Chapter 5

PROSPECTS AND PROBLEMS
OF EXPORT TRADE FROM
NORTH EAST INDIA
This chapter is devoted to the assessment of prospects and problems of export trade from North East India.

5.1 PROSPECTS OF EXPORT TRADE FROM NEI:

Having deliberated on the present status of export trade from North East India (NEI) and various impediments to export trade from the region, we now propose to shift our focus to the prospects and problems of export from NEI. This is necessary in order to visualize the possibilities of promoting export business from the region with regard to exportable products available from within the region and also for the export through NEI. The region has ample prospects and potentials to enhance export trade as discussed hereunder:

Locational Edge:

India's strategic location, between Middle East and South East Asia, presents itself as a country with immense business opportunities. Moreover, NEI, owing to its geographical location and proximity to South and Southeast Asian nations, has a natural trading advantage. There is a wide scope of generating economic activities through their interactions with Middle East, South, South East and East Asian nations. NEI may even act as transit zone between trades with India’s mainland and these nations.
Shorter delivery schedules for NEI exporters are an advantage because of geographical proximity of the region. For example, Bangladesh is connected with most of the parts of NEI through road network. As NEI is located far from rest of India, transporting goods between NEI and other regions of India takes longer duration than transporting goods between NEI and Bangladesh. The delivery time between Kolkata and NEI is between 7 to 10 days, while it requires 1.5 to 2 days to transport goods from NEI to any corner of Bangladesh. Moreover, the cost of transportation between Agartala and Dhaka seems to be much cheaper.

The earlier development of the region around natural resources like tea, timber, oil was basically pre-industrial in nature and hence failed to provide the growth impetus. The far away distance of the main market centers of the country crippled the NEI’s market to spread up to a reasonable size thereby denying the manufacturing activities to attain the economies of scale. Therefore, it is quite likely that the neighbouring market is being viewed as potential vents for expansion of market base.

Resource Availability:

NEI’s rich resource base in mineral, agriculture, horticulture, forest and biodiversity, hydro-potential, oil and gas, handicraft and handlooms and even production base provides significant opportunities for investors to establish export units.

The Brahmaputra Valley provides fertile soil for cultivating horticultural products, plantation crops, vegetables, spices, rare herbs, and medicinal plants, where agricultural export processing zones are in operation. Agri Export Zones (AEZ) have been set up in NEI namely (a) Tripura- for Pineapples, (b) Sikkim for Floriculture- Orchids and Cherry Pepper, (c) Sikkim for ginger, (d) Assam for
fresh & processed ginger for promotion of export trade But it is still to make a landmark to materialize its objectives.

The NEI has the potential to develop into India’s powerhouse, being a vibrant source of energy, oil, natural gas, coal and limestone and being endowed with India’s largest perennial water system in the river Brahmaputra and its tributaries.

Sikkim is endowed with rich resources. Sikkim’s oranges, tea, ginger, mushrooms and cardamom have a ready-made demand abroad which has never been explored to the fullest extent. Its diverse ecological conditions support the cultivation of different kinds of fruits, vegetables and commercial crops. Sikkim Oranges have a unique taste, the kind relished by the Europeans - especially as a cocktail for liquor. The state produces 80% of India’s large cardamom. But Cardamom is not being exported so far. Sikkim Mushrooms are collected from the forests and consumed locally. Government projects to encourage people to grow mushrooms have failed miserably. But the idea has tremendous potential because varieties of mushrooms popular abroad can be grown in Sikkim. The Ginger is also of a good quality and has export prospects. Honey is another agro-based product that has high potential. Sikkimese Tea is being exported (Temi Tea) but the quantity is very low. But these agro based products require value addition to make it practical and profitable.

Sikkim is the home of some beautiful flowers, the kind which have great demand abroad. A lot of medicinal plants go out of the state unofficially through mediators with practically yields no benefit to the collectors. The traditional Cottage and Khadi industries and specially handlooms and handicrafts enjoy good national and international market but more needs to be done on upgrading quality and design, as well as production and improvement in the marketing network.
Export Promotion Schemes:

GOI has already restructured and revamped various export promotion schemes to encourage export from NEI. Industrial growth centers in NEI have already been converted into tax-free zones. Besides, the government has also made available subsidies on transport, interest, excise duty, insurance benefit, power capital investment and interest subsidy on working capital to name a few. These offer incentives to the exporters.

Apart from the liberalisation of Trade Policy and simplification of procedure, the present policy with a view to promote export from North East has introduced double weightage for calculation of FOB (Free on Board) / NFE (Net Foreign Exchange) for the purpose of recognition of Export House, Trading House etc. for export of goods manufactured in North East states. Besides, 1% additional special Import Licence shall be granted for the export of products manufactured and exported from N.E. States provided the export of these products is more than 10%.

With a view to encourage export, the government has given the Export House Status to the designated State Corporation like Assam Industrial Development Corporation Limited (AIDC) in Assam and Meghalaya Industrial Development Corporation Limited (MIDC) in Meghalaya without any export performance which entitles them Special Import licence for export made by them.

To encourage the industries for setting up of manufactured export products, Export Promotion Industrial Park (EPIP) is envisaged for every states with 100% funding up to 15 crores by Central Government subject to 25% export commitment. Export Promotion Industrial Park (EPIP) is already underway in the states of Arunachal Pradesh, Assam and Meghalaya. Industrial Growth Centre is being set up in each state which will provide integrated infrastructure to the
industrial units located in the centre.

In order to develop and promote export of spices from NEI, Spices Board in Guwahati has been carrying out various schemes like developing Drying Yards for improving the quality of spices, warehouse and cold storage facility, scheme for production of organic pepper, varietals improvement of Bird Eye Chilly as well as various training programme.

Ministry of Commerce has set up Agricultural Processing Export Development Authority (APEDA) office in Guwahati in order to provide market information, financial assistance for development of infrastructure like cold storage and freight subsidy for export of agricultural and processed food products. APEDA has taken a major plan for establishing cold storage facilities in major cargo complexes in Guwahati, Aizwal and Imphal. It has programme to promote organic cultivation of chillies, pepper, turmeric and ginger from this region to make use of the potentials of these products for marketing abroad.

**Improvement in Infrastructure:**

The state governments of North East have for long been exhorted to boost trade by opening this land locked region to the South Asian trade zones. The Trans Asian Railway (TAR) project, which is under way, is conceived to touch India in its ambit to form part of the southern corridor linking Southern China to Europe through Mahisashan, Lekhapani (Assam) and Jiribam (Manipur). It is expected that TAR will mean improvement in international trade and passenger traffic especially with South East Asian nations.

The increased connectivity by road and rail with free trade regions of the South East Asian countries is likely to boost export trade in the region by manifold. The region has the potential of becoming hub of business activities with a boom in
tourism and other avenues opening up simultaneously. The port of Chittagong, in Bangladesh is only 75 Km from Sabroom, a district town of the south Tripura and if access is made available to the said port, then Tripura and the neighboring states can use the sea route to Bangkok to reach the South Asian trade zones. It has also been proposed that Ashuganj in Bangladesh be declared as a 'Port of Call' under the 'Inland Water Transit and Trade Protocol'.

The Brahmaputra was declared as the National waterway II in 1988 for transportation of goods, but due to poor infrastructure, perennial insurgency problem etc the movement of Cargo vessels was affected to a large extent. In a bid to boost up trade in NEI, India and Bangladesh had resumed cargo movement after an agreement. Under the agreement, both the countries agreed to ply Inland Water Transport (IWT) vessels on the designated routes. These are Haldia in Kolkota, Karimganj and Pandu in Assam and Siranjganj, Narayanganj, Khulna and Mongla in Bangladesh. This would definitely help the traders in expanding their business with Bangladesh by way of waterways. Apart from improving waterways, the Government of India also decided to set up terminals and night navigational facilities on mighty Brahmaputra to accelerate the movement of cargo. Besides, a growth quadrant could be created which includes Myanmar, Laos, South West China along the Old Burma Road and proposed Trans Asian Railway. The committee also noted that a Bay of Bengal triangle could be envisaged which would have Calcutta and Chittagong at the apex of a vast hinterland stretching down to Thailand on the one way and Singapore on the other. All these have ushered a new hope for a speedy journey of NEI towards economic development. In addition, to encourage export by air, Airport Authority of India has opened a Cargo Terminal with all associated facilities as a part of the master plan for development of Guwahati Airport.

To conduct a transport optimization, a study is also underway, with a view to examining international linkages as well as transit and transshipment arrangement
amongst countries like Bangladesh, Bhutan, and Myanmar. Besides, Economic and Social Commission for Asia and the Pacific (ESCAP) has set up an expert working group to study the connectivity of NEI with South East Asian nations.

**Look East Policy:**

'Look East Policy' is of added importance to this region in that all goods from and to India in trade relation with the South-East Asian market have to pass through this region and hence, it will reap an extra benefit of commercial transactions-benefits. The Indo-ASEAN car rally has revived the speculation on vast possibilities of reaping benefits from trade that could take place between NEI and South-East Asian countries.

**International Exposure:**

Over the last four years the enterprises of NEI and the consumers at large are exposed to international expo held at the state capitals of like Guwahati and Shillong almost regularly. Such type of expo serves as a platform for NEI exporters and provides them with opportunities for interactions both in terms of idea and also in terms of commodity. North East Chamber of Commerce and Industries (NECCI) has been playing a pivotal role in organizing such event. In the process, some of the products of the region might get penetration into the trading partner of India. Moreover, NEI exporters have hardly participated in such event outside the region which would provide an opportunity to interact with international buyers and understand the latest market trends and buyers requirements.
**Export potentials in tourism:**

Coming to export trade in service, tourism is a promising industry in NEI. The region has tremendous scope of tourism to be recognized as an industry. Rare flora and fauna, natural scenic beauty, unique performing arts, and varied cuisine and handicrafts provide unlimited tourism opportunities. Further, the region’s uniqueness in terms of varied topography, climate, culture, ethnicity, archeology, religious sites and national parks can offer an attractive tourism package to the visitors from neighbouring nations.

The flow of visitors both national and international has been limited due to several reasons, starting from insurgency, lack of infrastructure, product development to inadequate publicity, dearth of relevant information etc. The hill station starved Bangladesh could utilize Shillong as the only hill resort because of its proximity and easy accessibility. Further, there are also opportunities to expand cooperation with SAARC nations. For instance, the tourism sector within SAARC region has not been assigned a due weightage for a long period of time. The sector has low capital investment but relatively a high earning potential. At one point of time there was an idea to start daily air services to link the capitals of all SAARC nations. All the ASEAN capitals are now linked by air with relatively low fares and cost effectiveness. In this regard, the international airport at Guwahati can lead to a greater prospect if it is allied to other South East Asian countries. In fact, India is prepared to have an open sky policy with SAARC region provided they also reciprocate.

**Availability in Skilled Manpower Resource:**

NEI has vast reserves of technical and scientific manpower, backed by engineering and management institutes of excellence. India along with NEI is in great demand for skilled labor in the world's premier organizations. Both skilled
and unskilled labor is easy to find and wage rates are highly competitive compared to international levels. Language is not a barrier as the professional work force is conversant in English and the main transactions and procedures are done in the same language.

**Export potentials in health and knowledge dispersion**: 

There has been a large body of anecdotal information about the communities of Bangladeshi students studying in Indian educational institutions and number of patients from Bangladesh availing medical services in various medical establishments in India. Northeast, therefore, because of sharing long border with Bangladesh aspires to become a convenient place to export such services. Though World Health Report placed Bangladesh second in overall health system performance among the seven SAARC countries, the country however lacks in providing comprehensive and specialized health care. Due to easy accessibility through different border points and relatively low level of transport and accommodative cost, the NEI stands at an advantageous position for offering better education and medical care arrangement.

Unlike Bangladesh, no such information on export trade in services between Myanmar and NEI has been reported. This may be due to military junta in Myanmar (State Law and Order Restoration Council) which is not keen on encouraging such trade to take place or because of its proximity to Singapore and China who command more facilities in terms of both educational, health care and tourism activities. However, in Myanmar, the government presently is reviewing the entire health care service to provide better facilities to the people. The bordering states of Myanmar like Mizoram and Manipur are considered to be the ideal center for providing these services to the people of Myanmar due to cost effectiveness in consideration with its other bordering nations like Thailand and China.
With the opening up of economy and creation of favorable climate for education in India, the government has taken initiative to open up Central University in all sister states of NEI and thereby improving the learning system in the country. It is to be noted that India is one of the highest English speaking countries in the world. As such, NEI has ample scope to tap the future demand by positioning itself as educational centers with specialized institutions and qualified professionals in different fields. Yet, such initiative requires policy level intervention about the availability of quality educational services in this remote part of India.

There is increasing demand within the region to free up the trade in services. The potential for tourism and trade in health and education services are huge for NEI.

**Potentiality of Nathula’s trade:**

The Indo Chinese war of 1962 has created a barrier which ultimately led to total stoppage of trade. However, having considered the trading behavior that took place between India, Tibet and Himalayan Kingdom in pre 1962; it is quite substantial and encouraging for acquiring trade surplus through Nathula. Unlike the other trades that take place between the Government of India and its neighbouring countries including Myanmar and Bangladesh, Nathula trade is likely to have a much larger scope both in terms of coverage of geographical regions and nature of goods and services. This is because of relatively easier accessibility and more developed physical and institutional infrastructures in and around the trading points. Moreover, motor able road are present on both sides of the border.

The opening up of Nathula trade holds out prosperity for Sikkim. The real benefits are skimmed by people who straddle the trade. The goods could be
generated anywhere but the exchange will take place in Sikkim. The traders, industrialists, and business tycoons from either sides of the border will need to visit Sikkim and Gangtok is by far the more accessible and closer to the trade mart than the closest town on Tibetan side. So, with very little effort from its side could open up a whole new sector of business tourism. Moreover, hotel business, transport sector, warehousing and the allied service could seriously avail of the opportunities in Sikkim.

There is also the possibility of Nathula now playing a dual role of trade and tourism. Sikkim’s Chief Minister, Pawan Kumar Chamling, who has been advocating the revival of cross-border trade, is convinced that the future development of the state lies in trade and tourism. The benefits that are likely to accrue to Sikkim owing to the Sino-Indian bonhomie are many. Once trading resumes in full fledged manner, the economy of the region will change for the better. There will be immense possibilities of trade and commerce along with it, the Himalayan state may reap a rich harvest in religious tourism. Sikkim’s Tourism Secretary Karma Gyatso is of the view that the people who undertake a pilgrimage to the holy Manas Sarovar in Tibet will now opt for Sikkim as the first destination. For not only does the route from Nathu La to Sarovar reduce the distance, it is also a less expensive option. To reach Mana Sarovar through Nathula will take just two days, whereas now it takes at least 15 days. Tourism will be the mainstay of Sikkim, if Manas Sarovar Yatra is included. Moreover, Sikkim is the center of attraction in entire panorama of Buddhist circuit tourism amongst Bhutan, Nepal, Lhasa, Myanmar and Arunachal Pradesh. The State can really hope to look forward to better days, especially when the Union Tourism Ministry has decided to include Sikkim in the Buddhist circuit for overseas visitors. The Government of Sikkim has great interest in making this route as the cultural highway that could bring these cradles of ancient civilizations closer and closer. So, this could undoubtedly be the most fascinating tourism hub and
heritage site in the world. The reopening of Nathula Pass will also be a boon to tourism sector. Lakhs of tourists from either sides will be benefited.

**Investment Potential:**

Abundance in natural resources and a strong human capital base in NEI with a significant technological base in ASEAN provide immense opportunities to NEI and ASEAN to integrate and synergize their trade and investment potential.

The investment potential of this bountiful region of India is ripe. For companies in neighbouring countries, there are innumerable synergies to explore in agro-business, infrastructure, mineral exploration, information technologies and tourism to name just a few. For instances, Thailand’s economy, like India, derives its strength from the agriculture sector. By sharing experiences and learning from best practices, both countries can benefit immensely. Our private sector is outward looking and looks forward to entering new markets and also learning new methods. Thailand’s processed foods sector, for example, is one of the most advanced in Southeast Asia, accounting for roughly 15% of our manufacturing output. Without question, the northeast region holds a terrific potential both as an upstream supplier and as a recipient of appropriate investment in food processing.

Thailand has built a modern infrastructure in port, road and rail facilities that extends from southern China, through Laos, Vietnam and down into Malaysia and Singapore. NEI now holds the possibility for additional investments in such products as cement, power lines and power generation, among others, that would help to further integrate a growing South and Southeast Asia region.
New Policy Initiative:

A branch Secretariat of the Ministry of External Affairs (MEA) was opened at Guwahati on 15th June 2008. The Secretariat will facilitate the North Eastern Council (NEC) for liaison and interaction with the MEA so that the region’s requirement and aspiration get reflected in India’s bilateral relation with the neighbouring countries. The new Secretariat will also offer attestation of personal and commercial documents for use abroad under the Apostille Convention. Once attested here, the documents will no longer need further attestation by the Embassy of that country in Delhi. It will meet the need for fruitful and mutually beneficial linkage with neighbouring countries for any development strategy of the land-locked region, which shares its border with a number of countries.

To transform the region from the land-locked to being land-linked, there have been diplomatic initiatives to open transport routes. One is the Birgunj – kaatihar – Singhabad – Rohanpur – Chittangong route with links to Jogbani, Biratnagar and the other Agartala – Akhawra – Chittangong. For a rail link Akhawra – Agartala, survey within the Indian territory has been completed. India has been circulated a draft regional railway agreement for consideration of SARRC nations.

Recollections of pre-1962 trading practices between Sikkim and China:

This part is prepared out of a field survey conducted amongst the Sikkim traders (who used to trade before 1962) during researcher’s field survey in July-August 2006.

The trading activities were in boom up to 1962. There is not much written literature on pre 1962 Nathu la trade both in the national and state archives. But
there are very interesting oral accounts on this trading route. It is quite common to
come across in Gangtok old traders who recall pre 1962 trading practices. Some
of the recollections made by the traders, who were actively involved in the
heydays of the Sikkim - Tibet trade, provided with very intersecting insights on
the compositions and volume of trade, mode of transportations of goods, means of
communications and various modes of payments they had practised before 1962.
Some of the traders spoke Tibetan and learnt Chinese as well.

One of such traders, Mr. Khayali Ram Singhi who is 85 years of age, used to run
his Shri Sikkim Store in Yatung until 1962, when the Sino-Indian war took place
and the two countries detached their trade links. Most of the traders from Rongpo,
Rongli and Kalimpong, who owned shops in Yatung closed their business and
returned home as a result of pressure from the Chinese police. He was asked by
the traders in Tibet to return to India. He even recalled that he had Rs. 13,000 in
the Bank of China. He still has with him the pass book. He couldn't collect the
money before leaving Yatung. He hopes that the money will be returned to him
once the trade route is opened and start operation again.

He even recalled the journey from Gangtok to Nathula. After travelling for 15
miles, there was the post of the Indian Government where the traders would spend
the night. The next day the traders go to Nathula with the help of mule and then to
Yatung. He narrated the journey to be very tough in cold weather but the profit
made the trade worth. Some of the goods that were taken from the Indian side to
Tibet included cigarettes, watches, petrol, kerosene oil and textiles. Blue jeans
from India were the most sought after item. Chinese soldiers used to pay a good
price for them.

Mr. Motilal Lakhotia, one of the first traders to explore Tibet trade through
Gangtok against the traditional Kalimpong route, still holds on to his company's
nostalgic name, 'Sikkim Tibet Trading Company'. He had sold the Tibetan
everything from toothbrushes to automobiles. He has supplied around 10,000 bicycles to Tibet. He recalled how trucks and jeeps used to be dismantled to the smallest possible parts in Gangtok, carried on mule trains to the Tibetan trade outpost of Yatung where some 60 mechanics reassembled the vehicles for delivery. In return, Indian traders used to bring the Chinese silver dollar which they would take to Calcutta and convert into silver. The traders used to supply goods worth Rs. 2.50 for every silver coin they received. In Calcutta, each silver coin fetched Rs. 5.

Mr. Lakhotia cannot remember when trade started over the Nathula and Jelepa passes. He narrated that it must be there ever since there were people on either side of the border. Trade boomed when the communists took over China in the fifties. Yet, his booming business was abruptly called off in July 1961 when China and India fought a bitter war. Till then, China had a trade office in Kalimpong, a People’s Bank of China and also a consulate in Kolkata but all were shut down. The bubble had burst and trade never resumed. He is excited about the resumption and hopes to trade with Tibet again and may be because of this he still has not changed the name of his company. Trades already exist between India and China through Indo-Nepal border. He is of the opinion that the present supplies that make it to Lhasa via Kathmandu will definitely shift to Sikkim now. Sikkim will definitely gain if they get into the transport and warehouse sector. Infact that has been Sikkim’s traditional earning from the Silk Route before 1962.

Another trader, Bhaskaranand Aggarwal, maintained shops in Yatung that had to abandoned hastily on hearing the news that the Chinese army was sweeping down to the Indian borders. He used to carry across knocked-down American automobiles and motorcycles which were reassembled in garages in Tibet.

A Kalimpong based mercantile agent, who is now 75 years old, worked for M/s Hayward Agency from 1957 to 1960. He recalled that goods used to be carried
from Siliguri to Gangtok township by Sikkim National Transport (SNT) buses and trucks. The goods were then made into bundles and then strapped into the mules. Deorali village was the starting point for the mules train procession. The procession used to march along the mule trail to the Naya Bazar, then to 10th mile and then reach the uphill to 15 mile. Thegu was the next stop before coming to the hamlet of Tshango. The next climb involved crossing the cold pass and the last outpost of India, Nathula. Once the pass was climbed, it was down-hill all the way into the Tibetan hinterlands of the Chumbi Valley. The very first village was that of Lathung after which places like that of Phari la, then Gyantse etc should be crossed and then comes the very last destination Lhasa.

He further reminded that the goods were bundled at Kalimpong town for the Jelep la trade and then the long march to the Pedong town. There are still evidence of the Naag Dhara, meant to be a drinking gutter for the thirsty mules. The trail then marched down to the Rishi River and then reached the Sikkimese town of Rangpoo. The trail then moves upwards to Arithang before the final Indian outpost of Nathang. It then crossed over to the Tibetan side to join Nathu la trail at Phari. Yaks were used only from Phari onwards. Up to that point, mules and occasionally coolies were used to ferry the goods. There used to be customs checks at Pedong for Jelep La trade and at 15th miles for the Nathula trade.

An average mule train consisted of between 15 – 50 mules. Each mule used to carry 40 - 60 Kgs of goods. 5 - 10 mules’ riders would accompany the procession in the company of a group of Tibetan ‘mastiffs’ which were the two wheel carriage invented by the Chinese. It was more in use from Phari onwards because of the level land of the Tibetan plateau.

There were no proper facilities for warehousing during those days. Only facilities available were small roadside inns in the small town of Rhenok, Alitaar and Pedong. Those were just basic tents covering incase of emergencies and incase
the weather turned bad. Major warehousing facilities were provided at Kalimpong in Tibetan school at 10 miles in Nanduram Building etc.

The trade exports of India then were that of ghee, sugar, tinned goods, hardware, motor parts, mechanical items, construction materials, edible oils, leather goods (especially shoes), western watches, cigarettes, petrol, kerosene oil, textile etc. The Indian imports were that of raw wool, Chinese silk and Chinese dollar. Among the Indian goods having the most demands in Tibet were petrol, rice, sugar etc. Also in the demand list were high priced products like that of the Western watches (Rs. 1500 – Rs. 2000) then and the ‘Rolex’ brand of watches. There were large numbers of these watches being transported every now and then.

All trade were regulated via the Indian Trade Agent (Central Government) who issued trade permits to the traders, especially so in the case of high value commodities like that of petrol, diesel, auto parts, liquors etc. The trade was that of an open market. Most of the trade from Nathu la was done on the basis of cash transactions where as the trade from Jelep La was done on the basis of barter. The preferred currency for trade was the Indian currency but later on in the post 1950s the Chinese ‘dyang’ (1 dyang = INRs 3 – 4) became popular. Traders became overwhelmed with the use of the Chinese silver dollar, called ‘dyang’ not because of its face value but because it was made of pure silver. Traders were required to obtain permits to do trade in prohibited items like ‘dyang’ and had to pay a custom duty for imports of the ‘dyang’ at the rate of Rs. 1.50 for every Chinese dyang. Indian traders used to prefer payments in dyang for their export to the Chinese side. So the dyang as payments were brought into India in huge Yak Skin bags attached to long mule trains. The ‘dyang’ was actually the currency of another province called Ceiling, which the Chinese regime overran and later their currency was used in the Indo-China trade. The present rate for ‘dyang’ in the market is over Rs. 450 per piece. This was also called the ‘dyang revolution’.
Rajiv Mishra of Rajeev Electronics, whose family entered the Tibet trade in 1917, talks of hearing stories from the fifties when his family warehouse in Kalimpong would at any given time have some 22 rooms full of watches. He narrated that when Kalimpong’s trading days ended, most of the families involved in the Tibet trade almost immediately shifted base to Kathmandu. But his family stayed back and started supplying Indian goods to Tibet via Nepal from 1963 and continued till date. He also reveled that any curio shop in Lhasa is inundated with Buddha statuette actually crafted in the brass capital of Moradabad in Uttar Pradesh. Most woollen garments in Tibet bear the mark of hosieries in Ludhiana. Food grains, fruits and packaged food from India are still popular in Lhasa. On the other side, the Indian grey market is already inundated with electronic goods manufactured in China and leaking through the porous of Indo-Nepal border.

Mr. Mishra knows that he will not be able to sell watches or radios to the Chinese any more. Moreover electronic goods are cheaper nowadays as because they are manufactured in China. So, the same type of business does not encourage him from taking the plunge. He is still in touch with the people he traded with in Tibet and is looking forward to revive these contacts. He has even updated his import-export license in anticipation of resumption of his trading activities.

Thus, the recollections made by the traders who were actively involved in the pre-1962 trade activities reveals the enthusiasm in the opening of Nathu la and possibility of export trade to China.

So far we have been looking at the potentials and prospects in NEI. But in order to harness this potential and be in a position to export, the present researcher also makes aware of the specific problems in this region. Some of them are mentioned below.
5.2 PROBLEMS OF EXPORT TRADE FROM NEI:

NEI, as it stands today, presents an appropriate case of inter-regional disparities and its retrospective causes and effects. While the country is trying to integrate with the global economy, the region within the country has not integrated fully with national economy. However, due to special constitutional arrangements, historical background as well as geographical locations, the central government has been trying to integrate the NEI with the national economy through certain policy framework. Under the influence of the policy, various schemes for development of infrastructure and economy have been formulated. But, the developmental strategy and its impact have been too less visible to reckon with. In the process, natural resources, profits, savings and the like are moving away from the region to the other high productive places. NEI does not present a happy picture if compared with the stiff examples as shown by the other regions in rest part of India. Moreover, the strengths are not converted optimally to opportunities for economic development. Rather the weaknesses threaten the regional economies and erode the scope of export promotion from NEI. The reasons are manifold.

Absence of Customs Points:

It is no understatement when one mention that the NEI is the home of a rich variety of flora and fauna, and the export potentials of the same is tremendous. However, in the absence of notified customs points in the required areas, the export trades of such items are yet to take off and the traders stand to suffer substantial financial loss. Further, the mineral resources of the region, agricultural produces, automobile and machinery components, textile and cotton yarn are in strong demand in the neighboring countries. On the other hand the Indian traders are interested in importing electronic gadgets, synthetic blankets, teak, gold and
semi precious stones, all of which usually find their way into the region today through illegal routes.

**Infrastructural Constraints:**

The region though provides vast scope for enhancing transport and communication facility in terms of rail, road, waterways and airways but remains under developed. This inadequacy led to have cascading effect on cost of production and extent of market. The infrastructural facilities available in LCSs for trading are relatively poor. Infrastructural constraints in most of the LCSs are lack of weigh bridges, good dumping ground, cold storage warehouse, loading / unloading facilities, truck parking place, drinking water facilities, electricity, credit availability for export financing, medical and telecommunication facilities etc. Absence of warehouses and cold storage facilities pose serious problems for exporters of perishable commodities. Inadequate infrastructural support has been the immediate cause of low volume of trade. In fact this is the sole reason which has made a few of the LCSs defunct.

**Constraints of Farmers:**

The predominance of small and marginal farmers is the common feature of the agricultural economies of NEI. The bulging proportion of small and marginal farmers trapped in the traditional low input agricultural practices, is subjected to economically unviable production systems. Added to this, low and uncertain agricultural productivity due to vulnerability to floods, soil erosion and heavy salutation, the worst form of ‘hidden poverty’, lack of market opportunities and remoteness and isolation, have adversely affected the small and marginal farmers oriented agricultural economies and hindrance the growth of export sector in NEI.
Lack of Trade in Services:

Another weakness is the coverage of agreement on South Asian Free Trade Area (SAFTA). SAFTA is currently focused only on the trade in goods and overlooks trade in services. Service is the single largest contributor to GDP in South Asia.

Thus, if NEI is able to overcome its constraints and encounter its threats with the strength it has, it will be able to tap its opportunities. This is how NEI will find out means and ways to utilize the untapped resources and potentials for promotion of export.