Research Paper COMMERCE

Emerging Dimensions of Trade, Business and Industry and North East Part of India: an Overview

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ABSTRACT

Financial globalization and its aftermath have been marked by a surge in international capital flows among the industrial and developing countries. In line with the growing trade flows, the investment coming towards the emerging and transitional economies has also been on the climb in the recent period. Global Emerging Markets are now becoming strong player in shaping the investment destination and influencing the global business environment. Emerging markets now became preferred investment destination, once attractive for their natural resources or as a spring of discounted labour and economical manufacturing. Growing population, rising and balanced economic growth are making many companies look at emerging markets in a new-fangled line of attack. Emerging trend in Indian business environment continued to arise following some key forces like, globalisation and financial integration, rapid industrialisation, technology fusion, changing demographics and media explosion. The advent of globalisation has exposed consumers of emerging markets like India to the western culture and lifestyle. In increasingly knowledge-driven economy, emerging trends are key consideration in day-to-day business decisions. New products, technologies and creative designs appear almost daily on the market and are the result of continuous human innovation and creativity. In line with the changing business environment which is appearing around the globe, India's North-East too witnessed certain emerging trend in its market place. The present paper, thus, is a modest attempt to put light on the emerging dimensions of trade, business and industry with special reference to India's North-East along with other relevant issues.

KEYWORDS Financial Globalization, Transitional Economies, Business Environment and Technology Fusion.

1. Introduction

Financial globalization and its aftermath have been marked by a surge in international capital flows among the industrial and developing countries. In line with the growing trade flows, the investment coming towards the emerging and transitional economies has also been on the rise in the recent period. Global Emerging Markets are now becoming strong player in shaping the investment destination and influencing the global business environment. Emerging markets like Brazil, Russia, India, China, South Korea, Malaysia, Indonesia, Mexico, Chile, Czech Republic and many more today dish up as Global economic growth engine. Their spectacular rise continues to play out an all-embracing effect on Global economic system. The emerging markets in the world shall remain as destination and hope for investment, innovation, technology fusion and employment for some time to come in future (UNCTAD World Investment Report, Ernst & Young Global, Bloomberg and IMF on Emerging Market).

Emerging markets now became preferred investment destination, once attractive for their natural resources or as a spring of discounted labour and economical manufacturing. Growing population, rising and balanced economic growth are making many companies look at emerging markets in a new-fangled line of attack. Estimate says a major share of world economic growth will come from emerging markets over the imminent few years. China and India will become noteworthy in pouring the same. Investors will continue to invest in emerging markets for some time to come as estimate says. The emerging markets at this instant attracting about half of global FDI inward. The Africa, the Middle East and Brazil, Russia, India and China (the BRICs) shall remain as significant FDI destination. BRICs' growing economic strength is leading to greater power to influence world economic policy. Securing a strong base in these countries will be decisive for investors in quest of growth beyond them (Shil and Roy, 2014).

Further, new patterns of trade are emerging around the globe and today, there is a net redistribution of wealth away from the rapid-growth economies - a process accelerated by the financial downturn and the economic recession that it has caused. Companies from those rapid-growth markets are now challenging the giants of the Fortune and Forbes lists (Ernst & Young Global).

Following the liberalisation of the foreign investment policy in India in the early 1990s, FDI to India has increased significantly over time. However, the growth in FDI flows has been accompanied by strong regional concentration thereby depriving a large number of Indian states from the benefits of a liberalised FDI regime. Destination wise, economically advanced states have attracted the lion's share of FDI flows to India. The top six Indian states, viz., Maharashtra, Delhi, Karnataka, Tamil Nadu, Gujarat and Andhra Pradesh together accounted for over 70 per cent of FDI equity inward to India during the period April 2000 to June 2012 reflecting distinct signs of FDI absorption at the state level. The FDI policy in India was liberalised in the early 1990s as a part of economic reforms to attract the foreign capital and also to take advantage of the spill over of technology and knowledge. It is, therefore, essential to derive maximum benefit from the FDI flows and ensure that the rising FDI flows do not lead to an increase in regional inequality (Mukherjee, 2012).

Emerging trend in Indian business environment continued to arise following some key forces like, globalisation and financial integration, rapid industrialisation, technology fusion, changing demographics and media explosion. The advent of globalisation has exposed consumers of emerging markets like India to the western culture and lifestyle. In increasingly knowledge-driven economy, emerging trends are key consideration in day-to-day business decisions. New products, technologies and creative designs appear almost daily on the market and are the result of continuous human innovation and

creativity. Small and medium-sized enterprises (SMEs) are often the driving force behind such innovations. Their innovative and creative capacity, however, is not always fully exploited as many SMEs are not aware of how these emerging trends can help and safeguard them.

2. Objectives of the Study
The present study has been conducted with the intention to address the following objectives:

- To present a synopsis of India's North East with its present socio-economic status and trade, business and industry potential.

- To embark on an analysis of emerging dimensions in connection with trade, business and industry of North East India.

- To appraise on emerging dimensions/issues in North East business environment and corresponding policy issues.

3. Methodology of the Study
This paper specifically attempted to highlight emerging dimensions of trade, business and industry with special reference to North East part of India along with all other relevant issues based on secondary information gathered from diversified sources which include review of literature based on online and printed articles/ research papers on the topic, published data of various government and non- government organisations relevant for the present work, reports and publications and finally the website resources. The data gathered from various sources have been analyzed thoroughly and findings of the said analysis presented in the paper sequentially to address the objectives of the present study. Moreover, this paper is the result of thorough review of earlier works on the topic.

3.1 Study Scheme
The present study is organised in four sections to address all relevant issues, satisfying aim of the study.

Section	Subject of Discussion and/or Review
I	Overview of North-East India India's North East -Present Socio-Economic Status Trade, Business and Industry potential of NE India
II	Emerging Dimensions of Trade, Business and Industry and NE part of India
III	Managing Emerging Issues – Policy Requirement and
IV	Concluding Remarks

4. North East India – A Glimpse into few Statistics

Arunachal Pradesh	Meghalaya	Sikkim
Assam	Mizoram	Tripura
Manipur	Nagaland	Total (Eight)

The North East of India constitutes the states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura, flanked by hills and with the mighty Brahmaputra River slashing a central path between its north and south. The western side of the North East is connected to the eastern part of the Indian subcontinent by a narrow land corridor, sometimes referred to as the Siliguri Neck or Chicken's Neck.

N-East

India States

Latitude	21.57°N - 29.30°N
Longitude	89.46°E - 97.30°E
Area covered	2, 62,179 Sq. Km

Geographic

Information

The region accounts for 7.9 percent of the total land space of the country. The region is of strategic importance for the country on account of the fact that nearly 98 percent of its borders form India's international boundaries.

North	China
South West	Bangladesh
North West	Bhutan
East	Myanmar

International

Boundaries

Agriculture:
The economy of the NE India states is mainly rural and agrarian. The region offers scope for cultivation of a wide variety of agricultural crops because of its diversities in topography, altitude and climatic conditions. These products are sold mainly in the local markets, and mostly in the form of primary produce without significant value-addition. The pattern of agricultural growth has remained uneven across regions and crops. The NER continues to be a net importer of food grains even for its own consumption. Agriculture provides livelihood support to 70 percent of the population of NER. The extent of cultivable land in the NE region varies from state to state. Land is a critical resource in many of the NER States, and availability and management of land for agricultural activities are essential for raising the region's overall agricultural production and productivity.

*Major Plantation***:** Tea, Rubber

Major Crop: Rice

Major Minerals: Coal, Petroleum and Natural Gas.

Major Religions: Hinduism, Islam, Christianity, Buddhism.

Resources Available:
Water, Mineral Resources, Forest Resources, Handicraft, Handloom, Sericulture, Horticulture, Agricultural Produce, Fisheries, Livestock and Poultry etc,.

Infrastructure Facility:
Power and Energy, Financial Institution, Roadways, Railways, Airways, Inland water, Telecom Services, Banking, Education and Postal services etc.

(Source: CDPS Publication on North East and NEDFI Databank on North East)

5. India's North East - Present Social and Economic Status

***Major Findings*:**
India's North East has long been neglected in terms of both economic and social development. The sustained conflict, geographical isolation, militarisation and migration have led to a drying up of investments, and the lack of economic and social development in the region. This is despite colossal resource base in the region (MDONER and NEC, 2011).

The North East is situated in a geographically vulnerable zone. Nearly 98 percent of the North Eastern borders are international ones – connected to Bangladesh, Bhutan, China and Myanmar. A major risk associated with this unique geo-political location is that of cross-border human trafficking.

The factors of unemployment, gender-based violence, armed conflicts, and oppressive social structures are prevailing in the

region. Nagaland, Manipur, Assam, and Tripura have been suffering from ethnic violence for decades. Such sustained violence led to a lack of opportunity for people to exercise their entrepreneurial spirit.

The grassy mountains of the region conceal not only the odd confrontational, but also a rich culture of art and handicrafts passed on from generation to generation. The eight states are characterised by cultural diversity. Further, the markets in each State differ very much in terms of consumption patterns as well as kinds of goods and services produced. Seasonal variations and demand fluctuations also determine the activities that people are engaged with (MDONER and NEC, 2011).

6. Trade, Business and Industry Potential of North East India

Major Findings:

The economy of NE India has got its definite identity due to its peculiar physical, economic and socio-cultural characteristics. The region contributes three per cent to the country's GDP. India's North East has the potential to become India's thrust in terms of trade and investment based on available inputs, required for the same. Though, the NER is rich in resources like hydrocarbons and other minerals, and has immense potential to produce hydroelectricity, absence of adequate infrastructure has impeded its development. NER is unique in terms of the economic opportunities it offers. Given its strategic location, the region can be developed as a base for India's growing economic links not only with the Association of Southeast Asian Nations (ASEAN) but also with neighbouring, viz. Bangladesh, Bhutan, and Nepal. India has been a part of a number of regional and sub-regional initiatives that countries in South and South East Asia have taken to intensify their economic integration. These include the South Asian Free Trade Agreement (SAFTA), the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and the Asia-Pacific Trade Agreement (APTA). Further, as a part of its Look East policy, India has increased its engagements with the members of the ASEAN and countries belonging to the East Asia Summit (MDONER and NEC, 2011).

India's North-East comprising of the eight states is a reservoir of rich natural resources and a beautiful amalgamation of different people and cultures. Blessed with biodiversity, huge hydro-energy potential, oil and gas, coal, limestone, forest wealth, fruits and vegetables, flowers, herbs and aromatic plants, rare and rich flora and fauna, NE India has all the potential to transform into a commercial hub and tourist glory. Unlike the rest of India, NE India has an added demographic advantage, in the sense that it occupies 7.9 per cent of the country's total land space while it carries 3.73 per cent of the country's population (ICC- PWC, 2011).

The NE India is acknowledged as the eastern gateway of India's Look-East Policy. The disruption of old trade routes by the colonial rulers, India's import substitution economy after 1947 and the 1971 Bangladesh war deprived North-East India of its natural markets. Lately, with the initiation of Look East policy, it is expected that there exists potentiality in transforming the region. The inclusion of North-East as an important component of this policy in 2003 is dubbed as the new paradigm of development in the North East development perspective. The policy envisages the region not as the periphery of India, but as the centre of a thriving and integrated economic space (ICC- PWC, 2011).

In a swot up conducted by Italian Trade Commission has listed the strengths of India's North East in a variety of dimensions as presented in table 1.

Table 1: India's North East-Strengths

No.	Areas of Strengths
1	Outsized natural resources and Potential for growth in the agro-forestry sector including expansive and extensive bamboo plantation, exotic flora.
2	Large mineral deposits (particularly in Assam and Meghalaya)
3	Vast water resources including tremendous hydro power potential
4	Rich heritage of handicrafts
5	A bio-diversity hot spot
6	Great promise for tourism development
7	Proximity to one of world's fastest growing economies, S.E. Asia
8	A literate population
9	Unique community spirit and democratic traditional system of local self-government

Source: Italian Trade Commission (ITC), 2011

7. Emerging Dimensions of Trade, Business and Industry and North East part of India -A Review

The emergence of globalisation in the global economic landscape has necessitated economic integration among the nations. Emerging trend in Indian business environment continued to arise following some key forces like, globalisation and financial integration, rapid industrialisation, technology fusion, changing demographics and media explosion. Emerging trends in business environment are common feature in case of any knowledge-driven economy. In line with this, emerging trends are continued to arise in India's North East market place.

Major Findings:

6.1 With the advent of globalisation, cross border trade has become an important phenomenon in global economic landscape. In this process, the North East economy has emerged in to a new facet of cross-border trade with neighbouring nations like, Bangladesh, Myanmar and Bhutan that increases social welfare of the poor masses of the region.

6.2 India seeks economic mutual aid with ASEAN and other neighbouring through the gateway of the region under Look East policy. The North East is located at a crossroads between three major economies – East Asia, South Asia and Southeast Asia. Despite the high growth in India's trade ties with Southeast Asia and China in the recent past, the Northeast's role has been marginal in terms of its contribution to trade and as a trade route. Despite the present situation, Look East policy as envisaged by the government of India will initiate a transformation in North East business environment as expected.

6.3 The Indian-ASEAN agreement on trade and investment would be linked at the earliest to maximise the economic potential of the two regions, officials from the two sides said. The agreement should be ratified by all parties as soon as possible, said ASEAN Director, in an occasion. India and ASEAN forged a deal on goods five years ago that has led two way trade to grow exponentially .About 12 percent of India's exports and 9 percent of India's imports were on account of trade with ASEAN during 2011-12. The country aims to increase its trade volume with South-East Asia to US $ 100 billion in 2015 and $ 200 billion in 2020 (The Assam Tribune, 11th March 2014).

6.4 The North East region is one of the few areas in the country wherein fruits and other crops are cultivated largely. Probably, its gifted climate helps the farmers to cultivate fruits and vegetables. This in turn, contributing to the growth of food processing industry in the region but due to lack of scientific know-how the industry not yet developed to the extent re-

quired at global level. But still there is a chance that the industry will emerge with new hope.

6.5 Tourism, health care, education, handloom, handicraft, agriculture, horticulture, plantation of cash crops, agro based processing, infrastructure/construction development, housing and real estate and energy development are emerging as high potential investment sectors in the region.

6.6 The region is adjacent to China, Myanmar, Bhutan and Bangladesh which may augment the base of foreign investment in the region. India's North East has attracted cumulative FDI equity inward to the extent of US $ 79 million over the period from April 2000 to December 2013 (DIPP Fact Sheet on FDI, Dec 2013).Though the figure is too small as compared to Maharashtra which ranks one in terms of FDI equity inward with US $ 65867 million during the same period. However, the figure of FDI equity inward in the region has increased to the extent of US $ 5 million in the year 2012-13 from only US $ 1 million in the year 2011-12 (DIPP Fact Sheet on FDI, Dec 2013).

6.7 Finally, state wise major thrust areas of trade, business and industry in NE region as may be identified from available sources presented in table 2.

Table 2: Major Thrust Areas of Trade, business and Industry in NE India (State Wise)

States	Identified Areas
Arunachal Pradesh	Power, Mineral Based Industries, Agriculture and Forest Based Industries, Tourism, and Textile.
Assam	Tea, Power, Limestone, Cement, Medicinal Plants, Agriculture and Horticulture.
Manipur	Khadi and Village Industry, Handloom, Handicrafts, Sericulture, Food Processing, Bamboo Processing and Tourism.
Meghalaya	Agriculture and Food Processing, Horticulture, Mining, Cement, Tourism, Hydroelectric Power, Dairy and Livestock, Handloom, Handicrafts and Steel Processing.
Mizoram	Bamboo, Sericulture, Agriculture, Horticulture, Tourism, Food Processing, Khadi and Handloom, Minerals and Stones.
Nagaland	Bamboo, Agriculture and Allied Industries, Horticulture, Sericulture, Minerals and Mining, Sericulture, Handloom, Handicrafts and Tourism.
Sikkim	Tourism, Agriculture, Agro Processing, Handlooms, Handicrafts, Hydro electric Power, Tea, Minerals, Sericulture and Horticulture.
Tripura	Natural Gas, Power, Food Processing, Rubber, Tea, Bamboo, Handloom, Handicrafts, Sericulture, Tourism, IT and Medicinal Plants.

Source: North East Vision 2020 and Italian Trade Commission (ITC), 2011.

8. Managing Emerging Dimensions/Issues and Policy Requirement in NE India- An Appraisal

In order to manage the increasing concentration of emergencies arising in NE India, there is a need for initiating sustainable solutions for the development of the region. The study has pointed out following key policy issues that may result in sustainable solutions.

8.1 The government will have to facilitate a business environment where business practices can occur smoothly and without hassle and investors from other parts of the country as well as global investors find interest in investing their money in the region.

8.2 Industry wise and in line with emerging trend in North East business environment, infrastructure required to be developed at a faster velocity.

8.3. A clear vision followed by an apposite functional strategy of development is required to be activated because the current strategy has led to a distribution-oriented, politically-led economic process and not the efficiency-led process envisioned. This has resulted in natural resources and savings moving away from the region to other high productivity regions

8.4 The local government agencies, specifically, will have to develop a sense of care and responsibility in order to address and manage the emerging issues arising around the economy at respective levels.

8.5 A thriving entrepreneurial ecosystem by focusing on resource base and other economic factors like discounted labour cost, comparative advantages, technology fusion, expanding market place and efficiency, is required to be developed within NE India.

9. Concluding Remarks

Following globalisation and economic liberalisation, new patterns of trade are emerging across the countries in the globe. Global Emerging Markets are now becoming strong player in shaping the investment destination and influencing the global business environment. Emerging Markets as a place for investment destination, innovation, technology fusion and on account of many other factors, acting as a spring of multiple and diversified business activities. India as a knowledge driven and rising market place, experiencing a host of diverse business practices. In line with this, new trends are emerging in connection with trade, business and industry of North East India based on its gigantic untapped resources and its strategic geographical location which may contribute to the growth of inter-country trade as pointed out earlier in our present study. Further, new investments from domestic as well as foreign sources are taking place in the region following knowledge based manpower resource, discounted labour, expanding market place, city development, growing middle class and increasing intensity of urbanisation. New patterns of trade and business across the sectors are emerging in the region taking the advantage of government care and incentives, resource base, modern outlook and entrepreneurial inspiration among the people belonging to the region.

The present study in addition to above also concerned about managing the emerging issues and dimensions which appearing in the India's North-East business environment. The study for that purpose suggests initiating a proper functional strategy in order to extend the scope of trade, business and industrial practices being performed in the region.

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