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## ANALYSIS OF GROWTH OF TRADE & COMMERCE IN NORTHERN PART OF INDIA : A COMPARATIVE STUDY OF PRE AND POST BRITISH RULE

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### **ABSTRACT**

*In many respects, it is important to build roads , railways and a multi-modal corridor to link India to Southeast Asia via its north-east states. This paper looks at Northeastern India's current state, and its economic outlook should lead to the idea of building this type of connectivity infrastructure and to the prosperity of trade relations with South Eastern Asia. The region's willingness to open is discussed in particular. Some key issues that have to be taken into account in view of the development and improvement of living standards in Northeast India are also highlighted.*

**Keywords:** trade growth, northern India

### **INTRODUCTION**

Hillary Clinton said that the idea of establishing transportation connectivity between East India and North-East India, and then to the countries of Southeast Asia, "is the type of vision that should now take up the minds of the region's leaders," when she met the United States (USA), the US Secretary of State in Kolkata. And that's exactly what the region's leaders are doing. In his meeting with India's Prime Minister Manmohan Singh<sup>2</sup>, Singapore's Foreign Minister K Shanmugam, who visited India a few days after Mrs Clinton visited India, has reportedly discussed the continuing efforts. This was also a major part of the discussions with President Manmohan Singh during his visit to Nay Pyi Taw in May 2012.

About 10 years ago, India's former foreign minister Yashwant Sinha described the idea of building a physical connectivity between Southeast Asia in the second phase of the New Delhi 'Look East Policy,' beginning at the dawn of this new millennium.<sup>3</sup> This was the logical development of a relationship based on shared experiences of colonialism and cultural relationships that are now translated into trade ,

investment and production. Own interest in this initiative was demonstrated by ASEAN (Association of Southeast Asian Nations)' commitment to building infrastructure for increased regional connectivity which can also connect the region with neighbouring countries<sup>4</sup>.

The most significant connectivities on the pipeline are developing a multi-modal transport project that connected Mizoram in India via roads and internal waterways to the Bay of Bengal via the port of Sittwe in Myanmar. There are road connections to North-East India through and beyond Thailand 's highways. Work was started in 2008 on the multimodal project and is planned to end by 2015. The visit of the Prime Minister of India to Myanmar was signed in May 2012, as part of the engagement with the trilateral highway project, by an agreement to develop a highway from Moreh in Manipur to Myanmar, which will eventually reach Moe Soe, Thailand. The 2016 goal is to be fulfilled. The visit also included an agreement on establishing a joint committee to examine whether rail infrastructure from India to Myanmar can be developed into the Southeast Asian region<sup>6</sup>.

At the same time, we have explored ways to develop facilities that link NE India to Bangladesh, a country for the development of deeper economic relations with similar arguments of common experience and cultural relations.

The issue of physical connectivity is particularly important in northeastern India in the age of internet communication technology and advanced maritime and air technology. It focuses on the previously isolated region and allows it to become a part of the global and regional economy. As exciting as this is for NE India, it can also benefit the region's economies.

If it were the country, with a population and size similar to Poland with its combining Gross State Domestic Product (GSDP) roughly equal to that of the GDPs of Cambodia, Brunei and Laos<sup>7</sup>, the entry of the eight NE states into the heat of trade and business would be similar to bringing a Region together!

But the landless NE India has remained isolated and isolated on the outskirts of trade and business. Insurgency, tough geography and the consequent difficulties in building infrastructure have kept the region underdeveloped, making it very difficult to accomplish economic activity. It is therefore necessary to moderate the exuberance about new ideas in asking about the viability of our current vision. It also forces us to ponder whether NE India will benefit from that process and achieve much-needed growth as expected. Is the region ready to open up and trade or will experience uncompromising growth and social upheaval. These are relevant questions that determine the process' viability, sustainability and success. What are NE India's current conditions and is it able to take advantage of the potential trade with SE Asia?

Despite the difficulty of viewing NE India as a collective entity for analysis, mainly owing to the absence of a unified decision-making mechanism for solving economic problems (with every state in the region enjoying autonomous political powers to make decisions), there is an assumption in this paper about certain binding factors, including the shared history and geography of these states, their similar economies (basically agrarian and industrially backward) and their economic and psychological distance from the rest of India.<sup>8</sup>

### **OBJECTIVES OF THE STUDY**

1. To analyse growth in trade and trade in northern India
2. To study geopolitical rigidity control

### **Overcoming Geo-political Rigidities**

India's attempt to globalise with the global economy has given the region new prospects. The region's previous local drawback is now regarded as an advantage. Alongside its seven states on the international border, the region is very near to the vibrant economies of the countries of South East and East Asia. This has led to a new hope for the development horizon of Northeast India, with geopolitical rigidities increasingly weakened, particularly with Myanmar and Bangladesh, with neighbouring countries. The northeastern periphery is not burdensome anywhere else but will be ready to resume the dynamic role that the S.P Shukla Commission report, 1999, plays as a bridge between the booming economies of South-East Asia and China to mutual benefit. Late in the day there was talk of transforming into a boon for increasingly integrated global economies a previous consideration of locational disadvantage (Saha, 1998; Maiti, 2002). This is especially important where all countries in the region have international borders and the economies of south-east and eastern Asia are easily accessible in this region. This is not entirely new thoughts, however. In the UK, too, attempts have been made to look for routes to trade between China and Myanmar (Mukherjee, 1992).

Southeast Asian countries have apparently launched unilateral trade reforms in recent years. Multilateral trade liberalisation have also been supported by WTO mandates. SAARC's Preferential Trading Arrangement (SAPTA) was a major initiative for 1991, which included the South Asian countries Bhutan, Bangladesh (India), Maldives, Sri Lanka, Pakistan, Nepal and India. Since then, several negotiations have paved the way for a two-digit concession of 3152 commodities and 47 sectors. SAPTA is estimated to be the world's leading economic organisation for potential buyers with over 1000 million

people (more than 20 percent of the world 's population) (Mukherjee, 1997). The Free Trade Agreement of South Asia (SFTA) could be a reality in the years to come. Myanmar was recently recognised as an associated ASEAN member, and the resulting investment and trade flow are expected to benefit. On 6.6.97 Bangkok was launched formally with the involvement of Bangladesh, Sri Lanka , India and Thailand. In BBNI-EC (Bangladesh, Bhutan Nepal and India), a new concept of economic cooperation was proposed for liberal market access. A new possibility of cooperation between Bangladesh and India has been signed with the Ganga Water Treaty. There is a growing sense of restoration and creative use for former international routes and traffic markets across northeast India as a result of several new opportunities within a South Asia Development Triangle with a greater role for eastern and northwestern India. A growth quadrant, comprising Myanmar, Laos, and South-West China along Old Burma Road could be created by the Shukla Committee on Infrastructure Backlogs of the NE Region (1999) and the Trans Asian Railway, aligned with the Northeastern India. The Asia Pacific Economic Social Center (ESCAP) has even authorised the possible trans-Asian railway configuration through North East India to study in this direction. The Shukla Committee also noted that a triangle in Bengal Bay might be envisaged that would bring Calcutta (India) and Chittagong (Bangladesh) to the apex of a vast inner country extending from one side to Thailand and Singapore on the other. All these have brought new prospects for a quick journey to market economic development from the northeastern region.

### **Trade for Development**

Trade outside this region has been suggested as a way to overcome NE India's underdevelopment and achieve sustainable economic development. The idea is that, if the region has access to a larger market, it can benefit from the economies of size of its main commodities production, which in turn creates viable conditions for huge investments required for the development of road and communication equipment. The eight NE India states can then connect these facilities with the rest of India and SE Asia. NE India is expected to enter a virtuous trade and development cycle. This argument builds on the assumption that trade fosters growth and reduces poverty.

Although it is encouraging that at the latest WTO talks – the Doha Round – negotiators were able to place development and poverty alleviation concerns at the heart of trade, there is still tiny evidence that trade promotes development and poverty reduction. Studies like those for East Asia and Latin America demonstrate different trade effects for their communities. For example, while in the former the pattern for



earnings distribution has been remedied, in particular wage inequality between skilled and unqualified labour, in contrast, in the latter 9.

A particularly heated argument arises as to whether trade is capable to reduce poverty, which increased after a series of papers by David Dollar and Aart Kraay<sup>10</sup> were published – which could shed some light on the causal effect of trade on the poor. Bhagwati and Srinivasan<sup>11</sup> have also supported strongly the hypothesis that trade leads to growth that reduced poverty, citing the case of India and China, which saw the most marked reduction in poverty in their periods of high growth, "and also that this was a decade of increased integration into the global economy for both China and India"<sup>12</sup>. This is the opposite of the previous 3 decades, 1950-80, when poverty was about 55%.

Arguments were placed around evidence at the other end of the discussion, led by Harvard economist, Dani Rodrik, showing that trade benefits are reaped by developing countries at the expense of the developing countries<sup>13</sup> and trade has resulted in growth, but with a negative impact on income equality in Chile, China and Poland<sup>14</sup>. The common ground and near consensus between these two thought schools is that growth would otherwise reduce poverty, but scholars such as Jayati Ghosh even then say growth per se is no guarantee for improving human poverty<sup>15</sup>. The discussion then raises the pressing question of how to create growth that reduces poverty through trade.

Indeed, regardless of other variables, the challenge of linking trade to reduced poverty itself is an enormous one. And while differences continue to exist in the measurement process, previous studies that have seen different outcomes (the poverty trade) have shown us that different initial conditions leading to different developments are prevalent<sup>16</sup>. This provides an insight into how trade in Northeast India can have an effect. The initial conditions for the development and access to benefits for the larger sectors of society are the diverse poverty levels, the development of human capital, inequalities and infrastructure..

### **Current Conditions**

Despite a government decision to allocate 10% of the ministries/departments' total budgets to development projects/systems in the north-east area, including Sikkim, under H.D Deve Gowda's leadership, the region continues on many fronts to lag behind. The allocation is unreasonable to the region's size. NE India forms 8% of India's total area and makes up around 3,75% of India's population at a surface area of 262,230 square kilometres. In five of the eight countries, however, income poverty has increased at a time when there has been considerable poverty decrease over the period 2004-05 to 2009-

10. In other words, per capita income is less than the national average than in Arunachal Pradesh and Sikkim. And there are hardly any indication of the "trickle-down effect" of Indian dividends.

**Table 1: Population, Poverty Line and Per Capita Income**

State	Population '000	Poverty Line (Tendulkar Methodology) % of persons		Per Capita Income (in Rs.)
		2004-05	2009-10	
	2011			2009-2010
All India:	1210193	37.2	29.8	46492
Arunachal Pradesh	1383	31.4	25.9	51405
Assam	31169	34.4	37.9	27197
Manipur	2722	37.9	47.1	27332
Meghalaya	2964	16.1	17.1	43555
Mizoram	1091	15.4	21.1	45982
Nagaland	1981	8.8	20.9	45353 (2008-09)
Sikkim	608	30.9	13.1	68731
Tripura	3671	40	17.4	35799

It is interesting to juxtapose this with the relatively high level of human growth. The literacy rate except in Arunachal Pradesh and Assam is higher than the national average, and the mortality in infants is higher than the all-Indian average except in Asam and Meghalaya. In addition , the increased development of human capital should enable many people to take advantage of increased employment opportunities, in accordance with classic models such as Arthur Lewis's. But one of the highlights of India 's growth is the fact that employment opportunities are not changing significantly<sup>17</sup>!

**Table 2: Social Indicators**

State	Infant Mortality Rate 2010 (per 1,000)	Access to safe drinking water (in per cent), 2001	No. of hospitals (and beds in '000)	Literacy Rate %, 2011	Dropout Rate 2009-10 (%)
All India:	47	90	11613 (540)	74.04	28.86
Arunachal Pradesh	31	90.7	161 (2)	66.95	41.35
Assam	58	70.4	135 (8)	73.18	35.89
Manipur	14	59.4	28 (2)	79.85	36.48
Meghalaya	55	73.5	38 (3)	75.48	57.60
Mizoram	37	47.8	20 (1)	91.58	46.03
Nagaland	23	42.3	48 (2)	80.11	39.95
Sikkim	30	97.1	30 (1)	82.20	18.58
Tripura	27	85.8	31 (2)	87.75	25.48

The adjacent column (Table 2 ) shows a worrisome tendency, although its literacy rate is high. Dropout rates are considerably higher than in the rest of the country and the education standards for the few years are low. Continuing this trend will necessarily pose problems, because greater labour elasticity is affected when the motor for growth moves in the Kaldorian sequence from agriculture to production, or even when it jumps directly into the service sector as it has been in the rest of India. This may deny any potential benefits, as suggested in the model mentioned above, and risk multidimensional inequality in the region.

Since agriculture in Ne India mainly consists of subsistence farming, a large majority of the population may be affected by the possible increase in food prices affecting newly trade-open regions. The Government will continue to spend public money on food and health subsidies, while coordinating education policies with the demands of new economic circumstances..

**Table 3: Growth**

State	State-wise Growth Rate (Annual Average in %) of Agriculture Sector in India(Avg 2004-05 to 2008-09)	Growth Rate (%) of Net State Domestic Product in Industry State-wise (Avg. 2004-05 to 2008-09)	Gross State Domestic Product (GSDP) at Current Prices (as on 15-03-2012) Rupees in crores) 2011-12
All India:	3.06	8.54	8279976
Arunachal Pradesh	4.49	2.85	9357
Assam	1.51	3.61	115408
Manipur	1.31	4.55	10118
Meghalaya	5.06	13.18	17459
Mizoram	2.85	5.58	6058 (2010-11)
Nagaland	4.92	7.73	1206
Sikkim	3.64	4.86	5652 (2010-11)
Tripura	3.74	17.34	19731

The current unemployment level and job prospects are particularly worrying as the current insurgency makes the unemployed young people susceptible to being convinced by the eight insurgents who live in NE India. The lack of industries or organised farming practises has resulted in the government and the public sector being the primary sources of employment and minimal government jobs for the whole population. Unemployment and increased inequality could continue to stimulate social unrest..

**Table 4: Employment**

State	Estimated employment in the public and private sectors ( in '000)2007-08	Total Employment ('000), 2005
All India:	27549	100904
Arunachal Pradesh	N/A	110
Assam	1173	2208
Manipur	80	236
Meghalaya	82.6	242
Mizoram	40.8	107
Nagaland	76	175
Sikkim	N/A	68
Tripura	160	386

The region is poorly equipped in terms of infrastructure. In the region and with the remainder of India transport links continue to be primitive. Bhagwati and Srinivasan admit that if growth is modelling in a way that does nothing to affect a segmented pool of poor people and if there are areas that are not

structurally separated from the main town or the inner cities, growth will be achieved by the poor by 18. Trade can exacerbate regional and intraregional inequality in the absence of poor liaison facility

Power access remains an enormous problem. Homes have very low access to electricity. And the fact that the hydropower potential in the region can not be developed and exploited meant inadequate power supply, stops the development of much-needed irrigation systems and industry development..

**Table 5: Irrigation, Hydro & Electricity**

State	State-wise Irrigation Potential ('000 ha)		Hydro Potential Status (MW)		Access to Electricity (% of Population)
	Potential	Utilized	Identified Capacity	Developed	
All India:	139893	85222	148701	30947	55.85
Arunachal Pradesh	168	87	50328	424	54.69
Assam	2870	720	680	375	24.90
Manipur	604	155	1784	105	60.04
Meghalaya	168	54	2394	185	42.74
Mizoram	70	15	2196	0	69.63
Nagaland	85	72	1574	99	63.60
Sikkim	70	26	4286	84	N/A
Tripura	281	126	15	15	41.84

### Moving Ahead

Despite the issues involved, it is a difficult proposal to resolve the need to facilitate trade between the region, the rest of India and the countries to the east of the region. In addition to trade income, the potential income generators for NE India are associated. Hydroelectricity and tourism are very important in development. The cost of consumer goods coming from Bangkok and Guangzhou, popular in NE India, is going to fall dramatically and it reflects the social and emotional aspirations of the people themselves to have greater access between families and family members along border lines (including India-Myanmar, Burma-Thailand etc.).

However, opening up and developing connectivity infrastructure can not necessarily result in a fairy tale situation in the light of this discussion. NE India, because of its inclination to insurgency and social unrest, could see itself worse off than before if measures are not implemented to enable the region to benefit from trade. There are enormous challenges and there is work to be done first in the region.

The diversity and unification factors of NE India point out that in certain areas intra-regional cooperation between the 8 states is necessary, but in other matters different approaches also apply in each of the countries. Central and regional planners in India need to better appreciate each state's social and economic problems, but they also need to build on the 10 areas where each State can benefit from this collaboration. In comparison to the rest of the country, for example, the region and certain States have different needs as far as education is concerned. Although the literacy rate in the remainder of India needs to be generally identified, the focus in the region must be on quality improvement, skills-based training and how the retention rates can be improved. Indian NE countries can cooperate in water resource management and in exploiting the potential of water power. It is necessary to take into consideration the social context for centrally designed poverty alleviation systems. In Delhi political decision makers need to ask questions such as whether a policy aiming to involve traditional agricultural society in building activities can have a long-term social impact. And so on and so on. And so on and so on. In turn, the officials of the State government must make the required contextual input on the basis of grassroots feedback. Any planning process to link the region and Southeast Asia or to use this northeast Arc as a connection between the remainder of India and SE Asia must include integrated development for NE India.

In a recently published article, development economist Dani Rodrik encouraged the good news that various development practises have converged in favour of diagnostic, pragmatic, experimental and background strategies<sup>19</sup> for various approaches. There is no need to look at this more effectively than in the region of NE India if living conditions are to be improved. In order to address the minds of regional leaders, in India and Southeast Asia, the idea of connectivity must also be to address the local contexts and dynamics affecting regions in the first instance and ensure that action is in place to enable the widest segments of society to take part and benefit from trade. This in turn will ensure that the construction of highways and tracks is worthwhile for investment..

## CONCLUSION

As such, India 's northeastern countries seem naturally aspire to export trade into the ASEAN region, a lively economic and trade block close to NER. The newly developed ASEAN member Myanmar comprises nations of large populations, GD Power and trade, and have a national entrance to the ASEAN region. To that end, the Indian NESs must have the full development in their economies, taking into account their resources and skills that add new economic and trade dimensions to their states, with a

sharp and dynamic external trade view. They must be anchored in Professor Paul Krugman 's New Trade Theory (NTT)

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