

DEVELOPING SINEWS OF INDIA'S ACT EAST POLICY ON TRIANGULAR PIVOT OF BANGLADESH, MYANMAR AND INDIA'S NORTH EAST REGION (NER)

Brigadier Dheerendra Singh Kushwah, SM, ndc

Introduction

India made a paradigm shift by adopting its 'Look East Policy (LEP)' in 1992 when its economy was in midst of a crisis with depleting forex reserves and skewed trade balance. Focused on strengthening ties between India and ASEAN, it registered impressive gains for 20 years after its inception. India - ASEAN trade increased from \$2 billion in 1992 to \$72 billion in 2012 (Sajjanhar 2016). Today, India is at a critical inflection point in its growth story. Its economy became fastest growing economy by surpassing China in 2014 and is the sixth largest economy in world in nominal GDP and third largest in PPP. Effective regional integration with South East (SE) Asia and East Asia would truly unlock India's economic potential and would yield substantial peace dividend for entire region.

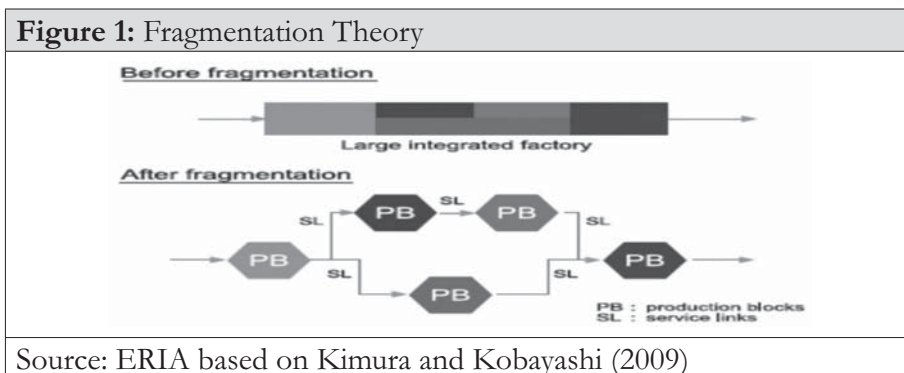
Indian Government outlined Act East Policy (AEP) in November 2014. It seeks to revive and reinvigorate India's relations with ASEAN as well as expand engagement to far East. One of the key problems inhibiting growth in trade is absence of physical connectivity with ASEAN as cross-border infrastructure services and trade between India and ASEAN is limited to only ocean and air shipping. Over the years, several flagship physical connectivity projects between India and ASEAN have been conceived (De, Prabir 2014). Apropos; India's NER, Bangladesh and Myanmar emerge as a critical triangular geographical pivot as it not only acts as the land bridge to ASEAN but also offers multi-dimensional dividends from sub regional cooperation.

Regional Connectivity Construct and India's AEP

Conceptualizing Regional Connectivity

In his seminal book 'Connectography: Mapping the Future of Global Civilization', Parag Khanna argues that era of organizing world according to political space (how we legally divide the globe) is giving way to organizing it according to functional space (how we actually use it). Long-standing mantra of the de jure world is 'This land is my land.' The new motto of the de facto, supply chain world is 'Use it or lose it.' In a supply chain world, it matters less who owns (or claims) territory than who uses (or administers) it. As per him, "Connectivity is the new meta-pattern of our age" and "There is no better investment than connectivity" (Khanna 2016).

Contrary to common perception regional connectivity is not merely a network of trans-border highways and railways crisscrossing. Conceptual framework of regional connectivity stems from theory of 'Fragmentation of Industrial Production and Supply Chain' (Figure 1). With good connectivity architecture regional and even global businesses seek to exploit scales of economy, locational and specialization advantages in the region. Therefore, with efficient and seamless connectivity Regional Value Chains get formed. Regional connectivity actually leads to shared prosperity. To attract fragmented production blocks, three costs should be favourable. These being: network setup costs, service link costs (connectivity costs) and production costs.



Regional connectivity can be described as level and effectiveness of regional networks to facilitate flows of goods, services, people and knowledge. It is a multifaceted and multidimensional phenomenon and has to be pursued concurrently along the four Core Connectivity Segments – Transportation and Trade, ICT, Energy, People to People. (Transport Division of ESCAP 2014).

Transiting Look East to Act East

‘AEP’ is being widely lauded as the phase II of LEP; yet there are concerns in some quarters of it being the old wine in new bottle. LEP / AEP are intrinsically symbiotic and effectively seek to synthesize Indian geo-economics and geostrategic cauldron in relevant strategic environment at the time of their conception. LEP came on the horizon in immediate wake of disintegration of erstwhile Soviet Union with which India had deep economic and strategic linkages. In backdrop of sluggish and unfavourable India – ASEAN trade and rising Chinese footprint in the region; AEP seeks to add vigour to LEP since 2014. East Asia matter economically and strategically for India. India needs to become, for its own self-interest, more integrated into this Region.

Defining features of LEP were; economy, institutional integration and regional balance of power. Of these, ‘institutional integration’ has been most successful aspect. Today, India is very much a part of the security architecture and the economic ecosystem in Asia. The balance of power matrix got a fillip with LEP’s natural coherence with US Rebalancing Strategy. However, with Trump administration mired in internal conflict and its foreign policy largely unintelligible, India may be faced with its toughest challenge in executing its Asia Pacific outreach. Any dilution of the ‘Rebalancing’ could leave India, to plough a lonely furrow. (Times of India, 2017)

While the countries in SE Asia are aware of AEP but it doesn’t seems to have gained desired traction yet. They remain sceptical about Indian ability to finish projects in time and match Chinese infrastructure development programmes. Besides, they falter India on ease of doing business. Bilaterally, China is single largest trading partner of all ASEAN members. This forces

them to adopt adaptive strategies in their individual relations with China. A divided ASEAN provides China with an opportunity to demonstrate its economic and military muscle. Much against the popular perception, ASEAN is politically fragmented. It is largely an effective economic block with flourishing intra-regional trade but not one community like EU. This has an impact on harmonious regional approach on geopolitical issues. Notwithstanding, ASEAN nations do realize the potential of diversifying their economy to reduce their excessive dependence on China. They would want to see India integrated, both in security and economic dimensions. AEP, therefore, is not mutually exclusive. However, backbone of East Asian economics is integrated supply and production chains, to which India is currently largely irrelevant due to lack of physical connectivity. (Jaishankar 2014)

India - ASEAN Trade

India shares about 11% of its global exports and 10.7% of its global imports with ASEAN and India's export to ASEAN has been growing faster than her imports. (Table 1)

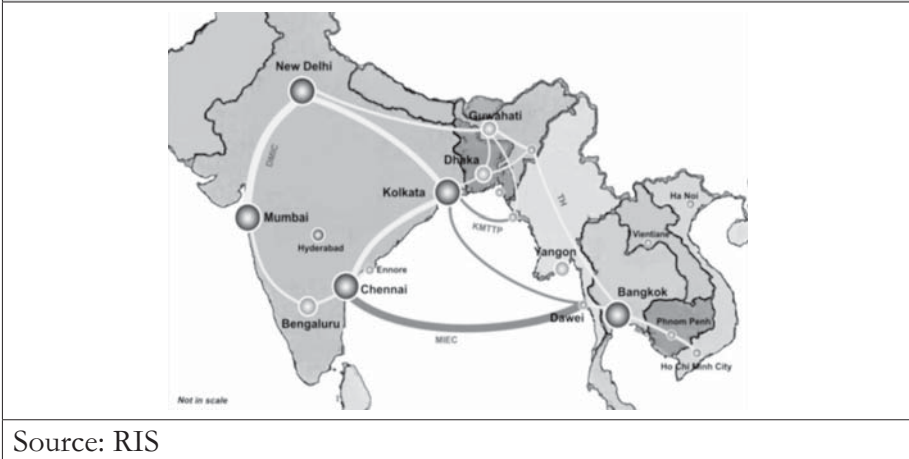
Table 1: Growing India-Asian Trade				
Year	India - ASEAN Trade (Values in US\$ Million)			
	Export Value (Total Export)	%Share	Import Value (Total Export)	%Share
1999-2000	2237 (36822)	06	4629 (49738)	09
2009-10	18113 (178751)	10	25797 (288972)	8.9
2015-16	25124 (262290)	09	39909 (381006)	10
2016-17	27116 (244.801)	11	36617 (340902)	10.7
Source: Directorate of Foreign Trade, Government of India.				

AEP and Regional Connectivity Architecture

Regional physical connectivity architecture between India and ASEAN encompasses (Figure 2) : (Dr. Prabir De 2012)

- India-Myanmar-Thailand Trilateral Highway (IMTTH or TH).
- Kaladan Multimodal Transit Transport Project (KMTTP).
- Extending the IMTTH to connect Cambodia and Vietnam.
- India-Myanmar-Lao PDR-Cambodia-Vietnam Highway.
- Delhi-Hanoi railway link.
- Mekong-India Economic Corridor (MIEC), which connects South Asia with Southeast Asia.
- Stillwell Road and Tiddim-Rih-Falam Road.
- Bangladesh-PRC-India-Myanmar Economic Corridor (BCIM-EC).

Figure 2: AEP and Regional Connectivity Architecture



AEP and India's NER

NER - A Laggard

Ironically, despite the fact that the LEP has been in existence for over two and a half decade and even as it has substantially benefited the states in other

parts of India, its benefits to NER have been negligible. Logically, LEP must have begun with NER. However, the policy remained a slogan and did not enable harmonious and productive relationship with neighbouring countries. Despite LEP, NER remains under economic imprisonment within its international frontiers (NEC 2008). A formal North East perspective on LEP emerged at the official level only in October, 2007 when LEP became an integral part of NER Vision 2020 (Doner 2011).

India's NER and West Bengal links India's eastern neighbours such as Bangladesh, China, Myanmar, Bhutan and Nepal with India. It shares over 98% of its border with these neighbours and less than 2% with the rest of India. Before partition, NER was linked with rest of India through present day Bangladesh. Now, NER is connected with the rest of India through the narrow Siliguri Corridor which increases distance between the NER and Kolkata (eastern entry port of India). (Table 2) Although, NER is rich in resources like hydrocarbons, forest, hydro-electricity, and other minerals, high transportation cost did not allow her to grow according to her comparative advantages. Connectivity bottlenecks have made the region perpetually underdeveloped and hence politically volatile. (PIB 2008), (De, Chapter 3 : ASEAN-India Connectivity: An Indian Perspective 2011). Region has been a laggard on account of number of intertwined issues. They vary from the colonial past to abrupt physical disconnection in the post-partition period. Protracted insurgency and violence has led to mis-governance and instability. A lack of vision among local leaders and an over-dependence on central government funds have also taken a toll. Rent seeking on resources such as local coal, oil, gas, forests, water, etc has been institutionalised, thus turning resource 'richness' into a resource 'curse'. (Mahendra P Lama 2017)

NER - An Enabler in AEP

NER is unique in terms of opportunities. While it is an industrial desert, it is the focal point of trade. Regional and interregional connectivity initiatives have brought spot light on it. (Mahendra P Lama 2017). NER's locational advantage and rich natural resources provide a backbone to its development and base for cooperation not only with ASEAN, but also with

neighbouring countries such as Bangladesh, Bhutan, and Nepal (Doner 2011). NER can be developed into a regional economic hub. (Prabir De and Manab Majumdar 2014).

Connectivity Perspective

NER is at the very heart of continental connectivity in sub region and with ASEAN. It also offers immense scope for development of IWT. Undivided Bengal and the NER were an integrated economic market prior to Independence where Brahmaputra and Barak - Surma - Meghna Rivers transport system was extensively used. IWT is a natural fit for non-perishable and high volume NER trade with rest of India. It will also decongest narrow Siliguri Corridor. Challenge here is active participation by Bangladesh and creation of a policy regime that promotes investment in appropriate fleet of vessels.

AEP and Bangladesh

Over the years, Bangladesh has established a credible record of sustained growth within a stable macroeconomic framework. Referred to as an economic miracle by some; it is at the cusp of taking a leap into middle income country by 2021 and has an ambitious target of achieving a developed country status by 2041. To achieve its vision of economic growth and development, Bangladesh is placing considerable emphasis on regional connectivity to exploit its geographical location astride Bay of Bengal and aspires to be a regional connectivity hub. Hence, there is a natural marriage of interests and prospects of win – win situation for India's AEP.

Bangladesh and its neighbouring countries could benefit considerably, if transport connectivity is conceived in the sub-regional context, to link effectively Nepal, Bhutan and NER (Table 2). Bangladesh is fortunate to have two sea ports and potential for developing another deep-sea port. But the development of such a deep-sea port can be justified only if there is a sub-regional patronage. (M. Rahmatullah 2009). Bangladesh therefore is a natural pillar of AEP.

Table 2: Connectivity Differential				
From	To	Via Siliguri Corridor	Via Bangladesh	Distance Differential
Agartala	Kolkata	1680 kms	450 kms	1230 kms
Silchar	Kolkata	1407 kms	600 kms	807 kms
Guwahati	Kolkata	1081 kms	830 kms	261 kms
Shillong	Kolkata	1181 kms	720 kms	461 kms
Imphal	Kolkata	1742 kms	900 kms	842 kms
Aizawl	Kolkata	1657 kms	800 kms	857 kms
Source: ORF Occasional Paper #51, June 2014				

Bilateral Trade

Mutual trade between the two countries account for 1/4th of South Asian trade volume. India has been the largest trading partner of Bangladesh for over last two decades. Bangladesh has concerns on high bilateral trade deficit with India, which has increased from US\$ 44 million in 1981 to US\$ 2.5 billion in 2009 and to US\$ 5.4 billion in 2015 -16. (Financial Express 2017).

Connectivity Perspective

SAARC Regional Multimodal Transport Study provides priority corridors among SAARC countries. Bangladesh has 6 out of 10 road corridors, 2 out of 5 rail corridors, and 2 principal ports (Chattogram and Mongla) for SAARC trade. These land transport corridors (roads and railways) in Bangladesh covers 8% of the major road network and 12% of the rail network of the country. Three Asian Highways are planned to transit Bangladesh (Figure 3). Development of these corridors would complete the subregional land transport network in the country, which will stimulate subregional trades as well as national economy. (ADB 2016)

Road Connectivity

Road transport is the predominant mode of transport in Bangladesh accounting for 80% of total traffic moved. Bangladesh's road quality

does not correspond to the AH standards and is only capable of handling local rather than long distance transport. This gap is acutely felt in accommodating containers on Dhaka–Chattogram roads, thus constraining trading activities. Severe congestion is a prominent and permanent feature of highways. For cross-border road connectivity, harmonizing standards, signaling system and protocols is needed. (M. K. Rahman 2014).

Condition of roads in Bangladesh is not suitable to carry axle loads over 8.2 tons. While this may be adequate to meet the internal requirements of the country, it is grossly inadequate to cater to cross border heavy vehicle traffic. As a result, the highways under SASEC and AHs and catering requirements of NER are being financed by ADB and India under bilateral arrangement. (H. Z. Rahman 2010). Crucial links being; Road Kolkata - Petrapole – Benapole - Jashore - Dhaka - Brahmanbaria - Sylhet - Tamabil (From Akhaura a link road to Agartala), Road Kakarvita (Nepal) - Phulbari (India) - Banglabandha (Bangladesh) - Bogura - Jashore - Khulna and Road Thimpu - Phuentsholing-Jaigon - Chengrabandha - Burimari - Rangpur -Bogura - Jashore - Khulna.

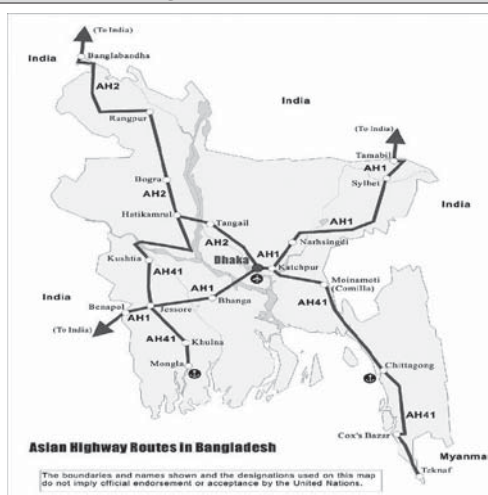
Movement of goods between India and Bangladesh by roads is operationalized through 49 notified Land Customs Stations (LCSs) and two Integrated Check Posts (ICPs) along the border. Of the 49 Land Customs Station, 36 are currently functional.

Rail Connectivity

In Bangladesh, unlike roads railways did not flourish. However, the existing tracks with little extension can fulfill the requirement of regional connectivity. Major constraints in rail connectivity are the lack of compatibility due to differing gauges, rolling stock and braking system. At present, there are four operational links between India and Bangladesh. These include; Petrapole – Benapole, Gede – Darshana, Singhabad – Rohanpur and Radhikapur – Birol. Rail links under construction are Karimganj / Mahisasan – Shahbazpur, Haldibari – Chilhati, Akhaura –

Agartala and Feni – Belonia. In 2011, an MOU to facilitate rail transit to / from Bangladesh and Nepal by using the Rohanpur – Singhabad route was agreed to. It permitted rail transit between Bangladesh and Nepal using the Indian Territory through the Radikapur - Birol line

Figure 3: AH Routes in Bangladesh



Source: CPD 2010

Air Connectivity

There are presently around 100 flights operating weekly between India and Bangladesh connecting various Indian cities like New Delhi, Kolkata, Mumbai and Chennai to Dhaka and Chattogram. There is a proposal to start service between Dhaka to Guwahati shortly. (Shishir Kothari 2017)

IWT and Coastal Connectivity

Historically, NER was always land-locked but water-linked, undivided Bengal and the NER were an integrated economic market based on river transportation network. (M. Rahmatullah 2009). Protocol on Inland Water Trade and Transit (PIWTT) has been operational since 1972. It permits movement of goods over barges / vessels through the river systems of Bangladesh on eight specific routes between points in West Bengal

and Bangladesh. PIWTT, along with the bilateral trade agreement, was renewed for a period of five years with provision for auto renewal during Indian Prime Minister's visit to Bangladesh in June, 2015. Coastal Shipping Agreement inked in 2015 would be a game changer as it would lead to commencement of direct sea trade / movement of containerized / bulk / dry cargo between the two countries.

Connectivity through Energy

Bangladesh is importing 600 MW of power from two existing interconnections at Bheramara and Cumilla and 500 MW from Indian open market. Agreement on transmission 6000 MW power from NER to the Western Grid using Bangladesh as transit is in the offing. Bangladesh will draw 1000 MW from tapping points at Parbatipur. Transit facility to Bangladesh for importing electricity from Nepal and Bhutan through India has also been agreed. Similar MoU for cooperation with Bhutan is in the offing. (MEA India 2017).

AEP and Myanmar

Myanmar is located at the meeting point of South and Southeast Asia and shares a 1643 km long land border and a long maritime boundary in the Bay of Bengal with India. Given its geostrategic location; Myanmar stands out as the only land bridge to Indian aspirations for physical connectivity with ASEAN and the rest of the Asia Pacific.

India's relationship with Myanmar has seen a number of policy reversals – support to democracy movement of 1988, engaging with the military junta and subsequent sponsorship of Myanmar in the BIMSTEC and ambivalence on the 'Saffron Revolution'. India seems to be a less significant player in Myanmar than China, USA, Thailand, Japan, South Korea, or Singapore. Even Vietnam has a more visible economic presence in Yangon than India. Trade and development are moving very slowly, as are infrastructure projects. Vast disparity between India's military engagement and that of China and trust deficit with Suu Kyi and her supporters (who

have not forgiven India for what they regard as a deep betrayal) casts doubt on credibility of Indian engagement. To offset this, in November 2014, PM Modi visited Naypidaw to attend the East Asia Summit, his first visit to a Southeast Asian nation as PM and announced launch of AEP.

Trade Perspective

Myanmar, still assessed as LDC, is resource rich and is well poised to become a middle income country by 2030. With liberal FDI and land acquisition laws, foreign investment in Myanmar has picked up. Investments by Indian companies, however, are still low with India at tenth place (accounting for 0.82 % of total investment) among all Myanmar foreign investing countries. China leads the tally with 41.71% share. Bilateral trade between India and Myanmar has seen significant growth growing from US\$ 12 million in 1980 to over US\$ 2 billion in 2014. India ranks third among Myanmar's export destinations but in respect of imports into Myanmar, India finds itself only eighth place. (Ambassador V. S. Seshadri 2014).

Trade between India and Myanmar through the border trade points of Moreh and Zokhawthar in 2012-13 was only \$ 6.5 million which is only 1 % of Myanmar's total border trade. KMMTP that connects Kolkata port with Sittwe port presents opportunity of intensifying economic cooperation through sea. Also important would be the Chennai port for sea links with ports of Yangon and Dawei. Maritime trade however bypasses NER. (Mihir Bhonsale 2015)

Trade figures between India and Myanmar at Table 3 suggest rise in bilateral trade between the two countries in India's favor since 2010. Overall, trade increased from \$ 1.3 billion to over \$ 2 billion. Two recent (2015) developments in bilateral trade are crucial. These include a shift from barter to normal trade and another shift from border trade to normal trade that can take place through land border. (Dr. Ram Upendra Das 2016)

Table 3: India - Myanmar Trade

Trade	YEAR					
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Imports	1,017.67	1,381.15	1,412.69	1,395.67	1,231.54	984.27
Exports	320.62	545.38	544.66	787.01	773.24	1,068.20
Trade Deficit	- 697.05	- 835.77	- 868.03	- 608.66	- 458.30	83.93
Source: Ministry of Commerce, Government of India						

Connectivity Perspective : Myanmar

Potentials of connectivity induced production networks between India's Northeast and Myanmar exist in bamboo and wood products, pharmaceuticals and preparations, rubber products, food products, refined petroleum products, other non-metallic mineral products, cement and garments. Networks in services industry between India's Northeast and Myanmar may also take a formal shape in health, tourism, education, transport and communication. (De, ESCAP-AITD Regional Policy Dialogue on Strengthening Connectivity in Southern Asia 2014)

Land Custom Stations are gateways for transit of goods, services and human beings between neighbouring countries. See Table 4 for status of LCSs. (Prabir De and Manab Majumdar 2014)

Table 4: Details of LCS – Myanmar Border

NER State	LCS in India	LCS in Myanmar
Arunachal Pradesh	Nampong* (Pangsau Pass)	Pangsu
Manipur	Moreh	Tamu
Mizoram	Zokhawthar (Champai)	Rih**
Nagaland	Avangkhu***	Somara
Source: *Notified but non-functional. **Tiddim (75 km from Zokhawthar) is functional. ***Bilaterally agreed but not yet notified		

Myanmar is actively pursuing agenda of regional connectivity to enhance stronger and deeper economic cooperation and regional integration. To maximize the benefits, it would be prudent to integrate Indian connectivity projects with these projects. (Htun, K. W., N. N. Lwin, T. H. Naing and K. Tun 2011). These include:

- Asian Highways (AH) to link with the five neighbouring countries. There are 4 routes of Asian Highways in Myanmar. (Figure 4)
- ASEAN Highways Network (AHN) to improve intra ASEAN linkages is a flagship land transport infrastructure project, which forms major road component of the overall trans ASEAN transportation network. Eight AHN projects crisscross Myanmar (AHN 1,2,3,14,111,112,113 and 123).
- Greater Mekong Sub-region (GMS) economic corridor highways which link different parts of Vietnam to Cambodia, Laos, Myanmar and Thailand. Three routes of GMS Highways cross Myanmar territory (R3, R4, and R5).

Key Connectivity Projects

Indian connectivity projects through Myanmar include:- (Mohapatra 2016)

- Mekong -India Economic Corridor (MIEC).
- India-Myanmar-Thailand Trilateral Highway Project (TH).
- Tamu-Kalewa-Kalemyo (TKK) Road / Friendship Highway.
- Rhi - Tiddim Road in Myanmar.
- KMTTP.
- Rail Links. Jiribam – Mandalay Link and New Delhi - Hanoi Rail Link.

Figure 4: Asian Highway Network, Myanmar



Source: <http://www.unescap.org>

Analysis and Recommendations

Review of AEP Implementation

An official pronouncement of AEP is relatively new and it is still early days for the AEP. However, this year marks 25 years of LEP and it remains a mere slogan in India's NER without any significant dividends. Indian approach appears incoherent, lacks institutional coordination and focused approach besides being marred by time and cost overruns in Projects.

Concerted diplomatic efforts in last three years have enabled a favourable geopolitical environment in the region. India must maintain astute focus on continental connectivity route as part of AEP as against oceanic trade connectivity approach thus far.

Recent AEP driven initiatives can be summarised as under: (Bhatia 2016)

- High Intensity of Engagement with high - level visits by India's President, Vice President, and PM to nine of the 10 ASEAN.

PM, in addition, paid visits to China, Japan, Australia, South Korea, Mongolia, Fiji and Myanmar. A large number of high-level inbound visits from the Region to India and likely presence of heads of state of all 10 ASEAN members for Republic Day celebrations in January 2018 (NDTV Malaysia Bureau 2017).

- Adopting 'Neighbourhood first' policy, signing of BBIN Agreement, rejuvenating BIMSTEC and upswing in bilateral ties with all South Asian countries less Pakistan.
- Relations with Bangladesh are upbeat and a large number of connectivity projects have been agreed upon bilaterally. Both PMs have made reciprocal visits. In April 17, India announced a \$5 billion loan to Bangladesh and signed 22 pacts and business deals worth investments of \$9 billion. The line of credit is the biggest offered to any country at one go by India taking total line of credit to \$8 billion in last six years. (Jayanth Jacob 2017)
- Engagement with Myanmar have gained momentum with visit of External Affairs Minister to Myanmar and followed by visit of President U Htin Kyaw and Aung San Suu Kyi to India in August and October 2016 respectively. Myanmar's military commander-in-chief Senior General Min Aung Hlaing concluded an eight-day trip to India in July 17 (Nehginpao Kipgen 2017). Indian 'Balancing Act' on the Rohingya issue during recent visit of PM Modi, refusal to back the Bali Declaration (on Rohingya) at the World Parliamentary Forum and overtures to deport illegal Rohingya immigrants from India reinforces Indian outreach. India's Rohingya policy albeit not ideal, appears to be suited from AEP perspective (Sreemoy Talukdar 2017).
- India's partnership with Japan has witnessed the most dynamic growth. A civilian nuclear deal for commerce in nuclear technology and equipment with India was signed on 14 December 2015, Japan's commitment to invest \$35 billion in India over five years, high-speed bullet train between Mumbai and Ahmadabad, participation in the Malabar naval exercises, invest in the Delhi - Mumbai Industrial Corridor, and enhance defence

cooperation. In April 2017, Japan International Cooperation Agency (JICA) signed an agreement allocating 67 billion yen (\$ 610 million) for NER Road Network Connectivity Improvement including NH 54 and NH 51 in Mizoram and Meghalaya. Two countries are also contemplating 'Asia Africa Growth Corridor (AAGC)' to enhance connectivity between Asia and Africa.

- India has pushed talks on the RCEP Agreement.
- Matured handling of recent Doklam stand off and mutual disengagement augurs well for Indian AEP.

Key Challenges

Indian Government has demonstrated a focussed approach by rejuvenating multilateral and bilateral engagements with countries relevant to AEP. PM Modi has spearheaded the agenda with one of the busiest foreign travel schedule ever by an Indian PM and has been immensely successful in articulating Indian view and creating a favourable environment. Challenges lie in translating political declarations and agreements into concrete action on ground.

In backdrop of AEP's convergence with US strategy of rebalancing in Asia Pacific, the focus of AEP thus far seems to have been biased towards strategic domain encompassing extended East Asia. Albeit, it has its own nuanced merit, this could be a precarious diversion when seen through prism of NER. In geostrategic sense, to address its competitors in balance of power paradigms, India has traditionally been biased in favour of internal balancing more vis a vis external balancing. This has served India well to emerge as a regional power with strategic autonomy. Therefore, India must guard against seductive drift into external balancing as part of US rebalancing strategy.

Despite rich resource, private investment driven growth has not fructified in NER owing to high transportation costs due to connectivity deficit within NER, with rest of India and neighbourhood. Region lacks favourable enabling environment for fragmentation of production and distribution networks.

Government has taken a large number of initiatives to boost economic development of NER by making higher / preferential resource allocation. All the states in the NER are special category states whose development plans are centrally financed on the basis of 90% grant and 10% loan. Unfortunately, central government led growth strategy for the Region has created a 'dependency syndrome' amongst NER States. Instead of utilizing own resource base, political economy is centred on getting additional central grants instead of wealth creation through economic activity. (Das 2010). (Biswas 2017)

Absence of effective and dedicated institutional support to actualize AEP both at national and regional level appears to be the most significant challenge.

Strategy Recommendations

Sub Regionalism: Indian initiatives thus far have a distinct bilateral flavour in connectivity projects. This approach needs to be shed and sub-regional cooperation on lines of BBIN needs to be embraced. This would not only enable easy access to financing from international FIs but also assist generating harmony, stake holders and easy acceptance of various proposals. As a unique cross regional grouping, BIMSTEC appears tailor made for AEP and its potential must be exploited by strengthening its institutional capacity. ADB as development partner of BIMSTEC has already undertaken a tech study titled BTILS on transport and logistics integration. India's institutional integration with ASEAN should be leveraged to expedite financing and implementation of projects. MGC conceived in 2000, is yet another cross regional organisation like BIMSTEC. However, this has not seen any significant development. There is a need to push and take the grouping to summit and strategic level of partnerships. Its experiences of GMSECP can be a template for AEP initiatives.

Institutional Planning, Coordination and Execution: Government of India needs to pursue continental connectivity adopting a 'Whole of

Government Approach’ and formulate an all-encompassing strategy for implementation of ‘AEP’. A Cross Ministerial Task Force under stewardship of MEA with representatives from ministries like MDONER, MORTH, Railways, Power, Commerce and Industry, Shipping, MHA, Finance, Defence, Electronics and IT under a singular authority in PMO should be formed for time bound implementation, coordination and integrated development of connectivity architecture in NER as also monitoring progress of transnational connectivity projects. Representatives of Niti Ayog and think tanks like RIS should also be included. Indian Missions at Myanmar, Bangladesh, Nepal and Bhutan must be given a blue print of connectivity projects and a road map to monitor progress and pursue agenda with their host nations. Similarly, a Regional Connectivity Centre under stewardship of NEC / MDONER should be created in NER.

Integrating NER Participation: Although foreign policy is a ‘central subject’ inclusion of regional representation in international delegations involved with Project based deliberations / negotiations on AEP must be considered. Creation of India-Japan Coordination Forum for Development of NE (Utpal Bhaskar 2017), an informal forum is a welcome step.

Bridge NER Infrastructure Deficit: Coordinated and speedy connectivity infrastructure development of NER is most crucial to reap dividends of AEP. This must be accompanied by setting of SEZs and Industrial Zones to promote trade and investment, development of MSME, Skill and entrepreneurship. Apart from development of forward linkages, it is essential to develop backend connectivity in the region, which will facilitate the infrastructure development process. (Ambassador V. S. Seshadri 2014).

Expedite Project Completion: There is a need to ensure timely completion of all connectivity projects being funded by government of India. Cases for additional funding need to be actively pursued diplomatically with global / regional financial institutions (World Bank, AIIB & SASEC).

Reengineering of Border Trade: Border trade needs to be reengineered by making available banking facilities, easy payment modalities, quick food safety checks, efficient customs, single window clearances for transactions and bringing transactional costs to the minimum. (Ambassador V. S. Seshadri 2014)

Regional Connectivity Architecture: Connectivity corridors viz KMTTP & TH should eventually should turn into economic corridors. Concurrent push on soft connectivity architecture to include; ICT, legal, regulations and institutional connectivity to harmonise various procedural aspects amongst all stake holders is imperative. (Htun, K. W., N. N. Lwin, T. H. Naing and K. Tun 2011).

Develop Tourism: Tourism is an area, which has high trade potential between NER and ASEAN. VoA may be extended to ASEAN tourists, when they arrive at NER airports or border and vice versa. This will also facilitate substantial amount of medical tourism.

Bangladesh Partnership: There is a need to sustain the momentum in bilateral thaw by timely completion of projects. Bangladesh is seeking investments for its economic growth as its economy is at a crucial inflection point. There is a need to address the issue of trade balance, concerns for which may grow as it accords transit to NER where it enjoys the trade surplus. Besides, some sections have security concerns. AEP must ameliorate these concerns by highlighting connectivity as regional public good. Economic gains will far outweigh the perceived losses.

Myanmar Partnership: Security and development of NER is closely linked with Myanmar. India needs to bridge trust deficit and ensure timely completion of on-going projects. Close socio cultural linkages astride IB, Buddhism are some crucial connects which need to be reinforced.

Conclusion

In backdrop of current Indian geostrategic milieu, AEP announced 2014 is a logical sequel of LEP as it seeks to revive and reinvigorate India's relations with ASEAN as well as expand engagement to far East Asia. With missing continental connectivity; policy continues to be heavily loaded in favour of other regions and states of India. Research findings reinforce the strategic salience of triangular pivotal space in focus. Despite enormous resource endowments and economic potential and 25 years of LEP; NER remains a laggard. AEP must stay the course in offsetting this dilemma and avoid seductive drift into mere strategic outreach. India must realize, that, Bangladesh is the key to unlock semi landlocked NER and Myanmar is the gateway to SE Asia. Nepal and Bhutan are the rearward linkages of this connectivity construct.

An Institutional mechanism and overarching strategy on lines suggested in the paper is most imperative for India to actualize its AEP through this critical space. Overall security environment and bilateral relations and convergence of interests amongst all stake holders in this pivotal space seem to be at an all-time high; India should not miss the bus.

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Author

Brigadier Dheerendra Singh Kushwah, SM, ndc was commissioned in the Indian Army in June 1989. The Officer has rich experience of serving in most challenging and complex operational environment of J and K and North East States of India where he has served on glaciated heights and has been in active Counter Terrorism and Counter Insurgency operations during multiple tenures. He has commanded an Infantry Battalion and a Mountain Brigade in High Altitude Areas on Indian Borders. During his illustrious service, he has held sensitive and prestigious appointments in various Headquarters of Army. He also has the distinction of being an Instructor at the Indian Military Academy and Infantry Advisor to the Botswana Defence Forces. He has qualified on prestigious Defence Services Staff College Wellington and Higher Defence Management Course at the College of Defence Management, Secunderabad. He has done his graduation from JNU Delhi and Masters from Madras University. He also has a Masters in Management Science from Osmania University. He has the distinction of being conferred with Sena Medal and GoC in C's Commendations on two occasions.