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RESEARCH ARTICLE

CROSS BORDER FOREIGN TRADE INTENSITY OF NORTH EAST INDIA

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ABSTRACT

Promotion of trade across the nations can be stated as one of the significant developments of the post war period which have brought paradigm shift in global economy. Wave of change that swept the globe since the last decade of 20th century marked a new era of economic integration. Freer multilateral movement of goods and services has been strengthened with the emergence of the WTO. In addition formation of regional trading blocs has minimised trade barriers amongst member nations. The landlocked India's North East although have enormous potential to grow with economic integration continued to remain a pocket of development in pre and post independence period. Although India has adopted its look east policy in early 1990s as a part of its foreign policy, the north eastern region of India, often touted as the gateway to east, itself has not been given much attention. Studies has claimed that pre and post liberalisation period do not seem to have benefitted proportionately India's North-East in the fields of agriculture, industry, trade and commerce compared with other regions of India. Geographical remoteness, infrastructural deficiencies, ethnic conflict and militant activities are the reasons for unpopularity of investment in North East region. With the popularity of cross-border economic ties in many parts of the globe, expectations from border trade has become high in this region. The centrality of the region and its strategic location supports India's growing economic links not only with ASEAN but also with neighbouring countries like Bangladesh, Bhutan and Nepal. From the present study it can be inferred that though India has continued to enjoy comparative advantage¹ in the international trade of merchandise product with ASEAN and SAARC, however the country has registered negative growth in the volume of formal trade (net trade) during the last decade or so. A similar circumstance has been observed for India's trade at formal level with Bangladesh, Myanmar, Bhutan and Nepal. For all these four countries formal trade has remained favorable in merchandise product for India however there has been a decline in both export and import intensity of India's merchandise trade with the four nation's in later half of last decade with export intensity declined faster than import intensity. Some of threats for promotion of trade in the regions are like, persistent dumping policy of bordering nations towards India, the increasing volume of informal trade, exchange rate problem with Myanmar currency, low level of capital formation and low private sector investment, absence of a supporting market structure and adequate institutional finance structure, low technology spread. Hence, the central and state Governments should look into the matter to find out ways for overcoming such problems and undertake deliberate measures in the wake of increasing importance of border trade for the country in general and North Eastern region in particular. Efforts of DoNER since 2001 has helped Socio Economic upturn in the region to some extent. Announcement of Vision 2020 has unveiled roadmap for development of the region. Besides improving the physical infrastructure, the planners at the central level and in the North East should think about improving the cross border interaction by developing monitoring mechanisms on transactions across border, opening up of sea route, improving institutional finance structure for setting up of large scale industries, creation of infrastructure for attracting investment and capital formation. With such revival India's on-going and already concluded regional, sub-regional and bilateral trade agreements with South and South East Asia, it can effectively harness the trade potential and economic advancement of the region in particular and country in general.

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INTRODUCTION

Wave of change that swept the globe since the last decade of 20th century marked a new era of economic integration. Freer multilateral movement of goods and services has been strengthened with the emergence of the World Trade Organization (WTO). In addition formation of regional trading blocks has minimised trade barriers amongst member nations. By and large, the process of economic integration across the globe has proved to be advantageous for many nations including the nations that have failed to integrate and appear to have been left behind. Economic integration process has widened freedom of consumer's choice at the same time it urged adjustments and relocation for the nations whose trade became less competitive in

the post integrated scenario. The North-Eastern Region of India is endowed with large natural, mineral, water resources and has enough potential for growth. While India's economic reforms of early nineties did not bring the expected prosperity and change in the economic profile of this landlocked region, India's trade policy and regional economic cooperation with the Far East and South East Asian countries have opened new avenues for this region to enhance its growth through trade with its neighbouring countries.

Statement of Problem

The landlocked India's North East although have enormous potential to grow with economic integration continued to remain a pocket of development in pre and post independence period. Even the initiation of structural adjustment of process since early 90s has unable to brought expected prosperity to the economic profile of the region.

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Geographical remoteness, infrastructural deficiencies, ethnic conflict and militant activities are the reasons for unpopularity of investment in North East region. With the popularity of cross-border economic ties in many parts of the globe, expectations from border trade has become high in this region. Present study is an attempt to understand the trade concentration pattern of India with nation's sharing border with North East. The study also makes an attempt to present the SWOT analysis of border trade of N.E region with neighbouring countries with exception to China.

Early Studies

Bezbaruah (2007) remarked the volume of Indo-Myanmar formal border trade has registered significant decline, with prevailing trade being more informal in nature. The study urged the need of substitution of informal trade by formal trade, and concluded that an orderly and liberalized system of border trade, transit can make Myanmar-North East India an attractive and economical transit route for trade between China and other East Asian countries on one side and India and Bangladesh on the other. Chakraborty (2011) mentioned that trade openness in the era of economic reform is important but not sufficient condition for economic development of North east region. The study provided important policy suggestion for revival of trade condition in the region in particular and India in general. Chandran (2011) Inferences from the trade indices computed for understanding the trade structure between India and ASEAN revealed that there are complementary sectors and products available for enhancing trade cooperation between the trading partners. ASEAN countries are in different stages of economic development and India can have trade cooperation with some of them in all product categories. While India can export food grains to small and developed countries of ASEAN, it can import edible and other agricultural products from other ASEAN countries. India enjoys advantage in minerals whereas they can import crude oil from ASEAN. India had advantage in some manufactured items like chemicals, Iron and Steel, Gems and Jewellery and can export them to many ASEAN countries. ASEAN has comparative advantage in Electrical and Electronic components and India can import them from ASEAN. With regard to Textiles and Clothing there is intense competition between ASEAN and India to increase market share.

India's average tariff is higher than ASEAN countries and reduction of tariffs will have a short term impact on India's exports but can consolidate in the medium term through productivity gains and efficiency. Also emerging economic structure warrants greater cooperation from India in the regionalization efforts in Asia. Mayum (2012) cited about the high level meeting of the India-Myanmar Border Trade Committee which discussed the pattern of huge disparity in Indo-Myanmar trade figures given by both the countries and the meeting concurred that the customs departments of the two countries should recompile trade figures and also share import and other duties applicable in border trade. Phookan (2011) outlined though expansion of trade has taken place between India and bordering nation's of northeast but such expansion has unable to brought significant impact on the economies of North East India. Report of DoNER (2011) made an assessment of opportunities and constraints of expansion of trade of N.E India with Bangladesh and Myanmar. The study highlighted about exchange rate differential, informal trade, infrastructure, law and order condition discouraging investment and expansion of formal trade.

Report on Manipur Online (2013) urged the initiative of the State Govt for certain strategic industrial and economic policies so that our state can be benefited from this cross border trade. Steps from the state Govt. is essential for streamlining of the illegal trades and state police and security forces should be sincere and honest in performing their duties. Special emphasis should be given towards the development of quality, skillful and standardized human resources in the state.

Saikia (2013) stressed on improving the quality of existing infrastructure specially the road connectivity by engaging the private contractors and local road development centers to reap the benefits of border trade. The study expressed the need of public private partnership in infrastructural investment in the region. Special initiative of the NEIIPP for fiscal incentives and subsidies for investment in the region is essential. Regular annual meeting between DoNER, NEC and State Governments and local bodies of NE Vision 2020 is important. Study by RIS (2011) has urged the need of development of Border Haats alongside upgrading LCSs into ICPs, review of Indo-Myanmar border trade agreement is necessary. Improvement of rail-road connectivity was also stressed in the study. Creation of animal plant testing centre, setting up of cold storage is important. Infrastructure like internet and telephone network connectivity is important. Steps are important from Indian and Myanmar Government for undertaking border trade in Indian rupees. Development of local industries must be given priority at the same time development of processing unit for medicine, rubber goods, and pharmaceuticals, edible oils, petroleum, cement, cotton yarn are important.

Objectives of Study

Present study is based on following objectives:

- To study the growth of India's formal trade pattern with ASEAN and SAARC and bordering nations to North East India.
- To understand the cross border formal trade concentration pattern of India with bordering countries of North East India.
- To analyse the internal strength and weakness of border trade of India's North East with external opportunities and threats.

METHODOLOGY

The study is based on macro level data. Data on merchandise trade has been collected from UN COMTRADE statistics (various issues). The period of the study is restricted to 11 years macro level figures of trade. Non availability of reliable data was reasons for selection of the study period (2001-2011). For understanding the pattern of trade with SAARC and ASEAN compound annual growth rate has been estimated by using the growth function as follows,

$$Y_t = Ae^{rt} \quad \text{----- (i)}$$

where, A , r are parameter, t is time period under consideration, Y is endogenous variable, e is exponential term

The trade intensity of India with bordering nation's of North East (Nepal, Bhutan, Bangladesh and Myanmar) has been measured with *Balance of Trade Intensity (BTI)* and *Revealed Comparative Advantage (RCA)* index. The BTI is estimated by obtaining the difference of *Import Intensity Index (III)* form *Export Intensity Index (EII)*. Kojima (1964) and Drysdale (1969) developed the concept of EII and III in measurement of trade complementarities

Where,

EII between India and any particular Foreign Country

$$EII = [(X_{IF} / X_I) \div \{M_F / (M_W - M_I)\}] \quad \text{----- (ii)}$$

Where,

X_{IF} is India's total export of merchandise product to any particular foreign country

X_I is India's total export of merchandise product

M_F is Total imports of merchandise product by any particular foreign country

M_W is Total world import of merchandise product

M_I is Total Import's of merchandise product by India

III between India and a particular foreign country

$$III = [(M_{IF} / M_I) \div \{X_F / (X_W - X_I)\}] \quad \text{----- (iii)}$$

Where, M_{IF} is India's total import of merchandise product from a particular foreign country

M_I is India's total import of merchandise product
 X_F is Total exports of merchandise product by a particular foreign country
 X_W is Total world export of merchandise product
 X_I is total export of merchandise product by India

Normally, If $BTI > 1$ than it indicates bilateral trade flows are larger than expected, given the partner (foreign) country's importance in world trade. But, if $BTI < 1$ than it indicates bilateral trade flows are smaller than expected, given the partner (foreign) country's importance in world trade. The study also made an attempt to understand the cross border trade concentration pattern of India with bordering countries of North East India by using RCA (Revealed Comparative Advantage Index).It is based on the Ricardian comparative advantage concept. It most commonly refers to an index introduced by Bela Balassa (1965);

$$RCA_{ij} = \{(\sum E_{ij} / \sum X_{it}) \div (\sum E_{wj} / \sum X_{wt})\} \quad \text{----- (iv)}$$

Where,

$\sum E_{ij}$ is sum total value of i^{th} country export of product j
 $\sum X_{it}$ is sum total value of i^{th} country total export
 $\sum E_{wj}$ is sum total value of world export of product j
 $\sum X_{wt}$ is sum total value of world total export

Normally if,

$RCA > 1$ indicates trade become favorable for home country with the partner country
 $RCA < 1$ indicates trade become dis-favorable for home country with the partner country

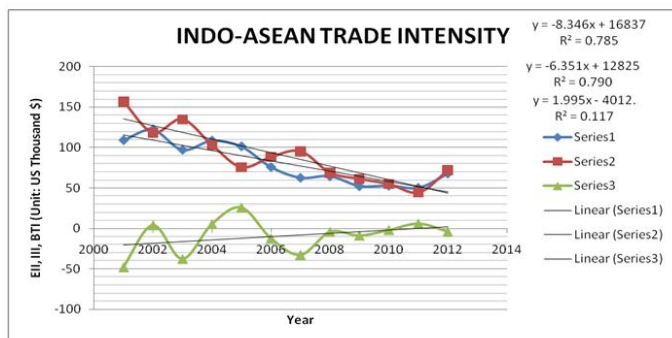
Growth of Indian's Trade with ASEAN and SAARC

It can be observed from the table 1.1 that the trade flows from India to ASEAN and SAARC has not been observed to be satisfactory during 2001 till 2012.If we consider India's trade with ASEAN we can observe that fluctuations has continued in the net trade intensity registering deficit in trade (registering negative growth rate) during the 12 years study period.

Table 1.1. CAGR of India's Formal Merchandise Trade Intensity with ASEAN and SAARC

Trade Intensities (Period)	India-ASEAN (in %)	India-SAARC (in %)
BTI (2001-2012)	-2.48 (0.10013)	-7.02** (0.01698)
EII (2001-2012)	-7.95* (-0.013171)	-7.26* (0.015965)
III (2001-2012)	-9.28* (0.015178)	-13.63* (0.012193)

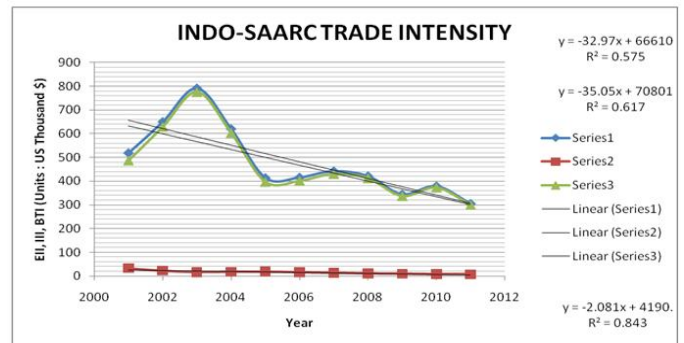
Note: Figures in the parenthesis are the standard errors
 * Significant at .01 per cent level, ** Significant at .05 per cent level
 Source: Self estimation based on data compiled from UN COMTRADE statistics



Note: In figure Series 1 is EII, Series 2 is III and Series 3 is BTI

Figure 1.

There has been gradual decline of India's net trade of merchandise product with SAARC nations with import intensity with SAARC members remaining low as observed in Figure 2. The trade intensity of India with SAARC nations also recorded a negative growth rate for the period under observation as presented in Table 1.1



Note: In figure Series 1 is EII, Series 2 is III and Series 3 is BTI

Figure 2.

Refer to Table 1.2 based on the Bela Balassa's (1965) Index we can mention that merchandise trade has remain favorable (as $RCA > 1$) for India with ASEAN during the 12 years time period despite net trade intensity has registered a negative growth. India's trade with SAARC has also been observed to be favorable for the period 2009, 2010 and 2011 as ($RCA > 1$) for the three years although net trade intensity has registered a fall since 2003.

Table 1.2. India's RCA of Formal Merchandise Trade

Year	India-ASEAN	India-SAARC
2001	1.4	NA
2002	1.6	NA
2003	1.6	NA
2004	1.8	NA
2005	1.8	NA
2006	1.9	NA
2007	1.7	NA
2008	1.8	NA
2009	1.7	2.2
2010	1.7	2.7
2011	1.8	2

NA: Not acquired for non availability of data in UN COMTRADE statistics
 Source: Self estimation based on data compiled from UN COMTRADE statistics

The Figure 3 presents the trade favorability pattern of the country with ASEAN and SAARC. It can be observed that the RCA line has remained above unity.

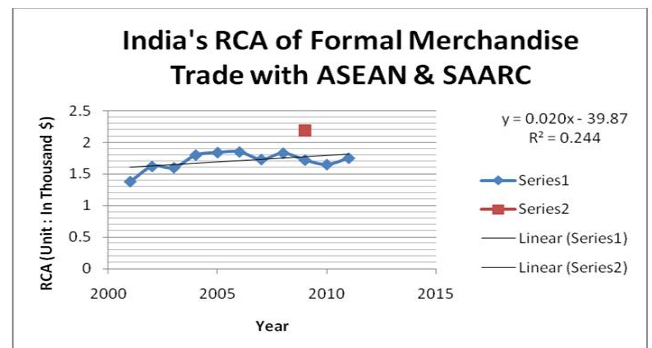


Figure 3.

India's Merchandise Formal Trade Pattern with Bordering Nation's of North East

Refer to Table 1.3 presents the EII of the country with Myanmar, Bangladesh and Bhutan. It can be observed that the country has registered negative growth in export intensity of merchandise trade

with all the three nations with export intensity to Nepal has remained significantly low. Amongst the bordering nations of North East India's export intensity with Bangladesh is observed to be relatively better although registered a decline during 11 years time period.

Table 1.3. CAGR of India's EII (Figures in percentage)

Period	India's EII with Myanmar	India's EII with Bangladesh	India's EII with Bhutan
2001 - 2011	-0.053928** (0.021722)	-0.208819** (0.027861)	-0.071943 (-0.071943)

Note: Figures in the parenthesis are the standard errors

** Significant at .05 per cent level

Source: Self estimation based on data compiled from UN COMTRADE statistics

The pattern of export intensity of the country with four nations of north eastern border is presented in Figure 4. The export intensity of India with Bangladesh has recorded a significant decline since 2004 with total export intensity with Myanmar, Bhutan and Nepal has remained significantly low.

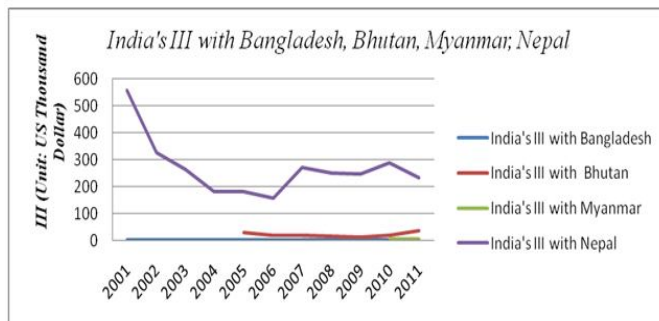


Figure 4.

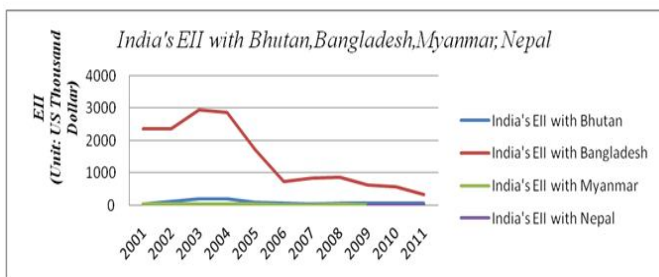


Figure 5.

Refer to figure 5, it can be observed that import intensity of the country is low for Bangladesh, Bhutan and Myanmar when compared with Nepal. The import intensity of India from Nepal has also shown a declining trend during last decade. For the given availability of data the estimated results has revealed that trade has remained favourable for India with the four bordering nations of north east.

Table 1.4. India's RCA of Merchandise Trade

Year	India's RCA over Bangladesh	India's RCA over Myanmar	India's RCA over Bhutan	India's RCA over Nepal
2001	9.54	NA	NA	NA
2002	14.26	NA	NA	NA
2003	20.5	NA	NA	42.27
2004	17	NA	NA	NA
2005	14.2	NA	25.45	NA
2006	10.7	NA	15.13	NA
2007	11.12	NA	13.5	NA
2008	15.1	NA	17.18	NA
2009	8.26	NA	14.3	24.68
2010	7.89	2.44	12.74	25.38
2011	6.53	3.32	36.89	25.63

NA: Not Acquired

Source: Self estimation based on data compiled from UN COMTRADE statistics

Refer to Table 1.4 it can be observed that India's trade on merchandise product has remained favorable (RCA > 1) for all the four bordering nations of north east India.

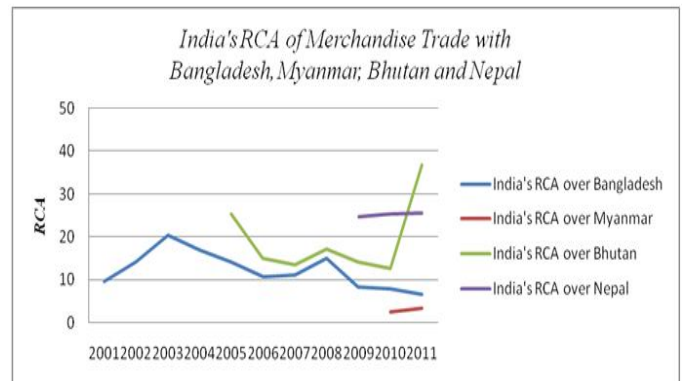


Figure 6.

From Figure 6 we can observe that the country is having comparative advantage in trade of merchandise product with all the four bordering nations of North East India.

Pattern of Border Trade in North East India

The North Eastern Region of India is endowed with useful natural, mineral and water resources, but it has not yet proved possible to utilize much of them. In respect of infrastructural development, this region could not make much progress so far. Therefore, the resources are going waste. Agriculture and allied activities still regarded as priority as this sector remain the major contributor of the Region's GDP. 'Tea', within agriculture although considered as important to the economy, it too become somewhat stagnant. Forestry and logging or minerals are another revenue earning sources of the region. The restriction of felling of trees imposed by the Supreme Court has eroded this source of revenue. These strengths and weaknesses have been termed as debit side and credit side of the region. It is said that South-East Asia begins where North East India ends. Therefore, border trade has special significance for the economics of northeastern states of India as all the states share a large segment of international border and Govt. of India has given special focus to tap the potential through trade, transit and investment to promote rapid economic growth of this region. Accordingly indigenous/local articles including handloom and handicrafts produced in the region, agricultural produces and minerals are projected as potential for border trade. However, to display the articles for the foreign market quality improvement is a necessary condition primarily for indigenous and local products to withstand the existing competition to capture the foreign market as well as to derive benefits from the enhancing trade activities. Trends in Export of different items from N.E India to Bordering Nations:

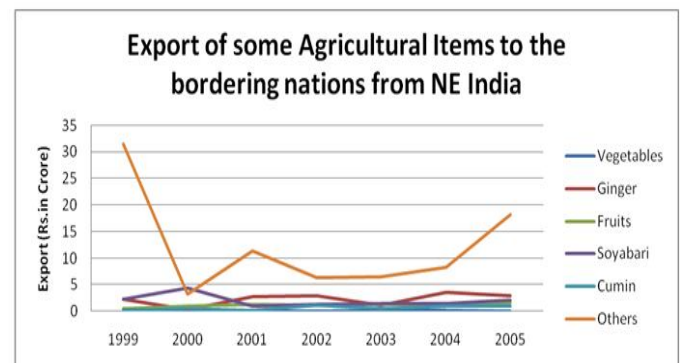


Figure 7.

Table 1.6. State specific item of Border Trade from NE India

States	Items
Arunachal Pradesh	Handmade carpet, handmade paper, citrus fruits, processed fruits, herbal products etc
Assam	Chilly, ginger, handloom & handicrafts, processed fruits, handmade paper, essential oil, jute products and floriculture items, minerals like coal & limestone
Manipur	Handloom & handicraft products, horticultural products and product that are procured from outside the state and are being exported to Myanmar
Meghalaya	Ginger, orange, turmeric, potato, betel vine, areca-nut, broom stick, coal, limestone etc.,
Mizoram	Passion fruit, raw cotton, tung seeds, citrus fruits, tapioca, ginger, processed fruits, processed spices, tung oil, handloom & handicrafts etc.,
Nagaland	Chopsticks, horticultural products, handloom & handicrafts etc.,
Sikkim	Orchids, floriculture, peeper, ginger etc.,
Tripura	Fresh fruits, processed fruits, raw & processed rubber, handloom & handicrafts etc.

Source: India's Look East Policy and north-eastern states: An overview -By N.Tejamani Singh, Th. Jitendra Singh, Department of Commerce, Manipur University, published in the Journal of US-China Public Administration, ISSN 1548-6591, USA Vol-7 No-3, March-2010.

Table 1.5. Major Item Traded from NE India to Bangladesh, Bhutan and Myanmar

Indo-Bangladesh	Indo-Bangladesh	Indo-Bangladesh	Indo-Bangladesh	Indo-Bangladesh	Indo-Bangladesh	Indo-Bhutan	Indo-Bhutan	Indo-Myanmar	Indo-Myanmar
Exported Items in Assam Part	Imported Items in Assam Part	Exported Items in Meghalaya Part	Imported Items in Meghalaya Part	Exported Items in Tripura Part	Imported Items in Tripura Part	Exported Items in Assam Part	Imported Items in Assam Part	Exported Items in Manipur Part	Imported Items in Manipur Part
Coal	Cotton Waste	Coal	Cotton Waste	Craft Paper	Cotton Waste	Rectified Spirit	Ply Wood/Block board	Soya Bori	Betel nut
Dry fish	Fish including small fish	Lime Stone	Readymade garments	Machine/Machinery parts	Broken Stone	S.K.Oil	Cardamom	Soya Grid	Teak wood
Ginger	Readymade garments	Raw Hide & Skin	Processed food, Beverage etc.	Raw Hide & Skin	Dry Fish	H.S. Diesel	Boulder Stone	Cumin seed	Gurgaon wood
Orange	Processed food, Beverage etc.	Ginger	Synthetic net	Fabric of different type	Fish including small fish	Motor Spirit	Bhutan Liquor	Skimmed Milk Powder	Kuth root
Fresh fruits	Wooden/Metal/Plastic furniture	Orange	Clear Float glass	Dry fish	Fabrics/Readymade garments	Bricks		Edible Buffalo offal	Serpentine root
	Edible oil including Vanaspati /Palm oil etc	Boulder Stone	Cement	Ginger	Food items/Processed food, Beverage etc.	L.P. Gas			Ginger
	Soap including beauty soap	Crushed Stone		Orange	Wooden/Metal/Plastic furniture	Orange			
	Cement	Bamboo		Fresh fruits	Edible oil including Vanaspati /Palm oil etc	Rice			
		Dry fish		Mooli	Cement				
		Shale		Bamboo	Clear Float glass				

Source: Statistical Hand Book of Assam (Various Issues), Directorate of Economics and Statistics, Govt. of Assam

In order to reap the benefits out of the Look East Policy all the states of northeast are preparing themselves to avail the opportunity for development of their own through border trade. The status of border trade between the northeast states of India with the neighbouring countries can be assessed as under:

Indo-Myanmar Sector

Myanmar is the second largest neighbouring country of India. Four Northeastern States of India altogether share 1643 kms long land border with Myanmar. [Arunachal Pradesh, Mizoram, Manipur and Nagaland share land border of 520 kms, 510 kms, 398 kms and 215 kms respectively with Myanmar]. Myanmar is the gateway to ASEAN and the only country of this grouping that shares a land and maritime boundary with India. In spite of being geographically located close to each other having varied topography, inconvenient transport and communication facilities both the countries forced to maintain

trade through sea routes. Before signing the Indo-Myanmar Border Trade agreement in 1994, there was traditional system of exchange of goods [under Barter Mechanism] between the hill tribal people living along sides of the border due to existence of close affinity and cultural and economic ties among them. They also enjoyed the facility of free movement upto 40kms on either side of the entire border. However, this cross-border contact and movement of the people have not led to any strong economic interdependence between the regions across the border so far. Moreover, due to the state-centric security perception the border area development did not get sufficient attention from either of the countries. As a result, importance of the geo-economic potentials of the border region is less than geo-political considerations. The Indo-Myanmar Trade Agreement signed in 1994 specified opening of designated custom posts at (a) Moreh in Manipur and Tamu in Myanmar, (b) Champai in Mizoram and Rih in Myanmar and (c) any other places mutually agreed/identified by both the countries.

Moreover, both the countries agreed to the trade of 22 products, mostly agricultural and primary commodities. The Border Trade at Moreh and Tamu are currently functioning. The Indo-Myanmar trade road opened in 2004 links Zokhawthar town [near Champai] in Mizoram with Rihkhawdar of Chin State in western Myanmar.

- Arunachal Pradesh is waiting for re-opening of historical Stillwell Road [the Indian side of the Stillwell Road stretching from Ledo, the easternmost railhead in Assam to Phangsau Pass was built in 1942 during the World War –II] and to use the same to open trade with Myanmar through Phangsau Pass. Opening of this Road will help to transform the economy of the North East by reducing time, cost and distance involved in trade with China and South-East Asia. The Arunachal Pradesh State Government has already taking up steps for infrastructural development including construction of “Border Haat” at the border trade centre at Nampong. The State Government has also allowed conducting three-day market at the Land Custom Station at Nampong. However, the prospect of re-opening of the Stillwell Road is not too bright at present.
- The Government of Assam has taken steps to develop the Assam stretch of the road infrastructure of the Stillwell Road to avail the opportunity of create the trade link with Myanmar. A border trade centre will be opened at Jagun in Tinsukia District to push border trade with Myanmar.
- To promote international trade and commercial activities , Nagaland government has identified five border points along the Indo-Myanmar international border- Lungwa in Mon district, Pangsha in Tuensang district , Mim in Kiphire district, Mohe and Avangkhu in Phek district.
- Mizoram, which is sandwiched between Myanmar and Bangladesh, has ample scope to act as a road transit route for trade between Chittagong Port and Yunan in China. If goods are transported from Chittagong port of Bangladesh through Tlabung, a southern town of Mizoram to Zokhawthar in the northeast part of Mizoram, this will cut thousands of kilometers of sea route; Mizoram can be transformed to an International trading centre.
- A modern highway of 99.82 km is under construction between Lawngtlai town in south Mizoram to Sittwe port in northwest Myanmar on Bay of Bengal to establish a sea link.

Indo-Bangladesh Sector

Bangladesh is geographically surrounded mostly by India except for small border with Myanmar to the Far East and the Bay of Bengal to the South. Bangladesh is sharing 4300 kms international border with India of which four northeastern states of India – Tripura, Meghalaya, Mizoram and Assam- share 1880 km international border with Bangladesh. The historic ties between Bangladesh and the northeastern part of India dates back to centuries. Until India’s political partition, the Northeast India was integrally linked to the mainland of India through the areas of what is now Bangladesh. Its outlays to the sea were through Chittagong Port in Bangladesh and via Bangladesh’s rivers to Calcutta port.[It is important to note that there has been a developed transport infrastructure, particularly rail and riverain links, between India and East Bengal until 1965. Following the Indo-Pakistan war, these links were disrupted. This inland waterways transit “Protocol” has been restored after gaining independence in 1972 by Bangladesh.] Revival of age-old relations, trade friendly bi-lateral agreements between Bangladesh and India will benefit the landlocked region through greater regional integration. Bangladesh too has showing interest in the northeast India as it sees that the region can be its natural trading partner due to geographical proximity and historic linkages, among others. Moreover, Bangladesh acquires many commodities and final products from the large export basket of India at comparatively cheaper prices. The border trade agreement between India and Bangladesh was signed in 1972 to meet the day-to-day requirements of the border people. In addition, both the countries commitment to World Trade Organization and South Asian Preferential Trade Arrangement (SAPTA) mechanism opens enough

scope to explore the markets to exploit the potentials of both the countries through border trade.

- The location of Tripura is strategic in the context of international trade as it is positioned between Bangladesh in one side and South East Asia on the other. Tripura is surrounded by Bangladesh on three sides and share about 856 km long largely natural barrier free international border. Official trade between Tripura and Bangladesh started in 1994-95. At present, trade between the State and the neighbouring country are conducted through six notified Land Custom stations (LCS). Tripura is seriously looking for granting passage through Bangladesh to link Agartala with Kolkata (which is just 350 km away, if passage is allowed) as well as to the Chittagong, Ashugang and Mongla Ports of Bangladesh to reach other parts of main land India to boost up its own economy. Opening of Chittagong port will further open opportunity for other Northeastern States like Mizoram, Assam, Meghalaya and Nagaland to transport their goods to import and export.
- Recently Bangladesh has opened a land port at Akhaura to enhance trade with Tripura land port at Agartala.
- Indo-Bangladesh border trade in the Assam-Bangladesh border takes place through the border trading points located at Mancachar, Karimganj (Steamer Ghat) and Sutarkandi. The State Government has also taken initiative to upgrade the infrastructure of these trading points to facilitate a proper platform to the traders of both the countries for promotion of international trade. The State Government also takes initiative to set up one more trading point at Golokganj in Dhubri District of Assam.

Indo – Bhutan Sector

India has a free trade agreement with Bhutan. India and Bhutan share 643 km unfenced border. There are three Land Customs Stations on Indo-Bhutan border, namely Darranga, Hatisar and Ultapani (all are in Assam) but formal trade is executing through Hatisar Land Customs Station. Government of Assam has taken initiative for setting up border trade centre at Darranga for promotion of international trade with Bhutan. Arunachal Pradesh State Government is also preparing to set up border trading points at Bleting, Bongkhar and Dongshengmang (all are in the Tawang District) to open a new horizon of trade with Bhutan.

SWOT of Border Trade in N.E India

Sl. No	Weakness	Strength
1	Inadequate basic development infrastructure	Large natural resources and tremendous potential for growth in agro-horti-forestry sector inclusive bamboo plantation and exotic flora.
2	Geographical isolation and difficult terrain that reduces mobility	Substantial mineral flora
3	High rainfall and recurring flood in Brahmaputra valley	Unique bio-diversity
4	Lack of capital formation and proper enterprise-climate	Vast water resources including hydal power potential with more than 50,000 MW identified capacity
5	Slow technology spread	Great promise for tourism development
6	Absence of a supporting market structure and adequate institutional finance structure	Proximity to one of world’s fastest growing economies, South East Asia
7	Low level private sector investment	A literate population
8	Over-valuation of Myanmar’s currency as per the official exchange rate	Rich heritage of handloom and handicrafts
9		A democratic traditional system of local-self government with community spirit permeating the entire social system

Sl.Serial Number	Threat
1	Ethnic conflicts and political and security environment unable to create congenial atmosphere for investment in the region and thus blocked the development process.
2	Border Trade is mostly illegal. The geographical isolation of the region from the main land of India and existence of long natural boundary between the countries helps the traders to continue their illegal and unorganized trade business freely, fearlessly and parallel to the formal trade. Moreover the illegally traded items are mostly third country [mainly China, Thailand and Myanmar] manufactured cheap products produced according to tastes and preferences of people of the Northeast which Indian manufactured failed to cater to. The influx of such unusually low priced manufactured goods makes it hard for local or Indian goods to compete. The reason why the local and Indian goods find it hard to compete can be found in the protectionism offered by the government to Indian business through subsidies and tariff barriers.

Observation and Conclusion

From the present study it can be inferred that though India has continued to enjoy comparative advantage in the international trade of merchandise product with ASEAN and SAARC, however the country has registered negative growth in the volume of trade (net trade) during last decade or so. A similar circumstance has been observed for India's trade with Bangladesh, Myanmar, Bhutan and Nepal. For all these four countries trade has remained favorable in merchandise product for India, however, there has been a decline in both export and import intensity of India's merchandise trade with the four nation's in later half of last decade with export intensity declined faster than import intensity. Hence, it is necessary on the part of the Governments [both Central and State] to give a relook and understand as to whether there exists any basis for trade in terms of compatibility between the resource/production structure particularly of the north-eastern region [being focused seriously through Look East Policy] and the demand structure of the neighbouring countries and to undertake deliberate measures to rejuvenate the existing trend of trade to exploit quantitative benefits for the country in general and North Eastern region in particular as envisaged.

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