

Look East Policy and North East India: Opportunities and Challenges

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ABSTRACT

India's look-east policy was launched in 1992 just after the end of the cold war, following the collapse of the Soviet Union. The basic objective of the look east policy was to accelerate the trade and commerce between India and the countries of Southeast Asia. The present paper starts with the introduction of look east policy, the back ground of the India – ASEAN relationship, a brief discussion about the role of China and why India will get preference over China, the role of North East in the Look East Policy and finally the paper concludes that the NE have to be prepared itself for the look east policy in order to capitalize the opportunities arising out of the policy.

“I reiterate India's commitment to work with ASEAN and other East Asian countries to make the 21st century truly an Asian century”

-Prime Minister Man Mohan Singh

1. Introduction

With the participation of India in the recently held East Asian Summit and from the level of interaction in the 4th India-ASEAN Summit, both held at Kuala Lumpur from 12-14 December 2005, it is seen that the Look-East policy is being pursued aggressively and has started yielding results on the economic and political fields. This policy which was primarily directed towards improving relations with ASEAN will now be enlarged to cover other nations of the region such as China, Japan and Korea to facilitate more political and economic integration. India's North Eastern region have special role to play in the implementation of look east policy because of its location. The most preferred route for carrying out trade will be through the north eastern region. So this policy has special significance for this region.

2. Look-East Policy

Look-east policy was launched in 1992 just after the end of the cold war, following the collapse of the Soviet Union. After the start of liberalization, it was a very strategic policy

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decision taken by the government in the foreign policy. To quote Prime Minister Man Mohan Singh "it was also a strategic shift in India's vision of the world and India's place in the evolving global economy".

The policy was given an initial thrust with the then Prime Minister Narasimha Rao visiting China, Japan, South Korea, Vietnam and Singapore and India becoming an important dialogue partner with ASEAN in 1992. Since the beginning of this century, India has given a big push to this policy by becoming a summit level partner of ASEAN (2002) and getting involved in some regional initiatives such as the BIMSTEC and the Ganga Mekong Cooperation and now becoming a member of the East Asia Summit (EAS) in December, 2005.

3. India – ASEAN

India's interaction with ASEAN in the cold war era was very limited. India declined to get associated with ASEAN in the 1960s when full membership was offered even before the grouping was formed.

It is only with the formulation of the Look-East policy in the last decade (1992), India had started giving this region due importance in the foreign policy. India became a sectoral dialogue partner with ASEAN in 1992, a full dialogue partner in 1995, a member of the ASEAN Regional Forum (ARF) in 1996, and a summit level partner (on par with China, Japan and Korea) in 2002.

The first India-ASEAN Business Summit was held at New Delhi in October 2002. The then Prime Minister A.B. Vajpayee addressed this meet and since then this business summit has become an annual feature before the India-ASEAN Summits, as a forum for networking and exchange of business experiences between policy makers and business leaders from ASEAN and India.

Four India-ASEAN Summits, first in 2002 at Phnom Penh (Cambodia), second in 2003 at Bali (Indonesia), third in 2004 at Vientiane (Laos) and the fourth in 2005 at Kuala Lumpur (Malaysia), have taken place till date.

The following agreements have been entered into with ASEAN:

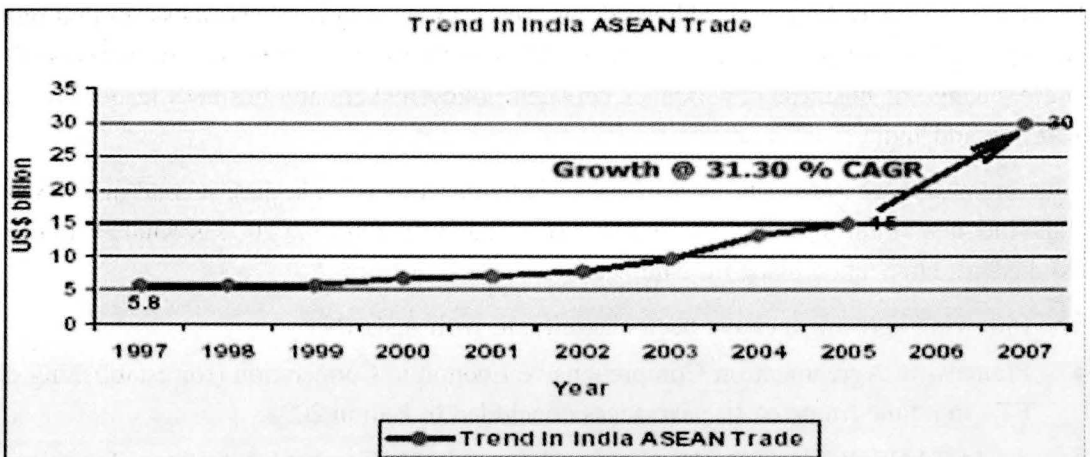
- Framework Agreement on Comprehensive Economic Cooperation (for establishing a FTA in a time frame of 10 years) was concluded in Bali in 2003.
- An ASEAN-India Joint Declaration for Cooperation to Combat International Terrorism has been adopted.
- India has acceded to the Treaty of Amity and Cooperation (TAC) in 2003, on which ASEAN was formed initially (in 1967).
- Agreement on "India-ASEAN Partnership for Peace, Progress and Shared Prosperity" was signed at the 3rd ASEAN-India Summit in Nov 2004.

- Setting up of Entrepreneurship Development Centres in ASEAN member states – Cambodia, Myanmar, Laos and Vietnam. (The one in Laos is already functional)

The following proposals were announced by the Prime Minister at the 4th ASEAN-India Summit:

- Setting up centres for English Language Training (ELT) in Cambodia, Laos, Myanmar and Vietnam.
- Setting up a tele-medicine and tele-education network for Cambodia, Myanmar, Laos and Vietnam.
- Organizing special training courses for diplomats from ASEAN countries.
- Organizing an India-ASEAN Technology Summit in 2006.
- Organizing education fairs and road shows in ASEAN countries.
- Conducting an India-ASEAN IT Ministerial and Industry Forum in 2006.

The ASEAN region has an abundance of natural resources and significant technological skills. These provide a natural base for the integration between ASEAN and India in both trade and investment. The present level of bilateral trade with ASEAN of nearly US \$ 18 billion is reportedly increasing by about 25 % per year. India hopes to reach the level of US \$ 30 billion by 2007. India is also improving its relations with the help of other policy decisions like offers of lines of credit, better connectivity through air (open skies policy), rail and road links.



Source: World Bank

4. Improving relation with the countries in Asia according to the policy

India's Trade and commerce in the recent past have been significantly increased with the south East Asian countries like Thailand, Malaysia, Indonesia, Myanmar, Singapore, Laos, Vietnam, Cambodia and China.

5. The China Factor: India getting preference over china

The concerns have been raised by some of the eminent scholars that in the process of increasing the trade with the South East Asian countries, the biggest challenge will be the china factor. But if we look at some of the statistics then it is convincing that in the long run there is sustainability of India and Indian products. India is following a unique model of growth unlike china. The drivers of growth in India and china are presented in the following table:

Table 1

India	China
Domestic demand driven	Export driven
Services sector is dominating	Manufacturing is given preference
Consumption is in the key	Investment focused
High Tech, Capital Intensive Industry	Low Tech, Labour Intensive Industry

5.1 Implications of Indian Model: The implications of the Indian model are given as follows:

5.1.1 Domestic Demand Driven: The drivers of India's growth are domestic demand and not the export as is the case with china. India's growth is not dependent on export but India itself has huge domestic demand. This factor leads to the following implications:

- Insulation from global downturns
- Less volatility

5.1.2 Service Led: Although the share of service sector in the Indian economy is rising and the Indian service sector companies have shown their strong presence in the world economy but there are certain points of concern which have given rise to the questions like

- Have we skipped the Industrial revolution?
- How do we take people from farm to the cities?

5.1.3 Consumption Led: Consumption is the key in determining the growth of an economy. The consumption as a percentage of GDP of some of the important economies of the world is given as follows:

Table 2

India	64%
Europe	58%
China	42%

Source: Compiled from the World Bank data

The world needs one more big consumption economy after USA. The signals are quiet clear that this is going to be India..

India has less inequality in the distribution of income in comparison to other countries as per the GINI INDEX which is given in the following table:

Table 3

India	33
USA	41
China	45%
Brazil	59%

Source: Compiled from the World Bank data

The interpretation of GINI Index: The lesser is the number, the less inequality is in the distribution of income.

The world needs another big economy after the USA.

5.1.4 Reasons for India's Success:

India's success is market led whereas china is state induced. The entrepreneur is at the centre of the Indian model.

5.1.5 India has a Vibrant Private Space

- 100 Indian companies have market capitalisation of US \$ 1 billion.
- 1000 Indian companies have received foreign institutional investment.
- 125 fortune 500 companies have R & D base in India.
- 390 fortune 500 companies have outsourced software development to India.
- 2% bad loans in Indian Banks (Vs. 20% in China)
- 80% of the credit goes to the private sector (VS. 10% in china).

6. Look East Policy and North East (NE) India

The legal and formal arrangement for the trade through NE to the Southeast Asia is now more or less complete. But is NE ready for it? This region is not yet economically as developed as the rest of India. Moreover it is land locked. After partition of India in 1947 NE lost its natural trade routes through what is now Bangladesh. Its land connectivity with the rest of India remained limited to the 22kms "Chicken's Neck" in northern West Bengal.

As for as trade itself is concerned many countries and regions in the world have become prosperous through trade as noted earlier. In fact countries like Taiwan, South

Korea, Hong Kong, Singapore and Malaysia have achieved their present status and level of development through trade. But what has NE to offer to, say China in exchange for the plethora of goods which that country is already exporting to this region? Industrial products are very limited. Agricultural products will need proper processing and packaging before the same can be exported. The service sector in NE is not doing badly. But the quality is low. Tourism has not been so attractive because facilities are not upto mark and also because of media's projection of security environment in very bad light. An extremely concentrated endeavour will be required to achieve economic development of NE and its principal state of Assam before NE can be ready for participation in the look east policy. When the Thai trade delegation visited Assam in June, 2007 the Union Minister for development of North Eastern Region (DONER) said that Rs. 15000 crores would be spent on infrastructure development in NE in the Eleventh Five Year Plan. Probably more will be provided for agricultural and industrial development during the same period.

Let us examine the situation. Will opening a new trade route or reviving the ancient land trade route through NE lead to economic development of this area? There is nothing automatic about it. Before meaningful trade activities can be undertaken our agriculture has to improve both in terms of production and in terms of productivity. Processing industries have to be set up to manufacture quality goods which can be offered in international markets at acceptable prices. The entire infrastructure of roads, railways, communication and air transport will have to be completely revamped. Similarly hotels, restaurants and resorts will have to be built for sophisticated tourists. If that cannot be achieved 'Look East Policy' will not benefit NE. In that case the look east policy will only provide a bridge between the rest of India and South East Asia of which NE will forever remain an "*underbelly*" of it.

7. Conclusion

There are tremendous potential in the NE to offer to the world in the area of agriculture, tourism and for the other allied industries. But for this the necessary infrastructure has to be provided. There is a growing need at the strategic level formulate suitable policies for the development of entrepreneurial skill and habits in the region. The planners and builders of NE have to realize this cardinal fact. It is necessary in the vision and concentrated efforts in various thrust areas after micro studies and appropriate project formulation which can bring NE to a standard in which it will be able to stand the challenge of the look east policy and will also be able to fully participate in the new milieu. The macro studies have already done. Considerable works of identification of agricultural, horticultural, floricultural and industrial products have also been carried out. But the real work has to start in the field. Only then NE can hope to be a part of the bridge connecting India and south and Southeast Asia.

Notes and References

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