

## **Look East (Act East) Policy And Emerging Scenario Of North-East Indian Trade With Myanmar**

**Bikash Mazumdar<sup>1</sup>, Urmila Nath<sup>2</sup>**

<sup>1</sup>Research Scholar Krishna Kanta Handiqui State Open University, Guwahati.

<sup>2</sup>Assistant Professor Madhya Kampeeth College, Borka.

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### **ABSTRACT**

During the pre-British period, India's foreign trades with different countries were wonderful. India was quite famous for her exporting goods specially textile handicrafts. However, that bright image, somehow, was erased during the British rule for dual exploitation of economic resources, as already explained by Dadabhai Naoroji (The Drain Theory). In the post-independence era also, India, could export her agricultural and agro based products to most of the western countries. In the recent trend, i.e., after economic reforms, when a new trade policy has been prescribed and implemented by Narsimha Rao's government, the trade direction altered from west to East. That revolutionary policy was the Look East policy, which was implemented for making the base of foreign relationship with the eastern countries like Myanmar, Thailand, Cambodia Vietnam etc. Though the outlook of that policy was to strengthening the economic relation with these countries, yet some internal causes were also come to light that was to break the vicious chain of China that has been constructing along the boundary countries of India. It is worth mentioning that the look east policy became the Act East policy in 2014 by Present Prime Minister of India, Shree Narendra Modi that extend the view of the look east policy to economic as well as cultural unite with the eastern countries.

Since independence, Indian-Myanmar foreign relation was one of the remarkable one. However, since 1980's and after 1991, India, specially the North Eastern Region, which is presently known as the sports centre of India, has become significant hub for trade with Myanmar, Bangladesh, Laos, Thailand etc., With growing importance of the critical foreign relations, India, now try to footprint in the South East Indian countries through the union like SAARC, ASEAN etc. In our paper, however, the discussable area is limited to emerging reasons of Look East policy and the growing trend and composition of NER trade with Myanmar.

**Keywords:** Look East Policy, North East India, Myanmar

### **INTRODUCTION**

India, since ancient and medieval time onwards, has been famous for its adequate natural resources that attracts many merchants. After the first voyage of Vasco-da-Gama (1497-1499), the Asian countries, especially India, has been linked with Europe by an ocean route. And after that, even after colonism of British in India, India's trade relation has been successively growing and this direction of

foreign trade of India had been in prior till the date of approving the Look East Policy (LEP). However, as the look east policy has been introduced and came into practice, the direction of trade has been altered. A relative soft-corner has been seemed for the eastern countries like Bangladesh, Myanmar, Thailand, Vietnam, Malaysia, Cambodia, Vietnam, Laos as per trade relation is concerned to India. However, eastern countries Japan, Australia has been retained their trade relation comparatively strong with India since independence onwards.

### **Objectives of the Paper**

This paper has a humble attempt to find out-

- (i) The emerging reasons of Look East (Act East) Policy,
- (ii) The key points that are essential parts of act east policy that strengthen this policy to become proactive and dedicative for Indian foreign trade and also security,
- (iii) How the centre tries to boost up North Eastern region with better connectivity with East Asia.
- (iv) The trend of Indo-Myanmar border trade.

### **Methodology**

As per methodology is concerned, secondary data are used for analysis. And for this, mainly internet is kept as assistance. However, a number of books are also followed for this purpose. Again for reference, a newspaper (Especially, Assam Tribune) and some other reference books are also followed. Again, for discussion and analysis purpose, descriptive method, with necessary diagrams and table and simple arithmetic has been utilized.

### **Analysis, Discussion and Findings**

#### **Executive summary of North-East India**

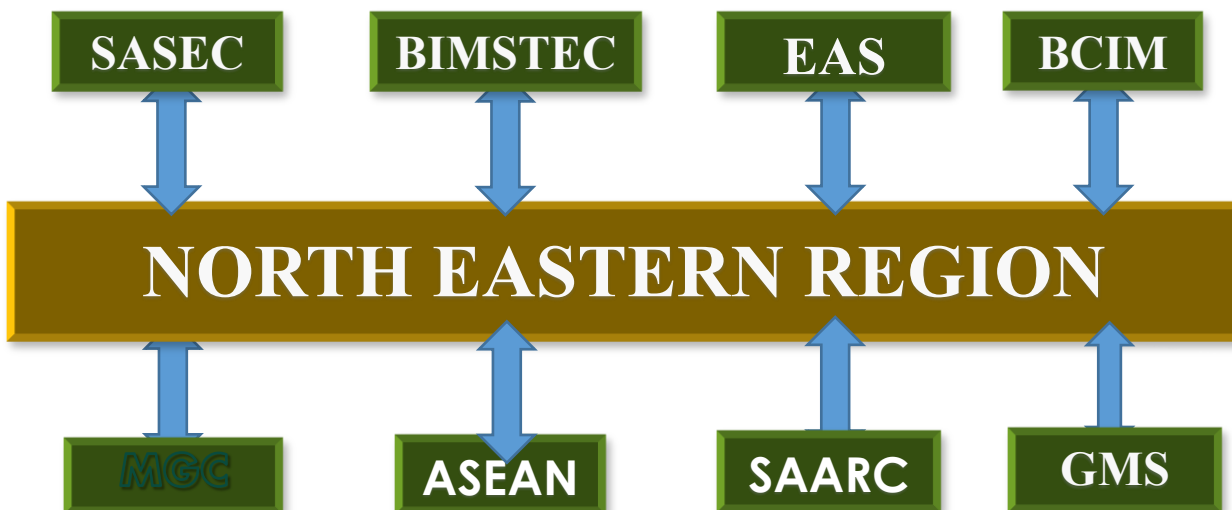
India's North East Region (hereinafter NER) has 9% of India's geographical area and contributes 3% to the country's Gross Domestic Product (GDP). More particularly speaking, it is one of the most economically laggard region of India. However, this region may be one of the bright power-house of India if the available natural resources in this region could be exploited optimally. NER is rich in resources like hydrocarbons and other minerals and has immense potential to produce hydroelectricity. However, these potentialities are far from the real development because of poor infrastructure and geographical disadvantages. However, this region may be the centre through which trade and investment could be channelized from and to the Eastern Nations.

NER is unique in terms of economic opportunities it offer. About 98% of the regions borders from India's international boundaries. It shares its border with China, Bhutan, Bangladesh and Myanmar. Over the past several years, India has been a part of a number of regional and sub-regional initiatives that countries in South and South East Asia have taken to deepen their economic integration. These include the South Asian Free Trade Agreement (SAFTA), which is the first step towards an eventual South Asian Economic Union, the Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation (BIMSTEC) and the Asia-Pacific Trade Agreement (APTA). Further, as a part of its "Look East" policy, India has increased its engagements with the members of the ASEAN and countries belonging to the East Asia Summit (EAS).

**Important Notes :**

1. MGC - Mekong-Ganga Co-operation
2. SAARC - South Asian Association for Regional co-operation
3. ASEAN - Association of South East Asian Nations
4. GMS – Greater Mekong Subregion
5. SASEC – South Asian Subregional Economic Co-operation
6. BIMSTEC – Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation.
7. EAS – East Asia Summit
8. BCIM – The Bangladesh-China-India-Myanmar forum for regional cooperation

**Figure 1: North-Eastern Region as a Gateway to Eastern Countries**



In figure 1, it is demonstrated how NER is the gateway of India to the eastern world, especially, with all the associations or co-operations which are built on the basis of securing the trade and development of south and east Asian nations. And NER, being the easternmost region of India, shares its border of at least one of the nations that are members of each of the association or co-operations.

**Look East Policy (LEP)- Its background reason of emergence and Brief History**

India's LEP is an effort to cultivate extensive economic and strategic relations with the nations of South-East Asia in order to bold its standing as a regional power and a counterweight to the strategic influence of the People's Republic of China initiated in 1991. It was one of the revolutionary step of then government P.V. Narasimha Rao towards foreign relation for improving economic development through intra-border trade. With many initiatives (discussed below) in implementing this policy, it was rigorously pursued by Atal Bihari Vajpayee, and Manmohan Singh. However, the current prime minister of India, Narendra Modi modified this policy and promote it to Act-East Policy (AEP) in 2014. He formally enunciated the Act East Policy at the 12<sup>th</sup> ASEAN India Summit and the 9<sup>th</sup> East Asia Summit held in Nay Pyi Taw, Myanmar in November 2014. The major changes between LEP and AEP are as follows-

**LEP**

- (i) Driven by economic interest.
- (ii) Limited to South-East Asia

**AEP**

- Driven by economic and security interest.
- Extended to South East Asia + East Asia.

Since ever the Sino-Indian War of 1962, China and India have been strategic competitors in south and east Asia. China has cultivated close commercial and military relations with India's neighbor and rival nation Pakistan and competed for influence in Nepal and Bangladesh. Since 1979, China has been reducing its threats-based activities and involved in expanding trade relations with most of the Asian nations. During Cold war, India had a relatively hesitant relationship with many states in South-East Asia and diplomatic relation with south east Asia were given a relatively low priority.

India's "Look East Policy" was developed and enacted with a view to economic liberalization and straight focused on close economic and cultural ties, increasing strategic and security cooperation to create and expand regional markets for trade, investments and industrial development.

**The major parts or key-factors of Act East Policy**

**ASEAN** :- ASEAN regional forum (ARF) is a formal, official, multilateral, dialogue in the Asia pacific region which is organized on the main basis of security. Indonesia, Thailand, Philippines, Malaysia, Singapore, Vietnam, Myanmar, Cambodia, Laos and Brunei are the nation-members of it.

India became a sectoral partner of the ASEAN in 1992, Dialogue partner in 1996 and Summit Level partner in 2002. Currently, there are 30 dialogue mechanisms between India and ASEAN, including an annual Summit and seven ministerial dialogues. At the 9<sup>th</sup> Delhi Dialogue with ASEAN, India's foreign minister Sushma Swaraj describe the future of India-ASEAN cooperation in terms of three C's- Commerce, Connectivity and Culture.

India's Trade with ASEAN countries in the later part of the last decade and recent years are shown in table-1.

**Table 1 : India's Trade with ASEAN countries:**

<b><u>Year</u></b>	<b><u>Volume of trade (Billion US\$)</u></b>
2006-07	30.7
2007-08	39.08
2008-09	45.34
2009-10	20.19
2015-16	65
2016-17	70

**East Asia Summit** :- EAS is a forum held annually by leaders of initially 18 countries (ASEAN members + China, Japan, Korea, India, Australia, New Zealand, USA and Russia in the East Asian,

South East Asian and South Asian regions. India has been trying to improve the importance in EAS as India has been good cooperated with U.S. and Russia as well.

**BIMSTEC:-** It is the Bay of Bengal for Multi-Sectoral Technical and Economic Cooperation of seven countries of South Asia and south east Asia- India, Bangladesh, Bhutan, Nepal, Sri Lanka, Myanmar, and Thailand. BIMSTEC Disaster management exercise-2017 mainly focus on creating synergy and synchronize efforts to institutionalize regional cooperation and inter-governmental coordination efforts on disaster response among member states. It covers cooperation in commerce, technology, investment, agriculture, tourism, human resource development fisheries, transport and communication textile leather etc.

**Indian Ocean Rim Association (IORA):-** The IORA is a regional forum, tripartite in nature, bringing together representatives of government, Business and Academia, for promoting cooperation and closer interaction among the coastal countries that share their boundaries with Indian Ocean. It is also a part of LEP of India to improve the relationship with these countries. In recent times, Narendra Modi, in 2015, visits 3 IORA member countries namely Seychelles, Mauritius and Sri Lanka.

Mauritius is greater important for Indian trade as well as for Balance of Trade, about 50% or more FDI comes through Mauritius, as India has been tied up with Double Taxes Avoided Agreement (DTAA) with Mauritius and there is relative less taxes for global companies in Mauritius for registration and establishment.

Again, China's string of Pearls (surrounding India through Ocean with commerce and military base) has been practiced through Gwadar port in Pakistan, Hambantota port in Sri Lanka, Chittagong port in Bangladesh, Kyaukpyu port in Myanmar, Chinese military base at Coco Island. To break this strategy of China, India's look east policy has been introduced and this is the reason behind India is trying to improve the relation with Seychelles so as to make Indian military base at some future dates if she agree.

**BCIM:-** The Bangladesh-China-India-Myanmar (BCIM) is a sub-regional organization of Asian nations aimed at greater integration of trade and investment between the four countries. This organization, with the aim to link the large markets of India and China, connect India (Kolkata) and China (Kunming) via Bangladesh (Dhaka) and Myanmar (mandalay) which is formally known as BCIM-EC (Economic Corridor). This BCIM-EC has been building with a priority agenda with three T's (Trade, Transport and Tourism). However, energy production, environmental aspects, and socio cultural issues are also have been kept focused.

**Kaladan Multi Modal Transit Transport Project (KMMTTP):-** This is a project by way of which India's isolated but one of the naturally endowed region, the North-Eastern Region, can be connected with Kolkata through Myanmar by way of sea route as well as land route. This project will connect the eastern Indian sea port of Kolkata with Sittwe sea port in Myanmar by sea (about 539 K.M. sea route); it will then link Sittwe sea port to Paletwa in Myanmar via Kaladan river boat route (about 150 K.M.) and then from Paletwa on to Mizoram by road transport (about 129 K.M.).

Another project has been developed named Trilateral Highway project that would connect Indian and Thailand via Myanmar with a view to boosting up the region with trade and transport, commerce, business and most importantly tourism.

However, In recent dates, it is known that India has cut aid to Myanmar from Rs. 400 crore to Rs. 120 crore as many prject like KMMTTP, Trilateral Highway has been retardate as tendering process could not be completed due to various reasons including high bids from the estimated cost of work.

### **NER-Myanmar Border Trade: Emerging Pattern**

The India–Myanmar trade pattern in general and the border trade in particular is discussed in this part will help us understanding the nature of “behind the border” issues that are prohibiting the trade to grow between the NER and Myanmar.

#### **4.1 Trade between India and Myanmar**

Since early 1990s, with the adoption of Look East Policy (LEP), India-Myanmar engagement has been growing on substantive ground and increasing being structured. Several empirical studies show the extent of economic integration between South and Southeast Asia, where Myanmar has been playing the lead catalytic role. Myanmar is the land-bridge that connects world’s two largest markets – South and Southeast Asia. It is therefore an important country for both India and ASEAN that helps integrate economies across the border.

India’s change in policy towards Myanmar has paid a rich dividend. For example, the bilateral trade between India and Myanmar has grown from US\$ 12 million in 1980 to about US\$ 1.5 billion in 2009, increased by an extraordinary 46 per cent per annum in the last two decades (Table 2). In particular, the last decade witnessed the fastest growth in bilateral trade (Table 3), helped the bilateral trade to reach US\$ 1.4 billion in 2009. This phenomenal rise in bilateral trade has been driven by Myanmar’s increasing exports to India. Today, Myanmar exports goods worth about US\$ 1.09 billion goods to India. In contrast, Myanmar’s export to China is half of what is exported to India. What follows is that India is Myanmar’s the second largest export destination, next to Thailand.

**Table 2: India-Myanmar Bilateral Trade**

Year	Export	Import	Total Trade	BOT
	(US\$ million)			
1980	4.770	7.620	12.390	-2.850
1990	1.435	90.144	91.579	-88.709
2000	48.050	179.175	227.225	-131.125
2001	53.047	197.809	250.856	-144.762
2002	71.528	345.639	417.167	-274.111
2003	86.001	390.768	476.769	-304.767
2004	104.705	400.052	504.757	-295.347
2005	111.322	495.952	607.274	-384.630
2006	132.717	718.395	851.112	-585.678
2007	174.020	802.793	976.813	-628.773
2008	212.230	893.916	1106.146	-681.686
2009	209.778	1195.260	1405.038	-985.482

Source: IMF DOTS.

**Table 3: Growth in India's Trade with Myanmar\***

Periods	Export	Import	Total
	(%)	(%)	
1980-1989	-215.89	76.58	76.14
1990-1999	46.80	63.17	69.20
2000-2009	75.96	115.83	119.40
1990-2009	32.45	44.60	45.92

Note: \*Compound Annual Growth Rate (CAGR). Source: IMF DOTS.

While India's increasing trade deficit with Myanmar is a matter of concern, that increased from miniscule US\$ 2.5 million in 1980 or about US\$ 131 million in turning of the last decade to about US\$ 1 billion in 2009, India has been providing a consistently higher market access to Myanmar, which is perhaps the highest in volume that India provides to the LDCs in the world. If trade liberalization is one of the determinants that helped Myanmar to increase her export to India, trade facilitation by opening of border trade between the two countries in 1995 is equally responsible for higher bilateral trade between the two countries in later years, particularly since 1997 onward. Since then India has become Myanmar's one of the largest trading partners. Nevertheless, India exports a miniscule (less than one per cent) share of India's global export, a negligible share (even less than one per cent) of its own imports, and a small range of imports (edible vegetables and wood and articles) and relatively diversified exports (pharmaceuticals, iron and steel and electrical machinery).

India and Myanmar share a common border of 1,643 km. Four states of the NER, namely, Arunachal Pradesh, Manipur, Mizoram, and Nagaland, shares international borders with Myanmar (Table 4). However, a large part of this international border with Myanmar is porous, mountainous and inhabited. Till date, four LCSs are in operation, serving the trade between the two countries (Table 4), of which Moreh in Manipur is the busiest LCS, handling almost 99 per cent of the NER's trade with Myanmar.

**Table 4: LCSs in NER Dealing Trade with Myanmar**

NER State	LCS in India	LCS in Neighbouring country	Neighbouring country
Arunachal Pradesh	Nampong		Myanmar
Manipur	Moreh	Tamu/Namphalong	Myanmar
Mizoram	Zokhawthar (Champai)	Rangamati	Myanmar

Nagaland	Avankhung		Myanmar
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Source: North Eastern Council (NEC)

In general, the NER-Myanmar trade mainly flows through Moreh in Manipur. In the last decade, the NER's average annual export to Myanmar was about US\$ 2.36 million, whereas the average annual import from Myanmar was US\$ 1.88 million. It contributed a miniscule 2.08 per cent and 0.49 per cent in country's total export to and import from Myanmar respectively in the last decade (Table 5). In US\$ term, while Indian export and import with Myanmar witnessed a massive 76 per cent and 116 per cent, respectively in last decade, the same from the NER faced consistently negative growth in the last decade. Therefore, border trade potential between India and Myanmar is yet to be unrealized.

**Table 5: NER's Trade with Myanmar+**

Year#	Indian Export to Myanmar	Indian Import from Myanmar	NER Export to Myanmar	NER Import from Myanmar	NER Share* (%)	
					Export	Import
		(US\$ m illion)				
2000	48.05	179.18	1.23	2.75	2.56	1.53
2001	53.05	197.81	0.26	1.61	0.49	0.81
2002	71.53	345.64	1.03	2.43	1.44	0.70
2003	86.00	390.77	2.02	1.90	2.35	0.49
2004	104.71	400.05	1.43	1.19	1.37	0.30
2005	111.32	495.95	0.88	1.18	0.79	0.24
2006	132.72	718.40	13.52	0.59	10.18	0.08
2007	174.02	802.79	0.75	3.26	0.43	0.41
2008	212.23	893.92	1.06	1.79	0.50	0.20
2009	209.78	1195.26	1.47	2.12	0.70	0.18
Average**	120.34	561.98	2.36	1.88	2.08	0.49
CAGR (%)	75.96	115.83	-14.51	-194.96		

Sources: IMF for India's trade with Myanmar, and Indian Customs for NER's trade with Myanmar.

\*Share in India. \*\*Average for the period 2000-2009. +NER export and import consider trade through Moreh only. #Trade data for India counts calendar year while the same for NER consider financial year.

### **Conclusion**

The look east policy, from early 1990's onwards, has been enacted that boosting up India's trade and security with the east Asian countries. Though the north eastern region is recently considered as "trade hub" in the near future for Indian foreign trade, yet, while looking trade with Myanmar, one of the



adjacent country to NER, has not been improved so far in terms of trade. However, many projects under this policy like Kaladan Multi-Modal Transit Transport Project, BCIM-EC, Trilateral Highway project, Kalewa-Yargi Road and so on has been under construction, which are expected and strictly ensured by 2020. These projects, are expected, to bring steady growth to this region with Commerce, Connectivity and Culture.

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