

Chapter 8

Myanmar- India Economic Relationships: The Political Economic Roadblocks

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1. Introduction

Myanmar has been in the hearts and minds of the people of Manipur in India all along. This path dependent¹ association has not suffered any decline despite various disturbances, noises and distortions. The issue to be examined is whether this path dependent relationship has evolved, given the potentials and related global experience, into a kind of path breaking shared expansion of economic opportunities. Is there necessity for understanding the within country policies for making the cross country relationships between India and Myanmar meaningful?

2. Approach

I would like to contextualize the orientation of my paper in the beginning itself. I have a vested interest in the development of North East India in general and Manipur in particular. While there have been economic relationships between India and Myanmar, accompanied by official stamp and support from the government of India, through the Chennai, Mumbai and Kolkata ports, I am rather interested in the scope and expectations for larger relationships between the countries. The relationships through these three ports are fundamentally merchandise, and *ipso facto*, do not possess the characteristics of contemporary wide-based relationships. Further, these relationships are through the sea routes. My interest is in the relationships over land between the two countries. This necessarily entails the bringing in of Manipur and North East India into the articulation for, as we know, the locational aspect of geography can never be altered. Besides, the economic relationships through land surface have a much wider implication than those through sea routes; the over land relationships have much wider and deeper economic, social, political and cultural implications. This is particularly so

¹ For a discussion on the concept of path dependence, see David (2007). The path dependency in development is now being extended back to history to quite mind-boggling 1,000 years B.C. See Comin, Easterly and Gong (2006) in which the authors highlight the significance of past technologies, *inter alia*, as a determinant of present day developments.

in the context, as is the case between Manipur (and North East India) and Myanmar, of historically shared continuities in demography, culture, institutions and geography²; while institutions can undergo change and evolution, the spatial aspect of geography³ cannot. Further, the encompassing and dynamic aspects of economic relationships over land for entrepreneurship development and consequently allowing to play the role as engine of growth are important in a context in which I have personal passion.⁴ This is a passion felt extensively as well as intensively across the academic fraternity in the institutions in North East India and particularly so in the case of Manipur.⁵ Further there is an imperative need to cause development to occur in North East India⁶ as the region, other things remaining the same, may miss the development bus both globally and nationally this time round as well.⁷ In this connection I would refer to Ram-Prasad (2005: 8) that “the fundamental concerns, conceptual frameworks and goals of the Indian and Chinese traditions are utterly different; it is only a romantic illusion that there is some common, mystical “wisdom tradition” that bound these cultures together and differentiated them from the West.....there is no history of mutual discourse and debate between India and China”. Very meaningfully the term India in his analysis confines to South Asia and covers up to Bengal in the east. Now I am referring to this framework of analysis not because the region is Chinese, but to highlight in emphatic

² I use Institutions and Geography in the sense of New Institutional Economics and New Economic Geography respectively. For New Institutional Economics, see North and Thomas (1973) wherein they present the efficiency view of institutions, North (1981) wherein the efficiency view is abandoned but the continuation of inefficient institutions cannot be explained, and North (1990). There is a subtle change or rather widening of view in North (2005) wherein he shows appreciation of the explanations of the New Economic Geography as compared to North (1990). “A general characteristic of human history has been the systematic reduction in the perceived uncertainty associated with the physical environment and therefore a reduction in those sources of uncertainty to be explained by beliefs in witchcraft, magic, and religions.” (North 2005: 15). “The hospitality of the environment to human development has played a critical role in the differential patterns of development”. (North 2005: 88). We shall, however, be content with an integrated view of his approaches for the current purpose in hand. The recognition of the significance of institutions is, however, not new to economics. See, for instance, Nelson (2006). For the New Economic Geography, see Fujita and Mori (2005), Krugman (1991), and Fujita and Thisse (2002).

³ The qualitative aspect of geography can undergo changes under the impact of technology, productive or destructive.

⁴ The absence of contextual development interventions in India’s North East has been an issue of intense academic and public debate. See, for instance, Yumnam (2005). A revised and electronic version of this paper is available at <http://ssrn.com/abstract=1530108>.

⁵ There is path dependence in this in terms of wider and deeper historical relationships as well as long term study across disciplines. The latter covers old manuscripts as well.

⁶ The urgency for this can be seen in what Fogel has written recently: “the chief bastions of liberal democracy during the second half of the twentieth century – the EU15, the U.S., and Japan – will decline in relative importance by 2040. In year 2000, these groups represented 51 percent of global GDP, but by 2040 their combined share is projected to decline to 21 percent. Most worrisome is the projected decline in the EU15 from 21 percent to just 5 percent of the global share of GDP. Given Western Europe’s role during the past several centuries as the cradle of liberal democracy, exporting it to the New World, Oceania, and other continents, who will take up the slack during the next generation?My answer is Asia.” (Fogel 2007:15-16). See also Asian Development Bank (2013), particularly the Special Chapter on ‘Asia’s Economic Transformation: Where to, How, and How Fast?’

⁷ Earlier it was the dovetailing of the region to the larger country-level development designs that had failed to deliver due to the absence of synchronicity between the interventions and the regional requirements. The emerging development opportunities are mostly global in nature. The neighboring Myanmar now experiences “a work in progress” (Hammer 2012).

terms the need for understanding the differences between the region and the rest of India. Indian democracy has been largely a very abrupt experience for the region. We know from the Political Economy literature in general and Constitutional Political Economy literature in particular the necessity of endogeneity of political institutions. We also know for sure that the Indian political institutions in this part of the country have been anything but endogenous. The cultural mores, ethos and other social habits, what we now cover under the term Institutions, were very different in the region earlier and now too from the rest of India. When the present India was created and uniform political institutions were put in place in the wake of independence from the colonial rule in 1947 and the following few years, the region was formally and effectively distanced from the South-East and East Asian rooting. But this endeavor for building the new country and create a nation out of it was not accompanied by an effort to put the region in place within a firm network of rooting and closeness in and with the newly constituted India. This in effect introduced distance in the region as a constraint on the social and economic transformations.⁸ Like the absence of mutual discourse and debate between India and China, a thriving channel of discourse and debate between the peoples of the region and the peoples in the rest of India has yet to be created despite the presence of largely ineffectual political institutions.⁹ The consequence is that nation-building is still an incomplete process in this part of the country, for reasons endogenous as well as exogenous to the region.¹⁰

2.1 Why political economy?

The year 1995 is a landmark year in so far as trade related studies in the North East India are concerned¹¹ when hopes for reviving the traditional linkages, removing the Indian curse of distance, and scope for emergence of entrepreneurs. Consequent upon an agreement for border trading, one of the two and the other agreement being on security, between Myanmar and India in 1994, border trading a la some kind of economic relationships over land were given birth to in this year in an official way by formalizing the age-old informal exchanges. At that time, I can recall the widespread enthusiasm we

⁸ The curse of distance is still a significant factor even for the developed countries (Boulhol and de Serres 2010). See also, Redding and Venables (2004). One can now imagine the strength of this binding constraint in the case of the North East, which still does not have a modernized and sustainable road and railway linkage with the rest of India as well as within the region. The study of the curse of distance has become all the more important for the region in the light of the unfolding global scenario. See in this context, Fogel (2007).

⁹ As evident particularly from the contestation of state movements in the North East India, the existence of disconnect between the financial system of the country and large parts of the region, the absence of any semblance of governance and the emergence of policy-induced cheatings like in the case of decennial censuses of population.

¹⁰ Yumnam (2009).

¹¹ With inter-regional trade within the country has been mainly one way marketing of the products from the rest of India and no production base being developed within the Region.

all had as it would expectantly serve two purposes of allowing the path dependent economic continuity between North East India and South East Asia to evolve into a kind of engine for growth, and it would nurture a kind of shared tensions for advancement. Ten years down the line, we were examining the trade relationships between India and Myanmar through the land route touching Manipur (North East).¹² We were writing that trade had not grown the way as it should be and it should be allowed to grow.¹³ The coupling of the border trade agreement by another on *Memorandum of Understanding on Cooperation between the Civilian Border Authorities* on the same day led to “the imperfect alignment of interests”¹⁴ in so far as the governance of the formalized relationships are concerned with the following outcomes:

“1. Leading to the divergence of between the flesh and spirit of trade; ...

1. between inter-country approaches and within country objectives”¹⁵; and
2. continued overriding of the trade perspective by security interventions.¹⁶

Nearly a decade after this, we are continuing the same kind of analysis and almost coming to the same conclusions.¹⁷ A recent survey of the status of the border relationships under the prevailing schema reported thus: ”Harnessing border trade for the growth and prosperity of the people is a challenging task. There is even a wide feeling among the people that either the state government will not be capable of delivering a dream or that in the larger context of India’s concerns, the state is more likely to be reduced to a transit station with very little linkages to the state’s economy. These perceptions are based upon ground level realities whereby, even after over a decade and a half of the opening of border trade, organized normal trade has not emerged, formal barter trade is dwindling and much of the trade is carried out by a mass of unorganized traders with very little aspiration for cross border international trade. If at all, land based trade through Manipur grows in proportions to the trans-Asian highways and railways becoming a reality, will there be a mere sub-planting of non local major traders as in the colonial days, with peripheral involvement of local traders.”¹⁸ All the researches and writings on the theme by the Economists in the region have failed to produce any path breaking insight in the discipline, any socially purposeful impact, account for the prevailing circumstances and any policy articulation.

¹² Yumnam (2005).

¹³ Do not blame the subject of Economics, but blame the practitioners of it. The relationships were implemented and supervised to practise in such a way that the trade and its positive externalities were stalled from growing

¹⁴ Yumnam (2005:76).

¹⁵ Yumnam (2005).

¹⁶ For a recent comment on this, see, Yumnam (2013).

¹⁷ See, for instance, Priyoranjan et al. (2012).

¹⁸ Priyoranjan et al. (2012: 5-6).

We have been carried away and fooled by the expectations, and thus have remained ignorant of the contextual realities. While the usual gravity analyses, directions and composition of trade examinations and the usual genre of approaches are appreciated within the paradigm of the discipline, such analyses in the present context would just not serve any purpose whatsoever; we would have results now, a decade later and so on without witnessing any development dynamics of the positive kind. We have not attempted to account for the as yet non-emergence of productive entrepreneurs, rising dominance by destructive entrepreneurs and such other socially relevant issues.

At this stage of development and the onus on the social scientists, we cannot afford to replay a kind of game for running millions of regressions.¹⁹ While at least new insights did emerge from this global cross-country regressions, all the exercises we have been engaging in this part of the world to examine the over land relationships between India and Myanmar have only explained the scenario without attempting to account for the dynamics. But it is these dynamics that would determine whether economic relationships evolve and change the scenario of well-being in North East India and impacting positively on Myanmar.

In these circumstances, we need to look beyond the usual analyses as needed as they are in order to contextualize the research. Particularly while analyzing India-Myanmar economic relationships over land and involving the socio-economic scenario in both Myanmar and North East India, we need to be conscious of the charge of Jon Elster of Economists being both wasteful and harming in their research instead of serving the social purpose.²⁰ While the analyses by the economists in our part of the world have served the purpose of boosting our ego and proven our capability to follow the usual paradigm of the subject, we have not dwelled into explaining the ultimate causes of the continuation of the same scenario for decades. We have suffered from “excessive ambitions” leaving the contextual realities behind, hoping against hope that the prevailing governance dispensations for the relationships would deliver.²¹

Now what has been the social outcome of the trading relationships between the countries through the borders and over the last nearly two decades? First, the relationships have simply not emerged into a kind of trade and economic relationships capable of generating positive externalities. The non-emergence of firms and clusters of

¹⁹ Sala-I-Martin (1997). In fact, originally he ran four million regressions. For some time, it was all in millions and trillions of cross-country growth regressions.

²⁰ Elster (2009). While “unwillingness to admit ignorance” has been one of the ultimate determinants of this kind of unproductive academic exercises, in the present case of India-Myanmar relationships through the North East India the issue becomes one of suppression due to the atmosphere of political repression and non-recognition of heterogeneity. Any study now should serve the political economic purpose of policy transformations for generating an atmosphere for entrepreneurship growth based on generalized social benefits.

²¹ Is it a case of what Hendry (2009) asserts: “The crucial issue is that we have not been nearly ambitious enough”.

any form of activities is a testimony to this. Second, since the relationships have failed to evolve to higher forms, destructive and dangerous entrepreneurs now dominate the sector.²² This is a case of governance structure where the benefits of the relationships are allowed to get personalized instead of generalizing the benefits for positive social externalities and outcomes. Third, while the continuance of South East Asian culture and absence of cheating in inter-personal relationships is salient just across the border in the market areas of Tamu, why are these features absent just on the side of India despite the ethnic, cultural, and demographic continuity? We have to account for these. Fourth, we need to ponder as to whether it is necessary and meaningful to study the intra-country policy and policy environment in regions close to the international border while examining inter-country economic relationships across the border.

While trying to answer to these issues and attempting to provide ultimate explanations of the analytical results so far, Political Economics could be more relevant than just the usual Economics. We have to think of taking International Economics to a new dimension while studying Myanmar-India economic relationships through land borders in the North East India.

3. Indian Policy Discontinuity and the Regional Continuity

One very significant qualitative property of Indian policy towards the South East and the East Asia is the non-homogeneity of this with the ethos of the destination countries. The main content of this policy is the orientation to the interests of the larger and dominant populations groups, generally called mainland India. This is understandable, but the problem arises when the strength of a region within the country (North East India), with more rather than less similar ethos, is not incorporated into the policy domain in any format. This leads to absolute discontinuity in the interactions and non-convergence of policy designs; this is how the distance which was introduced in the North East continues to be the constraint on transformation. When it comes to the North East, the picture suddenly changes and the socio-economic content of it goes underground. In other words, the Indian policy, when it involves the North East, has always been driven by security of territory rather than anything else. Now this discontinuity has been imposed on the demographic, cultural, geographic and economic discontinuity the region possesses as compared to the rest of the country and the

²² The arrest of an Indian Army Colonel in his official vehicle with contraband drugs worth US \$4.5 million on the Imphal-Moreh (the road network connecting Manipur in India with Myanmar) sector is the best testimony of this.

continuity in the region in ethos, demography and geography with the South East Asia. This implies from the governance perspective the non-evolution of policies to address the differential requirements for socio-economic advancement of the North East alive to the contextual realities of the region. The effect of this is the sharpening of articulations based on the discontinuities instead of fostering the emergence of shared vision and shared economic competition.²³ The inherited continuities have not been allowed to evolve due to the long continuation of policies based on singularity rather than diversity. This is why we do not see the evolution and adoption of new technology²⁴ and consequent stagnation of aggregate productivity²⁵ in India's North East.

4. Explanation for Indian policy

This calls for an explanation as to why adoption of such policy by India and the impacts (including the non-emergence of economic relationships as engine of growth of one of India's most developmentally intractable regions) have been when it comes to the North East.²⁶ This would also establish the imperative for appreciating the within country policies in order to understand the dynamics or otherwise of trans-border relationships.

4. 1 Indian policy principle

The policy responses of India to the issues of the North East are founded on the principle of marking the region as mere territorial expansion of India, and nothing more. The fact that the region is an international border, where the South Asia comes into contact and interaction with the South East and the East Asia in both path-dependent and modern political senses, has not been given cognizance of in development interventions. This is borne out by the fact that only militaristic interventions are implemented with commitment and without any hindrance.²⁷ Given the development disconnects and the various discontinuities with the rest of India, the scenario would have been different if cognizance were given to it being a border and development interventions were put in place keeping in mind the contextual needs rather militaristic

²³ This has been the inevitable outcome as the policy orientations of India to the region has been one of control, repression, and homogenisation with the rest of country

²⁴ For a theoretical exposition of this see, Arthur (2013).

²⁵ For a global analysis on this, see Anderson and Dalgaard (2011).

²⁶ Here the recent literature on border studies is of relevance. See, e.g., McAusland and Millimet (2013), Cogneau, Mesple-Samps and Gilles Spielvogel (2013), and Nilsson and Mattes (2013).

²⁷ This is in sharp contrast to the policy imperatives in newly merged parts of a large country where the discontinuity with the main parts are huge, and there is thus a necessity for generating new continuities in culture and development.

approaches. This absence of a policy to care for the differential development needs has converted the path-dependent continuities into the within region discontinuities. Within the region, there are ethnic, institutional and geographic discontinuities which needed to be strengthened in their path dependent interactions for evolution of converged development interests. The disconnect with the path-dependent South East and East Asian relations consequent upon the formation of modern India has now been coupled by the exacerbation of within region discontinuities in the region. The failure to evolve a shared development option has sharpened the articulations based on these discontinuities. All these have made it difficult for a shared trade and economic relationships to emerge across the border despite the cultural and demographic continuities there. Unless the internal political economic dynamics are addressed, the Myanmar – India economic relationships over land would never evolve into shared economic visions of the ethnic and geographic discontinuities in the region.

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