Chapter 6

CONCLUSIONS AND RECOMMENDATIONS
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This chapter is devoted to significant inferences drawn by interpretation of analysis and findings discussed in the previous chapter. Further, it provides some suggestions for pragmatic measures for removal of impediments and promotion of export trade from North East India.

No thesis work or a research investigation into a pre-defined problem is regarded as complete and appropriate sans establishing some meaningful inferences. In order to provide policy direction and its realistic execution, a thesis must embody certain conclusions and recommendations. The present research report however is not an exception in today's universal tenet. After having discussed the accomplishment of objectives of the study, we now venture into arriving at significant inferences of the study and offer some pragmatic suggestions for future course of action.

6.1 SIGNIFICANT INFERENCES:

The study carried out so far revealed that the export trade has performed fairly well and the liberalization policies too seem to have augmented their growth. The various policies for promotion of exports are a welcome sign for the exporters. However, there has been some amount of mixed reactions among the exporters in case of certain issues. Those are discussed below.

- NEI has major trade relationship with Bangladesh and Myanmar. Apart from these countries, it exports to other countries like Bhutan, Germany, Ireland, Japan, Kenya, Netherlands, Pakistan, Singapore, Sri-Lanka, United Arab Emirates (UAE) and United Kingdom (U.K.). Exports from NEI takes place through Land Custom Stations (LCSs) located along international borders in the region as well as Inland Container Depot.
Presently, there are 32 LCSs in the region, out of which 18 are functional. Out of the functional 18 LCSs, 4 are in Assam, 1 in Manipur, 8 in Meghalaya and 5 in Tripura. The study discerns that although the export trade has performed fairly well intermingled with liberalization policies but it has exhibited a fluctuating trend of export trade.

- Present export from this region by and large consists of primary commodities to manufacturing products like tea, minerals, spices, fresh fruits, agricultural products, cement and other chemical and allied products. Tea remains the single largest traditional item and most of the export is from Assam. Coal and limestone have become the major component of export particularly from the state of Meghalaya and Assam. They are exported mostly to Bangladesh. Species like ginger, dry chillies; fresh fruits like oranges, citrus, pears, grapes and apples also form a major component of export. Due to the slow pace of manufacturing activities, the export of manufactured items remains more or less negligible.

- Although the commodity basket of agricultural production in the plains of NEI and in Eastern region of Bangladesh has much similarity, the same between the hills of NEI and the plains of Bangladesh is dissimilar. The complementarities between the resource base of hills of NEI and the plains of Bangladesh provide a firm basis of trade between them. The share of Meghalaya in total export to Bangladesh from NEI is the highest, followed by Assam and the contribution of Tripura in this regard is negligible.

- The trade between NEI and Myanmar runs only through Moreh because of relatively better infrastructural support. But the export has shown a declining trend. The reasons for the same have been ascribed to factors like system of export first by Indian traders preceded by import, limited
choice of commodities for exporting and impositions of illegal taxes by different groups. Growth of export trade to Myanmar is also adversely affected because of the restrictions on export of botanical plant and bio-plant materials by Ministry of Commerce.

- The export from NEI to Bhutan takes place through Hatisar LCS. The export has increased gradually since its inception. However, the trade is insignificant due to lack of proper infrastructural facilities. Exports from NEI to other nations including Germany, Ireland, Japan, Kenya, Netherlands, Pakistan, Singapore, Sri Lanka, UAE and U.K. occurs through ICD, Amingaon and LGBI Airport. NEI mainly exports tea, incense stick powder, agar oil, perfumery compound, joha rice etc to its trading nations. NEI’s export trade with these nations is more or less steady.

- 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 the 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 the 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, motorable roads are present on both sides of the border.

- A mixed trend is observed in NEI’s share in India’s total export. However, it has a reasonable presence in India’s export market in the category of
mineral of which coal and limestone constitute the major commodities. It is followed by agricultural & allied products and the share of NEI in India’s total export of other products is negligible.

- NEI has been quite competitive in exporting minerals as Revealed Comparative Advantages (RCAs) values hovered around 8.9% to 16.7% and Revealed Symmetric Comparative Advantages (RSCAs) were very close to 1. Similarly, in case of agricultural and allied products, NEI has comparative advantage in exporting as revealed by more than unity values for RCAs and positive values for RSCAs. However, in case of other products, indicated a comparative disadvantage to NEI in exporting these items as revealed by less than unity values for RCAs and negative values for RSCAs. It indicates inefficiency in exporting of other items.

- The time series analysis reveals that as a natural sequence with the passage of time the volume of export has also grown but the graph of export growth is not in the same axis nor in uniform direction; instead there has been serious fluctuation leading to ups and downs during the study period. The asymmetrical growth may be attributed to economic reasons, often to strenuous diplomatic relation with our neighbourly countries. This has been again compounded by our commitment to comply with the World Trade Organization (WTO) for allowing free trade in respect of certain selected commodities.

- It is observed that India has been engaged in trade agreements with a number of countries and is also strongly negotiating Freé Trade Agreements (FTAs) and Comprehensive Economic Cooperation Agreements (CECA) with several other countries from different parts of the world. These trade agreements are expected to significantly enhance India’s international trade prospects. Moreover, the emerging trends of
sub-regional cooperation including Bangladesh, India, Myanmar, Sri Lanka and Thailand Economic Cooperation (BIMSTEC) and South Asia Growth Quadrangle (SAGQ) have in them cross border policy intervention with a view to harness the comparative advantages of NEI. BIMSTEC has been visualized as a ‘bringing link’ between two major regional grouping i.e. Association of South East Asian Nations (ASEAN) and South Asian Association for Regional Cooperation (SAARC) and is an important element in India’s ‘Look East Policy’. It is of added importance to NEI in that all goods from and to India in the trade relation with the South-East Asian markets have to pass through this region and hence, it will reap an extra benefit of commercial transactions-benefits.

• In the SAARC region, many attempts have been made to encourage regional trade in the form of South Asian Preferential Trade Agreement (SAPTA) and South Asian Free Trade Agreement (SAFTA). Despite constant attempts, it still could not take an effective shape as a regional trade body because of diplomatic apprehensions between India and its neighbouring countries. Despite official declarations to transform the SAPTA into a Free Trade Agreements in this region by 2001, the idea seems to be unrealistic. This is because, (a) a few number of items were offered for concessions in relation to the total import basket of every country (b) the actual number of items imported compared to total number of items offered for concession was abysmally low and (c) majority of items offered for concessions by SAARC member countries were not even imported from any source, although the items have been included in the extended list. Mutual trust, reciprocal understanding of common benefit is vital for promotion of regional and sub-regional architecture.

• Free trade agreements of the SAFTA and BIMSTEC will boost economic integration not only in India and Southeast Asia but also between the two
regions along with NEI. However, to maximize the benefits in terms of faster growth, it needs to strengthen regional and bilateral cooperation in several areas, together with ambitious structural reforms to entrench macroeconomic stability and ensure an attractive and conducive environment for investment. Closer and properly planned bilateral cooperation among countries will strengthen the regional cooperation and sub-regional integration process for furtherance of trade and exchanges.

- There are also several additional opportunities to expand cooperation with the SAARC nations. For instance, 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. Moreover, due to easy accessibility through various border points and relatively low level of transport and accommodative cost, NEI stands at an advantageous position for offering better education, health and medical care facilities.

- Other than looking East, India has also seriously begun efforts to develop preferential trade linkages with developing countries located elsewhere. In Latin America, India has in place preferential trade agreements (PTA) with MERCOSUR, as also with Chile. In West Asia, India has in place a framework agreement for FTA with the Gulf Cooperation Council (GCC). In the African region, India and SACU have a preferential trade agreement in place, while India is in talks with Mauritius to set in place a Comprehensive Economic Cooperation and Partnership Agreement.

- Our research study suggests that the exporters of NEI are favorable in their overall perceptions about the policy level intervention. The various policies for promotion of exports are a welcome sign for the exporters. However, there has been some amount of mixed reactions among the
exporters in case of certain policies. Much emphasis has not been given on implementation of all such schemes in an earnest manner. Therefore, several schemes have not been implemented properly perhaps owing to absence of the sense of good governance.

- Our field study further reveals that tariffs are not deterrent in boosting NEI’s export. There are other factors too that should be taken into account i.e. non-tariff barriers like lack of infrastructure which is a major hurdle, product diversification and changes in commodity composition of exports having demand in trading partners.

- Infrastructure in terms of good road communication remains the major problem of trade from NEI to the neighbouring countries. Almost all the roads leading to different LCSs are in a deplorable condition. Inadequate infrastructural support in most of the LCSs has been the immediate cause of low volume of trade. The buzzword that can be suggested is the ‘connectivity’ in air, surface, water ways, tele communication and market intelligence.

- Illegal / unofficial trade exists between NEI and neighbouring countries. Informal export of bulk of items continues though it is allowed to be formally exported. The volume of unofficial trade is much larger than official trade. As such, it indicates that there are demands for such commodities across the region and the potential to which legal export can be raised.
6.2 SUGGESTIONS:

Keeping in consonance with the objectives no. 5, an attempt has been made here to offer some pragmatic recommendations towards removal of bottleneck and promotion of export from NEI.

In looking towards the future, it is difficult to compile a series of proven remedies that will solve the increasingly sophisticated web of challenges that constrains promotion of export trade from NEI. Yet, with the help of a mix of judicious policies and programmes, NEI of India can form important gateway to an expanded trade with the more affluent trade market across the region. To boost up the export from the region, the following areas may be examined while implementing future policy level decision for the development of export trade in the region.

1. Trade policy reforms generally have to be accompanied by complementary measures for ensuring macroeconomic stability, efficient financial intermediation, improving infrastructure services, improving the investment climate and removing barriers to trade.

2. For nurturing the resource potential of the region, large scale investments both public and private are required. Investments have to flow in to improve and strengthen the existing infrastructure and to develop new infrastructure. Infrastructure development may be in the form of upgradation and expansion of the communication network in road, rail, air and water transport. This includes
   - Augmenting and extending the road network
   - Maintaining all weather roads & bridges up to every LCSs in the border areas
   - Maintenance of National Highways and State Highways
• Extending rail routes for wider coverage of the region. The present railway network is predominantly confined to Brahmaputra and Barak valley of Assam. This requires extension in connecting places like Pasighat in Arunacahal Pradesh, Jaintia hills, Burnihat, Dawki in Meghalaya, Bhairavi in Mizoram and Karaong in Manipur.

• Development of Inland Water Transport System by proper maintenance and expansion of navigable water base and cargo handling capacities

• Development of a transit route through Bangladesh waterways

• Augmentation / improvement of air transport facility and introduction of more cargo / commercial flights. For facilitating air cargo movement, air cargo complex at LGBI Airport is a necessity.

3. NEI has to cooperate with SAARC nations and share its experiences in building and operating cross-country infrastructure facilities such as rail, road, airport, port, and waterways. India via NEI can develop world class road and rail links for speedy movement of goods and people, extending beyond their borders to China, Myanmar and Thailand. Bus service between Guwahati and Sylhet via Shillong may be introduced to facilitate easy movement of people and other perishable goods. At present there is no direct bus service between NEI and other neighboring countries. With Sri Lanka, Maldives and Bangladesh, sea links can be developed. Regular flights between Guwahati and neighbouring countries may be introduced as the Guwahati L.G.B. Airport is already upgraded to an International level.

4. NEI has to take various steps to improve other infrastructure facilities like banking and insurance sector, better warehousing service and even hotel facilities in the transit point. To encourage the export of certain fruit items, floriculture, ornamental plants, medicines etc the storage and handling facilities at all the airports may be strengthened. Cold storage facility is also a requirement for movement of horticulture and floriculture products. Similarly,
airports at Imphal, Agatala, Dimapur, Tezpur and Aizawl may be equipped with cold storage facilities.

5. The State Governments has promoted foreign direct investment in the projects that involve and improve infrastructure like power, roads, social and health care facilities. To accelerate the process of implementation and reduce the time required for obtaining permission and clearance a High Power Coordination Committee should be set up.

6. The prevailing situation in the state has slowed down the pace of industrial development and export growth in the region. Therefore, step should be taken to usher in a congenial atmosphere in the state by maintenance of law and order. Special attention will be given for security to the industries to be set up in the state.

7. NEI should be able to improve its status as a producer of quality product. It should try to improve upon trade in export competitive product and more emphasis needs to be given to increase the production of those commodities. To make its products internally competitive, domestic processing efficiency also has to be improved substantially.

8. NEI needs to project itself as a more consistent and reliable trading partner by regularly trading at least to those countries with which it has been traditionally trading.

9. Reducing / mitigation of hazards caused by rain, floods and other natural calamities. Landslides can be remedied by using latest technology system.

10. An environment conducive step for generation of trader's confidence and smooth implementation of the projects is to be created. A preferential
treatment to local traders/entrepreneurs under various schemes of foreign trade policy and other financial institutions and banks is to be ensured. The ICD at Amingaon, Guwahati may be upgraded to help small exporters to export their items. At present it helps mainly bulk tea exporters only.

11. Utilization of natural resources like tea, oil, timber, limestone, coal etc, is basically pre-industrial and calls for better value addition. All possible assistance to tea industry including small tea growers is to be ensured for further growth and to meet socio-economic objectives and also to other related agencies/institutes like Guwahati Tea Action Centre, Inland Container Depot etc. in their efforts for growth and expansion. Necessary steps should be adopted for tea industry to get modernised with a change in technique of plantation and managerial excellence. The industry is expected to get back its pride of place in international competitiveness and drive its road to prosperity.

12. Improved port efficiency, customs cooperation, exchange of information, and mutual recognition of standards should help to promote export trade. New transit routes are needed to better connect NEI with South Asia region.

13. A full-fledged Nodal Agency may be created for the NEI. Such agency would help the local entrepreneurs on all round development of export by providing all relevant information, helping in preparing of documentation formalities, developing export linkage, incubator facilities, enhancing export trade, promoting joint ventures, trade related investment ventures and also organizing export related programmes, awareness camps and seminars.

14. A branch office of the Export Inspection Council may be set-up to solve the quality inspection certification problems in the region, as the entire region does not have any single agency of this nature.
15. A Trade Center of International Standard may be set up at Guwahati/Shillong to facilitate regular meetings between buyers and sellers, having facilities for exhibition of products of all the NEI.

16. To check the smuggling activities and also to boost export between NEI and Bangladesh / Myanmar, the entire NE Region may be declared as free trade zones and the informal trade should be reduced through proper legalized trade policy.

17. A special package specially meant to develop tourism infrastructure needs to be designed by the State Government of Sikkim. The private sector both from within the country and outside should be provided with a clear cut and well-designed road map displaying the tremendous opportunities generated by the trade-tourism integration between India and China.

18. At present, there is no proper coordination between the Government of India and Government of China to discuss the smooth conduct of trade and to even discuss the modalities and finalize the trading deals. Therefore, it is suggested that both the governments should come forward to sort out the difficulties of regulations and promotions of proposed trade activities. A well represented and a strong Border Trade Coordination Committee should be constituted with the representatives of different Ministries and Departments and also professional and experts. The Committee should be at a senior official’s level so that the decisions and actions could be taken in a decentralized pattern.

19. The government will have to be more alert and proactive because the opening of the new Nathu la route means the movement of people across borders, bestowing on the state government the responsibility of monitoring the flow of people. Enormous trading activities with transportation might affect the
fragile and pristine environment in an adverse manner. So, further check posts and manpower will be required, for security reasons.

Often we have talked of isolation of the North East India that has resulted in its economic backwardness and alienation from the mainstream. Time has come to convert our geographical handicap into an opportunity. Our strength lies in the effluent South East Asian market rather than viewing inwards to marketing with rest of the country. There should be a win-win situation from both the ends.