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India's North East Can Become the Connector

For the North East Region to fulfil the role of connector, the ongoing work should be accelerated on the India-Myanmar-Thailand trilateral corridor, as well as the Kaladan corridor (India-Myanmar), and the corresponding motor vehicles/transport agreements be negotiated. These corridors will be truly meaningful for the NER if they are not only connectors but also enable the NER to ride on them.

Events are unfolding in favor of the North Eastern Region (NER) of India. Cut off from the rest of India since the partition of 1947, recent developments and global trends could again turn NER into the powerhouse it once was. And instead of being disconnected, the NER can become the Connector.

Let's start with a bit of history. At one time, the states that now form the NER (Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura) were among the more prosperous parts of India. Then came 1947. "Partition's legacy is a landlocked region, without hinterlands and markets, distant from any major manufacturing centre. . . A thin sliver of land connects it to mainland India. . . [sometimes] described as

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the Chicken's Neck."¹ One of the most important indications of this isolation is the higher prices faced by NER states. Thus, the rural poverty line for Nagaland is 60 percent higher than for rural West Bengal, and most other NER states have rural poverty lines 10–40 percent higher than West Bengal's.²

Fortunately for the NER and India, both supply and demand factors are evolving in ways that can significantly reduce NER's isolation. Supply side factors include acceleration in connectivity infrastructure as well as policy measures to reduce the transaction costs of trade. Demand side factors include a globally increasing preference for fresh, healthy, safe and environmentally friendly products, as well as a growing role for services in manufacturing—areas in which the NER has comparative strengths.

Connectivity initiatives are bearing fruit—within the NER, between the NER and the rest of India, and between the NER and its neighboring countries.³ Roads, which are the dominant mode for goods transportation in the region, are being upgraded at all levels, including key state highways being converted to national highways. All-weather road and broad-gauge rail connectivity between all state capitals is in process.

The expanding rail networks could play a major role in connecting not just the NER but also the NER and its neighbors: including the prospect of connecting Silchar (Assam) and Agartala (Tripura) to the port of Chittagong (Bangladesh) via multi-modal linkages; resumption of railway

¹ Sanjoy Hazarika, *Strangers no More: New Narratives from India's Northeast* (New Delhi: Aleph, 2018), xxxix.

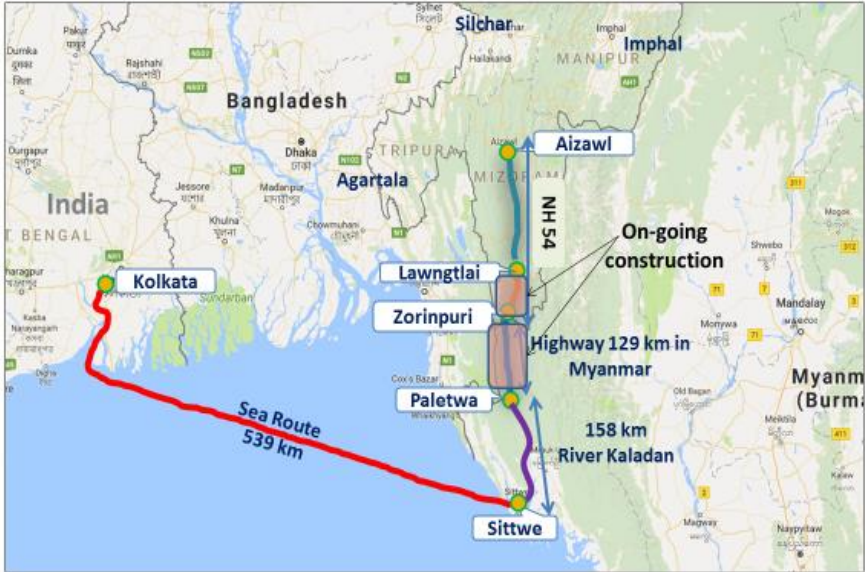
² The poverty line reflects the amount of money that is required to purchase a basket of essential goods and services. See T.G. Srinivasan, "The Promise of Northeast India" in *Playing to Strengths: A Policy Framework for Mainstreaming Northeast India*, ed. Sanjay Kathuria and Priya Mathur (Washington, D.C.: World Bank, 2020). <https://openknowledge.worldbank.org/handle/10986/32740>.

³ For more details on developments in connectivity in the NER, see Prabir De and Charles Kunaka, "Connectivity Assessment: Challenges and Opportunities," in *Playing to Strengths*, ed. Kathuria and Mathur.



line construction between Imphal and Moreh (both in Manipur) on the India-Myanmar border; connecting India and Bhutan by rail; and expanding India-Nepal linkages beyond Birgung (Nepal).

Kaladan Multi-modal Transit Transport Corridor



Source: ASEAN-India Centre (AIC), RIS, New Delhi

Waterways, historically important, are now being resuscitated, of which the Brahmaputra and Barak water systems are critical for both within NER connectivity as well as NER-Bangladesh connectivity. For example, the Lakhipur (Assam) to Bhanga (Assam, on the India-Bangladesh border) stretch of the Barak River is now National Waterway 6 in India, and ongoing improvements in NW6 will strengthen Bangladesh-Assam-NER connectivity. In addition, the Protocol on Inland Water Transit and Trade (PIWTT) between Bangladesh and India allows cargo movement between Kolkata (West Bengal) and Guwahati (Assam) via Bangladesh. Air connectivity is also improving, with all states connected by air, but

international flights from Guwahati (the only international airport in the NER) are still very limited.

The NER's connectivity got a major boost in July 2020, when the first consignment of containers from Kolkata (West Bengal) reached Agartala (Tripura) via Chittagong port (Bangladesh)—fifty-five years after Tripura first requested access to Chittagong port.⁴ The traditional, land-based route between Kolkata and Agartala via the Chicken's Neck traverses about 1,600 km. Transit trade via Chittagong halves this distance. Should this route take off, it would diminish the role of the Chicken's Neck in the NER's trade and make Agartala an important hub for traffic between the NER and Bangladesh, and the NER and the rest of India.

Other policy measures in the subregion that are potentially important include the Motor Vehicles Agreement (MVA) between Bangladesh, Nepal and India (Bhutan opted out, at least temporarily), signed in 2015. If implemented, this would allow goods and passenger vehicles to ply in each other's territories, as opposed to the current inefficient practices between, say, India and Bangladesh, which do not allow vehicles to cross over into the neighboring country and instead require goods to be "transloaded" at the border between the vehicles of the two countries. In addition to the MVA, some guidelines for infrastructure standardization, at least along major corridors—e.g., standard vehicle axle load limits and railway line gauges—could help maximize the effectiveness of infrastructure investment.⁵

Demand side factors are playing out in favour of the NER. As their incomes have risen, consumers are expressing increasing preferences for sustainable, socially responsible production. Products that are fresh, organic, environmentally friendly, and produced in enterprises/farms that

⁴ Debraj Deb, "Tripura Receives First-ever Container Cargo from Kolkata via Bangladesh Port," *Indian Express*, July 23, 2020.

⁵ De and Kunaka, "Connectivity Assessment: Challenges and Opportunities."



are gender-sensitive, are increasingly in demand, both in India and the rest of the world. Similarly, services are playing an increasing role in manufacturing, such as in product design, logistics, marketing, etc.—a phenomenon dubbed as “servicification.”

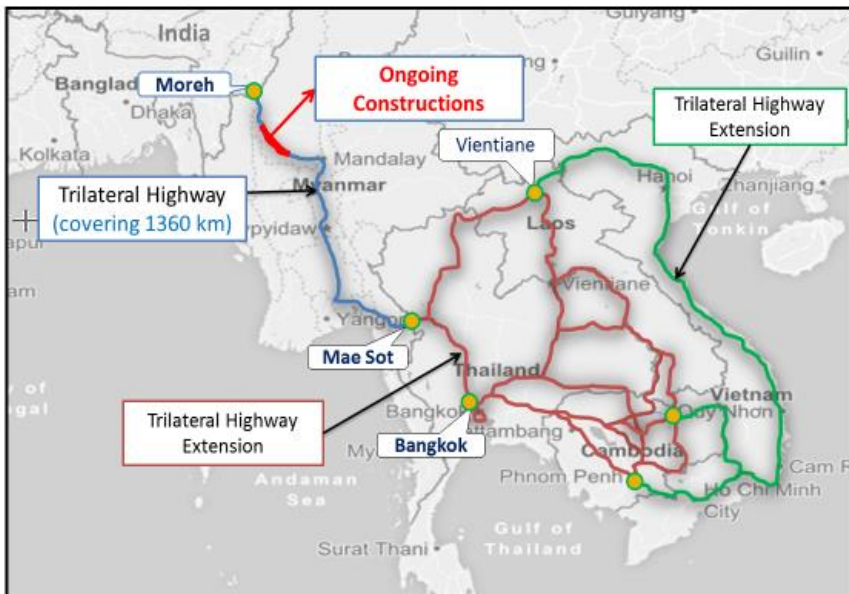
On all these counts, the NER is well-placed.⁶ The NER states have a comparative advantage in growing fruits and spices, which are, moreover, produced in organic or near-organic conditions. The NER’s clean and pristine environment could also enhance consumer confidence in a post-COVID-19 world. To the extent that these products can reach retailers in fresh condition, they can fetch significantly higher prices, which can increase returns for those involved in the supply chain, including farmers, women and the poor. Similarly, the NER states have a high service sector orientation, with a 48.6 percent share of the tertiary sector in state GDP, compared with 35 percent in other mountain states. In addition, female labor force participation in the NER is over 8 percentage points higher than the all-India average (2011 Census); the share of women in overall employment in the secondary and tertiary sectors in the NER is 34.6 and 23.2 percent, respectively, compared with corresponding figures of 20.7 and 17.6 percent for all-India. Moreover, high proficiency in the English language, especially in the hill states of the NER, is an important skill for potential employment in professional services including medical tourism, general tourism, information-technology enabled services, and so on.

How can the potential of the NER be turned into a reality? The most important factor would be to attract significant private sector investment from the rest of India, Bangladesh, Japan, and other parts of Asia and the world. In the immediate future, dynamic Bangladeshi firms are well-placed to invest in the NER and

⁶ Srinivasan, “The Promise of Northeast India.”

incorporate the region into their corporate vision—which can include, for example, supplying fruits, vegetables and spices to Bangladesh from their NER investments; creating a services value chain, such as in medical tourism, linking Bangladesh with the NER; and leveraging the NER supply chain for their exports to the neighborhood and elsewhere. Such investment from Bangladesh (as well as Nepal) to the NER is already occurring, but much more is possible and would require, among other things, relaxing of controls in Bangladesh and Nepal on overseas direct investment. Firms from the rest of India are also beginning to see the promise of the NER. A few important success stories can help to create a demonstration effect and the possibility of much more investment.

Trilateral Highway and Its Extension Plan



Source: ASEAN-India Centre (AIC), RIS, New Delhi

To attract the private sector into the NER, policymakers in India need to articulate a clear vision and stress the favourable developments. For too long, policy has been ambivalent on the role of manufacturing. The NER would be well-served if the authorities embrace and espouse the NER's



strengths in agriculture and services, invite the private sector to invest in these areas, provide top-up support to private firms in logistics and cold chains, and encourage foreign direct investment in all these areas. This vision could also stress the positive changes in connectivity, which are reducing the transport cost disadvantage suffered by the NER's erstwhile isolation; and point to the favorable global demand trends.

With the right moves, the NER's days of disconnectedness can become part of history. Instead of being disconnected, it can, in fact, become the connector between India, Bangladesh, Bhutan and Nepal, on the one hand, and Myanmar and Thailand on the other.

For the NER to fulfil the role of connector, it will be important that ongoing work on the India-Myanmar-Thailand trilateral corridor, as well as the Kaladan corridor (India-Myanmar), be accelerated and the corresponding motor vehicles/transport agreements be negotiated. Finally, these corridors, when they become functional, will be truly meaningful for the NER if they are not only connectors but also enable the NER to ride on them. Indeed, the corridors can only become fully effective if the economies of the NER are fully contributing to the demand from, and supply to, the corridors.

(This essay draws on a chapter by Sanjay Kathuria and Priya Mathur, "A Policy Framework to Build on Northeast India's Strengths," published in the book, *Playing to Strengths: A Policy Framework for Mainstreaming Northeast India*, edited by Kathuria and Mathur (Washington, D.C.: World Bank, 2020). <https://openknowledge.worldbank.org/handle/10986/32740>.)

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