



Act East Policy  
Affairs Department  
GOVERNMENT OF ASSAM

Whitepaper:

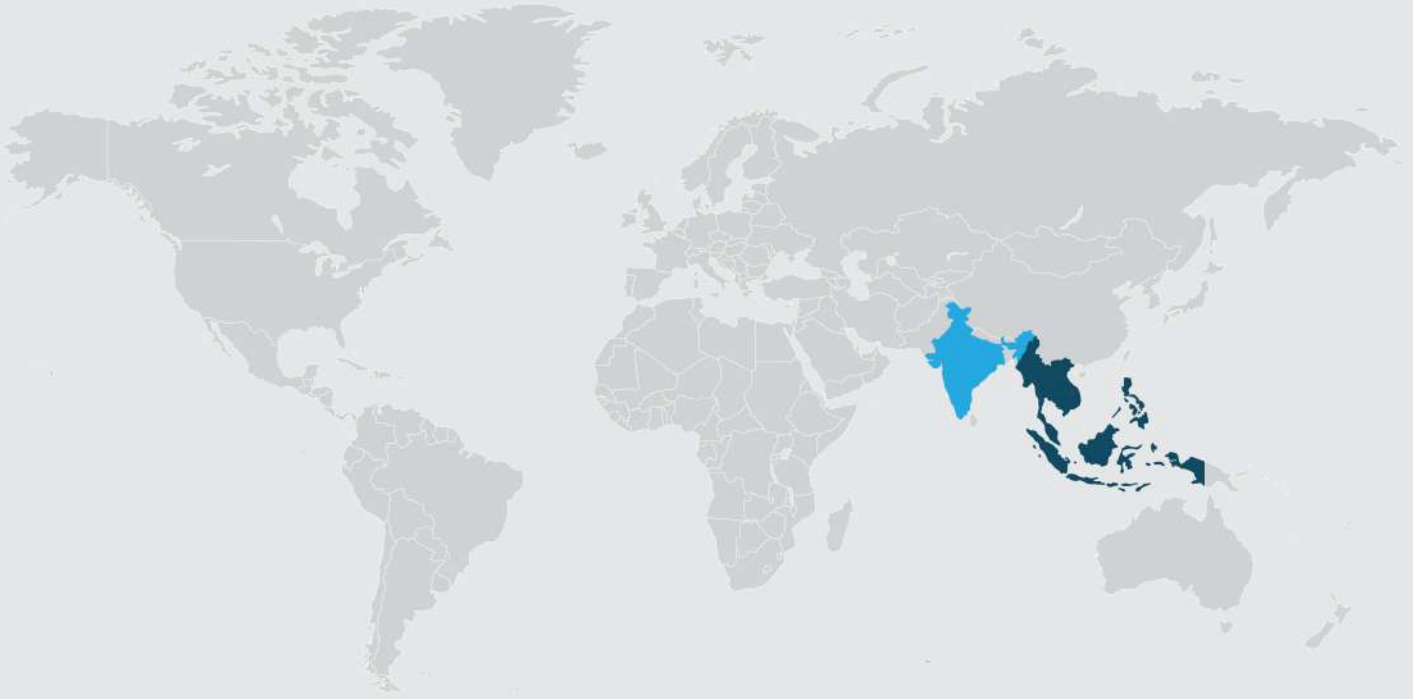
# ACTING EAST THROUGH NORTHEAST

LEVERAGING CONNECTIVITY WITH ASEAN



Industry partner

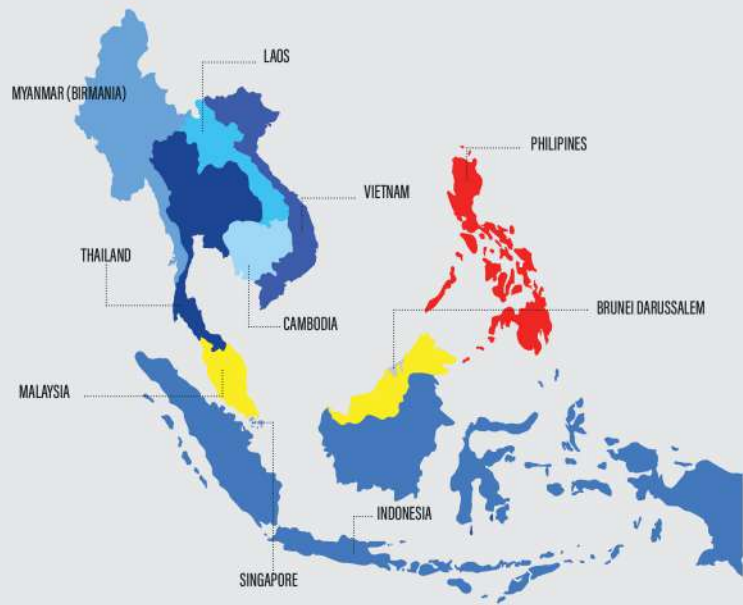




## India



## ASEAN



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# BACKGROUND

A land of many opportunities, Northeast India, shares its borders with Bhutan, Bangladesh, Myanmar and China. The region is connected with the rest of India through a narrow corridor in North Bengal, having an approximate width of 33 km on the eastern side and 21 km on the western side. This narrow corridor is popularly known as the "Siliguri neck" or the "Chicken's neck".

With abundant resources and a history of trade and commerce across borders, there is plentiful scope to leverage the unique geostrategic location of the region. The eight Northeastern states, viz Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim & Tripura are rich not only in culture heritage and history but also in natural and human resources. The region covers a total area of 2,62,179 sq km which accounts for about 8 percent of India's total geographical area. 52 percent of the total area is covered by forests and are home to the most exotic flora and fauna in the world. The North Eastern states are rich in mineral resources like Petroleum, Natural Gas, Coal, Limestone and many other minor mineral resources such as Quartzite, Kaolin, Silliminites, Clay, Feldspar, Glass Sand, Granite, dolomite, marble, zinc etc. The country's largest and richest sandstone-type uranium deposits are located in Domiasiat and Wahkyn areas of West Khasi Hills district, Meghalaya. Northeast also has plenty of water bodies, including major rivers like the Brahmaputra and Barak. In fact, the Northeast accounts for about 34 percent of the country's water resources and possesses almost 40 percent of India's hydro power potential. Apart from natural resources and biodiversity, these states are also known for their diverse population. With a population of over 45 million (which is about 3.8 percent of India's total population), the Northeast is home to over 200 ethnic groups.

Before independence, undivided Assam which included most of present day Northeast India, was one of the industrially developed states in the country. The State was a leader in natural resource based industries. like Tea, plywood, coal mining and oil refining.

The wide ranging economic activities in the state led the British to set up one of their earliest railway lines here. The state was well connected internally and externally through railways, roads and waterways. Post-independence the scenario changed because of various political and geographical reasons and gradually the region, from being one of the most prosperous regions in the country began to lag behind other parts of the country. One of the major reasons behind this was that after partition, the region turned into a land locked territory.

However, in the last decade or so, there has been a complete turn around of sorts, with the Government of India putting a major impetus on development of infrastructure and connectivity with the neighbouring countries as well as the ASEAN region.

Sharing 99% of its borders with neighbouring countries including ASEAN, the North East is literally a land bridge connecting India with ASEAN countries. The region shares a 5300 km long border with Bangladesh, Bhutan, Myanmar and China. To connect the region with the neighbouring countries as well as the other ASEAN countries, several connectivity projects have been taken up. Some of the important projects are - Asian Highway 1 and 2, BBIN Connectivity initiative, Trans Asian Railway project etc. Apart from these, bilateral connectivity initiatives like the Kaladana multi modal project, the IWT protocol with Bangladesh, agreements on using Chittagong and Mongla Ports etc. will further strengthen the regions connectivity with not just the neighbouring countries but also with the global market. There is a huge potential to increase India's trade with ASEAN countries and beyond. In order to fully harness this potential, creation of world class infrastructure for transport, logistics, and processing / value addition are a must.

# CONNECTIVITY INITIATIVES

Some of the Important connectivity initiatives currently underway are:

## BBIN CONNECTIVITY

The Bangladesh, Bhutan, India, Nepal (BBIN) Motor Vehicle Agreement is an idea that can greatly improve the connectivity scenario between the Northeast Region, Bangladesh and the ASEAN Countries. The idea was rooted in the formation of the South Asian Growth Quadrangle (SAGQ), an initiative by the four South Asian nations. SAGQ was formed in 1996 to ensure political and economic co-operation among these nations. The prime focus was to establish an 'inner' group of regional co-operation apart from the wider group of the South Asian Association for Regional Cooperation (SAARC). The four countries decided to explore more opportunities to engage in direct discussions on enhancing cooperation in regional transport, tourism, trade and investment, and the environment among themselves.

Some the primary tasks of SAGQ was to improving cross-border connectivity, boosting trade among member countries, and strengthening sub-regional economic integration. Because of the strategic location of North East India, the BBIN corridor will significantly impact development of the region by connecting it to markets in the BBIN Countries and through Bangladesh

to the ASEAN region. The project has been impeded by because of various reasons. Discussions are now underway between India, Nepal and Bangladesh to make necessary arrangements to take it forward, with a provision for expansion at a later date.

The BBIN corridor, once implemented, will give a major boost to trade & Commerce apart from easing passenger movement. In order to tap the potential of the BBIN Corridor a targeted approach needs to be adopted. The first step in this direction would be to ensure seamless connectivity which will involve identifying key freight routes and land ports and prioritising their development. Also, procedural, regulatory, and documentation requirements need to be rationalised through bilateral and multilateral agreements, which will form the foundation of a seamless transportation protocol. This will eventually lead to the creation of a seamless BBIN corridor and development of cross border value chains in manufacturing and services.

## TRILATERAL HIGHWAY / ASIAN HIGHWAY I & II

The two Asian Highways connecting Thailand, Myanmar, India, Bangladesh, and other Asian countries pass through the NE region. NH39, NH36, NH37 and NH40 form part of these two Asian Highways. The stretch of the road connecting Thailand with Moreh in India via Myanmar is known as the trilateral highway. Work is progressing on this route at a fast pace.

Opening of this route will give tremendous impetus to economic development in the region. It has the potential to provide a major boost to trade in goods & services, flow of Indian investments targeted at accessing markets in the ASEAN region and development of cross border tourism circuits. Most of the physical infrastructure on these routes, except a few bridges etc in Myanmar are now ready. In the next stage, protocols that will govern movement of goods and passengers on this route will have to be agreed upon.

For Northeast India to reap the benefits of this immensely important connectivity initiative deliberations need to be stated with Myanmar and Thailand for starting regular movement of vehicles on the trilateral highway. At the same time processing and logistics facilities in Assam and other Northeast States need to be upgraded to be in a position to meet the requirements of the emerging market.

## RAILWAY

**Trans Asian Railway:** As far as rail connectivity is concerned the Northeast can look forward to a major advantage in the form of the the Trans-Asian Railway (TAR) project that will pass through the region. This will provide a cheaper mode of transportation between the NE the ASEAN countries and Bangladesh. It would pass through Mandalay, Imphal, Jiribam, Silchar, Agartala and Dhaka. Another 257-km long railway route connecting Jawahar Nagar railway station in north Tripura to Kolasib in northern Mizoram is under discussion. Myanmar's Darlon has also been proposed to be connected with the TAR network. By connecting Tripura and Manipur to the TAR network, the north eastern states would become the gateway to South East Asian countries. This can drastically improve the efficiency of passenger and goods transportation. The work on the Jiribam-Tupul-Imphal-Moreh (219 km) section is progressing at a steady pace.

**Rail Connectivity with Bangladesh:** The TAR will enter India at Moreh and after passing through Imphal, Jiribam and Silchar, it is proposed to enter Bangladesh at Mahisashan near Karimganj and re-enter India at Gede. Though TAR will take time to be completed, the connectivity with Bangladesh can be established even before completion of TAR. While connectivity via the Agartala- Akahura line is progressing at a fast pace, steps are also being taken to re-establish the rail links between Mahisashan and Sylhet.

**Intra regional rail Connectivity:** The railways are already working on connecting all the state capitals of the region and the hinterland. It is important for these railway lines to be completed soon so that they can be an effective part of the economic corridor connected by the trans Asian railway.

## INLAND WATER TRANSPORT:

There are 19 national waterways in the NE region. It is also connected by three Indo- Bangla IWT protocol routes. Potential of the sector is not yet fully utilised. In Assam, the overall cargo movement by IWT is about 2%. In neighbouring Bangladesh, it is more than 30%. There is therefore a huge opportunity for investment in the sector.

Development of IWT will accelerate the development of commercial infrastructure and river tourism, resulting in increased employment generation and wealth creation in the region.

The riverine system of the region also provides a great opportunity for development of integrated port townships as hubs of economic activity, including logistics, manufacturing and tourism. The India Bangladesh protocol routes provide the opportunity to easily reach markets in Bangladesh, other parts of India and even the ASEAN and beyond through the ports at Chittagong and Mongla. It is critical that we capitalise on the market opportunity provided by Bangladesh through the river system. This will help manufacturers and farmers from the Northeast to access markets in Bangladesh and from there, markets in the ASEAN region in a very cost effective manner.

The opening up of the waterways will also help in movement of cheaper goods and services into the NE through Assam. Private sector from India and Bangladesh should be encouraged to invest in building riverine connectivity through Bangladesh in order to benefit both the countries.

## AIR CONNECTIVITY

Air connectivity is an essential prerequisite for speedy development. Over the last several years, the vastly improved air connectivity has proven to be a boon for the region. Apart from providing easy access ,

improved air connectivity has already given a boost to tourism in the region. Besides, development of robust air connectivity in the north east has great strategic significance. The Northeast has 15 operational airports of which 7 are in Assam. Apart from these there are a number of air strips spread across the region, which can be developed into Airports. These airports and airstrips can contribute tremendously towards establishing a strong air connectivity network. These airports and air strips can be developed to run dedicated regional air service with smaller aircrafts. International connectivity too, particularly with the neighbouring countries, can be given a major boost with these steps.

Initiatives are also underway to start international flights from Assam under the Udan International Scheme, for which the Government of Assam has already made a commitment of Rs. 100 Crores.

## DIGITAL CONNECTIVITY

In the modern world, digital connectivity is an essential component of development and economic growth. Without digital connectivity, modern business processes cannot be run efficiently. Every sector today is heavily dependent on digital connectivity. Since the beginning of the current century, the region has made tremendous strides in digital connectivity. Assam for example has a tele density of over 70% and there are 46 internet connections per 100 population (121 per 100 in urban areas) in the state.

An Internet Gateway has been set up in Agartala. This could lead to a whole new set of opportunities for North East India. The project is going to impact digital connectivity and digital economy in the region. With improving digital connectivity, opportunities have opened up for investments in IT and ITES, including data centres, software development centres etc. With improvement in digital connectivity opportunities in other sectors will also open up.

# NORTHEAST AND THE ACT EAST POLICY

The “Act East Policy” was launched at the East Asia Summit in Myanmar in November 2014. The objective of the policy is to increase people-to-people connect, trade ties and other relations with ASEAN countries. The Act East Policy fhas a major ocuses on boosting economic co-operation, building infrastructure for greater connectivity, etc. Enhancing historical, cultural, linguistic and religious ties through more people to people connectivity is another objective of this policy.

The Northeast is envisaged to play a pivotal role in furthering the objectives of the Act East Policy. In fact, the region is one of the most important strategic focus of the policy as the region is India’s only land link to East Asia, South East Asia and the ASEAN. This has opened up many new avenues of development for the Northeast.

As per the Customs Act, 1962, Overland trade agreements exists between India and five of the countries neighbouring the region through Land Custom Stations (LCSs). South Asia Free Trade Agreement (SAFTA) governs cross-border trade through LCSs, situated on Bangladesh and Bhutan border. Similarly, cross-border

trade with China and Myanmar, is governed by Border Trade Agreement (BTA). Government of India has notified 32 Land Custom Stations (LCS) in the Northest in order to enhance overland trade along the international borders with Bangladesh, Bhutan, China, Myanmar and Nepal. Total trade through all trade routes between North East India and its neighbouring countries was INR 81,919.13 lakhs in 2009-10 which increased to INR 1,64,842.17 lakhs in 2016-17. The growth rate of exports from North East India has been higher than imports. However, cross-border trade volume is much below expectations. The main reasons behind this are, underdeveloped intra and inter-regional connectivity, inadequate warehousing or absence of integrated cold chain facilities and insufficient support system around the LCSs , storage and exchange of tradable commodities and some procedural issues.



SAARC	SASEC	BIMSTEC	BCIM	GMS	ASEAN
Afghanistan					
Pakistan					
Bangladesh	Bangladesh	Bangladesh	Bangladesh		
India	India	India	India		
Nepal	Nepal	Nepal			
Bhutan	Bhutan	Bhutan			
Sri Lanka	Sri Lanka	Sri Lanka			
Maldives	Maldives	Maldives			
	Myanmar	Myanmar	Myanmar	Myanmar	Myanmar
		Thailand		Thailand	Thailand
			PRC	PRC	
				Viet Nam	Viet Nam
				Lao PDR	Lao PDR
				Cambodia	Cambodia
					Indonesia
					Malaysia
					The Philippines
					Singapore
					Brunei Darussalam

**Regional Cooperation Frameworks:**

SAARC = South Asian Association for Regional Cooperation

SASEC = South Asia Subregional Economic Cooperation

BIMSTEC = Bay of Bengal Initiative for Multi-Sectoral and Economic Cooperation

BCIM = Bangladesh-China-India-Myanmar

GMS = Greater Mekong Subregion

ASEAN = Association of Southeast Asian Nations

Lao PDR = Lao People's Democratic Republic,

PRC = People's Republic of China

Source: ADB: ASSAM AS INDIA'S GATEWAY TO ASEAN

**NORTHEAST INDIA IS AT THE CENTER OF THE REGIONAL COOPERATION FRAMEWORKS IN ASIA**

**Important Connectivity Initiatives**

1. Kaladan Multimodal Transit Transport Project: The objective of the project is to provide an alternative connectivity to the North East Region from the Kolkata/Haldia port through SittwePort- Kaladan river up to Paletwa in Myanmar by waterway and Paletwa to Zorinpui in Mizoram by Road and provide an alternate route between the landlocked North-East and the rest of India. Ministry of External Affairs is the nodal Ministry for implementation. Inland Waterways Authority of India (IWAI) is the Project Development Consultant (PDC) for this project.

2. Protocol on Inland Water Transit and Trade (PIWT&T): North Eastern States are connected with eastern India through river Brahmaputra (NW-2) and river Barak (NW-16), Ganga-Bhagirathi-Hooghli river system (NW-1) via Sundarbans (NW-97) through the Indo-Bangladesh Protocol (IBP) routes, operational under a

Protocol on Inland Water Transit and Trade (PIWT&T) signed between India and Bangladesh. Under this Protocol, Inland vessels / cruises of one country can ply on the designated waterway routes of another country. This route is used regularly for movement of oversized cargo. Regular movement of smaller cargo vessels is also expected to start soon. Discussions are also underway to start cross border river cruises for tourism purposes.

3. Use of Chattogram & Mongla Ports: In addition to above, A memorandum of understanding, was signed in 2015, another agreement was signed in 2018 and this was followed by the Standard operating procedures in 2019 for the use of Chattogram and Mongla Ports of Bangladesh for movement of goods to and from India. This understanding, provides connectivity to Agartala via Akhura; Dawki via Tamabil; Sutarkandi (Assam) via Sheola and Srimantpur (Tripura) via Bibirbazar. This can be

<https://industries.assam.gov.in/as/node/89246>

<https://pib.gov.in/PressReleasePage.aspx?PRID=1810971>

## ASSAM: STATE SNAPSHOT

### DEMOGRAPHICS

Population	31.21 Mn
Total area	78,438 Sq. Km
Literacy rate	72.19%
Tele density (2021)	70.01%

### ECONOMY

GSDP (2019-20)	Rs. 3,51,318 Crores
FDI (2019-21)	US\$ 14.12 Mn
Per capita income	US\$ 1314.64

### INFRASTRUCTURE

Industrial Parks	64 nos.
Largest Industrial Growth Centre	Industrial Growth Centre – Matia, Goalpara (535.7 acres)
Mega Food Park	North East Mega Food Park, Tihu, Nalbari (50 acres)
Other major sector specific parks	Tea Park, Biotechnology Park, IT Park

### CONNECTIVITY

Road network	Over 3800 kms of NHs
Airports	Guwahati (International), Dibrugarh, Tezpur, Silchar, Jorhat, Lakhimpur, Dhubri
Major railway Stations	Guwahati, Dibrugarh, Jorhat, Silchar

Source: AIDC

# ASSAM PERSPECTIVE



Among the North Eastern states, Assam shares the longest borders with Bhutan and Bangladesh. These are 263 km and 267 km of international boundary with Bangladesh and Bhutan respectively. Thus Assam enjoys a strategic locational advantage for enhancing trade with these countries and beyond. The sectors that can be explored include agriculture, food processing, connectivity & infrastructure, tourism, culture, study, research, Higher and Technical Education, ICT, energy etc.

## **Important trade routes between Assam and Bangladesh that already exist are**

- a) Goalpara-Mancachar-Bengunbari-Dacca,
- b) Karimganj-Sutarkandi-Sylhet and
- c) Karimganj-Silua-Sylhet.

The potential for extending these trade routes beyond Bangladesh needs to be explored further. Development and utilisation of the following three national highway routes will also create new opportunities for trade.

- a) Guwahati-Jorabat-Shillong-Dauki-Sylhet-Dhaka route stretching along NH 37 & 40,
- b) Guwahati-Jorabat-Shillong-Karimganj-Sutarkandi-Sylhet-Dhaka route stretching along NH 37, 40, 44 & 151, and
- c) Guwahati-Paikan-Dalu-Dhaka route stretching along NH 37, 51 connecting Assam and Dhaka

The NH 152 from Assam is directly linked to Bhutan. Within the SARDP-NE (Phase-A), this highway is being upgraded with paved shoulder viz. the NH 152 (38 km). Smooth road connectivity with Bhutan could lead to great economic benefits. NH No.127(C) & NH No.127(D) are two newly declared National Highways connecting East West Corridor with Bhutan. Three routes namely (i) Srirampur-Silchar-Jiribam-Moreh stretching along NH 31(C), 31, 37, 36, 54, 53 and 39, (ii) Srirampur-Nagaon-Dabaka-Dimapur-Moreh stretching along NH 31(C), 31, 37, 36 and 39, and (iii) Srirampur-Nagaon-Numa-

ligarh-Dimapur-Moreh stretching along NH 31(C), 31, 37 and 39 can be utilised for connecting to Myanmar from Assam. Road connectivity between Assam and China through Arunachal Pradesh also has immense potential. There is opportunity to further develop NH-52 from Baihata Chariali to Dhemaji which connects Assam with Arunachal Pradesh.

In synchronisation with the Act East Policy, the Ministry of Road Transport & Highways initiated several National Highway development Projects in the North Eastern Region. The major initiatives taken up in the highway sector of the State include development of NH 153 (Stillwell Road), Asian Highway and Special Accelerated Road Development Programme-North East (SARDP-NE). Re-opening of the Stillwell Road, can revolutionise connectivity between Assam and South East Asian countries. NH-153 forms part of this road. Improvement of the stretch to 2 lanes with paved shoulder (10m Carriageway) has already been completed under SARDP-NE. The re-alignment of NH 37 & NH 38 for proper road link between Dibrugarh and Lekhapani is also underway. NHIDCL has also taken up 4-Laning of NH-37 from Dibrugarh to Numaligarh. The road connection to South East Asian countries is also available along Asian Highway network that can be accessed from the existing NH-39 & NH-36 of Assam through Dimapur -Kohima-Imphal to the Border town of Moreh in Indo-Myanmar border.

Assam is gradually becoming an investment hub for major industrial conglomerates and industry giants like Tata, ITC, HUL, Patanjali, Dabur, Sun Pharma, Dalmia Bharat Cement, Mahindra, Spice Jet, Century Ply, Apollo, Taj Vivanta, Radisson Blu, Novotel etc. have already set up massive bases in Assam.

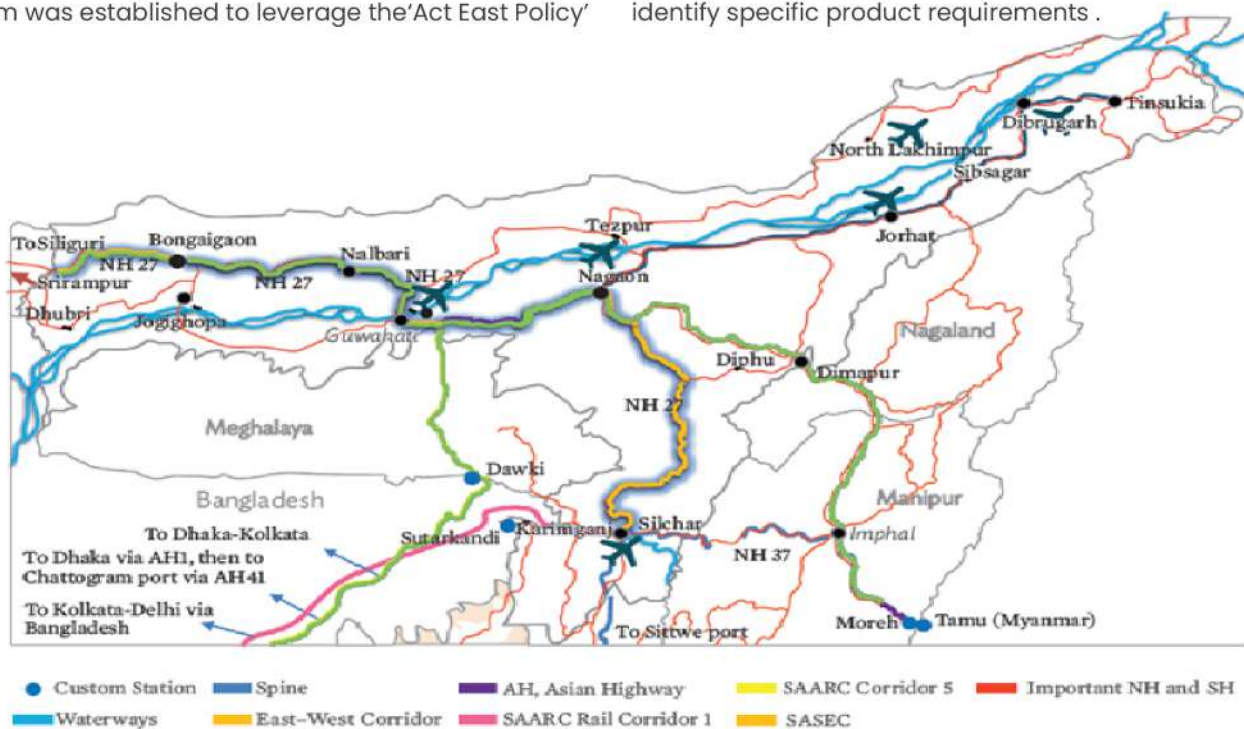
Realising the importance of the State as a hub for cooperation and commerce, countries like Bangladesh and Bhutan have opened their consulates in Guwahati. A skill development centre in Guwahati was also set in technical collaboration with Singapore. The Assam government and the Singapore-based ITE Education Services (ITEES) set up the North East Skill Centre (NESC) in Guwahati on March 7, 2019. Multilateral and Global organisations such as Asian Development Bank (ADB), World Bank, UNDP, etc., have also given a major boost to their initiatives in the state of Assam. Thus, there has been a growing buzz regarding the state of Assam in terms of economic potential, and the neighbouring countries' as well as the ASEAN countries have shown great interest in engaging with the state.

Keeping sight of the long-term prospects of engaging with the neighbouring ASEAN countries, the Act East Policy Affairs Department of Government of Assam was established to leverage the 'Act East Policy'

of the Government of India as an effective tool to forward the cause of economic cooperation between the State and the neighbouring countries by facilitating an environment for investment and rapid industrialisation in the state of Assam.

However, the objective of developing Assam and the rest of the states in NER as a gateway to South East Asia requires further impetus and focus in order to bear desired fruits in terms of enhanced border trade, exports, FDI inflows etc. Effective government policies, improved infrastructure and strengthening of the regional value chains by reaching out to nearby nations, early completion of projects are some of the important steps being taken towards achieving this goal.

While Trade in goods between ASEAN and India was around USD 81 billion in 2017-18 the trade between India and bordering Bangladesh was approximately USD 10 billion in 2018-19 which highlights that there is potential for NER to play a role in the markets in Bangladesh as well as the ASEAN region. According to a study by the Asian Development Bank, Assam has a trade potential for USD 1 billion with the ASEAN. Further studies need to be done to identify these markets and also to identify specific product requirements.



Source: ADB: ASSAM AS INDIA'S GATEWAY TO ASEAN

In Picture: International Regional Corridors in Assam

<https://www.indiatoday.in/education-today/news/story/assam-gets-first-of-its-kind-skill-training-centre-to-train-unemployed-youth-as-part-of-mou-with-singapore-govt-1474654-2019-03-10>

# TRADE BETWEEN INDIA AND ASEAN

The economic and investment relationship between India and ASEAN has been progressively improving, with ASEAN ranking as India's fourth largest trading partner. India's trade with ASEAN is worth US\$ 81.33 billion, or around 10.6% of the country's total commerce. The ASEAN accounts for 11.28 percent of India's overall exports.

Both ways, investment flows are significant, with ASEAN accounting for approximately 18.28% of all investment flows into India since 2000. According to DEA data, FDI inflows into India from ASEAN nations totaled US\$68.91 billion from April 2000 to March 2018, whereas FDI outflows from India to ASEAN countries totaled US\$38.672 billion from April 2007 to March 2015.

The issue of non-tariff barriers (NTBs) must be addressed in order to fully exploit the potential for trade and commerce. During the ASEAN-India Business Council Virtual Meet in August 2020, the Indian government emphasised the importance of resolving long-standing concerns, which are exacerbated by the violation of Rules of Origin.

NTBs have a big influence in high-potential industries including pharmaceuticals and medical devices, processed foods, and jewellery. The other major challenges include time-consuming export registration processes and complicated custom clearance procedures. According to the NITI Aayog, while India maintained roughly 10% of its tariff lines in exclusion under the FTA, certain ASEAN members kept substantially more.

The pharmaceutical industry accounts for a negligible but untapped share of India's potential ASEAN exports.

India's imports of fuels, edible oils, and downstream chemicals, as well as electricals, engineering products, iron and steel, and apparel, have increased significantly as a result of the FTA's reduced import taxes.

In services segment, the AIBC advocated the creation of a business travel card to make business travel between India and ASEAN countries more convenient. This could give a filip to trade in services..

In the area of strategic defence trade, various collaborations will bear fruit in the coming years. The case of Vietnam is one such example. In the cases of India's defence and marine technology, exports in these areas are benefited by lines of credit.

## Trends in Trade between India and ASEAN

### Bilateral Trade with ASEAN Region in 2019-20 ( In US \$ Millions )

S.NO	COUNTRY	EXPORTS	IMPORTS	TOTAL
1	Brunei	57.62	586.28	643.9
2	Cambodia	188.12	46.69	234.81
3	Indonesia	4,129.33	15,061.87	19191.2
4	Lao Pd Rp	25.08	3.09	28.17
5	Malaysia	6,364.66	9,782.28	16146.94
6	Myanmar	973.89	547.25	1521.14
7	Philippines	1,526.03	523.83	2049.86
8	Singapore	8,922.66	14,746.78	23669.44
9	Thailand	4,299.30	6,788.38	11087.68
10	Vietnam Soc Rep	5,059.90	7,283.42	12343.32
<b>TOTAL</b>		<b>31546.58</b>	<b>55369.87</b>	<b>86916.45</b>

SOURCE: EXPORT AND IMPORT DATA, MINISTRY OF COMMERCE AND INDUSTRY, GOVERNMENT OF INDIA

### FDI from ASEAN to India ( from April 2000 to June 2020)

S.NO	COUNTRY	AMOUNT OF FOREIGN DIRECT INVESTMENT INFLOWS		%AGE WITH TOTAL FDI INFLOWS OF INDIA
		(In Rs crore)	(In US\$ million)	
1	Singapore	623409.03	99493.74	20.88
2	Malaysia	5916.72	1040.56	0.22
3	Indonesia	3006.61	638.23	0.13
4	Thailand	3530.95	557.2	0.12
5	Philippines	2045.16	317.12	0.07
6	Cambodia	351.97	50.17	0.01
7	Myanmar	35.78	8.97	0
8	Vietnam Soc Rep	34.52	5.18	0
9	Brunei	2.97	0.45	0
10	Lao Pd Rp	0	0	0
<b>TOTAL</b>		<b>638,333.71</b>	<b>102,111.62</b>	

SOURCE: FDI STATISTICS, JUNE 2020, DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE

# TRADING PROSPECTS OF NER WITH ASEAN



The Northeastern region of India accounts for about 4% of India's population but it has a share of less than 2% of the country's exports. This indicates an overall unrealised potential that the region can leverage through focused approach in developing strength in export segment where other states have been able to leverage.

A recent report by NITI Aayog, Export Preparedness Index Report which ranks states on the basis parameters such as geography, policy framework, business ecosystem and export ecosystem has ranked the state of Assam as 7th in the landlocked category & 15 across all states of India and union territories. Currently Export

diversification is low in the region, there is therefore a great opportunity to develop diversified products focused on markets in the neighbourhood. If the products and services are strategically developed it can change the current trend of having a low contribution to the state's GDP. A specific area for Government intervention is in the development of R&D and Export infrastructure including agri – export zones, NABL accredited labs, Research institutes, Industrial zones etc. However, the most important factor would be to also make efforts for better connectivity that can enable better exports. For instance, Air cargo facilities, logistics hubs, ICDs, Border trading centres etc.

## Overall Rankings on NER States in Export Preparedness Index

STATE	EXPORT PREPAREDNESS SCORES	STATE CATEGORY	OVERALL RANK
Assam	41.57	Landlocked	15
Tripura	27.46	Himalayan	25
Sikkim	27.41	Himalayan	26
Manipur	15.78	Himalayan	29
Nagaland	13.99	Himalayan	31
Meghalaya	13.39	Himalayan	32
Mizoram	12.58	Himalayan	34
Arunachal Pradesh	11.18	Himalayan	35

SOURCE: EXPORT PREPAREDNESS INDEX 2021 REPORT, NITI AAYOG

As evident from the table showing the overall rankings of the NER states, Assam is ranked highest among the Northeast States.

On export concentration too (dispersion of trade value across exported products i.e. minimised disparity), the NER scores well.

The NER faces challenges in terms of large scale export competitiveness arising out of lack of large scale production capabilities and logistics. Opportunity for investment in export focused production facilities is therefore high

**Highly potential sectors:**

- Agri products, especially fruits, meat & fisheries tea & spices etc
- Handloom and Handicrafts
- Tourism including Medical Tourism
- Leather
- Pharmaceuticals
- Chemicals and Plastics
- IT enabled Services



# MARKETS & TRADE – LEVERAGING THE UNTAPPED POTENTIAL

## Markets in close proximity of Assam & other North East Region states

### Bangladesh

- 164.69 Million People
- GDP Growth Rate – 8.2%
- Demand for consumer Goods, IT & ITES, Health, Education

### Myanmar

- 54.4 Million People
- GDP Growth Rate – 6.8%
- Demand for consumer, pharmaceutical goods, health care education, automobiles, IT & ITES

### China

- 1.41 bn people
- GDP Growth Rate – 5.9%
- Demand for IT & ITES, Export, English Education, Ayurvedic Medicine

### Bhutan

- Small population of 0.77 million
- GDP Growth Rate – 5.8%
- Opportunity for integrated tourism circuits
- Demand for Consumer Goods, Health, Education

### Nepal

- 29.14 million people
- GDP Growth Rate – 6.7%
- Opportunity for integrated tourism circuits
- Demand for Consumer Goods, IT & ITES, Health Care, Education

\*GDP Growth in annual %  
Source: World bank data



## Markets in ASEAN Region

### Thailand

- 69.80 Million People
- GDP Growth rate - 2.3 %

### Singapore

- 5.69 Million People
- GDP Growth rate - 1.3 %

### Malaysia

- 32.37 Million People
- GDP Growth Rate - 4.4 %

### Philippines

- 109.58 Million People
- GDP Growth rate - 6.1 %

### Vietnam

- 97.34 Million People
- GDP Growth rate - 7 %

### Brunei

- 0.44 Million People
- GDP Growth rate - 3.9 %

### Cambodia

- 16.72 Million People
- GDP Growth rate - 7.1 %

### Lao

- 7.28 Million People
- GDP Growth rate - 5.5 %

### Indonesia

- 273.52 Million People
- GDP Growth Rate - 5 %

### Myanmar

- 54.4 Million People
- GDP Growth Rate - 6.8 %

\*GDP Growth in annual %  
Source: World bank data



## ASEAN DRIVING MARKET POTENTIAL TO NEXT PHASE

- The items exported from India to ASEAN includes mineral fuels and oils; animal and vegetable oils; electrical machinery and equipment and parts.
- Among the items imported to India from ASEAN prominent ones are mineral fuels and oils; iron and steel; nuclear reactors, boilers, machinery and mechanical appliances. As per the official source (DPIIT), FDI Inflows from ASEAN to India amounted to USD 102 billion from April 2000 to June 2020. FDI inflows into India from ASEAN in 2018 was USD 16.41 billion, approximately 36.98 per cent of total FDI flow into India.
- As per ASEAN Secretariat, FDI From India to ASEAN amounted to USD 1.7 billion in 2018. The robust trade and investment relations has placed India as ASEAN's sixth largest trading partner and sixth largest source of FDI among ASEAN Dialogue Partners.
- India attracts FDI predominantly from Singapore that primarily invests in sectors such as financial services, telecommunications, computer software and hardware and trading sectors.
- Prominent Indian Companies in ASEAN include Wipro, Tata Consultancy Services, Tech Mahindra, Hinduja Global Solutions, GMR, Sun Pharmaceuticals, Lupin, Cadila Healthcare, Aptech, Aditya Birla, Biocon India, Tata Motors, Tata Steel, Indorama, Oyo Rooms, Infosys.
- Prominent ASEAN companies in India include PSA International, NOL Shipping, DBS Holdings, Ascendas-Singbridge, Sembcorp Industries, KKR Jupiter Investors Pte Ltd, Cube Highways, First Degree Global Asset Management, Maple Tree, Keppel Corporation C P Aquaculture (India) Ltd., Krung Thai Bank Pcl., Thai Development Pcl, Charoen Pokphand (India) Private Limited, Thai Summit Neel Auto Pvt. Ltd., Thai Airways, and Precious Shipping (PSL) of Thailand, CP Prima, Garuda Foods, Maxis Communications, Axiata, IJM (India) Infrastructure Limited, Malaysian Airport Holdings Bhd, Genting Lanco Power (India) Private Limited, Malaysia Airline System (MAS), Air Asia (India) Private Limited

# EXPORT POTENTIAL OF GOODS TO ASEAN



Ties between India and ASEAN in trade and commerce are gradually becoming stronger. The total value of exports from India to ASEAN amounted to US\$ 31.49 billion in 2020-21 . The existence of a gap between total imports in several categories of products in ASEAN and the actual exports from India leaves the scope for great improvement in terms of exploring untapped potentials.

As far as exporting items to South East Asian countries and beyond is concerned, the NER has huge potentials. Major items that are exported from India to Myanmar at Moreh LCS are cumin seeds, wheat flour, Tata sumo vehicle, dried grapes and Mussoorie pulse while major imports are betel nut (whole and split), ginger (dry and fresh) etc.

Items that have the potential to be exported from Assam include - handloom & handicraft products, chilly, ginger, fresh and processed fruits, processed foods, pig/ pig meat, handmade paper, tea, jute products, essential oil, refinery products, horticultural & floricultural items, fertilisers, medicines etc.

Other Sectors that have the potential of export from Assam are- Pharmaceuticals, Plastics & Rubber, Apparels, Rice, Fruits, Beverages, Dairy products etc. Various products have been exported to bordering countries through LCS in Assam in the recent times. The potential in select group of products where Assam can be a key player with initiatives to strengthen internal value chains and export infrastructure are as follows-

## ITEMS EXPORTED TO NEIGHBOURING COUNTRIES THROUGH LCS OF ASSAM

TO BANGLADESH		TO BHUTAN	
1	Bamboo Muli	1	Bricks
2	Betel leave	2	Empty bottles
3	Broken Glass	3	HSDO
4	Ceramic & wooden statue	4	LPG
5	Citrus fruit	5	Motor Spirit
6	Coal (Meghalaya origin)	6	Oranges
7	Dry Chili	7	Rectified spirit
8	Dry Fish	8	Rice
9	Ginger	9	SKO
10	Lime Quick (MT)		
11	Onion		
12	Orange		
13	Plywood (kgs)		

14 Stainless steel products

15 Stone

16 Tomato

17 Turmeric



# OPPORTUNITY FOR MARKETING GI PRODUCTS OF ASSAM IN ASEAN AND BBN



Assam has achieved success in terms of gaining GI tags for several products and produce. Some of the major products and produces that Assam has managed to get GI tags for are- Tezpur Litchi, Joha Rice, Karbi Anglong Ginger, Kaji Nemu (Assam Lemon), Buka Saul (Rice), Assam (Orthodox) Tea, Muga Silk etc. Ginger, Assam Lemon, Litchi, Orthodox Tea and muga silk yarn. These unique products from Assam have a great

potential for exports to the global markets including South East Asian countries. This opportunity can be tapped with proper marketing and branding efforts. It will not only help exporters earn better revenues but also will encourage the State's farmer producers. A marketing campaign to popularise GI products of Assam will help establish these products in the domestic as well as international markets.

## FEW GI TAGGED PRODUCTS FROM ASSAM:



# POTENTIAL OF SELECT PRODUCTS



## Legend

- Export potential
- Realized potential

- Chemicals
- Plastic & Rubber
- Pharmaceutical components
- Fish & shellfish
- Synthetic textile fabric
- Meat (except poultry)
- Apparel
- Vegetal residues & animal feed
- Food products n.e.s (processed preserved)
- Electronic equipment
- Spices
- Beauty products & perfumes
- Oil seeds
- Rice
- Paper products
- Sugar
- Mineral products & electrical energy
- Vegetables
- Fruits
- Footwear

Source: Intracen tool

The NER can reap benefit by focussing on these sectors. Since the region is very rich in minerals the chemical sector can be one of the major export categories. The abundance of various medicinal plants along with minerals also gives the NER an opportunity to explore the pharma sector. Plastic and rubber can also be one of the most significant sectors. Many farmers have been doing rubber plantations in the region for a long time and this sector can be scaled up to a consider-

able degree. Traditional textiles like Muga and Eri silk as well as finished apparels have tremendous potentials in the ASEAN market. Cultural affinity can also be a catalyst in this regard. Traditionally Assam and Manipur are home to hundreds of varieties of rice. Rice being a staple food in ASEAN countries can also be a major game changer. Similarly fish and meat also has a big potential.

# OPPORTUNITY FOR SERVICE SECTOR BUSINESS WITH ASEAN



Service sectors like tourism, healthcare and education are a potent area for growth through leveraging the markets in ASEAN and BBN.

**Tourism:** The number of Foreign Tourist Arrivals (FTA) from the neighbouring countries including the ASEAN countries into India are a pointer to what lies ahead for the segment. If we take into consideration the top 15 countries in the year 2020, according to data released by the Ministry of Tourism, Malaysia held the 9th position in terms of FTAs and was the top among all ASEAN countries with 2.5% share in total FTAs in India. Thailand was ranked eleventh with 1.9% share of the total FTAs. Countries like Nepal and China respectively held 14th rank with 1.5% and 15th rank with 1.4% shares respectively. Apart from these countries, tourists from Vietnam, Laos, Myanmar etc. also visit India every year. Most of these countries have cultural and anthropological as well as linguistic affinities with India's NEER. The rich flora and fauna of the NEER and a large number of eco-tourism destinations like national parks etc. show tremendous potential and can be capitalised upon to improve these numbers. Also, spiritual tourism, especially experiences related to the Buddhist faith, can be made extremely popular with most of these countries. To add to this the people in the NEER are known to be hospitable and the youth of the state have made a reputation for suitability to the hospitality sector across the world

**Education:** Many students from Myanmar, Bangladesh, Nepal etc. come to study in India every year and similarly to the NEER states as well. By focusing on improvement of educational institutions, the NEER can be turned into the favourite destination for the students from the ASEAN and BBN countries. With very high literacy rates and suitable manpower, the region can be a hub of education and skill training for the

neighbouring countries – especially those bordering the region. The expertise and command of the English oriented education system in India and NEER in general can give us an advantage in transforming the region as the future hub for education and skills.

**Healthcare:** Over the last decade, India has grown to become a sought after destination for medical value travel because it has proven superior over a range of factors that determines the overall quality of care. Imagine a complex surgical procedure being done in a world class global hospital by acclaimed medical specialists at a fifth to tenth of what it normally takes! That's India. From quality of therapy, range of procedural and treatment options, infrastructure and skilled manpower to perform any medical procedure with zero waiting time, the list of benefits of travelling for medical treatment in India are many. In spite of both inherent comparative and competitive advantages as a nation, India has been unable to address this market appropriately while other Asian countries such as Thailand, Singapore and Malaysia have been able to position themselves as leading providers of quality healthcare. The NEER states need to strategize and consolidate their efforts on how to leverage the available opportunities in the healthcare sector and create the state of the art infrastructure for medical tourism. If adequate infrastructure is developed in this region, it can be a hub of medical tourism as well as an exporter of medical professionals. This region already sees a number of people from neighbouring countries like Bangladesh, Myanmar and Nepal seeking healthcare services. Apart from doctors, nurses from this region have a significant presence in the healthcare sector. Also, alternative medicine practices, yoga therapy, herbal medicines can also be promoted in the neighbouring countries.



# WAY FORWARD FOR ACT EAST INITIATIVE



## CONNECTIVITY

### Roadways:

Develop economic and connectivity corridors that link NER, Rest-of-India and neighbouring countries. The corridors can pave the way for corridors that connect NER with all ASEAN countries in the future

Roads providing access to important drivers for trade like Chittagong and important cities of bordering nations of NER can energise the trade ecosystem

Improvement of connectivity with border areas of the districts located in the inter-state or international border areas with Assam can enable growth of trade and safer environment for trade.

Plan and improve border connectivity to the next phase for leveraging untapped trade potential.

### Airways:

Develop modern airports with facilities for cargo movement in important places in NER for greater accessibility for international trade as well as for service sector growth.

Assess feasibility of establishment and Maintenance of Direct Airlinks with ASEAN and BBN countries through viability gap funding if necessary

### Waterways:

Fastrack development of access to Chattogram, Mongla, and Sittwe Ports, by encouraging private sector to invest in cargo vessels etc.

Development of Port Townships/ Hubs in the inland waterways can exponentially improve trade through waterways. Night navigation facilities on Brahmaputra & Barak Rivers can also enable the water trade ecosystem.

### Railways:

For a multimodal trade value chain, railway Connectivity to important hubs of raw materials and manufacturing hubs in NER and its various Border Towns are of paramount importance and needs to be strategically developed

Connectivity via Rail with and through Bangladesh and ASEAN nations are a long term vision which needs to be implement.

## TRADE & INDUSTRY –

### **Trade & Commerce**

Regular reviews of Tariff and Non-Tariff Trade Barriers especially in the times of evolving global dynamics can enable better transparency for trade stakeholders.

Better infrastructure is needed in the various points of border trade in NER to enable and formalise trade across borders.

Trading hubs under “Act East” Policy could be developed with special incentivisation schemes, special regulations and technology enabled infrastructure.

### **Industry**

Export processing zones and incentivisation of exports or export oriented manufacturing by states can help in attracting local businesses to leverage opportunity for international trade

### **Energising neighbouring nations through North East**

Hydropower potential in the North East which remains untapped could be a source of cooperation and trade with neighbouring nations like Bangladesh, Nepal and Bhutan especially during the non-monsoon season as run-of-the-river hydropower projects in these countries may not be sufficient for their energy needs.

Projects like upcoming 120MW Lower Kopili Hydro Electric Project at Longku in Dima Hasao district of Assam can be a source of energy for trade with bordering nations in addition to other planned projects in other states like Arunachal Pradesh.

### **Tourism:**

With a shared heritage in culture and history, North East has a lot of potential to develop international circuits for tourism which needs to be carefully thoughtout like any other connectivity project.

Religious circuits for hinduism and budhism can be a huge attraction for people from neighbouring countries. Sensitization and promotion of these circuits through tourism and travel stakeholders is necessary

Infrastructure needs to be upgraded to cater to the global tourist in major circuits for tourism.

### **People-to-People Cooperation**

There is a need to promote people to people engagement through various autonomous associations in cultural, trade and other by incentivising dialogue, meetings and exposure visits with neighbouring nations and ASEAN.

G2G dialogue can enable opening of consulates of ASEAN and BBN bloc countries in cities of northeast like Guwahati which can enhance Act East Initiative Non resident diaspora of states of the North East especially for a bigger state like Assam who are present in the ASEAN countries can be a source for sourcing ideas and can become ambassadors of good relationship with the nations though a planned approach

### **Academic & cultural cooperation**

Academic cooperartion offers another perspective for improving relationship with ASEAN and by promoting exchanges of students, teachers and joint programmes between between universties and educational institutes of Assam and other NER states the Government can forge stronger ties with ASEAN

Similarly, culture is another area for expanding cooperation. With a extensive presence of Tai people in many of the countries of ASEAN and in states of North East like Assam, there is potential to leverage the connect for further cooperation.

## RECOMMENDATIONS FOR CROSS BORDER TRADE DEVELOPMENT

PERSPECTIVES	SHORT TERM	MEDIUM TERM	LONG TERM
Customs	<ul style="list-style-type: none"> <li>Better trade portals of ASEAN countries with easier access to information</li> <li>Simplifier customs procedures with process reengineering</li> </ul>	<ul style="list-style-type: none"> <li>Extend EDI facilities to all Land Custom Stations in NER. Better infrastructure investments can enable the same</li> </ul>	<ul style="list-style-type: none"> <li>Next Generation Integrated Single Window System connecting, all stakeholders in NER and international trade can be a game changer in trade.</li> </ul>
Non Tariffs	<ul style="list-style-type: none"> <li>Better information accessibility for Technical Barriers to Trade in ASEAN can be useful for exporters</li> </ul>	<ul style="list-style-type: none"> <li>Dialogue can be initiated for common Standards for Sanitary and Phytosanitary Measures &amp; TBT esp. for select areas</li> </ul>	<ul style="list-style-type: none"> <li>Mutual Agreements between ASEAN &amp; NER region for common standards for SPS/TBT</li> </ul>
Border Infrastructure	<ul style="list-style-type: none"> <li>Expedite ongoing projects for the Northeast which impact international trade esp. with ASEAN</li> </ul>	<ul style="list-style-type: none"> <li>Review existing Border Infrastructure &amp; assess the roadmap for upgradation and new infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Develop Phase II Projects &amp; explore feasibility of establishing an ICP at Nischintapur</li> <li>Completion of missing links in the NER under the Trans Asian Highway and Railway routes.</li> </ul>
Transport facilities	<ul style="list-style-type: none"> <li>Overarching SOPs &amp; guidelines on fitness certificate, insurance, etc. can be formulated under agreements like PIWTT etc.</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory changes for better border clearance.</li> </ul>	<ul style="list-style-type: none"> <li>Tech enabled cargo tracking system in collaboration with ASEAN &amp; other nations &amp; relevant underlying changes in regulations can augur in a new era for international trade.</li> </ul>

BBIN – Bangladesh–Bhutan–India–Nepal  
 BPR – Business Process Reengineering  
 EDI – Electronic Data Interchange  
 ICP – Integrated Check Post  
 LCS – Land Customs Station

NER – Northeast Region  
 PIWTT – Protocol on Inland Water and Trade  
 RMS – Risk Management System  
 SPS – Sanitary and Phytosanitary  
 TBT – Technical Barriers to Trade



Whitepaper:

# ACTING EAST THROUGH NORTHEAST

Leveraging Connectivity with ASEAN