misnomer. Indeed, without generating enough local resources, it is but impossible for most of these states to suddenly hope for redemption across the mountains from South East Asia for their economic enlightenment. Sikkim in 2006 witnessed the opening of the Nathu La Pass for more trade with China.<sup>55</sup> However, during the author’s visit to the Nathu La, Sikkim in 2002, it was observed that the roads were narrow, mountaineous and steep and one could not really envision heavy trucks passing through these narrow lanes at regular intervals carrying high volumes of goods. Therefore, the opening of the pass is more symbolic and should be rather viewed through the larger geo-political prism of present Indo-Chinese

<sup>54</sup> Visit to the Food Preservation Cottage Industry, July 18, 2007, Haflong, Assam.

<sup>55</sup> Nathu La, situated at a height of 14, 420 feet was known as the ancient silk route between India and China. Both countries have identified Changgu in Sikkim and Renqinggang in autonomous region of Tibet as trade markets. The North East Vision 2020 asserts that the road from Gangtok to Nathula is being expanded to accommodate container traffic with a Central funding of Rs.18.88 crore in 2006-2008. North Eastern Region Vision 2020, p. 278. 44 trade items are allowed through Nathu La pass like agricultural implements, blankets, copper, textiles, cycles, coffee, tea, barley, rice, flour, dry and fresh vegetables, oil, gur, cigarettes, local herbs, spices, watches, shoes, goat skin, yak tail and hair, butter, etc, with a transaction value of Rs.25, 000 a day.

relations than as a precursor to increased trade activities across the India-China border. Most of the present trade between India, China and South East Asia is conducted through sea routes, a cheaper and by far easier means of transportation.

### III

## Best Policy Responses

In the current age of economic interdependence and growing global connectivity, it is a good step to envision opening of borders for greater trade and transit facilities. Legalizing border trade can also bring about a great deal of thaw in neighbourly relations (India and China) as well as create convergence of ideas for common development. However, as pointed out by the previous section, there are challenges at present, which are however, not permanent conditions. This can be rectified by a well thought out response policy but most importantly, political imagination. The most important required attribute is a sound political judgment informed by an acute sense of North Eastern reality.<sup>56</sup> It is therefore pertinent to start with a few smaller set of ideas, which are applicable to real life. This section offers a few policy suggestions to better prepare the North Eastern region for a smooth opening towards South East Asia.

1. The first important step is to build up the population skill base. If one is to go by *Census of India* 2001 data, in another 15-20 years, the population of the region will be mostly dominated by the age group 19-20 and also a strong pool base of 35-50 years.<sup>57</sup> Consequently, the second population base (35-50), which is in their 20s and 30s now, should be inculcated with vocational, entrepreneurial and managerial skills so that North East's dependency on skilled population from other parts of India is decreased.
2. The literacy rate of most North Eastern states except Mizoram is below the national average of 65 per cent. In order to increase the literacy rate and ensure that the rate of college drop outs decrease, the education system must be made vocation centric and not just limited to impartation of theoretical knowledge at the graduate level. Most importantly, primary school educational system must be improved so that children are imparted right educational skills in the beginning. The level of English education must also be improved.

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<sup>56</sup> I disagree with arguments which state that the word North East equates all states into one common homogenous sphere. To my mind, such arguments are spurious because the term "North East" indicates a common geographic space as one designates the West or the Middle-East. Yet we are all aware of the acute sense of difference between France and Germany. Only the misinformed will believe that North East is a culturally homogenous entity.

<sup>57</sup> See Census of India at <http://www.censusindia.net/> (Accessed on August 3, 2007).

3. The roadways suffer due to precarious weather conditions. Given the nature of the terrain, roads are also hard to be maintained on a monthly basis. What could be done is to set up small village level bodies, which utilize local labour to keep roads functioning.
4. Railway building projects suffer due to the pressure from insurgents on contractors to part with a percentage of the construction money. Refusal to pay results in attacks by insurgent actors on construction workers as has been the case in the National Railway Project in North Cachar Hills, Assam. It is imperative that the Jiribam-Lumding-Haflong-Silchar rail *en route* to Moreh connecting it to the Asian railway project be built given its importance for border trade and rail connectivity between the North Eastern states.<sup>58</sup>
5. At the rate insurgency is functioning in the Northeast with the consequent extortion rackets, it is but impossible to get local entrepreneurships started without giving insurgent groups a sizeable part of their income to guarantee security. State authorities need to crack down on parallel governments run by the insurgent groups by activating state institutions and ensuring basic security.<sup>59</sup>
6. Border areas have to be made safe from violence, extortions, smuggling rackets, drugs and arms transfers. On June 10, 2007, the border town of Moreh (Manipur) erupted into ethnic violence killing 11 and forcing many people to flee across the border into Myanmar.<sup>60</sup> Such violence has to be checked by state forces.
7. Moreh also serves as a point of cross border activities for the insurgent groups and drugs flows. North East India has many HIV/AIDS patients due to drug abuse with Manipur having the highest numbers. In this context, the United Nations Drug Control Programme (UNDCP) and the International Narcotic Control Board has warned about the North East becoming a hub for the drug mafia as the routes along the border are not adequately checked. Unless border areas are made secure by additional special counter-insurgency units and specially trained drug control bodies, normal trade may be a distant possibility.
8. The present trade between South East Asia and North East is on the decline. Officials claim that border trade through Champai (Mizoram) has

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<sup>58</sup> Interview with Maj. Gen. Handa, no. 33.

<sup>59</sup> Interview with Jacintha Lazarus, IAS, Sub Divisional Officer, Chandel District Headquarters, Manipur, August 19, 2008.

<sup>60</sup> The violence occurred due to reported killing of five Kukis by the Manipur insurgent group---the United National Liberation Front (UNLF). In retaliation, the Kuki National Army (KNA) killed six Meitei civilians. See "Clashes Leave Eleven Dead in Manipur Border Town," The Indian Express, June 11, 2007 at <http://www.indianexpress.com/story/33270.html> (Accessed on August 4, 2007).

dropped to 20 per cent and through Moreh (Manipur) to 10 per cent. The problem stems from the trading items on the list of goods to be traded. For instance, the Indo-Myanmar Border 'Traders' Union (IMBTU) had requested the inclusion of more trade items especially those in demand in Myanmar's market. At present, under the Indo-Myanmar pact of 1994, the 22 items allowed do not enjoy local patronage.<sup>61</sup> The Union government needs to do a realistic assessment of the goods to be traded, especially those that are required across the border like locally made textiles and woven tribal items.

9. North East Investment Opportunity Week was organized at Guwahati in September 2008.<sup>62</sup> This is a step in the right direction towards attracting foreign investors. However, in order to facilitate easy movement of people, the Inner Line Regulation of 1873 and the Restricted Area Permit (RAP) required for foreigners to gain entry to states like Arunachal, Manipur, Nagaland, etc, must be revoked. Such regulations contradict the grand vision of opening up via the "Look East" policy.

In conclusion, it can be argued that in the present age of globalization, no region in the world can remain immune from outside influences or from opening itself up. However, the process of establishing interconnections beyond borders must be carefully planned. In this context, the questions asked by Bose and Suklabaidya are important and requires deep scrutiny. They are: -

- i. In what ways can the mainstream models of economic development in terms of liberalization-globalization be adopted in the context of North East India?
- ii. Inversely, in what ways can the dominant paradigm of development be enriched tribal and ethnic specificities of North East India?<sup>63</sup>

One plausible answer they provide is that there has to be sharing of the life worlds (in terms of values and belief systems) between a "culturally constructed India and the area called "North-East".<sup>64</sup> There has to be an emphasis on indigenous knowledge systems coupled with a sense of economic and social justice. Once that happens, people support for "Look East" could be guaranteed and the implementation smoother if not easier. Further research could be conducted towards answering these relevant questions.

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<sup>61</sup> Surajit Khaund, "Indo-Myanmar Border Trade Declining", *The Assam Tribune*, August 20, 2007 at

<sup>62</sup> For more on the Investment Week, see "Fourth North-East Business Summit, Guwahati, 15-16 September 2008" at <http://mdoner.gov.in/writereaddata/sublinkimages/4NEBusinessSummit4113036925.pdf> (Accessed on November 3, 2008).

<sup>63</sup> Biswas and Suklabaidya, no.32, p. 20.

<sup>64</sup> *Ibid.*

# Appendix I

General Questionnaire utilized in field trips to Assam, Meghalaya and Nagaland in July 2007 and January and February 2008 and Manipur in August 2008.<sup>65</sup>

Responses by Naga Hoho (Diphupar), Dimasa Apex body (Haflong), Meitei Council, Hill Tribal Council, Tamil Sangam, Chambers of Commerce (Moreh), and Chandel Naga Peoples' Organization (Chandel Headquarters)

Sample Size: 36 (responses tabulated in percentage)<sup>66</sup>

Questionnaire for Data Generation regarding India's Look East Policy

1. Do you know what the "Look East" policy of India is about?
  - a. Yes (13)
  - b. No (49)
  - c. Vaguely aware (25)
  - d. Confused. (13)
  
2. Do you feel that investment from outside will improve the North East's backward status in terms of its economy and development?
  - a. Yes (10)
  - b. It could but development funds have to be carefully monitored. (13)
  - c. No. (14)
  - d. Resources must be generated from within North East itself. (63)
  
3. Do you think that your family looks forward to state help regarding development, education and a better life?
  - a. Yes. (56)

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<sup>65</sup> For more on field work methods, see Carolyn Nordstrom and Antonius C.G.M. Robben, *Field Work Under Fire: Contemporary Studies of Violence and Culture*, University of California Press, Berkeley, 1996.

<sup>66</sup> Data generated during field work in Assam, Meghalaya and Nagaland in July 2007 and Assam and Manipur in February and August, 2008.

- b. No. (13)
  - c. Can't say. (31)
4. Do you feel that Assam is developing because it has benefitted from India's "Look East" policy?
- a. Yes. (48)
  - b. No. (27)
  - c. Can't say. (30)
5. Do you think that the illegal trade between North East and South East India better off with proper state regulations?
- a. Yes. (3)
  - b. No. (12)
  - c. State regulation will mean more corruption. (41)
  - d. State regulation means more legalized trade and more opportunities for local entrepreneurship. (44)
6. Do you view India's "Look East" policy as resulting in more people from states outside the North East posing a threat to your lifestyles and your culture as well as your resources?
- a. Yes. (63)
  - b. No. (9)
  - c. Can't Say. (28)
7. Why do you think your local politicians are supporting the "Look East" policy seen as developed mostly from New Delhi?
- a. It brings in more Central Funds. (12)
  - b. It is genuinely meant to open up the North East. (7)
  - c. It is meant to feed the corruption already present in the North East. (72)
  - d. It will benefit local communities. (9)
8. Do you feel the terrain and roads of the North East capable of high volumes of trade flow between South East Asia and the North East?
- a. Adequate. (2)
  - b. Inadequate. (82)

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- c. Difficult terrain poses future problem. (11)
- d. The future is bright for such prospects. (5)
9. Do you feel that individual states need specific focus through the “Look East” policy or you think a more holistic approach is good for the region?
- a. Specific state centric approach better. (81)
- b. Holistic approach better. (3)
- c. Holistic approach with specific state centric policies depending on the trade and the specific goods imported/exported. (16)
10. Do you think that India’s Look East policy will benefit the North East or more other states of India?
- a. The North East. (14)
- b. States other than North East. (71)
- c. Both. (5)
- d. Can’t Say. (10)
11. Do you feel that opening up to South East Asia will end North East’s isolation and change its peripheral status to become more like a springboard for its development?
- a. Yes. (14)
- b. No. (24)
- c. Can’t say. (62)
12. Do you think successful implementation of the “Look East” policy across the North Eastern states will end unemployment problems for the youth, tackle insurgency and increase a state’s own finances?
- a. Yes. (26)
- b. No. (45)
- c. Can’t say. (29)
13. Do you think instead of a “Look East” policy, we need a more locally driven initiative conceptualized by people of the North East about how best see they their own development?
- a. Yes. (58)

- b. No. (2)
  - c. There is a need for a convergent approach with the Centre and the States working out the vision together. (40)
14. Have any of your family members been forced to involve in insurgency?
- a. Yes. (41)
  - b. No. (22)
  - c. Can't say. (37)
15. Where you would like to live five years from now?
- a. Here (Place Name :.....) (91)
  - b. In Guwahati. (0)
  - c. New Delhi or other Indian main cities. (2)
  - d. Abroad. (7)

# Appendix II

## **Barter Trade with Myanmar under the Indo-Myanmar Border Trade Agreement**

A.P.(DIR Series) Circular No.17 (October 16, 2000)

Reserve Bank of India  
Exchange Control Department  
Central Office  
Mumbai 400 001  
A.P.(DIR Series) Circular No.17  
October 16, 2000

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

Barter Trade with Myanmar under the Indo-Myanmar Border Trade Agreement

Please refer to A.D.(G.P. Series) Circular No.8 dated 17th May 1997 on guidelines for the border trade between Myanmar and India, under the Border Trade agreement dated 21st January 1994 signed between the Government of Myanmar and the Government of India.

It has been decided in consultation with the Government of India that under the border trade arrangement between the two countries, imports from Myanmar into India should precede exports from India to Myanmar. Accordingly, the revised guidelines for the border trade are as follows:-

1. i. The barter trade shall be restricted to land route as per the Border Trade Agreement between the two countries. Such barter trade transactions shall take place only by way of head load or non-motorised transport system.
- ii. Imports from Myanmar to India shall precede export from India to Myanmar.
- iii. The border trade will be restricted to items agreed to as per the Border Trade Agreement between India and Myanmar as listed in Annexure I.

- iv. There will be no monetary transaction under the barter trade arrangement.
  - v. The consignments of imports and exports should be invoiced in U.S. dollars.
  - vi. The value of goods exported under barter trade should not exceed U.S.\$ 20,000 per transaction.
  - vii. Exports from India to Myanmar under barter trade of the value not exceeding U.S.\$ 1,000 per transaction are exempt from declaration on the prescribed form viz. GR form, in terms of Reserve Bank Notification No.FEMA.23/2000-RB dated 3rd May 2000. However, such transactions should be completed in one or two days. Customs authorities at the Indo-Myanmar border will report import/export transactions of the value not exceeding U.S.\$ 1,000 to the Exchange Control Department, Reserve Bank of India, Guwahati, on monthly basis.
  - viii. On import of goods the party should submit documentary evidence such as Bill of Entry to the designated bank, where the value exceeds U.S.\$ 5,000.
  - ix. The export of goods from India to Myanmar against import of goods from Myanmar to India should be completed within a period of six months from the date of import.
  - x. The exporters should get the GR forms countersigned by one of the designated banks viz. United Bank of India, Moreh Branch, Manipur and State Bank of India, Champai Branch, Mizoram before submitting them to the Custom authorities. A copy of the contract for import and export with Myanmar parties should also be submitted along with the GR forms.
  - xi. On completion of export, the exporter should submit duplicate copy of GR form along with all commercial documents viz. copy of invoice certified by Customs, etc. within 21 days from the date of export, to the concerned designated bank.
2. i. The following branches of authorised dealers (i.e. banks) have been designated for the purpose of monitoring transactions under the barter trade arrangement.
- a. United Bank of India (UBI), Moreh Branch, Manipur.
  - b. State Bank of India (SBI), Champai Branch, Mizoram.
- ii. The designated banks' branches should only handle proposals for barter trade and documents relating to imports and exports thereunder.

- iii. The designated banks' branches should countersign GR forms original and duplicate, submitted to them by the exporters (before submitting to the Customs authorities) after satisfying themselves that the GR forms are supported by a Bill of Entry for import of goods from Myanmar to India. Both original and duplicate copies of the forms should be returned to the exporter. The GR forms may be superscribed as under:
 

‘Exports under barter arrangement with Myanmar. The payments have been received in the form of goods/commodities of the equivalent value’.
  - iv. The designated banks should maintain a record of the transactions under the barter trade arrangement on the basis of GR forms countersigned by them, in a register as per proforma enclosed (Annexure II).
  - v. The designated banks should forward a monthly statement as per the above form to the Exchange Control Department, Reserve Bank of India, Guwahati, within 15 days from the close of the month.
  - vi. On completion of export against receipt of payment in the form of import of goods/commodities from Myanmar, the concerned designated bank should surrender the duplicate copy of GR form and evidence of import to the Exchange Control Department, Reserve Bank of India, Guwahati along with the monthly statement, duly certified as under:
 

Value of goods exported adjusted against value of goods imported under barter trade arrangement as per Contract dated .....’.

Before certifying the GR forms, the designated banks should verify documentary evidence for import of goods/commodities of corresponding value and ensure that the commodities exchanged are as per Annexure I.
  - vii. The transactions relating to barter trade should not be reported in R Returns.
3. Authorised dealers may bring the contents of this circular to the notice of their concerned constituents.
  4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and any contravention or non-observance thereof is subject to the penalties prescribed under the Act.

Yours faithfully,  
K.J. UDESHIM  
Chief General Manager

# Annexure - I

## Commodities identified for exchange by residents living along the border between India and Myanmar

1. Mustard/Rape Seed
2. Pulses and Beans
3. Fresh Vegetable
4. Fruits
5. Garlic
6. Onions
7. Chillies
8. Spices (excluding nutmeg, mace, cloves, Cassia)
9. Bamboo
10. Minor forest products excluding Teak
11. Betel Nuts and leaves
12. Food items for local consumption
13. Tobacco
14. Tomato
15. Reed Broom
16. Sesame
17. Resin
18. Corriander Seeds
19. Soyabean
20. Roasted Sunflower Seeds
21. Katha
22. Ginger
23. Any other commodities as may be mutually agreed upon between the two sides.

*Source:* <http://www.rbi.org.in/SCRIPTS/>

*BS\_ECMNotificationUserView.aspx?Id=266 (Accessed on October 16, 2008).*