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Towards Sub-regional cooperation: India's Northeast and Bangladesh

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The South Asian countries have a shared past based on deep-rooted common cultural heritage and historical legacy. The region has demographic and geographical advantages—a young labour force and a contiguous border. It also has the highest population density in the world. The population living in its border areas is the second largest next to Europe. The experience of East Asia shows that growth that is supported by factor accumulation as well as productivity improvements can lead to higher growth. The demographic dividend of a cheap labour force in South Asia can be a major source of attraction for relocation of regional and global production centers in the region as firms move in response to wage differentials and this creates benefits for the low-income regions. High population density and integrated connectivity can ensure better access to markets and South Asian firms can take advantage of agglomeration economies (Ahmed and Ghani 2008). Notwithstanding these advantages it however remains a fact that the small size of the manufacturing sector has restricted generating employment opportunities and the benefits of growth have not brought about the redistributive gains of welfare across nations and even within the geographical perimeters of the nations. There are sub-regions of slow growth and growing marginalization of rural population in many countries of South Asia and their high incidence of poverty continues to be a major concern. Most of these lagging regions are either land-locked countries (Afghanistan and Nepal) or are border districts/ states/provinces of Bangladesh and India. The market integration in South Asia is the lowest in the world as reflected by intra-regional trade among countries being less than 2 percent of GDP for South Asia compared to 40 percent for East Asia. While the border barriers to trade and services have almost been removed in the rest of the world the same has not taken place in South Asia. Divisions across countries in South Asia have increased dramatically over the last four decades (Ahmed and Ghani 2008). The region is also one of the ethnic strife ridden areas and that has its impact on regional integration. The cooperation among the South Asian countries has

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lagged behind in their mutual understanding and appreciation of each other's problems. The politics of blame game has often marred this cooperation.

The Northeast India- a landlocked paradox

Of the fourteen states of India that have borders with neighbours, as many as eight are from the Northeast region of the country. The other bordering states are West Bengal, Bihar, Uttar Pradesh, Jammu and Kashmir and Punjab and Gujarat.

Table: 1. Growth rate of NSDP in Border States (constant price)

States	NSDP 1980-90	NSDP 1990-00	NSDP 1980-00	PCI 1980-90	PCI 1990-00
Bihar	5.20	3.46	3.85	2.97	1.86
Uttar Pradesh	5.88	4.33	5.15	3.46	1.98
Gujarat	5.71	8.28	6.80	3.62	6.38
Punjab	5.14	4.63	4.70	3.17	2.71
West Bengal	5.20	7.24	6.11	2.93	5.41
Assam	3.91	2.47	3.49	1.74	0.65
All-India	5.60	6.03	5.66	3.36	4.07

Source: Working Paper: Regional Growth and disparity in India: A comparison of pre- and post reform decades by B.B. Bhattacharya and S.Sakthivel, Institute of Economic Growth, New Delhi.

A careful look at the pattern of growth in the bordering states during the pre-reforms (1980-90) and post reforms (1990-2000) period reflects that Gujarat and West Bengal have done very well in the post reforms period in terms of per capita income growth and the overall economic growth of the States. Significantly while Gujarat's growth stems from secondary sector growth, in case of West Bengal, it is the tertiary sector which has accentuated the growth in the post reforms period. On the other hand, Punjab's slowdown stems from the stagnation in its agricultural sector and lesser impact of the tertiary sector. Assam and the other states of Northeast India, failed to attract private investment in the post reforms era primarily for its poor infrastructure combined with poor governance and insurgency problems (Bhattacharya and Sakthivel:2004). Even the memorandum of the Government of Assam submitted to the 12th Finance Commission puts forth a similar argument:

'States and regions with high level of infrastructures, proximity to the national market and with locations nearer to the sea ports have been able to attract much more investments than the peripheral States like Assam who are handicapped by geographical distance, transport bottleneck, insurgency and poor infrastructure.'

The RBI's region wise data on Foreign Direct Investment (FDI) shows that the seven states of Northeast India received 0.08 percent of the total FDI during the period 2000-08. There were only four states viz. Uttar Pradesh, Bihar, Jharkhand and Uttaranchal where FDI was less than the Northeast Region (0.02 percent) during the same period. The RBI data further shows that states like Maharashtra, Gujarat, Andhra Pradesh, Karnataka and Tamilnadu which have better infrastructure attracted foreign investment. The states with inadequate infrastructure (the seven Northeast States, UP, Bihar, Jharkhand and Uttaranchal) are also investing less because historically they mobilised resources for public investment mainly through grants and assistance from the Centre, which are now declining due to fiscal constraints (Bhattacharya and Sakthivel).

The constraint of transport connectivity to the region is fallout of the partition of India. It was Bangladesh, which was a part of undivided India that provided the main connectivity to the Northeast India in the pre-partition days. The partition of 1947 totally disrupted the natural connectivity to the region. The present Sylhet, Sunamganj, Habiganj districts of Bangladesh were within Sylhet district in the pre-partition days and Sylhet was a part of Assam. The partition cut off the river and land access of the region through Bangladesh and this sharply increased the geographical distance to the mainland India and also raised the transport cost. The economic cost of this disruption can be inferred from the fact that in the pre partition days, ships carrying tea, coal and timber reached Kolkata from Dibrugarh (a town in Upper Assam belt) in 8 days whereas a ship from Calcutta to Guwahati takes more than 25 days at present due to lack of night navigation and customs formalities at various points. The distance between Kolkata and Agartala (capital of Tripura) which was little more than 300 kms in pre-partition, is 1700 kms in the post-partition period which obviously has its bearing on the transport cost. To elaborate further, a 9-ton truck from Guwahati to Calcutta, covering a distance of 1100 kms today costs around Rs. 20,000 while a truck going from Chennai to Calcutta, a distance of 1600

kms costs only Rs.16000. In fact, the cost of trading across borders is nearly double for India and Bangladesh compared to China. Ideally, raising the level of infrastructure and reducing regulatory trade mechanisms will help in integrating the lagging regions into national and international economies. The weaning away of state patronized investment together with transport bottlenecks has slowed down the region's growth in the liberalized regime.

Demography and the economy of Northeast States

The northeast region accounts for 3.8 percent of the total population of the country. But due to the predominance of hilly terrains in the region, 68 percent of its population lives in Assam which is a valley state. Further, the region's population structure shows that except Assam, Tripura and Manipur the other states have overwhelmingly tribal population and are covered under the Sixth Schedule. Further 84.49 percent of the populations in the region are settled in rural areas. The urbanization process in the region has been slow; the entire region has only 248 towns with an area that spreads over a little more than quarter million sq. km.

Table: 2. Tribal population and rural population in Northeast States

No.	State	Tribal population (in percentage)	Rural population (in percentage)
1	Arunachal Pradesh	64.20	79.59
2	Assam	12.40	87.28
3	Manipur	34.20	76.12
4	Meghalaya	85.90	80.37
5	Mizoram	94.50	50.50
6	Nagaland	89.10	82.26
7	Tripura	31.10	84.49
8	Seven Northeast States	27.02	84.49

Source: Census of India, 2001

The remoteness of urban life is well captured by the mean distance between towns in Northeast India which is an average of 49.23 km as compared to 33.51 km. in India. Further, a town in northeast India on an average serves an area of nearly 2000 sq. km. as compared to 1000 sq. km. in rest of the country. This in a way indicates that urban

services are far more distantly located for vast majority of the rural population in the region.

Apart from urbanization, work participation ratio is another key indicator of economic progress. A statistical reference is worth here. A comparative look at the figures of census 1991 and 2001 reveal that the proportion of main workers to the total workforce in the region has decreased during the last decade of 1991-2001. This indicates growing casualisation of workers in the region. Also there is a marked growth of agricultural labour-force during the past decade, which further reinforces the distressful situation in the region's labour market. The increasing trend towards marginalization and the growth of agricultural labour are important aspects of the emerging land relations and agricultural scenario in the region. These factors have a distinct bearing in the emerging policy framework for the region.

Table: 2. Distribution of workforce in Northeast States

States	Main workers			Marginal workers			Non workers		
	1981	1991	2001	1981	1991	2001	1981	1991	2001
Arunachal Pradesh	49.6	45.2	37.8	3.0	1.0	6.2	47.4	53.8	56
Assam	N.A.	31.2	26.7	N.A.	4.9	9.1	N.A.	63.9	64.2
Manipur	40.3	38.6	30.4	2.1	3.6	13.2	56.8	57.8	56.4
Meghalaya	43.4	40.3	32.6	2.5	2.4	9.2	54.1	57.3	58.2
Mizoram	41.7	42.1	40.8	3.7	6.8	11.8	54.6	51.1	47.4
Nagaland	47.5	42.3	35.4	0.7	0.4	7.2	51.8	57.3	57.4
Tripura	29.6	29.1	28.5	2.6	2.7	7	67.7	68.9	63.8

Source: Census 2001

The sectoral income shares indicate two distinct trends over the years—a gradual decrease in agriculture and an increase in infrastructure. The question that obviously follows is: what has been the level of infrastructure development in the region in the light of this increased share of infrastructure?

The answer to this may be found in a study conducted by the 12th Finance Commission of India on the level of infrastructure base in the country relating to three core sectors of communication, power and transport. With the different states having been classified into five categories viz. low, low-medium, medium-medium, high-medium and high, the

figures show that all the seven states of Northeast India fall in the category of low index of infrastructure together with Bihar, Jammu and Kashmir and Rajasthan.

Table: 3. Sectoral shares in the NSDP in Northeast States-2003-04

(at constant 1993-94 prices)

States	Agriculture		Primary		Manufacturing		Infrastructure		Services	
	1993-1994	2002-2003	1993-1994	2002-2003	1993-1994	2002-2003	1993-1994	2002-2003	1993-1994	2002-2003
Arunachal Pradesh	46.94	33.48	1.42	1.36	3.13	2.70	21.83	23.58	26.68	38.88
Assam	42.07	37.37	5.97	4.58	8.42	7.29	7.40	8.66	36.15	42.09
Manipur	37.87	29.08	0.00	0.00	7.39	8.62	11.76	17.42	42.97	44.87
Meghalaya	28.62	25.96	3.38	6.86	2.57	2.73	12.64	16.77	52.78	47.67
Mizoram	33.10	23.90	0.13	0.08	2.73	0.96	7.85	16.65	56.19	57.12
Nagaland	25.85	37.30	0.00	0.09	3.01	0.65	25.77	27.94	45.37	34.02
Tripura	37.40	24.97	0.61	0.56	3.27	2.49	9.45	23.92	49.27	48.06
Northeast Region	36.14	29.53	1.46	1.70	4.53	3.61	13.99	19.83	43.89	45.17

Source: Vision 2020-NER.

However, within the group itself, all the states of Northeast fare much lower than national average. While Assam is ranked top in respect of communication and second in respect of transport among the seven Northeast states, it however ranks lowest in respect of power index. The study revealed that during the two years 1995 and 2001 all the states of Northeast India have gone down in the development index of these sectors. The question necessarily arises that if the share of infrastructure in Net State Domestic Product (NSDP) has been increasing, why has the level of infrastructure registered a fall in the region? A plausible explanation can be found in Sanjib Baruah's argument that development that has shaped the course of change in the region is through allocation of funds to departments like public Works, Rural Development and Industries and this has been bolstered by the patronage politics of an electoral democracy (Baruah 2005). The argument also explains why the industrial scenario in the region is dominated by concentration of Small Scale Units. Incidentally, the region has only three percent of the SSIs in India as per the Third SSI Census.

Table: 4. SSI units in Northeast India

S. No.	State	Percentage of SSI units in NE India	Percentage of SSI units in India	Percentage of exporting Units to total exporting SSI units in India
1	Arunachal Pradesh	0.4	0.01	0
2	Assam	61.54	1.85	2.88
3	Manipur	15.2	0.46	0.02
4	Meghalaya	7.13	0.21	0
5	Mizoram	3.52	0.11	0.38
6	Nagaland	4.39	0.13	0.9
7	Tripura	7.71	0.23	0.18
8	Northeast India	100.00	3.00	4.66

Source: Third Census SSI.

Even within the SSIs, the share of services units dominates the industrial space. Consequently, the export base of the SSI units in the region is small and the total value of the exports of the SSI units in the region is only 0.23 percent of the total value of exports from SSI units in the country.

Therefore, given the prevailing economic space of the seven states of the region, economic rationale would demand policies for market agglomeration and economies of scale through regional integration for the region. But such policies still elude the region. Why is it that the economic priorities never get their due share in the policy framework of this region?

Understanding the Dynamics of Political Economy in development discourse of India

In forging sub-regional connectivity the countries need to share a certain commonality of (national) interests. These interests may incorporate issues of social, economic, political, cultural, historical, and other factors. The countries should be sufficiently enlightened so as to understand the significance of placing cooperation above conflict in the conduct of inter-state relations (Bhatta). Therefore, sub-regional connectivity between India and her neighbours needs to be understood from the other related phenomenon of political, social and economic priorities of India and other participating countries. It may be remarked

that in India politics of development dynamics is dependent on three factors: federal democracy, demography and the economy of each of the states (Panandiker 1998). The most important political development over the course of last sixty years in India has been the gradual transfer of political power from the Western educated urban middle class to a growing section of the regionally educated rural class from agricultural households. The priorities of this new political class are distinctively different as much as their perception of complex economic and strategic issues (Panandiker 1998). The ethnic diversity together with the caste factor therefore plays an important role. Coming to the question of federal democracy, the Indian democratic structure is a complex system both in institutional terms and process terms (Panandiker 1998). The complex system of democratic decentralization is ensured through a process of participatory democracy comprising of three million elected Panchayat members, 4120 members of the State legislative assemblies and 788 members of both the houses of parliament elected by more than 60 crore voters. Given the fact that 72.21 percent of the Indian population is settled in rural India, the presence of political consciousness among the masses will obviously decide their choice of representatives who can best articulate their aspirations. The Mandalisation of the Indian polity and the emergence of political leaders from the backward classes and their participation in the governance have been shaping the priority issues for the government. Further, the emergence of the backward classes with strong regional roots based on local issues also has made the Indian political process a coalition game where the 'powerful' hold the shots.

While electoral democracy has been the demarcating factor in the devolution and share of power from Centre to the local bodies, demography also has been an equally strong force. The size of population and religious and ethnic groupings have their significant impact in public policy debates and issues. This is evident from the fact that eleven most populous states of the country which account for 74.41 percent of the country's total population have a dominating influence on the political economy. Especially, the three states of UP, Bihar and Maharashtra account for 33.66 percent of the country's total population. The states of UP and Bihar with large incidence of rural poor have a pro-poor policy orientation, while Maharashtra as an industrializing state is more prone to a market friendly liberal policy framework. However, given the fact that more populous states also have more rural folks in the political leadership, it is inevitable that the policy debates

and issues tend to be more pro-rural. The policies like SGSRY, IAY, TSC, NREGA etc. provide the political parties an opportunity to strengthen and expand their electoral space by extending coverage of these schemes to those sections of the population as may be decisive in winning elections.

Another major determinant of the economic policies in India happens to be the economic structure of the constituent states. The poorer states which are basically dependent on agriculture demand pro agricultural economic policies. Incidentally, the states of Bihar, UP, Madhya Pradesh figure significantly here. On the contrary, states like Gujarat and Maharashtra which are industrial states, demand for more liberalized market friendly policies. States like Punjab, Haryana, Kerala which have lower incidence of poverty have different policy needs. As Varshney (1999) writes, the more direct the impact of an economic policy and greater the number of people affected by it, and more organized the section, higher is the chance that such economic issues enters the domain of mass politics. Hence ethnic issues, local problems based on caste lines, public distribution system of supplying subsidized rice, wheat etc. are major concerns of mass politics in India. Not all aspects of economic policy happen to concern all and this is more so in case of reforms on trade and investment which distinctly concern urban and metro based big industrialists. These industrialists and business houses concentrated in a few states are also major patrons of election funding and, hence, decisions on trade liberalizations which have economic merits get safe passages as they pave the way for revenue generations in two ways- first for the country through its income from trade and secondly the patronage for political parties. Therefore, while on the one hand trade liberalization is vigorously pursued, on the other hand rural votes are ensured by pushing through pro-poor development policies. Economic development has been re-cast into jargons of 'social and redistributive justice' to the poor in a market friendly liberalized economy. It is not without reason why one finds that policies for rural development starting with the Integrated Rural Development Programme and the infamous Agricultural and Rural Debt Relief Scheme have been re-emphasized time and again. It is also not without reason that in each of the Five Year Plans, the size of allocations of the annual budgets for rural development schemes has been increasing.

The perusal of a market economy has led to rise in income disparity in India in the post liberalization period and, hence, keeping in view the objective of 'social justice' of the pro-rural political class, the quantum of pro-poor schemes and allocations too have increased. Although states with a pro-rural policy bias in the form of grants and aid to rural sectors have gone down in respect of growth of Net State Domestic Product (NSDP) and Per Capita Income (PCI), yet such issues continue and will continue in the sphere of public policy debates and priorities. The fractured electoral verdict over the years and growing regionalization of the political parties seem to have further reinforced the phenomenon. The regional parties are an off shoot of the 'felt deprivation' and 'perceived neglect' of 'New Delhi' over the years and hence an attempt at capture of a power share at the centre through coalition with major national political parties help keep alive the pro-rural and ethnic issues whose sum and substance are almost the same across all regional political parties. The demographic and regional influences are well illustrated by this example; the three states of UP, Bihar and Madhya Pradesh along with Rajasthan account for 37 percent of the seats in Lok Sabha. The size of these four states has a strong influence in the policy formulation; at the same time the strength of economic power of states like Maharashtra, Gujarat and Punjab influence major economic decisions as these three states also happen to be the largest resource generating states of the country. Hence, democratic decentralization of power, regional coalitions, demography and economic issues underline the political economy of development discourse in India. Therefore, electoral representation, regional 'development politics' and politics of resources are three important factors in India's policy debates. The announcement of waiving of loan for farmers in the Budget speech of the Finance Minister in 2008, adoption of a National Rural Employment Guarantee Act, (NREGA), fund flow through special schemes like BRGF while at the same time easing of interest and taxes for corporate sectors, indicate the complexity of developmental democracy in India.

A new variant in the development politics in India is the 'voice' of the minorities. The setting up of a Ministry of Minority Affairs in recent years indicates the growing importance of religion based politics in India and a movement away from a caste based politics of the eighties and nineties. As many as 90 districts in the country have been identified as minority concentrated districts, majority of which are Muslim dominated and a special Multi-sector Development Plan Fund (MSDPF) has been earmarked for

this. The Sachar Committee set up in 2006 specifically to address the socio-economic issues of the Muslims for formulation of policies addressing these issues is a significant development. The Committee noted that the politics of identifying a Muslim with suspicion has deprived the community of socio-economic progress and these have impacted the identity and security of the community. Hence policies need to be in place where such discriminations are done away with (Sachar Committee Report 2006). Indian society is multicultural and all identities can become candidates for *political loyalty*¹ and not merely *nationalist one*². In the fast changing socio-economic scenario people can change their self description submerged within the marker of Indian nationalism to something else quite suddenly, to attract better deals from the Indian State (Kaviraj:2007).

Within this context of India's socio-political culture, the dynamics of sub-regional integration for a lagging region like Northeast India and the choosing of political and economic issues from the region and what they foreground and what they deny require careful understanding and projection.

Politics of sub regional integration between Bangladesh and India: a perspective from the Northeast India

India shares the largest border with Bangladesh. The total length of the border is 4,095 kilometers running across four states of Northeast viz. Assam, Meghalaya, Mizoram, Tripura and West Bengal. Cyril Radcliffe, who headed the Boundary Commission to partition India in 1947, demarcated the line in the eastern part of India by drawing a straight line through villages and rivers, houses and market-places (Banerjee 2001). As a result, the border cuts through the middle of several villages and in some cases, while one section of a house is in one country, the other is in the neighbouring country. The small towns of Mankachar, South Salmara, Kedar, Binnachorra, and Balabhoot across the border in India's Northeast are corridors along which people from both sides of the border cross for their various requirements which from perspective of law is illegal

¹&²This is borrowed from Sudipto Kaviraj, 'The Modern State in India' in *Politics and the State in India* (ed) by Zoya, Hasan, Sage Publications, New Delhi, 2007.

immigration for either countries. The politics of Indian federalism as discussed in earlier sections, with its demographic, regional and economic factors, do not offer sufficient strength to the states of Northeast India to push the policy debate for integrated river connectivity through Bangladesh so as to gain easy access in the global market. The reason for this argument lies in the very political and economic factors influencing the democratic governance in the region.

All the states of Northeast are Special Category states which are protected under a policy of positive discrimination because of the fact that most of these states are economically not viable. The fiscal governance in the region is highly dependent on central transfer of resources and Central transfers continued to be more than 50% of the Gross State Domestic Product (GSDP) for the States of Arunachal Pradesh and Mizoram while the same for Manipur was more than 40% during the year 2002-06. During the same period (2002-06), the Central Transfer as proportion of GSDP was more than 30% for Nagaland and Tripura and around 21% for Assam. The own tax revenue (OTR) to Gross State Domestic Product (GSDP) is another indicator which reflects the poor financial viability of the Northeast States. The OTR to GSDP was less than 2%, for Nagaland and Mizoram during the period 2002-05; the same ratio for Manipur, Meghalaya, Tripura and Arunachal Pradesh was 2%-6% and for Assam the ratio was 4%. The small size of jurisdictions of the states in the region and virtual absence of a production sector makes own revenue generation virtually impossible in these states. Except for Assam, the share of OTR to GSDP for the other six states of the region was less than the average share of OTR to GSDP for all the Special category states during 2002-05. The current transfer and devolution from the Centre (shareable Central taxes and grants-in-aid) continued to be a dominant source of revenues for all the Special Category States especially for the six Northeast States other than Assam. Besides, the geophysical location of the region especially its hilly and inaccessible terrains, contributes to higher unit cost of providing public services vis-à-vis other states. It is thus not surprising to see why the states in Northeast India were declared Special Category states.

Table: 5. Fiscal Indicators of Northeast States

S. No.	State	State's own tax revenue/ Revenue expenditure	State's own non tax revenue/ Revenue expenditure	Gross transfer to aggregate disbursements
1	Arunachal Pradesh	5.7	10.4	70.5
2	Assam	23.8	9.1	54.1
3	Manipur	5.2	6.4	79.6
4	Meghalaya	12.7	8.2	73.9
5	Mizoram	3.3	8.0	76.0
6	Nagaland	5.4	4.2	80.2
7	Tripura	11.4	2.2	68.6
8	Special Category States	19.0	9.8	60.6

Source: RBI, State Finance, 2006-07

The proportion of gross transfer to aggregate disbursement from the Centre continued to be major source of revenue for the Special Category states. This form of financing often provides opportunities for the local politicians to engage in rent seeking and encourages fiscal irresponsibility (Baruah 2005).

Table: 6. Transfer and devolution from Centre to Northeast States

S. No.	State	Central Transfers/GSDP (2002-05)
1	Arunachal Pradesh	>50 percent
2	Assam	>15 percent but <20 percent
3	Manipur	<40 percent
4	Meghalaya	25 percent
5	Mizoram	50 percent
6	Nagaland	29 percent
7	Tripura	>25 percent but <29 percent
8	Special Category States	29 percent

Source: RBI, State Finance, 2006-07

While fiscal dependency remains high, the region's strength in terms of its elected representatives at the Centre stage of Indian parliament remains very marginal; the region's share in the total electorate of the country is only 3.33 percent and the share of elected representatives in the Lok Sabha is 5.89 percent only, these figures can fairly explain why Northeast states have failed in their bargaining power in economic fronts. Further one cannot lose sight of the fact that as many as three states of the region

(Nagaland, Meghalaya and Mizoram) were once districts of Assam and four states of the region (Arunachal Pradesh, Nagaland, Meghalaya and Mizoram) have serious boundary disputes with Assam. Hence within itself, the region is fragmented and the identity of Northeast at best is a forced misnomer. Assam which is the largest state in terms of its economic base has the highest share in the parliamentary representation from the region- of the 24 Lok Sabha seats from the region as many as 14 seats belong to Assam and 69 percent of the electorate in the region is from Assam. The growing regionalization of issues and emergence of regional political parties is natural fallout in the process. These regional parties also provide a base for national parties to find a platform into the electoral polity while the regional parties need support of national parties (alliances decided on political convenience) and coalition ties have become the trend of events over the years. The elections fought in the states of the region with regional issues seldom find their articulation at the national level agenda.

Apart from the imbalance in the democratic representation of different Northeast states in the parliament, the tribal ethnic diversity of the region has led to a complex structure of governance with Sixth Schedule applicable in many States. Excluding Assam the proportion of other six states in the tribal population of the region is 60.42 percent. The protectionist policy towards the tribal population in the region can be understood from the fact that in the State Legislative Assemblies of Arunachal Pradesh, Nagaland and Mizoram all but one seat has been reserved for the Scheduled Tribes (ST) while in Meghalaya all but five out of sixty seats have been reserved for the ST. Placing the tribal population and their aspirations on a different scale is a legacy carried from the Colonial administration in the region. The genesis of this lies in the Colonial period when the British put in the protective policies as a rule of non interference in the tribal societies mainly because annexation and administration of the tribal areas was not found to be profitable by the Colonial Government (Misra:2000). But once in place these became irreversible over time especially against the political backdrop of insurgent rebellion in the region (Baruah2005). In the post independence era under Article 244(2) of the Indian Constitution, the provision of Sixth Schedule was made applicable to the administration of the tribal areas of the present states of Assam, Meghalaya, Mizoram and Tripura. In addition, other civilian restrictions like the Inner Line Permit and Restricted Area Permit for Indian and Foreign Visitors respectively, visiting the states of Nagaland, Mizoram and

Arunachal Pradesh have been in operation for limiting the demographic transformation in the frontier tribal areas of the region. Given the micro level considerations like ethnic identity in politics of power, one can easily understand why issues of international importance which can reap greater dividends remain marginalized. The politics of affirmative action which many see as appeasement, based on religion, caste and ethnicity has been a major determining factor in the public policy debates of the region. The identification of as many as twelve districts in Assam as minority (Muslim) concentrated districts arouses political passions which overshadows the economic exigencies for an integrated connectivity through Bangladesh for a cost effective access to the global world. Within the region itself, Assam which is the largest state in terms of its economic base and also in terms of its representative share in the parliament, therefore has a decisive influence in shaping the sub-regional connectivity of the region. While immigration from Bangladesh is a major issue in the state with spill over effects in the region, yet at the same time retaining the Muslim vote banks is equally important in Assam's electoral democracy for both regional and national parties. Hence policies addressing issues for the poor and the ethnic and religious minorities find precedence in the region's policy discourse rather than an integrated sub-regional developmental policy centering on market and transport integration. The politics of ethnic identity and Muslim vote banks vis-à-vis protests of immigration from Bangladesh go hand in hand in the political economy discourse of Assam and in the emerging policy debates of the region at large.

While the democratic political process and economic space in the region represents one aspect, the role of the Central government towards the region represents the other aspect in the development discourse in the region. Northeast India has been known for its infamous ethnic unrest and insurgency problem. The Chinese aggression of 1962 exposed the fragile border security of India in this part of the country. The region is the only one in the country where it was gifted with a council (North East Council-NEC) to oversee its aggregate development. However, the skewed reflection of the Central government's perception of region's development is borne by the NEC itself as this was under the control of Ministry of Home affairs rather than being under Finance Ministry or Ministry of Rural Development or any other Ministry like Commerce. The very fact that a development agency should be under the control of a Ministry concerned with law and

internal security of the country and which initially included only the Governors and not even the Chief Ministers of the region, speaks of the region's inability to resist such a development best with Centre's overriding concern with security threat to the region from the long standing insurgency problem in some parts of the Northeast India. The centre-periphery dichotomy is perhaps more pronounced in the region as the policies and strategies for the Northeast's (periphery) growth and development are linked more to the national security concerns at New Delhi (centre) rather than the sub regional economic growth of the region. Apart from the presence of several secessionist forces from the various ethnic groups in the region the near capture of Assam by the Chinese in 1962 forms the basis for security paradigm. As Sanjib Baruah (2005) writes, in the political governance of the region '*Generals as Governors*' have been more common for Northeast India which has led to a de facto parallel political system autonomous of the formal elected democratic structure. The insurgency and ethnic issues remain active in the domain of mass politics in the region with the regional party leadership accusing Centre's neglect in development of the resource rich region. The over bearing presence of the Central government in shaping the development trajectory of the region can be gauged by the fact that since 2001 a separate Ministry of Development of North-Eastern Region (DONER) has been set up, no other region in India has any such Ministry. However, the financing of development works through grant money from the Centre to the states provided little incentive for the states to utilize the resources for expanding their own tax base, and almost all the states of the region have a weak fiscal consolidation. Although liberalization leaves much scope for State governments to peruse their development strategies through public- private partnerships (PPP), the overriding political demarcations of issues on ethnic and tribal lines in most of the states of the region have left little space for emergence of a consensus for integrating the region to the natural connectivity frontiers in South Asia. Rather, there appears to be a cosmetic integration of the Northeast India to South East Asia through Myanmar under New Delhi's twin target of wooing the Myanmar's junta and pacifying the wounded sentiments of insurgent infested states of the region especially Manipur and Nagaland on New Delhi's neglect of economic development in the region.

Beyond landlocked ness: in search of integration

Apart from the internal dynamics of India and its constituent states in the Northeast, the bilateral relations between India and Bangladesh are of equal importance. While pointing to the geo-politics, it is true that the history of state formation in South Asia has produced almost permanent set of relations that pre-empt regional economic cooperation. The reasons behind this slow pace towards regionalization are well known and involve serious discord in which the countries of the region are entangled. The retreat of the British and the socio political conditions of the country created bitterness between the ruling elites of the two major south Asian states which, in turn gravely disrupted the traditional complementarities and cohesion. The Indo-Bangladesh border has several enclaves-and there are more than 100 such enclaves in India's possession, and a little more than 50 enclaves in possession of Bangladesh. The 1974 the agreement between Indira Gandhi and Sheikh Mujibur Rahman, agreed to hand over these enclaves to the respective sides. However, New Delhi has been delaying the issue and the feeling in Dhaka has been that India is reluctant to exchange the enclaves because it would lose around 10 lakh acres to Bangladesh (Banerjee: 2001). The political and economic interests of states in India and the dividing lines between India and Bangladesh along nationalistic, religious and ethnicity substantially complicate policy making that involve cross-border dialogue and cooperation. The more serious flaw in the process has been that both Bangladesh and India has approached the issue of sub-regional connectivity more as a bilateral issue camouflaged by internal political dynamics rather than a cross-boundary economic and commercial investment. The transit through Bangladesh has been a contested subject between both Bangladesh and India. The cost of trading across borders is high e.g. at the Petrapole-Benapole, one of the main borders between Bangladesh and India where trucks wait for more than 100 hours to cross the border. In fact quality of connectivity and productivity enhancing infrastructure have been the major constraints for the firms exporting to the regional markets in South Asia (Ghani and Ahmed 2008). The regional integration among the East Asian countries overcoming their political differences has shown how economic integration can induce growth that can address political issues as well. In fact, populist negative perceptions have dominated the regional political discourse and the lack of information and sound analysis in the public domain about benefits of regional cooperation has been one great shortfall in the Northeast region. The

division of political and economic interests on ethnic and religious lines has made the possibility of a regional integration with Bangladesh a complex discourse in the region.

Although intellectuals and development experts from the Northeast India believes that its natural access to Asia is Southeast Asia through Myanmar, the Vision 2020 argues that the continental land route via NE-Myanmar-Thailand is not yet considered safe and cost-effective (NER Vision:2020). India's engagement with Myanmar is prompted by two reasons: a greater involvement with Myanmar helps India to ease its apprehensions about China and the relation may also be in favour of Myanmar's interest, secondly, the border trade through Myanmar will be maintained by Indian government to undo the blame for economic negligence and backwardness of the region and pacify the region's demand for '*north east India as the gateway for (South East Asia) India's eastward ho*' (Choudhury 2006). The border trade will thus be more '*cosmetic and less for economic opportunities*' as Indian leadership at New Delhi knows better that northeast economy needs more homework done before getting into direct international trade with a liberalized South East Asia through Myanmar. In fact mutual engagement between Myanmar and India has other dimensions too. According to Huntington's Hypothesis a rapprochement between India and Myanmar would help in fighting growing Islamisation in the region (two million Muslims live in Myanmar of in Rakhine estate and of these one million are Rohingyas and they are living in Rakhine estate; there is also a small portion of Chinese Muslim traders). While the Saudi Arabia and Pakistan fund the Islamic radicals in Rakhine, Bangladesh's Jamait Islami is said to be the funding source of the Arakanese Islamist movement and are opposed to Rakhaine Buddhists (Egretau 2003). Hence Buddhist Myanmar and 'secular' India with Hindu majority would engage with each other for mutual political and security interest rather than economic interest of the Northeast region. Indian policy in respect of Myanmar is somewhat obscure and has twin goals: *on one hand*, it cannot ignore military junta in Myanmar given the junta's strategic partnership with China and India is still hesitant about its own foreign policy towards China; *secondly*, India knows that the military junta will not continue for ever in Myanmar and democratic forces will come back, but it cannot overtly and actively support the pro-democracy movement (as it had done in the initial phases) and antagonize the junta because this has serious implications for India: a possible escalation of the insurgency movements along the Northeastern states of India indirectly aided by both

China and Myanmar. Also Myanmar is one of the major drug trafficking centres in the world and most of the political insurrections in Northeast India and Myanmar are involved in the trafficking network; the emergence of drug lord among the insurgent outfits is inevitable in India (Egreteau 2003). According to the Annual Report, 2001, of the International Narcotics Control Bureau, the 1,643-km Indo-Myanmar border has been utilized as a transit point between the Golden Triangle and the Golden Crescent (Vision 2020). Hence the frontiers of India along the Myanmar border have remained sensitive zone.

In conclusion it may be said that the spatial dimension of regional integration of Northeast India and Bangladesh can be inferred from the historical fact that economic growth of Northeast during the British rule flourished essentially on the strength of its integrated transport network through East Bengal. Inland-water trade between India and Bangladesh is important in linking not only Assam but the region as a whole to Bangladesh. Cost effective trade routes through water ways is more important than land routes for India's Northeast through the corridors of Bangladesh. Notwithstanding the importance of waterways, the land routes continue to be the safe transit for informal trade between both the countries. One of Bangladesh's major concerns has been the large volume of informal imports (approximately 15-20%) from India which are not covered by Bangladesh's import duties. Although the existing bilateral trade relation between the two countries is far less significant for India than it is for Bangladesh, nevertheless, closer economic integration with Bangladesh is seen as a very important way of reducing the economic and political isolation of the Northeast states from the rest of the country (Vision 2020). The dilemma with states in Northeast India is that they are not ready for an economic integration for the fear of being swamped up by immigration from Bangladesh which is based on historical experience of post-independence immigration. Also the states are not ready to solve long standing political conflicts among themselves in order to maintain supremacy over one another e.g. the interstate boundary disputes. The integration of Southeast Asian countries have shown that for economic growth through market agglomeration it is necessary to think beyond the debate over territorial borders. In East Asia, Thailand is an important market for Laos and Cambodia. In Africa, economic growth in Kenya provided the linkages to those African countries which are endowed with natural resources but are landlocked. Hence it is the seamless interaction of

better connectivity, improved trade and converging institutions in the South Asian sub-region that can accelerate growth in the lagging regions, and benefit the slower growing and land locked regions like Northeast India, rather than depending on grants and transfers from the Central Government. However, this realization to be faint in the present political economy discourse of Northeast states of India.

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