

**The Growth of Cross-Border Economic  
Relationships between Northeast India and  
Bangladesh: An Empirical Study**

**By**

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December, 2004**

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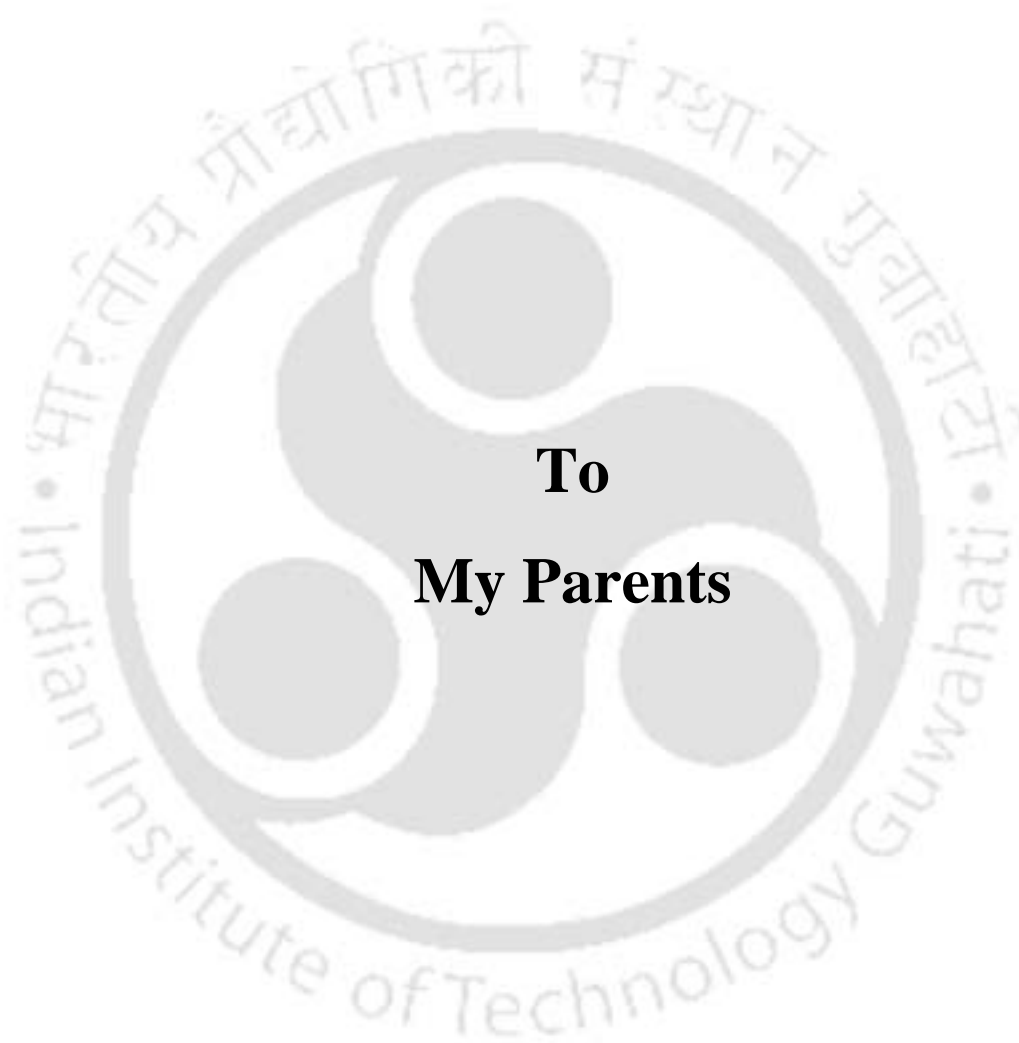
*A  
Thesis Submitted  
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For the Degree of  
DOCTOR OF PHILOSOPHY*



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**STATEMENT**

I hereby declare that the matter embodied in the thesis is the result of investigation carried out by me in the department of Humanities and Social Sciences, Indian Institute of Technology, Guwahati, India under the guidance of Dr. S. Borbora.

In keeping with the general practice of reporting observations, due acknowledgements have been made wherever the work described is based on the findings of other investigators.

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**December,2004**



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**CERTIFICATE**

This is to certify that Mr. Gautam Kumar Dutta has been working under my supervision since April, 2000. I am forwarding his thesis entitled “The Growth of Cross-Border Economic Relationships between the Northeast India and Bangladesh: An Empirical Study” being submitted for the award of PhD degree of this Institute. I certify that he has fulfilled all the requirements according to the rules of this institute, and regarding the work embodied in his thesis has not been submitted elsewhere for a degree.

**I.I.T , Guwahati**

**December, 2004**

**Dr. S. Borbora**

**Supervisor**

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Gautam Kumar Dutta



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Map 2 Land Port Customs Points: Bangladesh and Tripura

**List of Abbreviations**

ASEAN	Associations of South East Asian Nations
BBNI	Bangladesh, Bhutan Nepal and India
CMIE	Centre for Monitoring of Indian Economy
CSA	Country Specific Advantage
DGCI&S	Director General of Commercial Intelligence & Statistics
DCCI	Dhaka Chambers of Commerce & Industries
EU	European Union
ESCAP	Economic Social Centre for Asia Pacific
FDI	Foreign Direct Investment
FSA	Firm Specific Advantage
FTA	Free Trade Agreements
FINER	Federation of Industries of North Eastern Region
INTERFACE	International Formation of Autonomous Cooperation
ISA	Internalization Specific Advantage
INA	International Network Approach
LCS	Land Port Customs Stations

## List of Abbreviations

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MNE	Multinational Enterprise
MFN	Most Favoured Nation
NECCI	North East Chambers of Commerce & Industries
NEI	Northeastern Region of India
PDA	Psychic Distance Approach
QR	Quantitative Restriction
SAGQ	South Asia Growth Quadrangle
SASEC	South Asia Sub regional Economic Cooperation
SAARC	South Asian Association and Regional Cooperation
SIDO	Small Industry Development Organization
SAPTA	SAARC Preferential Trading Arrangement
SAFTA	SAARC Free Trading Arrangement
TCA	Transaction Cost Approach
US	United States of America
WTO	World Trade Organization

### **Abstract**

The geographical location of northeastern region of India is distinctive in terms of land border with neighbouring countries. The region shares about 33 percent of the country's total international border. Out of the seven countries with which India shares land border, four countries like Bangladesh, Bhutan, China and Myanmar have landed border with the northeastern region. Another important geographical exclusivity is that the region shares as much as 98 percent of her border with neighbouring countries, only 2 percent of its border with the mainland India. Metaphorically northeast India is described as one of the South Asia's three most landlocked "states" along with Bhutan and Nepal. This exclusivity has made the region to be insightful about the cross- border transnational developments, be it cultural, political or economic. Recent efforts like South Asia Growth Quadrangle (SAGQ) supported by SAARC, South Asia Sub regional Economic Cooperation Programme (SASEC) supported by the Asian Development Bank aiming towards formation of a new embryonic transnational sub regional cooperation have contributed further in making people of the region perceptive about the risk and opportunities of such developments. In fact, the region being far away from the national markets and nearer to the markets across the border has naturally far greater interest in the neighbouring countries. In that context, the liberalization of trade and normalization of India's relationship with the neighboring countries, particularly with Bangladesh, has brought forth a new developmental interest to the region as well as to Bangladesh. The cross border markets of neighbouring countries like Bangladesh are now being viewed as potential vents for expansion of market size through different modes of internationalization.

Out of the large international border of 5132 Kms of northeast India, approximately 36.61% of the border is shared with Bangladesh. Amongst the four states that share common border

with Bangladesh, Tripura has the longest border (856 k.m) followed by Meghalaya (443 k.m), Mizoram (318 k.m) and Assam (263 k.m). In order to facilitate border trade with Bangladesh and movement of passenger of the both countries, there are thirty- three (33) land port customs stations (LCS) along northeast India and Bangladesh border. Out of the total thirty- three land customs stations, fifteen (15) are functional. Two land customs stations are in Assam, eight in Meghalaya, and five in Tripura. In Assam there are eleven non functional land customs followed by three in Tripura , two in Meghalaya and one in Mizoram. It is increasingly being felt that high utilization of international border in terms of trade opportunities in the backdrop of geographical isolation of this land locked region with the rest of the country can assist market oriented economic development of the northeastern region of India.

For enhanced cross border economic interweaving not only the existing cross border entrepreneurs need to enhance their trade relationship with the entrepreneurs of Bangladesh but there should also be continuous addition in the number of the cross border entrepreneurs. However, in case of small enterprises expansion of activities beyond national border has not been so simple and straight forward as internationalization even in the form of export / import means territorial expansion of entrepreneurial activities across the border to exploit some specific advantage(s). There, in cross border business situation, the entrepreneurs need to cross two hurdles in achieving cross country relationship as the borders tend to prevent freedom of movement. The first border relates to the perceptual differences in relation to entrepreneurship, management, and facts about the cross border market situation that are required for expansion of activities across the border. Secondly, different modes of internationalization require different strategies and decisions. Consequently, crossing a national border has not been just like been crossing a community border even in free trade region. Also the development of economic relationship between two independent

entrepreneurs located in the two sides of the physical border between northeast India and Bangladesh, builds up through a dynamic process involving various entrepreneur/enterprise centric factors starting with of contact, attraction, interaction, transaction, and relation leading to success of such relationship. This process must be ably supported by favorable regulation/ trades practices centric factors like tariff, quota, infrastructure etc that come in to play in the progression of cross border economic relationships between the enterprises/ entrepreneurs for continuance of such economic activities. In short, the affiliation formation process between the cross border entrepreneurs along with favorable regulation/ trade practices synergies the growth of economic relationship formation between two sides of the border of the neighboring countries.

To explain the internationalization activities of the entrepreneurs of land locked northeastern region and their efforts to go beyond the national border for economic opportunities and develop successful cross country economic relationship with the entrepreneurs of Bangladesh, there is a genuine need to understand the entrepreneurs/enterprise centric factor that helps in the progression of cross border relationship development and continuance. A crucial point here is that the actor specific entrepreneur/ enterprise centric factors do not operate in seclusion. The potentiality of economic interweaving across the border can better be explained and understood in combination i.e. actor specific entrepreneur/enterprise centric factors and situation or location specific regulation/ trades practices centric factors together. In addition, parameters like status, trend and composition of existing trade relationship are important that indicate and set the background to examine the potentiality or soundness of cross border economic interweaving. In other words, for any effort towards achieving the economic benefits arising out of unique geographical position of the northeastern region of India, it is necessary have a clear understanding of the cross border trade relationship developmental process between the cross border entrepreneurs in the backdrop of existing

trade characteristics. A clear understanding in this respect is also crucial for the policy makers of both the countries to assess the situation in a better way and make or adjust policy prescriptions, in accordance with the need, that enhances cross border economic relationship directed towards realization of full potential.

Therefore, the primary goal of this study is to understand the development of cross-border economic relations between businesses of northeast India and Bangladesh by examining the determinants involved in the relationship formation process. Hence, In the first place the study attempts to examine the present trade relationship between northeast India and Bangladesh both qualitatively (composition) and quantitatively (volume). The effort has been directed to assess the direction of trade by analyzing the past characteristics. Secondly, this study examines the trade characteristics, state wise, in order to identify similarities and difference. The third objective of the study is to analyse the stage wise economic relationship development process in order to provide insights to the determinants that helps or hinder relationship formation between the entrepreneurs across the two neighboring countries. The fourth objective is to identify the present level of practical barriers (regulation/ trade practice centric factors) in the process of formation of cross border economic relationships. The fifth and final objective of the study is to explore and provide comprehensive explanation of the growth of cross border economic relationship with future possibilities by considering all the above points. In relation to the objectives the following hypotheses have been formulated for:

- *The trade volume between northeast India and Bangladesh is showing an increasing trend over the years and the trade relationship is not highly dependent on the demand of few items only.*

- *All the land customs stations are equally effective in terms of handling cross border trade and do not require repositioning.*
- *There exist few policy/regulation centric factors that are acting as hindering cause for trade enhancement.*
- *There are also enterprises/entrepreneur centric factors that act as determinants for having successful cross border economic relationship.*

The study first examines the secondary cross border trade data that has traded through the fifteen land port customs stations of three states i.e. Assam, Meghalaya, Tripura and Bangladesh for the period 1996-2002 in order to characterize the existing trade practices. The year-wise trade data are processed, grouped, both state wise and land customs station wise, in order to assess the direction of trade and border effectiveness over a period of time. The trade data are further subjected to Pareto analysis through commodity wise grouping in order to resolve the issue of commodity exchange frequency and identification of comparative demand of commodities across the border of northeast India and Bangladesh.

Second, the INTERFACE model (acronym for International Formation of Autonomous Cooperation between Enterprises) is used to analyze the primary data collected through questionnaire to elucidate the establishment and evolution of cross-border economic relationship and thereby to ascertain the enterprise/ entrepreneur centric factors that are playing critical role for growth of economic relationship between the entrepreneurs of northeastern region of India and Bangladesh.

The factors in the successive stages of the INTERFACE model starting from contact (the encounter), attraction (the choice of a cross-country partner), interaction (the negotiations),

transaction (the realization of contact), relationship (continuity) and success (intensity) are used as independent variables with success perspective of the transactions as the dependent variables for assessing inter relationship between the cause and effect. In order to understand state-specificity of the factors, first the independent variables are subjected to frequency analysis (average, mean, and percent) for state wise comparison. The independent variables are then subjected to bivariate analysis with number of transaction as dependent variable to understand the correlation of the factors and their direction of association with the success of cross border relationship. The significantly correlated factors are then subjected to step wise multiple regression analysis with success of transactions as dependent variable to have a close understanding of the independent variables that affects and predicts the dependent variable in order of their influences.

Third, the study has followed same modus operandi as in the case of enterprise/entrepreneurs centric factors with the regulation/ trade practice centric factors that influences the cross border relationship development. That is, in order to understand state-specificity of the factors; first the regulation/trade practice centric factors are subjected to frequency analysis (average, mean, and percent) for state wise comparison. The regulation/trade practice centric factors are then subjected to bivariate analysis with success of transactions as dependent variable to understand the correlation of the factors and their direction of association with the success of cross border relationship. The significantly correlated factors are then subjected to step wise multiple regression analysis with success of transactions as dependent variable to have a close understanding of the independent variables that affects and predicts the dependent variable in order of their influences.

All the analyses cover the three research areas, that is, Assam, Meghalaya and Tripura where the land port customs stations are located and functional.

Abstract

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The study factually ascertains characteristics of the existing trade practices across the borders of the three states of northeast India with Bangladesh. It is revealed that the total export from northeast India to Bangladesh during 1996-2002 was Rs 873.79 crores and import was Rs 66.45 crores. The export figure went up from Rs 85.04 crore during 1996-97 to Rs 186.85 crores in 2002, the rise being about 220 percent in a span of six years period. However, the export volume through Assam border has dropped from Rs 21.32 crores in 1996-97 to Rs 17.68 crores in 2001-02. The falling trend is also noticed in case of Tripura border where export volume has dropped down from Rs 4.49 crores in 1996-97 to Rs 2.24 crores in 2001-02. The export trade through Meghalaya, on the other hand, has risen from mere Rs 59.53 crores to Rs 166.93 crores during the same period. In contrast to the overall trend of export rise, the import to the northeast India from Bangladesh has fallen from Rs 10.34 crores during 1996-97 to Rs 5.34 crores during 2001-02. The study also reveals that export of commodities through Assam borders during 1997-02 has been to the tune of Rs 172.85 crores and import through the same borders has been Rs 16.08 crores. The total export value through the seven Meghalaya border is Rs 617.10 crores against the meager import of 0.46 crores only. In case of Tripura, the total export during the period 1997-02 has been Rs 12.21 crores against import of Rs 39.53 crores. This shows that in case of Tripura – Bangladesh trade, the balance of trade is in favour of Bangladesh unlike the other two state borders of Assam and Meghalaya. This result confirms the hypothesis that trade volume between northeast India and Bangladesh, in general, is showing an increasing trend over the years. The result further shows that the increase in trade volume is basically due to the increase in export through Meghalaya border to Bangladesh.

The fifteen land port customs stations are not equally effective in handling trade with Bangladesh. The trend of last six-year (1996-2002) shows that the busiest border, in terms of trade volume, is Dawki in Meghalaya followed by Sutarkandi in Assam and Borsora in

Meghalaya. It is revealed from the analyses that six land customs points namely Srimantapur, Ragnabazar, Khowaighat, Manu (all in Tripura) and Baghmara, Dalu ( in Meghalaya), out of fifteen have not handled even one percent of the total trade volume individually during 1996-02. The other nine land customs points together handled majority of the trade i.e. 98.06% of the trade during the period 1996-02. It is also interesting to note that eight borders points of Meghalaya namely Borsora, Ghasuapara, Mahendraganj, Shellabazar, Dalu , Bhollaganj Baghmara and one in Tripura namely Khowaighat have not been utilized for import purpose at all during 1996-02. This revelation contradicts the initial hypothesis that the land customs stations across the borders of northeastern region and Bangladesh are equally effective in terms of handling cross border trade.

Another interesting feature of trade relationship between the entrepreneurs of northeast India and Bangladesh, as revealed from the analyses, that the whole export trade is revolving around transaction of few items only without variety in the items that are transacted out in bulk. Out of the total export of Rs 172.85 crores from Assam to Bangladesh,, during the period 1997-02, 92.7 percent of the trade has been due to two items only i.e. coal and rice. The export trade from Meghalaya to Bangladesh is also heavily dependent on export demand of two items like coal and limestone. In fact, the export of coal is about 87% of the total export trade. Coal and limestone together constitute to about 93.57 percent of the total trade value of Rs 617.10 crores. However, export trade between Tripura and Bangladesh seems to show different trend in terms of variety of commodities exported. Here four items, coal, ginger, orange and rou fish constitute to about 64.71 percent of the total trade of Rs12.21 crores. In case of import from Bangladesh to northeast India, lack of variety of traded items has also been noticed. The import of ready-made garment along with hilsa fish constitute to about 93.89 percent of total import i.e. Rs 16.08 crores that took place through Assam – Bangladesh border points during 1997-02. Similarly, in case of import through Meghalaya-

Bangladesh border, 78% of the import is due to import of hilsa fish only, which again shows lack of variety in import trade executed by the cross-border entrepreneurs involved in cross border trade. Clothes and hilsa together constitute to about 85.91 percent of total import through the border. In case of Tripura- Bangladesh border, import of two commodities like hilsa fish and dry fish constitute to about 93.2 percent of the total import of Rs 39.53 crores. The trade pattern between the northeast India and Bangladesh, overall, indicates towards dependency on the transaction of few commodities like mineral-based items (coal, limestone) for the transactions through Meghalaya and Assam border whereas in case of Tripura border the dependency towards few agro- horticultural based items like ginger, orange. These findings are in contrary to the hypothesis that economic relationships between northeast India and Bangladesh is not highly few item dependent. The analyses of the study reveals that the economic relationship between northeast India and Bangladesh is dominantly based on transactions of few valuable raw material resources that are being traded out of northeast without value addition indicating pre-industrial uses of natural resources.

The study has looked in to the enterprise/ entrepreneur centric factors that play vital role in either enhancing or retarding the relationship development process between the cross border entrepreneurs. The study has identified fifteen enterprise/entrepreneur centric factors that have the influencing strength of 70 percent for the success of cross border relationship development. The factors enhancing the success of economic relationship in descending order of influences on success are:

- Cross border visiting frequency of professional acquaintances by the entrepreneurs.
- Informal and openness during business deliberations.
- Conscious search for professional contacts in Bangladesh.

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- Entrepreneurs' correct perception about financial strength required for cross border business.
  - Entrepreneurs preference for economic relation in home country as well.
  - Cross- border relationship ensures better market position for the northeastern entrepreneurs.
  - Short traveling time required to reach the counterpart in Bangladesh
  - Entrepreneurs preference for gaining knowledge of price/quality of the alternatives entrepreneurs in Bangladesh

The factors retarding the success of economic relationship in descending order of influences on success are:

- Difference of business culture /habits of the Bangladeshi entrepreneurs.
- Entrepreneurs' perception of international border as hindrance for developing economic relationship.
- Low level of indirect help from trade associations in northeast India
- Low level of indirect help from trade associations in Bangladesh
- Entrepreneurs' preference for higher profit despite higher risk in cross border relationship formation
- Prevalence of guarantee and transaction risk related issues during business discussions
- Entrepreneurs perception of international border as a line that restricts movements

Amongst the factors found to be enhancing success of cross border relationship, visiting frequency of northeast entrepreneurs to their professional acquaintances in Bangladesh, has the highest influence (42.7%) on relationship success. The second and third enhancing

factors i.e. openness (informal) of the cross border entrepreneurs during business deliberations and conscious search of the entrepreneurs for developing professional contacts in Bangladesh, have the influence on the success of relationship development to the extent of 2.5% and 1.4% respectively. Amongst the enterprise/entrepreneur centric factors negatively influencing (retarding factors) the success of economic relationship with Bangladesh entrepreneurs, factors like the perceptible difference business habits of the Bangladesh entrepreneurs than Indian, entrepreneurs', perception of international border as hindrance and differences in expected and actual indirect help received from trade association in both India and Bangladesh in the matter related to their cross border business are worth mentioning. These factors are influencing the success of relationship to the extent of 6 percent, 5.2 percent and 4 percent respectively. These findings confirm the hypothesis that there are certain enterprise/entrepreneur centric factors acting as determinants towards successful cross border economic relationship development across the northeast India and Bangladesh.

The study has also identified ten regulation/ trade practice centric factors that influences most the success of cross border relationship development. All the ten factors have the joint influencing strength is 58.4 percent towards the success of relationship. Here, in the northeast India- Bangladesh trade situations, all the factors are found to be negatively influencing the success. The major retarding factors in descending order of influences on success are:

- Poor physical infrastructure at the border
- Import duty structure of Bangladesh government
- Bangladesh market is too price sensitive
- Bad law and order at the international border
- Limited product choice for doing cross border transactions

The first factor, the poor physical infrastructure at the border, has the highest influencing strength of 41.4 percent towards the success of relationship. The second factor is the import duty structure of Bangladesh government that found to be influencing relationship success to the extent of 7.4 percent. The third and fourth regulations/ trade practice centric factors are price sensitiveness of the Bangladesh market and law and order situation prevailing across the border and these factors are negatively influencing the success to the extent of 2.9 percent and 3.4 percent respectively. The results of the analyses support the fourth hypothesis framed for the study that the regulation/trade practice centric factors also play a crucial role in determining the number of economic relationships in the neighboring country. This is an important observation, suggesting that it is the combination of enterprise/entrepreneur centric factors and regulations / trade practice centric factors that determines the cross border relationship development.

Several conclusions have emerged out of the study that are noteworthy and have policy level implications for achieving the ultimate objective of development of the northeastern region of India through enhanced cross border economic interweaving across the border with neighbouring country. Based on the conclusions, the study has also suggested some recommendations. The total spectrum of present economic relationship seems to be based on transaction of few commodities like coal, limestone that constitute the bulk of the export from northeast India to Bangladesh. This trend is more visible in case of transactions that took place through Assam and Meghalaya border to Bangladesh during the past few years. The trend is not encouraging as it involves pre industrial use of raw material resources of the region. The basic idea is that resources could have been more productively utilized by way of value addition before exported out of the border. The value addition will allow the entrepreneurs to bring back good prices for the products and reasonably more than the present. There is, therefore, a need to make the cross border entrepreneurs aware about the

value addition prospects of the raw material and encourage them to take up such activities by themselves. This can be done by way of organizing seminars/workshops for the prospective and existing entrepreneurs and disseminating information about cross border opportunities. Few land port customs stations like Srimantapur, Ragnabazar, Khowaighat, Manu (all in Tripura) and Baghmara, Dalu (all in Meghalaya) are found to be very inactive in terms of handling trade. These six land customs stations have not handled even one percent of the total trade volume during 1996-02 jointly. For the benefit of trade enhancement, this matter may be taken up with Bangladesh government during joint discussions and actions may be initiated to relocate the border points. The state of Assam with 263 kilometer border with Bangladesh has only two land customs points and that too in the extreme southern part of the state. It is suggested that while relocating the border points, Assam- Bangladesh border may have another two points preferably with railway connectivity (for example, Golokganj as one of them). Eight customs stations out of fifteen (about 53 percent) are only one way functional i.e. in other words; these points are handling only export traffic from northeast India to Bangladesh. Efforts need to be taken by the trade associations of both the sides to investigate the reasons and take corrective actions to make the points both way functional for enhancement of border traffic. The present cross border economic relationship, between northeast India and Bangladesh, is found to be based on only export/import and supply order relationship. There is a need to move up the hierarchy. Joint effort of both the Government and trade associations are required for other possible types of relationship like control relationship, production process relationship etc.

Since the visiting frequency of professional acquaintances in Bangladesh by the entrepreneurs of the northeast found to be influencing the success considerably, therefore, trade associations need to take up the matter of easing formalities for visa issuance and multiple visa facility. As a first step towards it facilities like “visa by post” may be

introduced. The hindering factors like the perceptible difference of business habits of the Bangladeshi entrepreneurs than Indian, entrepreneurs' perception of international border as hindrance are due to the mental distance felt by the entrepreneurs. In line with that, low indirect help received from trade association in both India and Bangladesh in the matter related to their cross border business seems to have contributed in increasing the mental distance further. Therefore, the trade associations of the northeast India are needed to be more proactive in this direction. The Industrial Directorate and Commerce of the three concerned states, therefore, are required to take up the matter with trade associations and initiate steps to create awareness amongst the officials of the trade associations about the need and importance of their facilitating role in reducing the mental distance. Here, similar steps required to be taken by the trade associations of Bangladesh also to have synergic effects.

Poor infrastructural facilities like bad road condition, absence of telecommunication facility, limited bank branches for carrying out international transactions, non- existence of petrol/ diesel stations in the border areas, non- existence of weigh bridge in the vicinity of land customs points have been the one of the prime concern of the cross border traders. The cross border entrepreneurs have repeatedly expressed this concern during collection of primary data for the study. It is suggested that concern authority need to take immediate actions to improve infrastructure for the benefit of cross border economic interweaving. The high import duty creates negative impact on the free flow of commodities across the border by market forces. As in the case of non –basmati rice, once highly traded commodity presently has come to an absolute halt due to enhancement of import duty by Bangladesh government. However, actions have already been initiated at the government level of both the side to rationalize the duty structure by giving several concessions. The need of the hour is to expedite the process and make tariff structure trade friendly. The price sensitiveness of the

people, in general, has been the result of limited buying power and competition in the market. Rationalization of import duty may come useful for the entrepreneurs in tackling the situation. The analyses of trade characteristics between northeast India and Bangladesh, done in the study, indicates towards profound dependence of trade volume on few items only. The trade that takes place between the Tripura and Bangladesh border shows some variety in comparison to Assam and Meghalaya. The comparative high frequency of visit of the Tripura entrepreneurs to theirs counterparts in Bangladesh seems to play a vital role in identifying tradable products (opportunities). Therefore, to enhance easiness in visiting the cross border entrepreneurs, Bangladesh visa office needs to be located somewhere in Guwahati or in Shillong in addition to the existing in Agartala.

This study has also indicated that the trade between northeast India and Bangladesh is greatly causing pre industrial use of valuable mineral resources like coal and limestone of the region. These resources could have been better used if value addition had been possible within the region and then exporting out of the region for more export revenue and economic development of the region. Therefore, it is suggested that concerned agencies, be it government or non-government organizations need to take up the responsibilities in explaining the value addition alternatives of mineral resources to the entrepreneurs and, in case of need, a little bit handholding to lead the result in the desired direction.





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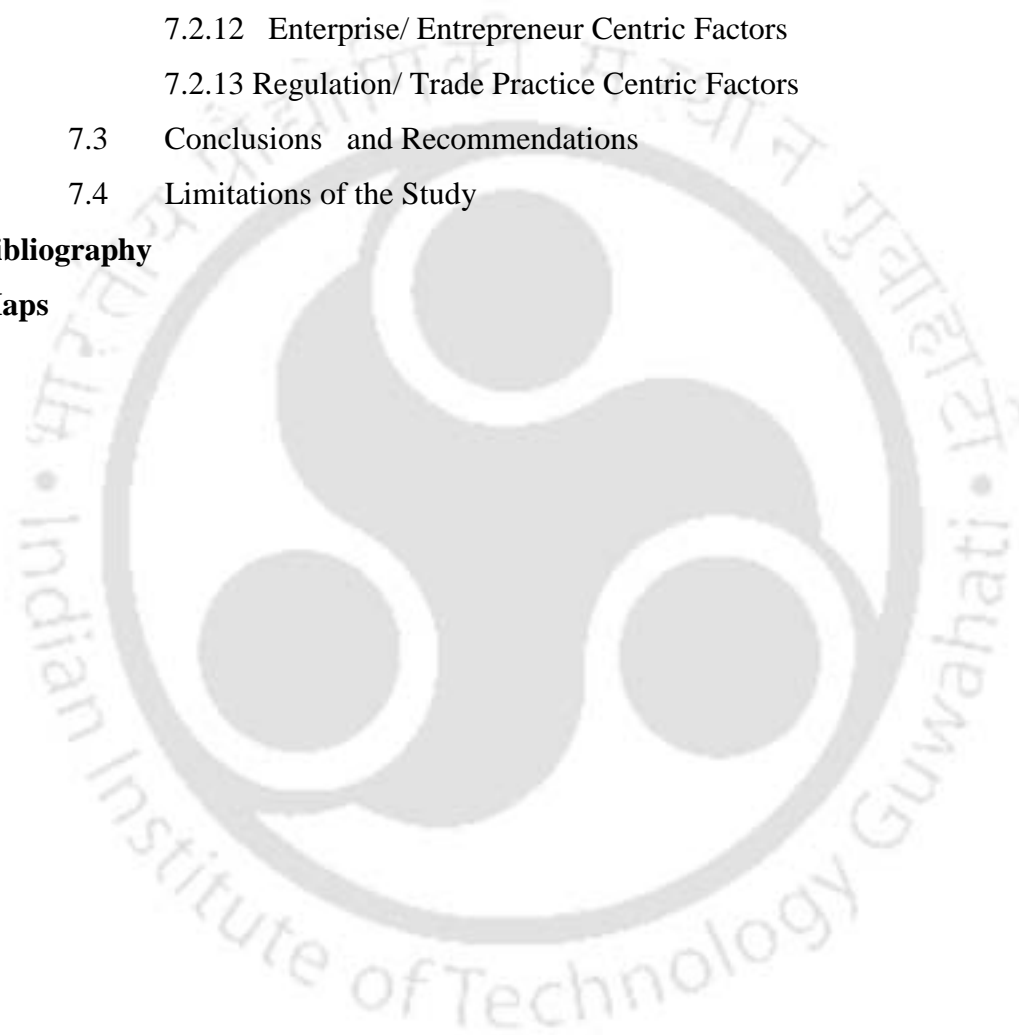
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## Chapter 1

### An Introduction

#### 1.1 Geographical Uniqueness and Trans Border Developments

The geographical location of northeastern region of India is distinctive in terms of land border with neighbouring countries. The region shares about 33 percent of the country's total international border. Out of the seven countries with which India shares landed border, four countries like Bangladesh, Bhutan, China and Myanmar have land border with the northeastern region. Another important geographical exclusivity is that the region shares as much as 98 percent of her border with neighbouring countries, only 2 percent of its border with the mainland India. Metaphorically northeast India is described as one of the South Asia's three most landlocked "states" along with Bhutan and Nepal. This exclusivity has made the region to be insightful about the cross- border transnational developments, be it cultural, political or economic. Recent efforts like South Asia Growth Quadrangle (SAGQ) supported by SAARC, South Asia Sub regional Economic Cooperation Programme (SASEC) supported by the Asian Development Bank aiming towards formation of a new embryonic transnational sub regional cooperation have contributed further in making people of the region perceptive about the risk and opportunities of such developments.

In fact, the region being far away from the national markets and nearer to the markets across the border has naturally far greater interest in the neighbouring countries. The growth stimuli arising out of markets in the neighbouring countries might prove to be far stronger in a bordering region like northeast India than the same radiating from far away national market (Das Gurudas, 2001). In that context, the liberalization of trade and normalization of India's

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relationship with the neighboring countries, particularly with Bangladesh, has brought forth a new developmental interest to the region as well as to Bangladesh. Both northeast region and Bangladesh are seemingly interested in optimum utilization of the long common international border for economic development through establishment of cross border business relationship and enhancing the potential in the fullest possible way.

India has been one of the most important sources of imports of Bangladesh, i.e. 11-13 percent of Bangladesh's total imports originate from India (Mehta R, 2003). India's exports to Bangladesh are, therefore, large i.e. more than one billion US dollar annually against imports of merely hundred million US dollar. Bangladesh is seemingly interested in reducing the asymmetry in bilateral trade relationship through enhanced economic relationship with northeast India with whom it shares common border.

The recent past has witnessed all-round efforts made by different agencies, both government and non government, for removing the economic backwardness and to put the seven states of northeast India in the faster developmental track. The earlier efforts for development of the region around natural resources like tea, timber, oil has not been proved to be enough successful to provide the requisite growth impetus. The far away distance of the main market centers of the country crippled the regional market to spread up to a reasonable size thereby denying the manufacturing activities to attain the economies of scale. Therefore, it is quite likely that the cross border markets of neighbouring countries like Bangladesh are now being viewed by the northeastern states as potential vents for expansion of market size through different modes of internationalization (Shukla Commission, 2000).

Rao, Baruah, Das (1997, p.3) argued that, enhancement of cross border trade relationship should not be viewed as only border – region specific and bilateral. With the help of linking border regions to the rest of the economy as well as placing the issue in the sub-regional

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cooperation frame work , the scope for exploiting production, trade, investment and technological complementarities will get widened which is expected to generate high level of border trade and thereby contributing to the overall development of the border area. These need to be supplemented with intra-commodity group and intra-commodity trade. Since trade complementarities are low in the SAARC region, emphasis on intra commodity group trade and intra-industry trade is expected to provide further stimulus to border trade expansion.

Therefore, strategically utilization of the long international border of the northeastern region is expected to complement other developmental efforts by bringing reckonable benefits through enhanced cross border economic relationships. In this direction, various measures like opening up of more land port customs stations, removal of infrastructural bottlenecks of the cross border routes, construction of trade centers at the border trade points, exchange of trade delegations, tariff rationalization etc. are being taken by both the involved countries to pave the way for enhanced cross border economic relationship development. De Wilde Antonie of International Finance Commission (2003) noted that trade relation between India and Bangladesh in general and northeast India and Bangladesh in particular is all set to take a new turn after the conclusive talk between the concerned governments during March, 2003 that addressed several important issues concerning cross border trade enhancement. To complements the efforts, the Chambers of Commerce and Industries and other related trade bodies of both Bangladesh and northeastern region of India are putting considerable efforts for expansion of economic relationship across the border against the backdrop of favorable policy level initiatives of the respective governments.

### **1.2 Developing Cross-Border Entrepreneurship**

For enhanced economic relationship, it is essential that the entrepreneurs of the northeast region of India are able to expand their activities beyond the national border in a continuous

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basis to tap market opportunities. The business climate needs to be favorable enough where not only the trade volume of the entrepreneurs who had already established trade relationship with their counterparts in Bangladesh get enhanced but also there is a considerable increase in the number of entrepreneurs involved in the cross border economic activities. However, in case of small scale entrepreneurs, expansion of activities beyond national border has not been so simple and straight forward as internationalization even in the form of export / import means territorial expansion of entrepreneurial activities across the border to exploit some specific advantage(s). There, in cross border business situation, the entrepreneurs need to cross two hurdles in achieving cross country relationship, as the borders tend to prevent freedom of movement (Clark, 1994). The first border relates to the perceptual differences in relation to entrepreneurship, management, and facts about the cross border market situation that are required for expansion of activities across the border. Secondly, different modes of internationalization require different strategies and decisions and therefore often less freedom of movements due to presence of border acts as constraints to position right strategies at place.

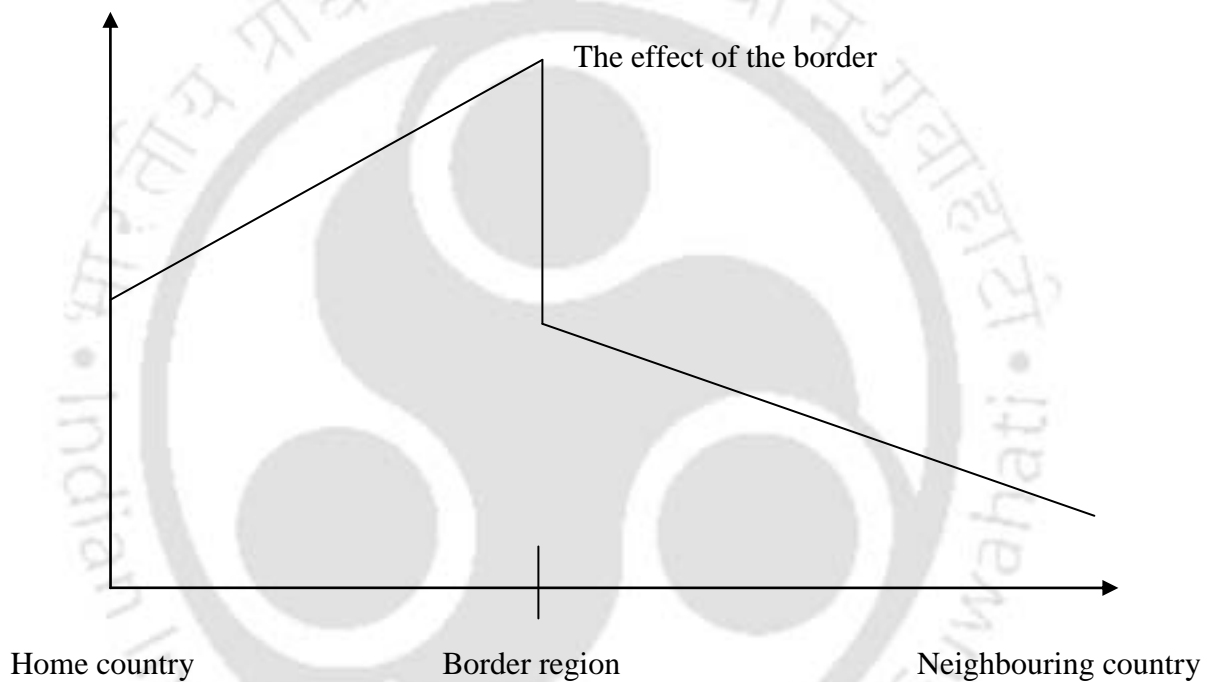
Consequently, crossing a national border has not been just like been crossing a community border even in free trade region. The cross border expansion of business, in reality, therefore, never becomes a straightforward passage for the entrepreneurs, though it may look like so at the first look. This point has been often overlooked both in literature of economics and in deliberations of greater economic cross border relationship. The issues of cross border relationships, traditionally, tend to consider borders more in relation to tariffs, quotas, duties, physical infrastructure and so on. In the context of internationalization of small business where entrepreneurs takes the center stage due to smallness of the business, issues other than traditional like tariff, quota etc becomes equally important, if not more (Houtum,2000). Especially, in case of economic exchange between small enterprises there is little difference between the entrepreneur and his enterprise and hence it is important to incorporate the social

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embeddedness of economic relation concerning why and how of economic behavior (Christensen, and Lindmark, 1993).

Spread of activities



**Figure 1: Discontinuity of Activities due to Presence of Border**

Brocker (1984) estimated the impact of border as trade barriers and found that in Western European countries it is equal to the effect of 375 kilometers' distance implying a reduction of international trade to the one –sixth of the value normally expected if the respective trade flow do not have to cross a border.

When an entrepreneur decides to do cross border trade to explore the new market, matters such as attraction towards the trade and traders of the opposite side and then negotiations

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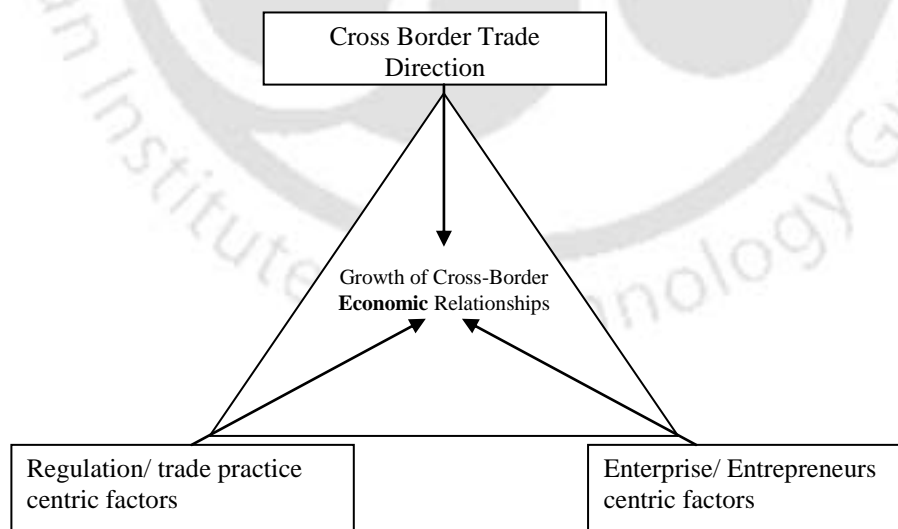
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with the parties across the border emerges. In fact, few theoretical approaches available that treat the entire process of relationship-formation exhaustively from the beginning to the success of a cross-border economic relationship between two entrepreneurs. The literatures on the internationalization of businesses explain theoretically why and how entrepreneurs enter into economic relationships across borders primarily through three models; the transaction costs approach, the international network approach, and the psychic distance approach. However, a conclusive theory on the development of international economic relationships is not available (Houtum, 1998). Therefore, a combination of three approaches i.e. the international network approach with the transaction costs model and the psychic distance theory lead to a more realistic conceptualization of a new framework, a new rationale for the explanation of the international movement of small entrepreneurs (Houtum, 1998). A combination of these theories through some lights on how on stages few enterprises come into contact on the international level, intending a certain degree of business with an enterprise in the neighbouring country and less number actually develop mutual attraction and ultimately mutually agree to optimize business transactions.

The development of economic relationship between two independent entrepreneurs located in the two sides of the physical border between northeast India and Bangladesh, therefore, is not static but builds up through a dynamic process involving various entrepreneur/enterprise centric factors starting with of contact, attraction, interaction, transaction, and relation leading to success of such relationship. This process must be ably supported by favorable regulation/ trades practices centric factors like tariff, quota, infrastructure etc that come in to play in the progression of cross border economic relationships between the enterprises/ entrepreneurs for continuance of such economic activities. In short, the affiliation formation process between the cross border entrepreneurs along with favorable regulation/ trade practices synergies the growth of economic relationship formation between the entrepreneurs located in the two sides of the border of the neighboring countries.

### 1.3 Need for the Study

To explain the internationalization activities of the entrepreneurs of land locked northeastern region and their efforts to go beyond the national border for economic opportunities and develop successful cross country economic relationship with the entrepreneurs of Bangladesh, there is a genuine need to understand the entrepreneurs/enterprise centric factor that helps in the progression of cross border relationship development and continuance. A crucial point here is that the actor specific entrepreneur/ enterprise centric factors do not operate in seclusion. The potentiality of economic interweaving across the border can better be explained and understood in combination i.e. actor specific entrepreneur/enterprise centric factors and situation or location specific regulation/ trades practices centric factors together. In addition, parameters like status, trend and composition of existing trade relationship are important that indicate and set the background to examine the potentiality or soundness of cross border economic interweaving.



**Figure 2: Factors Affecting the Growth of Cross Border Economic Relationships**

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In other words, for any effort towards achieving the economic benefits arising out of unique geographical position of the northeastern region of India, it is necessary have a clear understanding of the economic relationship developmental process between the cross border entrepreneurs in the backdrop of existing trade characteristics.

A clear understanding in this respect is also crucial for the policy makers of both the countries to assess the situation in a better way and make or adjust policy prescriptions, in accordance with the need, that enhances cross border economic relationship directed towards realization of full potential.

In line with the foregoing discussion, therefore, the following few pertinent questions requires answers to have a clear understanding of the potential of the cross border economic interweaving between northeast India and Bangladesh:

- What is the direction of cross border trade, both qualitatively (composition) and quantitatively (volume), between Bangladesh and northeast India?
- What are the characteristics of attitude, behavior and structure of the enterprise/ entrepreneur (enterprise/ entrepreneur centric factors) that decide on cross border internationalization of business with Bangladesh successfully?
- What are the regulation/ trades practices centric factors that come in to play in the progression of cross border economic relationships between the enterprises?

The answer to the above questions would provide a de novo understanding of the process of developing cross border economic relationship with Bangladesh (for that matter with the other neighboring countries of the northeastern region of India). While an understanding of the cross border trade direction (volume and composition) is important for assessing the attractiveness of trade relationship and its future direction, the enterprise/ entrepreneur

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centric factors would highlight the determinants in the process of formation of economic relationship between entrepreneurs of the region with entrepreneurs of Bangladesh. Here, the role of the regulation/ trade practice centric factors would be an important issue that shows contributions of policy backed regulations and initiatives for the matter of enhancing cross border economic relationships.

The present study addresses all the above issues. The study examines the formation of bilateral economic relationships between entrepreneurs of northeastern region of India with their counterparts in Bangladesh crossing the national borders primarily from two angles. Firstly, through the determinants in the process of formation of economic relationship between entrepreneurs i.e. by considering the enterprise and entrepreneur centric factors and secondly by considering the regulation/ trade practice centric factors that come in to play in either enhancement or hinder economic interweaving across the border. Then both these aspects are judged in the light of the existing trade characteristics between the northeastern states of India and Bangladesh.

Accordingly, the study looks in to the growth of cross border economic relationship between northeast India and Bangladesh in totality. The study examines the economic relationship development process, starting with the beginning and evolution of relationship between the entrepreneurs involved in the cross border trade using the state border of the states of Assam, Meghalaya and Tripura. The study evaluates the factors contributing to economic relationship development between the entrepreneurs/enterprises with possibilities of reoccurrence. In short, this study portrays a detail picture of economic interweaving between the northeastern region of India and Bangladesh.

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## 1.4 Objectives of the Study

The primary goal of this study is to understand the development of cross-border economic relations between businesses of Northeast India and Bangladesh by examining the determinants involved in the relationship formation process. Hence, the study has the following objectives:

In the first place, the study attempts to examine the present trade relationship between northeast India and Bangladesh both qualitatively (composition) and quantitatively (volume). The effort has been directed to assess the direction of trade by analyzing the past characteristics. Secondly, this study examines the trade characteristics, state wise, in order to identify similarities and difference. The third objective of the present study to analyze the stage wise economic relationship development process in order to provide insights to the determinants that helps or hinders relationship formation between two entrepreneurs across the two neighboring countries. The fourth objective is to identify the present level of practical barriers (regulation/ trade practice centric factors) in the process of formation of cross border economic relationships. The fifth and final objective of the study is to explore and provide comprehensive explanation for the growth of cross border economic relationship with future possibilities by considering all the above points.

## 1.5 Hypotheses to be Tested.

The regional economy of the northeastern states of India is under developed. The industrial and business activities are in the low ebb. It is expected that most of the enterprises involved in cross border business are small and fall under the Small Industry Development Organization (SIDO) defined small-scale enterprises (investment in plant and machinery up to Rs 100 lakhs in case of industrial units or Rs 75 lakhs in case of business units). A few of

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these small-scale enterprises have developed economic relationships with a number of entrepreneurs of the neighboring countries of Bangladesh primarily and presently through transaction of commodities in demand (mainly exports and imports) in each other's market.

Therefore, in understanding and explaining the economic interweaving between the entrepreneurs across the border the following hypotheses have been formulated.

- *The trade volume between northeast India and Bangladesh is showing an increasing trend over the years and the trade relationship is not highly dependent on the demand of few items only.*
- *All the land port customs stations are equally effective in terms of handling cross border trade and do not require repositioning.*
- *There exist few policy/regulation centric factors that are acting as hindering cause for trade enhancement.*
- *There are also enterprises/entrepreneur centric factors that act as determinants for having successful cross border economic relationship.*

### **1.5 Study Coverage**

To match with the objective, the study requires both primary and secondary data. The secondary data of the trade (both export and import), between northeast India and Bangladesh is required for analysis of the transfer of commodities with, and without control thereafter between different enterprises/entrepreneurs from three northeast Indian states to Bangladesh and vice versa. The study requires primary data collected from entrepreneurs having some sort of cross border relationship for understanding the entrepreneur/ enterprise related factor and regulation/trade policy related factors. Since the functional land port customs stations are spread across the three states of the region namely Meghalaya, Assam

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and Tripura, therefore, these three states become the research area. The research is not restricted to any particular sector of economic activities on the ground that initial desk research reveals that the majority entrepreneurs involved in the cross-country trade are more traders in nature and tend to deal with products irrespective of whether having own production base and accordingly heavily depends on the export demand.

### **1.7 Methodology**

The study looks in to the cross-border economic relationship between northeast India and Bangladesh from three angles. Accordingly, the following methodological sequences have been framed and followed to suit the objectives of the present study.

- a) The study first examines the secondary cross border trade data between northeast India and Bangladesh for the period 1996-2002 in order to ascertain and characterize the existing trade practices. The year-wise trade data are processed, grouped, both state wise and land customs station wise, in order to assess the direction of trade and border effectiveness over a period of time. The trade data are further subjected to Pareto analysis through commodity wise grouping in order to resolve the issue of commodity exchange frequency and identification of comparative demand of commodities across the border of northeast India and Bangladesh.
- b) Second, the INTERFACE model (acronym for International Formation of Autonomous Cooperation between Enterprises) is used to analyze the primary data collected through questionnaire to elucidate the establishment and evolution of cross-border economic relationship and thereby to ascertain the enterprise/ entrepreneur centric factors that are playing critical role for growth of economic relationship between the entrepreneurs of northeastern region of India and Bangladesh. The

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factors in the successive stages of the INTERFACE model starting from contact (the encounter), attraction (the choice of a cross-country partner), interaction (the negotiations), transaction (the realization of contact), relationship (continuity), and success (intensity) are used as independent variables with entrepreneur's perception of success as the dependent variables for assessing inter relationship between the causes and effect. In order to understand state-specificity of the factors, first the independent variables are subjected to frequency analysis (average, mean, and percent) for state wise comparison. The independent variables are then subjected to bivariate analysis with success perception as dependent variable to understand the correlation of the factors and their direction of association with the success of cross border relationship. The significantly correlated factors are then subjected to step wise multiple regression analysis with success perception as dependent variable to have a close understanding of the independent variables that affects and predicts the dependent variable in order of their influences.

- c) Third, the study has followed the same modus operandi as in the case of enterprise/entrepreneurs centric factors with the regulation/ trade practice centric factors that influences the cross border relationship development. That is, in order to understand state-specificity of the factors, first the regulation/trade practice centric factors are subjected to frequency analysis (average, mean, and percent) for state wise comparison. The regulation/trade practice centric factors are then subjected to bivariate analysis with success perception as dependent variable to understand the correlation of the factors and their direction of association with the success of cross border relationship. The significantly correlated factors are then subjected to step wise multiple regression analysis with success perception as dependent variable to have a close understanding of the independent variables that affects and predicts the dependent variable in order of their influences.

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All the analyses cover the three research areas, that is, Assam, Meghalaya and Tripura where the land port customs stations are located and functional. The results of all the analyses are then set against the hypotheses to bring out the conclusions and recommendations of the study.

### 1.8 An Outline of the Work

The present study has been organized in the following chapters.

- a) Chapter I introduces the topic of study and sets up the objectives, hypotheses, study coverage including methods and the methodology. This chapter also presents the structure of the study.
- b) Chapter II introduces the northeast border with Bangladesh with land port customs stations that are facilitating the cross border trade in the backdrop of regional economy and regional developmental need. This chapter also analyzes the existing bilateral trade relationship between India and Bangladesh in the background of trade agreements executed from time to time for ascertainment of policy level friendliness toward cross border economic interweaving between northeast India and Bangladesh.
- c) The Chapter III discusses about the existing literature/ study/ articles on cross border trade relationship and its development in the global context first and then highlight the limited available study and articles in the context of trade relationship between northeast India and Bangladesh.
- d) The Chapter IV presents the conceptual framework and narrates the economic theories that explain the relationship formation process and elucidates the INTERFACE model that will utilize the data in explaining process-based determinants in the formation of successful cross border relationship. This Chapter also describes the data, both primary and secondary utilized in this study

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- e) Chapter V factually ascertains characteristics of the existing trade practices across the borders of the three states of Northeast India with Bangladesh. The chapter also analyses of trade data land port custom stations-wise, ascertains total volume of trade and indicating the characteristics of trade in the backdrop of description of the border points spread across the three states
  - f) Chapter VI highlights about the enterprise/ entrepreneurs centric factors and their relationship in trade enhancement. This chapter also discusses about the regulation centric barriers of trade that are acting as trade barriers.
  - g) Chapter VII discusses the summary of the findings that are coming out of the analyses executed in the previous chapters against the hypotheses set in the initiation of the study and put forward the recommendations that have policy level implications.

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## Chapter 2

### The Northeastern Region of India & Trade Possibilities with Bangladesh

#### 2.1 Introduction

The Northeastern Region of India (NEI), also known as land of seven sisters, comprises of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura, with about 8 percent of India's geographical area and about 4 percent of the population of the country. Though initially during 1950, NEI consisted of the state of Assam and union territories of Manipur and Tripura but later to fulfill political aspirations of the local people, new states beginning with Nagaland in 1963 and ending with Mizoram in 1987 have been carved out. Administratively, today NEI has seven states, 72 districts and more than 412 community development blocks and about 6000 panchayats (Basic statistics of NER, 2002). Geographically, two third of the region consists of hilly terrain. In the region, there are number of races, tribes and their sub group, groups, ethnic groups, cultures, religions, languages and dialects. However, broadly three distinct groups of people – the hill tribes, the plain tribes, and the non-tribal populations of the plain inhabit the region. Economically, the plain areas are more active than the hilly areas. The region is characterized by the relatively high literacy rate (literacy rate of Mizoram is as high as 88.49 percent as per provisional figures of 2001), high decennial growth of population, low urbanization (except in Assam, Nagaland, Mizoram). The states of the region show contrasting population density, 13 people per sq km in Arunachal Pradesh where as in Assam and Tripura it is as high as 340 and 304 respectively.

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## 2.2. Status of the Northeastern Economy

The NEI region, as it stands today, presents an appropriate case for study of inter- regional disparities and its retrospective causes and effects. While the country is trying to integrate with the global economy, the region within the country has not integrated fully with the national economy. However, due to special constitutional arrangements, historical background as well as geographical locations, the central government of India has been trying to integrate the northeastern region with the national economy through certain policy framework. Under the influence of the policy, various schemes for development of infrastructure and economy have been formulated. In addition, all these states have been declared special category states, which get central assistance based on 90 percent grant and 10 percent loan. The policy of industrial licensing, concessional finance and investment subsidy, growth center as well as freight equalization of some major industrial inputs have also been used for economic development. However, the developmental strategy and its impact have been too less visible to reckon with. In the process, natural resources, profits, savings etc are moving away from the region to the other high productive region.

In agricultural front, occasional surplus is characterized by low yield in plain area (exception being Imphal valley and some pockets) coupled with ecologically unsustainable shrinking jhum cycle in the hilly area (Maithani, 1995). Utilization of natural resources like tea, oil, timber, limestone, coal etc, are basically pre-industrial and calls for better value addition. The region though provides vast scope for enhancing transport and communication facility in terms of rail, road, and waterways but remains under developed. This inadequacy led to a cascading effect on cost of production and extent of market. Though the region possess around 30,000 MW hydro- potential, only limited amount of it has been utilized making the region to import power from national grid (CMIE,1994). Limited market size, lack of infrastructure facilities, low rate of technology infusion has made the regional economies heavily deficit and are dependent on the rest of country. Geographical isolation of this land

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locked region with the rest of the country and low utilization of international border in terms of trade opportunities have resulted in downsizing scope and vision of market oriented economic development of the region.

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

India's effort in trying to globalize itself with the global economy has opened new vistas for the region. The earlier locational disadvantage of the region is now being looked in to as boon. Apart from being all the seven states of the region located on the international border, the region is very close to the vibrant economies of South East and East Asian countries. This has led to a new hope in the developmental horizon of northeast India with more and more softening of the geo-political rigidities with neighboring countries especially with Myanmar and Bangladesh. The northeast India is no more burdensome peripheral somewhere out there, but is poised to resume its dynamic role as a bridge to the booming economies of South East Asia and China for mutual benefit (The S.P Shukla Commission report, 1999). Of late, there has been a talk of converting previously thought of locational disadvantage in to a boon because of increasingly integrated world economy (Saha, 1998; Maiti, 2002). This is particularly more relevant when all the states of the region have international border and Southeast and East Asian economies can easily be reached through this region. However, this thinking is not entirely new. Even during the British period attempts were made to seek out trade routes to China and Myanmar (Mukherjee, 1992).

In the recent years, the countries of South East Asia seemingly have initiated unilateral trade reforms. WTO mandates have also contributed to multilateral trade liberalization. Moreover, during 1991 the South Asian countries of Bhutan, Bangladesh, India, Maldives, Sri Lanka, Pakistan, Nepal, took a major initiative towards greater regional economic cooperation in the form of SAARC Preferential Trading Arrangement (SAPTA). Since then, several concluded negotiations have paved the way for 3152 commodities and 47 sectors in the two-digit level

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to be brought under concessions. With over 1000 million people (more than 20 percent of the world population), SAPTA is expected to be the world's largest economic grouping, as far as potential number of buyers are concerned (Mukherjee, 1997). The South Asian Free Trading Arrangement (SAFTA) may be a reality in the coming years. Myanmar has recently been admitted as an associated member of the ASEAN and is anticipated to benefit from the resultant investment and trade flow. A Sub-Regional Economic Cooperation grouping involving Bangladesh, Sri Lanka, India and Thailand has been formally launched in Bangkok on 6.6.97. A new concept of economic cooperation has been mooted in the form of BBNI-EC (Bangladesh, Bhutan Nepal and India) to provide liberal market access. With Bangladesh Ganga Water Treaty has been signed giving rise a new possibility of cooperation between India and Bangladesh. It is increasingly being felt that erstwhile international transit routes and market in the northeast India can be restored and creatively exploited to give rise to several new opportunities within a South Asia Development Triangle where eastern and north eastern India has a greater role to play. The Shukla Committee on infrastructural backlog of NE region (1999) had felt that a growth quadrant could be created which includes Myanmar, Laos, and South West China along the Old Burma Road and proposed a Trans Asian Railway aligned through northeast India. Economic Social Centre for Asia Pacific (ESCAP) has even authorized a study in this direction for the possible configuration of Trans Asian Railway through North East India. The Shukla Committee also noted that a Bay of Bengal triangle could be envisaged which would have Calcutta (India) and Chittagong (Bangladesh) at the apex of a vast hinterland stretching down to Thailand on the one side and Singapore on the other. All these have ushered a new hope for a speedy journey of the north eastern region toward market based economic development.

### **2.3 Northeast India-Bangladesh Border**

In the backdrop of cadence for overcoming geo-political rigidities, the need for exploiting markets in the northeast India and Bangladesh through cross-border economic relationship by

utilization of long international border has been realized. It is expected that through establishment of economic relation and utilization of the potential in the fullest possible way would give rise to several new opportunities for mutual benefit. Owing to its geographical location and proximity to the neighbouring countries, the northeastern region of India has a natural trading advantage with Bangladesh. Out of the large international border of 5132 kilometers of northeast India, approximately 36.61% of the border is shared with Bangladesh giving rise to a need of forging more closure commercial and economic links with the neighbour.

**Table: 2.1 Northeast- Bangladesh Border (in kilometers)**

State	Land border	Riverine	Total
Assam	160	103	263
Meghalaya	443	-	443
Tripura	773	83	856
Mizorum	58	260	318
Total	1434	446	1880

Source: Customs and Central Excise, Shillong.

In fact, after the bilateral trade agreement between India and Bangladesh in 1995, the border trade between the two countries through the border routes of NEI region seemingly showing promising results. During the year 2000-01, the border trade (both export and import) between Northeast India and Bangladesh was Rs 158.43 crores and during 2001-02 the trade has increased to Rs 192.39 crores ( Bayes and Dutta , 2003). This increase, on the other hand, indicates either expansion of trade volume of the entrepreneurs who had established economic relationship with Bangladesh or increase in the number of entrepreneurs involved in the cross border trade i.e. more internationalization of trade. In both the cases, according to Nordstrom (1991), internationalization i.e. the territorial expansion of entrepreneurial activities took place to exploit some specific advantage(s).

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## 2.4 Cross Border Economic Relationships

Cross border economic relationship between northeast India and Bangladesh may be of several forms. The types of relations may be distinguished under the heading of (1) control relationship (2) production process relationships (3) service relationships (4) sales- market relationship and (5) cross border trade relationship. Control relationships are such economic relationships between enterprises that one may speak in fact of a new (or part of a) firm where a (partially) joint financial administration is kept. Production process relationships involve economic relationships between companies, whether in writing or not, concerning activities and goods that the one delivers or out sources to the other. Service relationships are economic relationships, whether in writing or not, concerning services that the responding company outsource to a person outside the company/to another company. Sales market relationships are regarded as economic relationships, whether or not in writing, between the responding company and a person outside the company/another company concerning the stimulation of the sales of the commodities in question. A cross border trade relationship is the typical way for most small enterprises to have first interaction with neighboring country buyer/enterprises with possible recurrences of similar activities. It involves either selling of goods or purchasing of goods to and from neighboring country with minimal need of resource commitment in the neighboring country. Characteristics of such relationships are low control, low risk and low profit.

An economic relationship is, therefore, an agreement between two different entrepreneurs, which may or may not have been put in writing that provides for the regular occurrence of a commercial activity or transaction, or for the placement of the commercial activity or transaction under a certain regulatory framework. The economic relationships in any form between two entrepreneurs or enterprises are essential to the individual entrepreneurs/enterprises because business needs a (number of) stable client(s) and/or supplier(s) and offer businesses the possibility of growth on mutual benefit basis across the

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border through internationalization. Therefore, from the point of view of growth of economic relationships between entrepreneurs of neighboring countries, the point is not so much whether an entrepreneur has economic relationships, but how these are structured and spread in space. Both these last aspects i.e. structure and spread of economic relationship render the study of cross border economic relations in a neighboring country context interesting where individual interactions between the entrepreneurs and information sharing are more common. It is expected that the formation of economic relationships between two entrepreneurs may lead to numerous positive effects for the region as a whole. Recent literature also refers to the improved opportunities for developing and diffusing innovative activities because of economic relationships between companies (Oerlemans, 1996). The state or the region/country aims principally at the positive effects of such economic relationships resulting from and due to the cross-border interaction and cohesion between the economies of the involved states and (border) regions. Border regions are generally nationally oriented, giving only little attention to 'the other side'. The idea, then, is that border-regional economies could benefit heavily from the increase of the amount of cross border networking. The formation of economic relationships could lead to a more cost-effective and efficient spatial division of employment (Church and Reid, 1995; Nijkamp, 1993). From this point of view, the growth of cross border economic relationship in any form is of strategic importance to the seven states of northeastern region surrounded by the neighboring countries like Bangladesh, Myanmar, Bhutan and China.

## **2.6. Trade Friendliness of Bangladesh Market**

The long international border of the northeastern states with Bangladesh provides scope for the entrepreneurs of the region for internationalization of their business. For this to happen, trade friendliness of Bangladesh market and its stability is of utmost important. In this direction, Bangladesh market seems to be trade friendly for the foreign stakeholders. The Government of Bangladesh has been undertaking a far- reaching programme with respect of

trade liberalization since the late 1980s marked by market-oriented policies. The non-tariff barriers are gradually being phased out. The number items subject to quantitative restriction (Q.R) was reduced from 315 in 1990 to 109 in 1994. The un-weighted mean tariff rates were reduced from 58 percent in 1998 to 26 percent in 2000. All these together provide an opportunity to the entrepreneurs of the northeastern region to go beyond the national border in search of a potential market in the neighboring country.

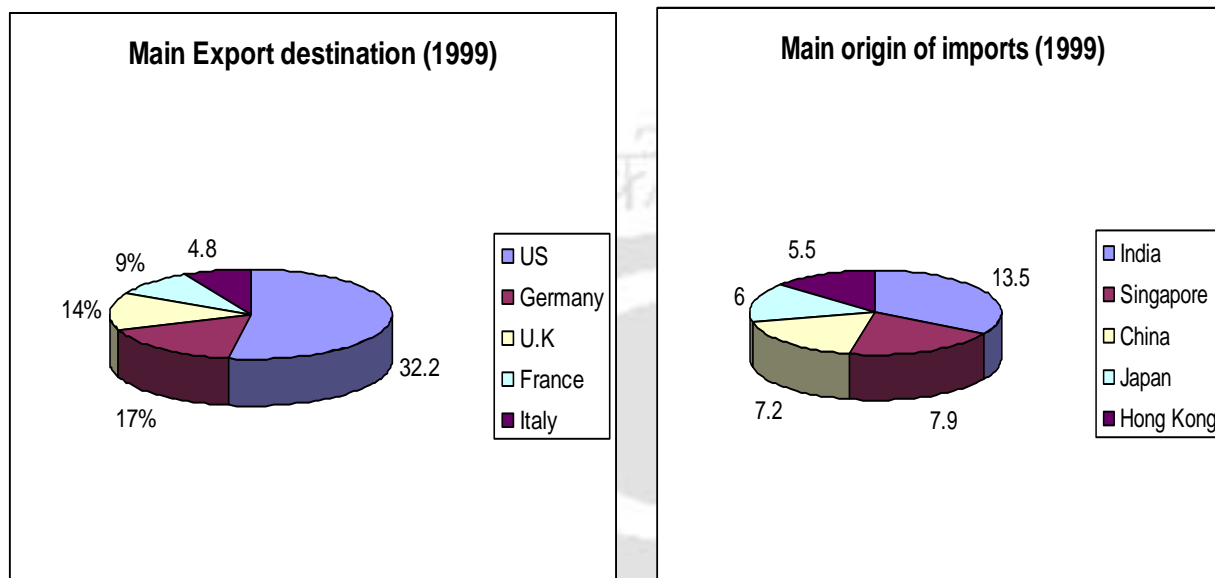
## 2.7 Trading Partners of Bangladesh

Asian countries are important trade partners of Bangladesh accounting for the bulk of the import trade. Bulks of the Bangladesh's export are going to countries like US, Germany, UK, France and Italy. During 1999, 32.2% Of the total export were sent to US followed by Germany (10.4%), UK (8.3%), France (5.7%), and Italy (4.8%). India accounted for only 13.3% of the total Bangladesh's import in 1999 increasing its share from 11.6 in 1997 .

**Table: 2.2 Trading Partner of Bangladesh Foreign Trade in 1999 (In %)**

Main destination of Exports		Main origin of Imports	
US	32.2	India	13.5
Germany	10.4	Singapore	7.9
U.K	8.3	China	7.2
France	5.7	Japan	6.0
Italy	4.8	Hong Kong	5.5

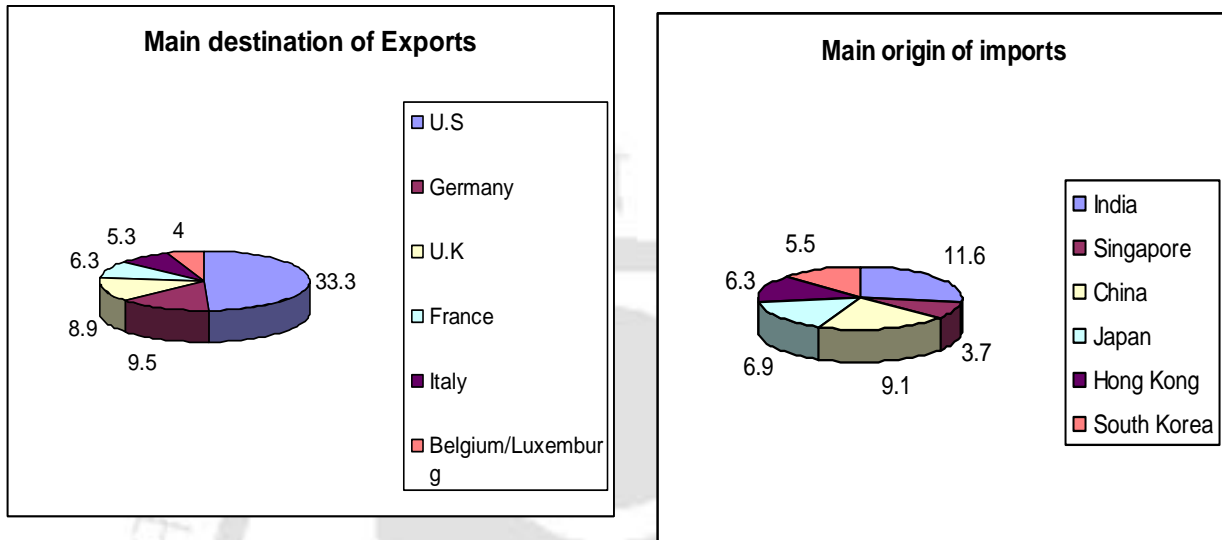
Source: Economic Intelligence Unit



**Table: 2.3 Trading Partner of Bangladesh Foreign Trade in 1997 (in %)**

Main destination of Exports		Main origin of Imports	
U.S	33.3	India	11.6
Germany	9.5	Singapore	3.7
U.K	8.9	China	9.1
France	6.3	Japan	6.9
Italy	5.3	Hong Kong	6.3
Belgium/Luxemburg	4.0	South Korea	5.5

Source: Economic Intelligence unit.



## 2.8 Status and Trend of Bilateral Trade with India

The bilateral trade has increased rapidly between the two countries, India and Bangladesh during the nineties where the balance of trade is significantly in favour of India. India is one of the most important sources of imports of Bangladesh, i.e. 11-13 percent of Bangladesh's total imports originate from India (Mehta R, 2003). India's exports to Bangladesh are large i.e. more than one billion US dollar annually against imports of merely hundred million US dollar. It can be observed from the table below that the trade surplus has increased rapidly since 1993. The computed export import ratio in the following table indicates that trade surplus was highest in the year 1991-92 and since then it declined steadily and became minimum in the year 1999-00. As per provisional estimate of DGCI & S, Government of India, the export import ratio has further declined to 8.07 in 1999-2000. The share of India's exports to Bangladesh was 17.38% of the total imports of Bangladesh in 1998-99 while the India's import from Bangladesh was meager, 0.16 % of the total export of Bangladesh during the same period. India's import from Bangladesh has increased rapidly from Rs 14.60 crores

in 1991-92 to Rs 267.65 crores in 1998-99. In the same period the export to Bangladesh has increased from Rs 798.49 crores to Rs 4168.03 crores

**Table: 2.4 India's Trade with Bangladesh (Rs crores)**

Year	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Export	798.49	1030.60	1349.69	2024.13	3509.09	2912.4	2922.87	4168.03	2789.02
Import	14.06	35.99	56.09	152.20	287.22	210.42	188.84	267.65	345.54
Trade Surplus	784.43	994.87	1293.60	1898.93	3221.87	2701.98	2734.03	3900.38	2443.48
Export Import ratio	56.59	28.64	24.06	17.67	12.22	13.84	15.48	15.67	8.07

Source: Director General of Commercial Intelligence & Statistics, Calcutta

## 2.9. Composition of Export and Trend

India's export to Bangladesh consisted of diversified products and varied from primary commodities to manufacturing products. The table below shows that cotton yarn, fabrics and made ups constitute the most important product group in India's export followed by rice (other than basmati rice), machinery and instruments. In general, exports from India range from 8 percent for capital goods and 10 percent for intermediate goods to 13 percent primary goods and 20 percent for consumer goods.

**Table: 2.5 Commodity-wise Trend of Indian Export to Bangladesh from 1994-95 to 1999-00(in %)**

Principal commodities	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Cotton yarn and fabrics made ups	39.44	26.40	40.95	34.74	53.03	24.79
Rice other than basmati	4.38	27.07	4.48	12.23	12.50	13.07
Machinery and instruments	6.01	4.34	6.45	6.00	4.01	7.72
Transport and equipments	8.40	8.25	8.12	4.40	2.51	6.23
Glass and glass ware/ ceramics/ refractory/cement	5.55	2.85	1.96	5.25	2.46	3.58
Primary and semi finished iron and steel	3.12	3.02	4.66	4.37	1.54	5.07
Paper and wood product	3.03	2.41	2.61	1.39	0.80	1.61
Coal	3.48	2.17	1.61	2.40	2.65	3.16
Rubber manufactured products	1.59	2.17	2.89	2.38	1.50	1.67
Others ores and minerals	0.00	1.52	2.32	1.15	0.59	1.73
Total (in Rs crores)	2024.1	3509.0	2912.40	2922.80	4168.03	2789.02

Source: Director General of Commercial Intelligence & Statistics, Calcutta

Export demand indicates the following trends:

- Cotton yarn export demand is more or less increasing.
- Rice export is more or less fluctuating.

- Transport equipment demand is decreasing.
- Glass, ceramic, cement demands are decreasing.
- Coal demand is somewhat steady.
- Primary and semi finished iron and steel demand is fluctuating.

### 2.10 Composition of Import and Trend

Chemical products such as fertilizer and inorganic chemicals dominate India's import from Bangladesh. Among the primary products, raw jute has been the most important product and its import has been increasing. Import of fertilizer has been reduced to zero in 1998-99 from as high as 40.12 % of the total import in 1995-96.

**Table: 2.6 Commodity-wise Trend of Indians Import from Bangladesh (1994-95 to 1999-00) in Percentage of Total Import.**

Principal commodities	1995-96	1996-97	1997-98	1998-99	1999-00
Raw jute	13.38	33.62	26.25	34.23	41.42
Fertilizer manufactured	40.12	34.33	6.32	0.00	3.27
Textile yarn, fabric, Made up artificial	0.54	1.82	15.48	22.02	15.26
Leather	1.25	1.17	2.18	1.52	1.00
Inorganic chemicals	32.57	19.02	24.08	12.44	21.11
Total including others (in Rs crores)	287.22	210.43	188.85	267.67	345.54

Source: Source: Director General of Commercial Intelligence & Statistics, Calcutta

Artificial textile yarn fabrics and made ups which constituted insignificant portion of import had come in limelight with 22.02% in 1998-99. Other products imported by India from

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Bangladesh include Hilsa fish, Shrimp, Jamdani Sarees, Glycerin refine etc, Carbon black, bones and non-bones, marbles, other fabric impregnated laminated, other reptile leather etc.

### **2.10. Trade Agreement between India–Bangladesh**

Indo –Bangladesh trade agreement was first signed on 28.3.72 and subsequently renewed thereafter with amendments. The intention of the successive trade agreements has been enlargement of the areas of cooperation and to strengthen the economic relationship between two countries. The bilateral trade is carried out with mutually most favoured nation (MFN) treatment accorded to each other. Under the SAARC Preferential Trading Arrangement and negotiations concluded in November 2002, India has settled deeper tariff concessions on 111 items exported from Bangladesh. The bilateral trade is conducted in accordance with the laws regulations, procedures in force in both the countries. Other features of the agreement include trade in freely convertible currencies, cognizance of border trade, arrangements for use of waterways, railways and roadways, to accord facilities for holding trade fairs, etc. There have been several steps taken by both the countries to strengthen the trade ties and implement the agreement. In order to help Bangladesh to cover the trade deficit, India had given free access to Bangladesh's export of certain items to India, such as, Jamdani sarees and Hilsa fish. Despite the incentives and apparent economic attractions, the Indian investors, due to some reason or other, have not shown keen interest in Bangladesh so far (Bhattacharyya and Pal, 1998). This may be due to lack of awareness among the Indian businessman, different risk perception of the investors or some invisible socio-political barriers. India has recently proposed a free trade agreement with Bangladesh that may provide opportunity open up a new horizon for bilateral or regional mutually beneficial trade relationship.

## 2.12 Land Port Customs Stations along Northeast - Bangladesh Border

In order to facilitate border trade with Bangladesh and movement of passenger of the both countries, there are thirty- three (33) land port customs stations (LCS) along northeast India and Bangladesh border.

**Table: 2.7 Land Port Customs Stations along the NER-Bangladesh Border**

States	No of LCs	Functioning	Non functioning
Assam	13	1. Karimganj ferry 2. Sutarkandi	1.Karimgang Steamerghat, 2.Mahisasan Rly.Station, 3.Silchar RMS office*, 4.Dhubri Steamerghat, 5.Mankachar, 6.Guwahati Steamerghat 7. Karimganj Rly Station* 8.Latu Bazaar* 9.Silchar Steamerghat 10 Tezpur Steamerghat* 11Golakganj Rly Station*
Meghalaya	10	1. Baghmara 2. Ghasuapara 3. Mahendraganj 4. Dawki 5. Bholaganj 6. Borsora 7. Shellabazar 8. Dalu	1..Rynku 2. Balat*
Mizoram	1	-	1.Demagiri
Tripura	8	1. Ragnabazar 2. Manu 3. Agartala 4. Khowaighat 5. Srimantapur	1.Dhalaighat 2.Muhurighat 3.Sabroom*
Total	32	15	18

Source: Customs Department \* Denotified

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Out of the total thirty- two land customs stations, fifteen (15) are functional. The names of the functional as well as the non-functional LCS are as shown in the table 2.7.

Two land customs stations are in Assam, eight in Meghalaya, and five in Tripura. In Assam there are eleven non functional land customs followed by three in Tripura and two in Meghalaya. The state of Mizoram though shares common border with Bangladesh but any land customs station is yet to be made functional. However, a border town called Demagiri has already been earmarked for the location of land customs station. Tripura has three land customs station non functional against five land customs stations through which the existing trade practices are carried out. The state government of Assam and Tripura has suggested for opening of some more important stations that functioned at trade points before partition. In the trade review talk of Indo- Bangladesh border during December 1998, the matter was discussed and recommended for four additional trade routes to Bangladesh.

- (1) Borsora- Cheragaon
- (2) Jalabazar- Betuli-Fultola
- (3) Agartala – Akhoura
- (4) Sonamura – Comilla

However, the above suggested trade routes are yet to be made operational for cross border trade but have been under active consideration of both the governments. Recently opening of cross border bus service between Dhaka and Agartala has eased the communication facilities for the passenger traffic of both the countries.

### **2.13 Conclusions**

Trade between India and Bangladesh has increased substantially over the years. From India's point of view Bangladesh is one of the biggest export markets and even during the year 1995-96 Bangladesh became the tenth largest export market for India. However, the trade

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balance has been very much in favour of India. Efforts are continuing to make trade relationship mutually beneficial and in this direction various SAPTA rounds have resulted in granting preferential access to many Bangladeshi products in India. However, for taking full advantage of SAPTA concessions, Bangladesh needs to diversify its export base. To achieve the goal, more economic interweaving with India in the form of joint venture etc can play crucial role in increasing trade complementarities. (Bhattacharyya and Pal, 1998).

Present economic relations between India and Bangladesh are multifaceted ranging over a number of issues. Trade and investment relation along with others like Common River, irrigation, power generation etc have been outstanding since the early days of Bangladesh. Bangladesh also has vital interest in cooperative arrangements with India in the diversification and growth of exports to India. The recently proposed Free Trade Agreement (FTA) between India and Bangladesh is likely to affect the pattern and volume of bilateral trade in the coming years (Islam. N, 2004).

In this direction close proximity of Bangladesh with northeast India offers Bangladesh opportunities for reducing trade deficit through more economic interweaving with the states of northeast India. For the entrepreneurs of northeast India also, favorable trade agreements between the two countries provides great opportunities to go for cross order market to take advantage of the situation to the fullest possible. While India's gain through bilateral economic relationship as a whole may be limited, it could be sizable if it is judged in relation to the economy of the northeastern region of India. Therefore, in the coming years, economic interweaving between northeast India and Bangladesh is expected to be deeper and deeper on the basis of mutual benefit.



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## Chapter 3

### Review of Literature

#### 3.1 Introduction

The global village concept backed by globalization effect, gradual increase in number of regional trade blocks between countries with or without contiguous characteristics leading to regional level cooperation, and examples of European Union (EU) integration process all have contributed the studies on cross border economic cooperation richer with knowledge and wisdom regarding strategies to overcome borders and stimulate cross border development. In fact, studies, papers, special publications emphasizing on border in the context of economic and regional geography have been started increasing exponentially in Europe during 1990s (Houtum, 2000). Many of the studies has the flavor of single European market concept and notably conducted by French, German and Swiss planners. The vast western literature on border and border regions are multidisciplinary and the scholars have devoted perceptive consideration to study the border and cross border affects. The studies reflected that borders are expression of the spatial demarcation of places that is needed both socially, for reasons of certainty and protection, and politically, to sustain control and power over territory and safeguard their own position in it. However, in a world where societies and people are becoming increasingly inter linked, the perceived need to emphasize the differences and asymmetries between countries and people has also increased.

In the backdrop of large number of cross border western literature, cross border studies has been very limited not only in India but in the Asian context as well. The landlockedness of the northeast India and recent interest in cross border cooperation on the economic front between northeast India and Bangladesh/Myanmar has resulted in organization of a few seminars/workshops in the respective places leading to a number of documentation in the

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form of seminar papers only. In that situation, this chapter has first tried to review the approaches adopted by the international researchers in the matter of the cross-border co-operation studies. This is followed by review of the international studies on cross border economic cooperation. In the end, this chapter has reviewed the literature, seminars papers, government sponsored studies in the context of trade between northeast India and Bangladesh.

### **3.2 Studies Based on Flow Approach**

In the studies, categorized as flow approach, the central consideration is in physical flow of economic activities across the border. The basic idea of the flow approach is that space can be seen a homogeneous physical abstraction in which artificial obstacles prevent a natural continuity in the flow of economic activities. Thus, national border cause discontinuities in activity flow and an increase in the marginal cost of interaction (Nijkamp, Rietveld and Solomon 1990). The analysis of the link between regional accessibility and regional economic potential became a particularly important subject of the study (Clark, Wilson, and Badley 1969; Keeble, Owens and Thompson 1982). Due to dominance of the flow approach in the regional economic science, border became a synonym for barriers, just as they had in the sphere of general economics (Clement, 1996). In these studies, the treatment of border as barrier in economic science emanated from the assumption of bounded rationality and maximization of utility (human beings are to take actions that maximizes their own utility with the perceived limitations of knowledge and cognitive capacity) that are notably common to mainstream economics, neo classical economics. With regards to cross border flows, the highest achievable economic utility would be attained by freedom of flow of goods and services, thus optimizing economies of scale. A quite diverse group of scholars from different discipline and backgrounds is involved in analyzing and determining the impact of the borders on the flow in space or time particularly in the context of European Union. In course of time due to presence of large number of scholar working of this theme, the

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conceptualization of border as barrier has become mainstream thought in economic geography.

### **3.3 Studies Based on Cross Border Cooperation Approach**

The studies, categorized as cross border cooperation approach, are more recent that evolved since early nineties, and mostly dealt with the effort to create 'Single European Market'. The increases attention on terms and concept such as clusters, districts, networks, trust, transaction costs, learning, embeddedness, cooperation, alliances, and so on in the background of issues of scale enlargement in the form of internationalization and globalization laid the ground for such studies. These studies argued the viewpoint of border as barriers and put forward interpretation that border regions in particular could profit heavily from the benefits of integration and cooperation. The formation of economic relationship across the borders thus could lead to a more cost effective and efficient spatial division of labour ( Kamann, 1993; Nijkamp, 1993; Church And Reid, 1995; Clement 1996). As a result, the border regions are no longer seen as buffer and protection zones rather than 'passive' spaces, they are seen as 'active' spaces and key areas for cross border policy development (Rati, 1993; Nijkamp, 1996; De Boer, 1996). It could be argued that such rhetoric within the cross border approach symbolizes the emergence of a cross border doctrine that aims to communicate and establish a kind of imagined community that goes beyond national borders. The studies, based on this approach, dominantly focus on Euro regions as the role model for cross border cooperation. Fitting the image of border regions as laboratories, many studies within the cross border cooperation debate, analyze and evaluate the existing dissimilarities between the economic, political, social and cultural characteristics of the regions that are prohibiting cross border integration. Studies in the field of administrative and political dissimilarities primarily focus on the distance between the neighboring national and regional administrative systems as obstacle to cooperation. (Church and Reid, 1998; Perkman, 1999). The objective difference in terms of language, educational

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level, population density, and so on was included in the studies (Smit 2000, de Gijssel et al.1999).

### **3.4 Studies Based on People Approach**

The studies, categorized as people approach, have analyzed border according to the view point and behaviors of individuals or groups of individuals taking part in cross border (inter)action (Rumley and Minghi, 1991; Peschel, 1998; Paasi, 1996; Berg 2000; Houtum 1998, 1999). These studies explicitly center its attention on behaviors, actions, and mindsets of human beings concerning spatial border. Since these studies dealt with different aspects of human behavior and thought in the backdrop of sociology, psychology, and anthropology of the people across the border, it had an inter and trans- disciplinary base.

### **3.5 Cross Border Studies in the International Context**

Church A and Reid P (1995) in their study “Trans frontier co operation, spatial development strategies and emergence of new set of regulations: the Anglo-French border” found that the formation of economic relationship could lead to a more cost effective and efficient spatial division of employment.

Broker. J (1986) in his study “How do international trade barriers affect interregional trade” estimated the impact of national border as trade barrier in Europe by means of a gravity model. In this approach, two determinants of international trade barrier were taken in to account; the cost of covering geographical distance and the cost of crossing the border. Broker found that the average impact of border in the western European countries equaled the effect of 375 kilometers’ distance, implying a reduction of international trade to one - sixth of the value normally expected if the respective trade flows do not have to cross a border. Broker thus regarded border as an element of distance cost. He concluded that

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commodity flow and professional passenger travel between cities on either side of the border were as much as 75 percent less those between domestic cities of comparable size.

Nuesser H.G (1985) found that the interaction between two entrepreneurs on the either side of the border is reduced to 25% of the interaction that existed when no border need to be crossed. He also found that the border also curbs outward expansion of cities because of economic growth.

Nijkamp. P, Rietveld P, Solomon (1995) in the study “Barriers in spatial interactions and communications: a conceptual exploration” found that barrier impact on border is not primarily physical. Border is a territory belonging to a certain group of people may be barrier to the others group.

Houtum, H.J (1995) in the study “Regional Economic Competitiveness: Porter and beyond ” found that entrepreneurs make decisions on the basis of in complete perceptual vision and attitude towards economic and non economic relations and hence single theory is not suitable to adequately represent the process of developing cross border relationships.

Knoke and Kuklinski (1991) in the study “Network analysis: basic concepts” found that the nature of relationship a given actor has with other system members may effect that focal actors perception.

Passchier et al (1981) found that there are a small number of contacts between the people of different countries. This is even true for people those are active at short distances from each other separated by national border.

Atkinson (1958) some entrepreneurs have a relationship preference that strongly resembles a chronic need of affiliation.

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Duck (1997) found that at the surface level, the image both entrepreneurs have of each other is an important element and the image is based upon their own experience, the experience of the other entrepreneurs, and other source of direct communication and information.

Kougat and Singh (1988) emphasized on the concept of cultural distance as a factor deciding on the relationship between entrepreneurs and introduced the cultural distance index for cross-cultural comparison.

Manshanden (1996), Clerk (1969), indicated the connection between physical distance across the border and growth of economic considerations.

As per Blau (1964) two entrepreneurs enters in to economic relationship if it provide an attractive alternative and benefits are both greater than the cost.

Gulati (1995), in his study, “Does familiarity breed trust? The implications of repeated ties for contractual choice in alliances” found that that it is not the transaction cost for contractual choice and development of trust between the entrepreneurs involved in the trade across the border. But it depends upon the trust that emerges between the organizations overtime through repeated ties.

Duck, S. (1995) in his paper “Talking relationships into being” found that when a transaction gets materialized it is crucial that continuity is maintained in the exchange traffic between the enterprises towards a relationship development.

Van Houtum, (1993, 1994) organized three independently but comparable investigations for areas in the Netherlands, Belgium, and Germany that are confronted to the presence of the border on a daily basis and established that the border has functioned as a barrier, or as the case may be, still functions as a barrier, in the internationalization process of small and medium-sized enterprises. This research showed that the imaginary ‘market circle’ of the

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enterprises in border regions generally has the form of a half rather than an entire circle due to the presence of the border

Gayle A. Morris, John A. Dadson (2000) in their study “Ghana: cross-border trade issues” explored barriers to cross-border trade for the region. In the study cross –border movement of five commodities (iron rods, tomatoes, maize, salt, aluminum cookware) across the three Ghanaian border-crossing points (Bawku area, Aflao, Elubo) were examined using a regression model and administering a structured questionnaire to a sample of formal and informal traders to obtain information on traders’ modes of operation. The research found that liberalized trade procedures for exports had a positive impact on cross-border trade and government inspections and police/customs roadblocks were the two most important obstacles to cross-border trade and infrastructure improvement had direct relationship with cross-border trade enhancement.

Boggs. Whittemore (1940) in his study “International boundaries: A study of boundary functions and problems” found that international borders act as severe barriers to the economic interaction and trade purposes.

Another classical scientist of Europe Giersch Herbert (1949) in his paper “Economic Union between nations and location of industries” argued that the lower the transportation cost of a product and greater the internal economies of large scale production. He also pointed out that larger the market areas would be and fewer the firms that would choose to locate in the border region as the border reduces the size of the potential market area.

Bruinsma.F.(1994) in his paper “ Transport infrastructure and economic activities” contended that the barrier impact of border on the flow of goods should not be seen as primarily physical. He put forward other non-physical factors such as economic and socio- cultural influences that play a more important role. He argued that these factors lead to an expansion of distance and an increase in the distance costs.

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### 3.5 Cross Border Studies Between NEI and its Neighbors

As already stated in the introduction that research based knowledge in the context of cross border economic actions between northeast India (NEI) and its neighbors like Bangladesh, Nepal, Bhutan Myanmar, is almost rudimentary. A very few studies are available in India which deals with cross border actions/interactions either with mono disciplinary, multidisciplinary or trans disciplinary approach to snapshot the process or to have a longitudinal view. When it comes to cross border trade with NEI and Bangladesh, the number of studies becomes even fewer barring a few papers / articles etc. came out as a result of seminar and workshops. The following are the result of the attempt made to describe the available studies, seminar papers, research articles etc in the broader context of cross border economic cooperation between northeast India and its neighbor Bangladesh.

Bhuyan, A.R (2002), in his paper “Bangladesh’s bilateral trade with India-Issues and Concerns” highlighted the issues like infrastructural constraints etc for improving bilateral relationship between two countries.

The Government of India (2002) in the “Report of the committee on informal cross border trade”, gave an overview of the trade that took place through the India – Bangladesh border.

Sanjib Porohit and Nisha Taneja in their study “India’s informal trade with Bangladesh: a qualitative assessment” reveals that informal traders in India and Bangladesh have developed efficient mechanisms for contract enforcement, information flows, risk sharing and risk mitigation. Further, informal traders prefer to trade through the informal channel because the transaction costs of trading in the informal channel are significantly lower than the formal channel implying that informal trade takes place due to the inefficient institutional set up in the formal channel. The principal policy implication evolved from the study is that unless the transacting environment of formal traders improves, informal trade would continue to thrive.

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Chaudhari,S.K.(1995), in his study “Cross border trade between India and Bangladesh” attempted to understand the modus operandis of the illegal trade between some of the borders of northeast India , West Bengal and Bangladesh with the help of Delphi approach. This study has been one of the pioneering studies in the field Indo-Bangladesh cross border trade that identified the border points through which illegal trade were continuing.

Rao,Baruah,Das (1997) did a comparative study “India’s border trade with select neighboring countries” to analyze official as well as unofficial border trade between India and Bangladesh, Bhutan, Myanmar, Nepal, Pakistan. The study regarded border trade as an instrument to bring about development in the border region and found that the share of interregional exports amongst the selected group of countries in the total volume of exports was very low and was in the order of 2.5% in 1990 and 3% in 1994.

Dutta Gautam (2000) in the study of “Prospects of trade between northeast India and Bangladesh, Myanmar - Pre investment feasibility study” identified the feasible areas of trade related investment based on indigenous resources of the northeastern region that the existing enterprises/ new enterprises need to take up to exploit the Bangladesh market.

Dutta and Bayes (2003) in their study “Enhancing prospects of border trade between northeast India and Bangladesh” establish the regulations/ trade practice centric factors that are main hindrance for cross-border trade enhancement between northeast India and Bangladesh.

Passah P.M (1999) in his paper “Trans border trade in the northeast India – changes in the second half century of India” found that trans mountain trade during the pre colonial era also consisted of a network of markets in the foothills of the plains of Assam and Bengal bordering on what was termed the Central Assam range (comprising Garo-Khasi-Jaintia-Mikir Hills) and the Naga Hills. The traders of Bhutan and Tibet came down to the foothills

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of Assam during winter with their merchandise. During British rule, the trade volume greatly enhanced between northeast India and Burma. In addition, Northeast India's export performances were better than the other countries like Bhutan, China and Myanmar.

Debbarma S (1999) in the paper "Trans border trade in Tripura; past and present" concluded that illegal border trade between Tripura and Bangladesh was more than legal trade.

Das S.K (1999) in the paper "Trans-border trade via Karimganj – problems and prospects" found that Karimganj district of Assam, bordering Bangladesh, has the potential to develop small industrial enterprises in the sector of agro-horticulture to tap the market demand of Bangladesh.

De Wilde, Haider, Rashid (2003) compiled a report entitled "Trade between northeast India and Bangladesh" by interviewing official bodies, entrepreneurs, bankers and trade organizations having stake in enhancement of border trade for informing both the governments of the concerned countries about the need of removal of non tariff barriers the enterprises of the both sides encounter while developing cross border trade relationship. The important non-tariff barrier highlighted in the reports are; non availability of transportation agreements across the border, delay/difficulties in dealing with letter of credits by the banks across the border, difficulties in getting phyto-sanitary clearance of exportable food items, infrastructural bottlenecks of the land port customs stations.

Rashid, Abbas (2003) in their report "Trade finance between northeast India and Bangladesh" found that the entrepreneurs of northeast India face a big difficulty regarding non receipt of payment from dealing banks of both the countries against exports on time. However, for the entrepreneurs of Bangladesh, the major problem is quality of the imports from northeast India.

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## Chapter 4

### Conceptual Framework & Data Description

#### 4.1 Introduction

The study deals with the issues of cross border economic interweaving between northeast India and Bangladesh. The next step in this direction, therefore, is to examine the theoretical insights concerning cross border economic relationship formation process to build up the conceptual framework of the study. This chapter deals with the conceptual framework that has been used in the study to deal with enterprise / entrepreneurs centric factors and regulation/ trade factor centric factors that are deciding the growth and development of relationship formation between the entrepreneurs across the border. This chapter also explains the model and methodology suitable for the purpose of the study along with description of both primary and secondary data required to achieve the objective of the study.

#### 4.2 Conceptual Framework

This study concerns with the cross border economic interweaving between three states of the northeast India with the neighbouring country of Bangladesh from three angles. First, from the existing status and trend of the existing relationship; second, from the process of economic relationship development between the entrepreneurs across the border and third, from the existing regulation/policies governing the economic relationship development between two neighbouring countries. Since, the intention is to find out the factors that come in to play in the relationship development either positively or negatively and thereby effects cross border economic relationship enhancement, the study needs a model that examines the

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relationship formation process in stages between the entrepreneurs/ enterprises across the national border of the northeast India. The examination of relationship development process, in stages, becomes useful for ascertainment of the factors critical for economic relationship development between entrepreneurs of two countries separated by a common border. Such examination of the relationship formation process even becomes more significant in the background of the analysis of existing cross border transaction of commodities and their trend to draw some meaningful conclusion.

In this study, the relationship between the two entrepreneurs is desired to be more than one-off transaction having financial transactions and with prospects of continuance. The prospect of continuance is important because of the fact that relationship between the actors deepens with continuance of economic activities. The term 'economic relationship' here refers to an agreement between two entrepreneurs/ enterprises which may be or may not be in writing, that provides scope for regular occurrence of cross border commercial activities or transaction under the prevailing trade laws of both the countries. Here, instead of words 'business relationship' or 'trade relationship', the perspective of economic relationship has been chosen for two main reasons. In the first place, this broadens the scope of work as economic relationship generally regarded as indication of flexibility and dynamism (Kamann, 1989) and reflects the desire that the trade/ business relationship of entrepreneurs/ enterprises would lead to formation of more close knit business networks in future. The network would help in creation of stable environment where cross border business interest can grow according to the need of the rapidly changing market demand cutting across the national border. Recent literature also refers to the improved opportunities for developing and diffusing innovative activities because of the presence of economic relationships across the border. Secondly, the cross border interaction and cohesion between entrepreneurs of northeast India and Bangladesh may have many positive effects on the economy of the underdeveloped northeastern region of India and for that matter Bangladesh also could

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benefit from increased amount of cross border economic networking. In wider perspective, the understanding of the economic relationship development process and factors governing it would enlighten usability of northeast Indian border with other countries also.

The trade associations of Bangladesh and northeast India namely Dhaka Chamber Of Commerce and Industry (DCCI), Bangladesh; Chittagong Chamber of Commerce and Industry (CCCI), Bangladesh; Northeast Chamber Of Commerce and Industry (NECCI), northeast India ; Federation of Industries of Northeastern Region (FINER), northeast India have explicitly declared themselves in favour of stimulation of economic relationship across the borders for mutual benefits. The bilateral trade agreements between the India and Bangladesh also aim at providing stimuli for the formation and development of economic cooperation for faster economic development based on mutual benefit. On the other hand, enhancement of business relation across the border does not necessarily viewed as only border region specific and bilateral. Linking border region with the rest of the economy as well as placing the issue in the sub regional co-operation framework, the scope for exploiting production, trade, investment and technological complementarities is widened and expected to generate higher level of economic activities for overall development. In macro perspective, since trade complementarities are low in the SAARC region, emphasis now is on intra commodity group trade and intra industry trade to provide further stimulus to the border trade expansion (Rao, Ganesh, Das , 1997)

### **4.3 The Relevant Economic Theory**

The entrepreneur of a country enters in to a business relationship with another entrepreneur of a different country to exploit some specific advantage(s). However, as already stated, that expansion of business activities beyond the national border is not that simple as crossing an interstate border. Two reasons conspire to make this difficult theoretically; firstly it means

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crossing a crossing of a double border –mental and physical and all kinds of entrepreneurial, managerial and knowledge related constraints and perception comes in to play. Secondly, when an entrepreneur decides to sell some commodities in a foreign market via relationships with other entrepreneurs of that country and also desires to have more than a one off co operation between them in terms of repeating such activities, matters such as attraction, negotiations comes in to play. The situation becomes more difficult when one considers that basis of such relationship is an agreement which may or may not have been put down in writing. In fact, there are few theoretical approaches available in the literature of internationalization that treats the entire process of relationship formation exclusively from beginning to the success of cross border relationship formation between entrepreneurs/ enterprises.

Most of the literature of internationalization of business presents theories that are in essence theories about the firm and not the theories about development of business relation between the entrepreneurs. In fact, the development of business relation between entrepreneurs brings new elements in the study of cross border economic partnership for economic development based on mutual benefits. The newness is in terms of active involvement of the actors rather than the firm (as in case of small enterprises where the entrepreneur symbolizes the enterprise), gives human behavior and preference as endogenous variables and the economic agents are regarded as individual, socially embedded atomist structure with certain preference and a certain objectives. The newness leads to the consequent that the course and outcome of the relationship formation remain fundamentally unpredictable on the basis of snapshots and at most describable process wise only. The three dominant theories in the field of internationalization of trade , the transaction cost approach, the international network approach and the psychic distance approach however, provide some valuable comprehension for internationally oriented entrepreneurs and through light to understand the ‘newness’

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jointly. It is, nevertheless, remained a complicated task to model young or small enterprise's behavior in respect of international business environment (Castren 1999).

#### 4.4.1 Transaction Cost Approach (TCA)

This Transaction Cost approach is the theory focusing principally on the explanation on the economic transaction between the parties initially put forwarded by Coarse (1937) and then most notable contributions were made by Williamson (1996). According to Williamson, the transaction cost refers to all cost involved in writing, negotiating, safeguarding, enhancement, control of a contact in decisions to buy on market and costs of running the economic system. The transaction cost depends on three factors related to transaction – asset specificity, degree of uncertainty involved and frequency. Asset specificity is the degree that an asset can be used for alternative purposes without losing any of its value. Hence, wherever asset specificity is high, the transaction cost will be high as well and the price to change transaction partners in terms of transaction cost will be high. The second factor determining the height of transaction cost is the uncertainty or complexity of a transaction like information asymmetry (buyer uncertainty), poor quality of enforcement system and or cost of information seeking. The greater the uncertainty or complexity of a transaction, the higher is the transaction cost. The third factor determining the transaction cost is the frequency of transaction that has positive relationship with the transaction cost. Therefore, the transaction cost approach that defines a firm or a market transaction in terms of administrative cost provides a basis for analysis of transnational enterprises. Buckley and Casson (1976,85,88) extended Williamson's transaction cost approach and mixes with firm specific advantage theory and provided explanation of the existence of multinational enterprises (MNEs). According to them, the firms who want to expand activities across the border must have specific advantages over the native firms, since the cross border starters must be able to compensate for the information disadvantages concerning elements of newly entered country.

They must have a certain product, knowledge, organization method or technology that are innovative and competitive in other markets, not just in home market. The combination of transaction cost approach and firm specific advantage theory have been useful to explain the reason for internationalization and transaction cost and answers the likelihood of the type of governance structures to be chosen for internationalization. Dunning (1997) further added a new dimension to the understanding when he underlined a three factor theory best known as Dunning's eclectic paradigm which portrays a matrix of three advantages like Firm-specific advantages (FSA), Country-specific advantages (CSA), Internalization-specific advantages (ISA). If the firm, compared to the foreign market, possesses only owner-specific advantages, export would be the proper mode for foreign investments (the market option in the transaction costs approach). If the firm also possesses location-specific advantages, licensing would be the best option. According to Dunning, when a firm has all three types of advantages, the establishment of a firm (hierarchy) in the foreign market would be possible. These possibilities are outlined in table below.

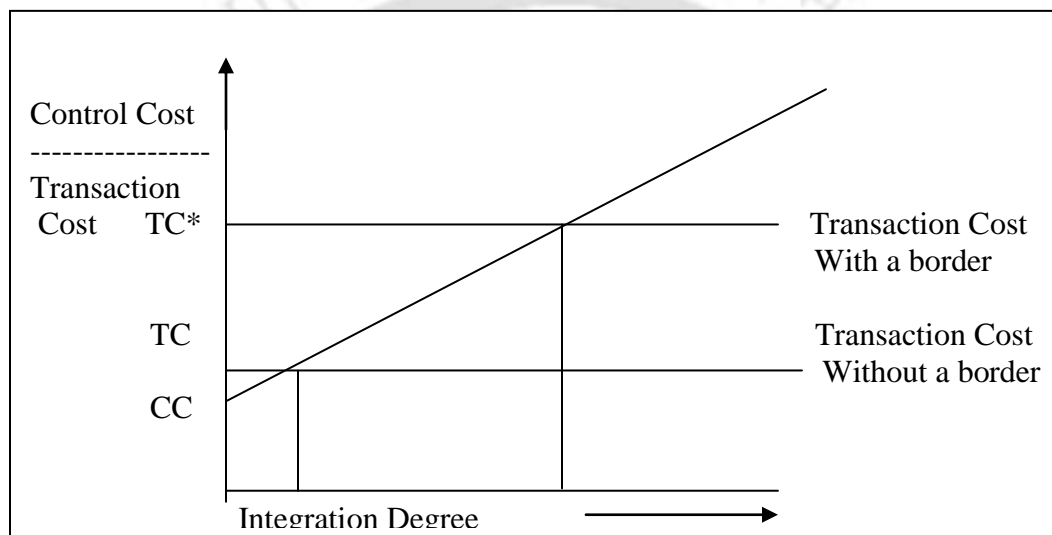
**Table 4.1. Dunning's Eclectic Paradigm**

Entry mode	Firm-specific advantages (FSA)	Country-specific advantages (CSA)	Internalization-specific advantages (ISA)
Export (Market)	•		
Licence	•	•	
FDI (Hierarchy)	•	•	•

Adapted from Dunning, 1977, 1988

Ratti (1993) for the first time brought 'border effect' in to the transaction cost paradigm and elaborated mode of cross border transactions. He demonstrated that introduction of a state

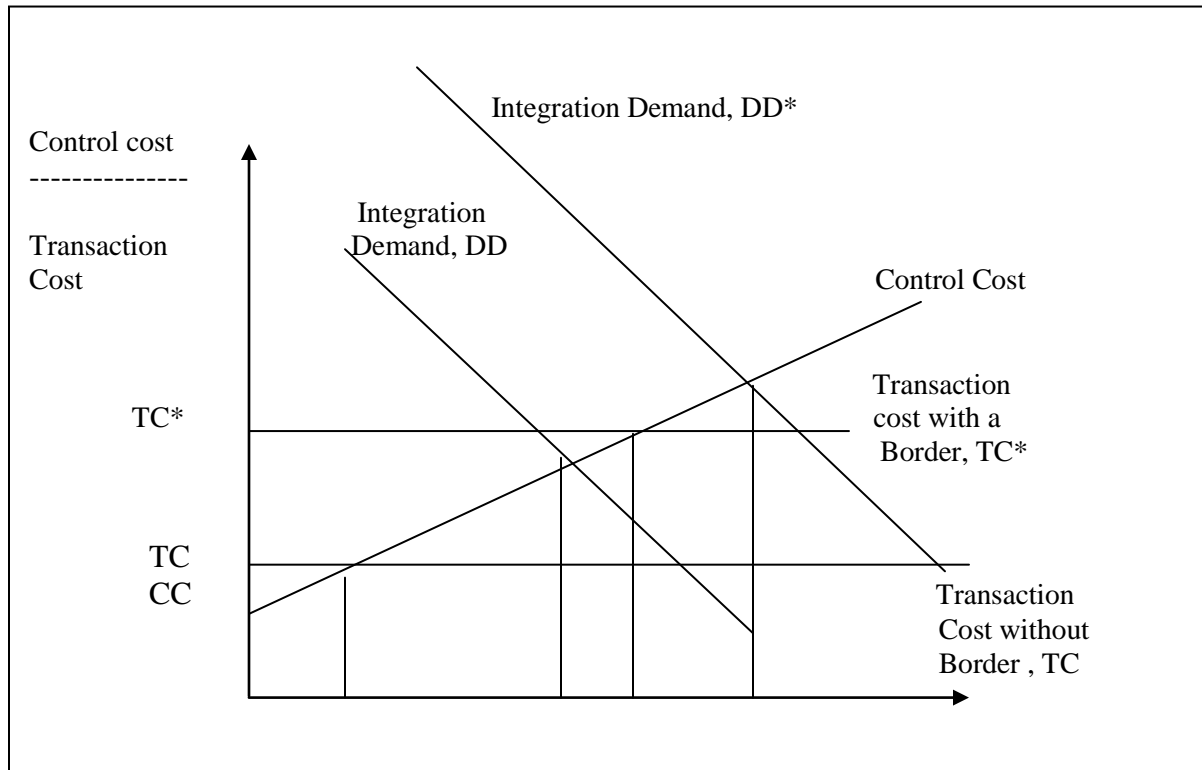
border leads to greater uncertainty and therefore increases transaction cost and in turn influences choice of internationalization. At the higher transaction cost, the choice between export and establishment of a firm in the foreign market depends on the desired 'integration degree' of the enterprise.



**Fig 3 : Cross Border Make or Buy Decision, Adapted From Ratti, 1993**

If transaction cost ( $TC^*$ ) is more than the cost of controlling it ( $CC$ ), then it is beneficial to establish a firm in the foreign market (hierarchy) and if transaction cost is less than control cost then it becomes economical to opt for export as a mode for internationalization. In other words, the higher transaction cost due to presence of international border (result of increased uncertainty) influences the entrepreneurs' choice for the exact modes of internationalization.

The choice of the integration degree made by the enterprises depends furthermore on the integration demand and the preferential curve for the degree of integration (Ratti, 1993). The demand for integration links negatively to the integration or control costs. The optimal situation is reached at the point where curve  $DD$  intersects with curve  $CC$  (figure 4 below).



**Figure 4 - Integration Demand versus Costs of Integration, Adapted From Ratti, 1993**

Williamson departed from the assumption that the balance of the market transaction costs and the control costs of the internal organization determines what the entrepreneur will ask for. The optimal point between demand (DD) and offer (CC) may be lower than the transaction costs in the case of a border (TC\*). This means that the firm will not choose to handle the transaction in the firm, but prefers to outsource it on the market. Space is opened up for intermediate forms of hierarchy and market - the inter-firm organization, in which a form of integration emerges that is nearer the market than hierarchy. If the demand curve (DD\*) is higher than the transaction costs curve (TC\*), an integration form emerges which tends more towards hierarchy than market. Unfortunately, Ratti did not give further insight

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into the underlying considerations that offer arguments for the choices between market, hierarchy, and their intermediate forms.

The transaction cost approach is straightforward and based on the simple reasoning of the level of the transaction cost. However, actually measuring the cost is seldom attempted (Rindfleisch and Heide, 1997). The transaction cost approach seems to be particularly useful in explaining vertical integration decisions, i.e. how firms (especially MNCs) evaluate whether or not to establish a manufacturing subsidiary in a market abroad (Erramilli and Rao 1993).

#### **4.4.2 International Network Approach (INA)**

Both the transaction cost approach and the eclectic paradigm concentrate on the autonomy of the firm in developing its international marketing activities. The international network approach (INA), on the other hand, gives due emphasis on the individuals within the firm who determines how it will enter a specific market abroad. This alternative to the neo classical thinking was put forwarded by the Scandinavian researchers of Uppsala University and Stockholm School of Economics, Sweden. This approach focused on the determinants of buyer-seller relations and interactions. The interaction paradigm, they used, is based upon the following assumptions: buyers and sellers are active participants in the process; the relationship between them is frequently long-term and complex; and the links between buyers and sellers often become institutionalized (Hakansson, 1982). The two most important findings in this research field were that (1) patterns of exchange and adaptation processes vary between actors depending on the interaction strategies and the history of the relationship, and (2) the interaction in dyadic relations is frequently influenced by interaction in relationships with third parties (Johanson and Mattsson, 1987). The attention explicitly devoted to indirect relations (partners of partners) that may be regarded as typical to the

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network approach. It generates an extra dimension for bilateral exchange. The line of reasoning is that the implications (gains or losses) for indirect relations are considered both at the beginning of a bilateral exchange with a partner and at its break-off. Later on, Johanson and Mattsson (1988) presented a hypothesis on the internationalization of firms, in which the interaction between firms is examined as a network of relationships and regarded 'the market as network and networks are institutions themselves'. The researchers were of the opinion that the existing concept of networking had too narrow a base in economic rationality. Moreover, it was found that empirical evidence did not sufficiently support the transaction costs theory. The INA departs from the idea that only products/ services are exchanged during a transaction and takes a sociological perspective (Nooteboom, 1993). The exchange, in fact, includes product or service exchange, information exchange, financial exchange, and social exchange. The addition of the last category, that is social exchange, is the characteristic of INA. It is argued that organizations and entrepreneurs do not exist in a vacuum; they are embedded in a social context of relationships. In a relationship, more than just tradable goods and/or information are exchanged but non-tradable goods are also exchanged. Therefore, in the exchange occurring between the two actors, the INA speaks of an adaptation process (Johanson and Mattsson, 1987). The two actors will test whether there is a 'fit'. In this adaptation process, the role of trust between the partners is considered crucial. Trust checks opportunistic behavior, leads to network stability, and serves as a source of network coordination (Ford, 1980, 1984). The adaptation may take place at several levels - financial, technical, economic, and/or social. According to Johanson and Mattsson, this adaptation is important for several reasons, and they named three important out of them: (i) adaptation strengthens the bond between the actors (ii) it generates a lasting bond (iii) and mutual orientation emerges as the result.

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#### 4.4.3 Psychic Distance Approach (PDA)

In this theory, the psychic distance is the distance between home market and a foreign market resulting from the perception and understanding of cultural and business differences (Wiedersheim-Paul, 1997; Nordstrom and Vahlne, 1994). These studies on PDA highlight the importance of the two factors: psychic and distance. Psychic is derived from the word psyche that refers to mind or soul. Therefore, simple presence of external environmental factors does not determine the degree of psychic distance. Rather, it is the mind's processing, in terms of perception and understanding, which forms the basis of psychic distance. Distance relates to similarity or difference in regards to the degree or amount of separation between two points. Therefore, it is evident that the psychic distance refers to perceived degree of similarity or difference between the home and foreign market.

Psychic distance is operationalised in terms of both cultural and business distance. Cultural distance is derived from Hofstede's (1991) dimension of national culture, while business distance incorporates economic, legal and political, business practice, industry structure and language difference. Nordstrom and Vahlne (1992) updated this definition to 'factors preventing or disturbing firms learning about and understanding a foreign environment'. In practice, this means that firms are predicted to start their internationalization, in a successive order from export to foreign direct investment, by moving into those markets about which the entrepreneur/firm has the greatest experiential knowledge. Subsequently, the firm will learn incrementally about, and enter, more markets that are at a distance. For this reason Johanson and Wiedersheim-Paul (1975) argued that the psychic distance is not constant but it changes because of the development of the communication system, trade, and other kinds of social exchange. The clue of the psychic distance model is that firms are assumed to begin their internationalization in markets about which the entrepreneurs/firms have the lowest market uncertainty, that is, the highest experiential knowledge level. Often, these markets are

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neighbouring countries as the ‘experiential knowledge’, or what is sometimes called the ‘tacit knowledge’, of these environments is larger than the market at a great physical distance. The problem focus of this theory is, therefore, how the psychic distance of managers /entrepreneurs relates to the decision-maker’s choice of the mode of entry and internationalization.

#### **4.4.4 Towards a Synthesis of TCA, INA, PDA**

Transaction cost approach provides important insight in the uncertainty that is associated with a transaction and predicts that the firm will select those countries that generates less uncertainty (transaction cost).

The psychic distance approach in spite of very different assumption i.e. the minds processing in terms of perception and understanding (psychic distance), the entrepreneur would select the country for internationalization where psychic distance is less.

The international network approach (INA), to the contrary, by including experience, trust and competence in its analysis, generates insights into the economic importance of common conventions in the bonding of individual actors.

Looking at it this way, the views of TCA, the INA, and even the PDA are coinciding. Therefore, there is room, to combine the international network approach with the transaction costs model and the psychic distance theory into the conceptualization of a new framework, a new rationale of the explanation of the international movement of SMEs (Houtum,2000).

**Table: 4.2 Comparisons of Three Approaches**

	TCA	PDA	INA
Theoretical foundation	<ol style="list-style-type: none"> <li>1. Analysis of the boundaries of the firm</li> <li>2. Neo-classical economic theory</li> </ol>	<ol style="list-style-type: none"> <li>1. Theory of the firm.</li> <li>2. Analysis of the importance and gaining of knowledge in international expansions.</li> <li>3. Strategic behavior approach.</li> <li>4. Decision approach.</li> </ol>	<ol style="list-style-type: none"> <li>1. Social exchange theory.</li> <li>2. Resource dependency theory.</li> <li>3. Social embeddedness approach.</li> </ol>
Problem orientation	<ol style="list-style-type: none"> <li>1. Explanation of the existence of national/international governance</li> </ol>	<ol style="list-style-type: none"> <li>1. Application of 'psychic distance' as the explanation of the internationalization process of firms.</li> </ol>	<ol style="list-style-type: none"> <li>1. Explanation of the dynamic interaction and adaptation between firms in industrial systems.</li> </ol>
Assumptions	<ol style="list-style-type: none"> <li>1. Human/firm behaviour:</li> <li>2. Bounded rationality, opportunism context.</li> <li>3. High asset specificity, uncertainty,</li> <li>4. Small numbers exchange</li> <li>5. Outcome: Static, equilibrium</li> </ol>	<ol style="list-style-type: none"> <li>1. Human/firm behaviour:</li> <li>2. Bounded rationality: lateral rigidity and selective search</li> <li>3. Learning, experiential knowledge</li> <li>4. Context: Uncertainty, different cultures and institutional settings</li> <li>4. Outcome: Dynamic, process</li> </ol>	<ol style="list-style-type: none"> <li>1. Trust</li> <li>2. Dynamic boundaries of knowledge, learning by experience and interaction</li> <li>3. Uncertainty</li> <li>4. High asset specificity</li> <li>5. Small numbers exchange</li> <li>6. High frequency of transactions</li> </ol>
International involvement	<ol style="list-style-type: none"> <li>1. Discrete foreign structures:</li> <li>2. Export</li> <li>3. Licences</li> <li>4. Foreign Direct Investment</li> </ol>	<ol style="list-style-type: none"> <li>1. Step-wise expansion:</li> <li>2. Expansion on national market, no regular export</li> <li>3. Expansion through an independent representative</li> <li>4. Sales subsidiary Production/ manufacturing facility</li> </ol>	<ol style="list-style-type: none"> <li>1. Relationships as multiple dyads</li> <li>2. Exchange and adaptation processes as investments in relations</li> </ol>

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This combination approach is holistic and process based and explains the internationalization of the small business from the scratch taking the wisdom of three individual approaches. The combination approach can explain the history of a transaction with a clear difference between a transaction and a relation, and particularly by incorporating the determinants in the various phases of the economic relationship developmental process. The table 4.2 lists out the uniqueness of the three approaches on a comparative basis. The combination approach explains the international movement of small and medium enterprises in a better way because of its comprehensiveness and process based character. Therefore, model based on the combination approach becomes useful to understand and highlight the determinants of economic relationship development between two entrepreneurs separated by a common international border.

#### **4.5. The Model**

As already discussed above , the combination approach (three economic theory together) on internationalization provides better insight to the conceptualization of a framework for explaining cross border movement small and medium enterprises which normally starts with export /import only and then may travel further to even hierarchy. The combination of international network approach with transaction cost model and the psychic distance theory indicates towards a process based approach for understanding how economic relationships are developed across the border. Since this study aims to understand the determinants playing major role in individual economic relationship formation across the border of northeast India and Bangladesh, it becomes apparent to fall back on a process model that suitably and adequately portrays the process of developing relationship more characteristically by way of representing actual state of affairs. In other words, the need of the present study is a model that

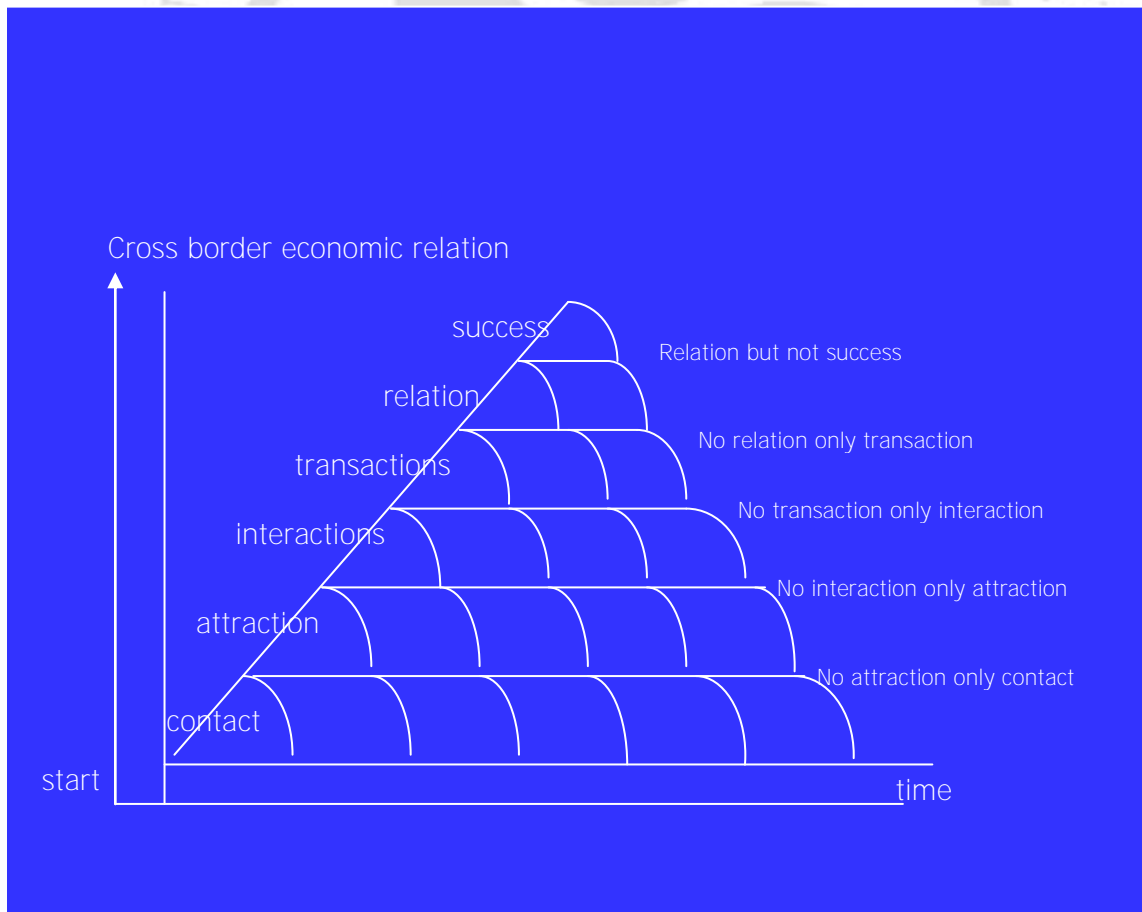
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- (a) is capable of providing a description of the process of developing relationship at the level of entrepreneurs.
  - (b) is an actor model within which the perception and attitude of the actions and interactions of and between entrepreneurs finds explicit place.
  - (c) is a process oriented model and explains on step by step basis how two entrepreneurs of northeastern states and the neighbouring country of Bangladesh get acquainted and how they enter in to deliberation followed by decision to start formal and informal working arrangement with ultimate transaction.

The INTERFACE model, which is an acronym for International Formation of Autonomous Cooperation between Enterprises (Houtum,1998), is based on the combined wisdom of economic theories already discussed. The INTERFACE model is capable of explaining how cross border contacts may grow in or leads to successful cross border economic relationships though it does not articulate the three economic theories in totality. Since this study seeks to understand the growth pattern of cross border economic interweaving between entrepreneurs of the three states of northeast India and Bangladesh mainly from two perspectives; enterprise/entrepreneur centric factors involved in the relationship formation process and role of regulation/ trade practice centric factors in the backdrop of the existing cross border trade between the entrepreneurs, the process based INTERFACE model perfectly adjust to the need of the study. The INTERFACE model describes the phases of economic relationship building at the actor level starting from contact (the encounter), attraction (the choice of a cross-country partner), interaction (the negotiations), transaction (the realization of contact), relationship (continuity), success (intensity) and consolidation. In short, the INTERFACE model, proposed to be utilized in the study, sufficiently provides scope for understanding of cross border relationship formation process, which in turn leads to attainment of study objectives.

#### 4.6 The Model and Different Stages:

INTERFACE model describes a linear developmental process between two actors from contact to attraction, to interaction, to transaction, to relation and success in the context of cross border business relationship.

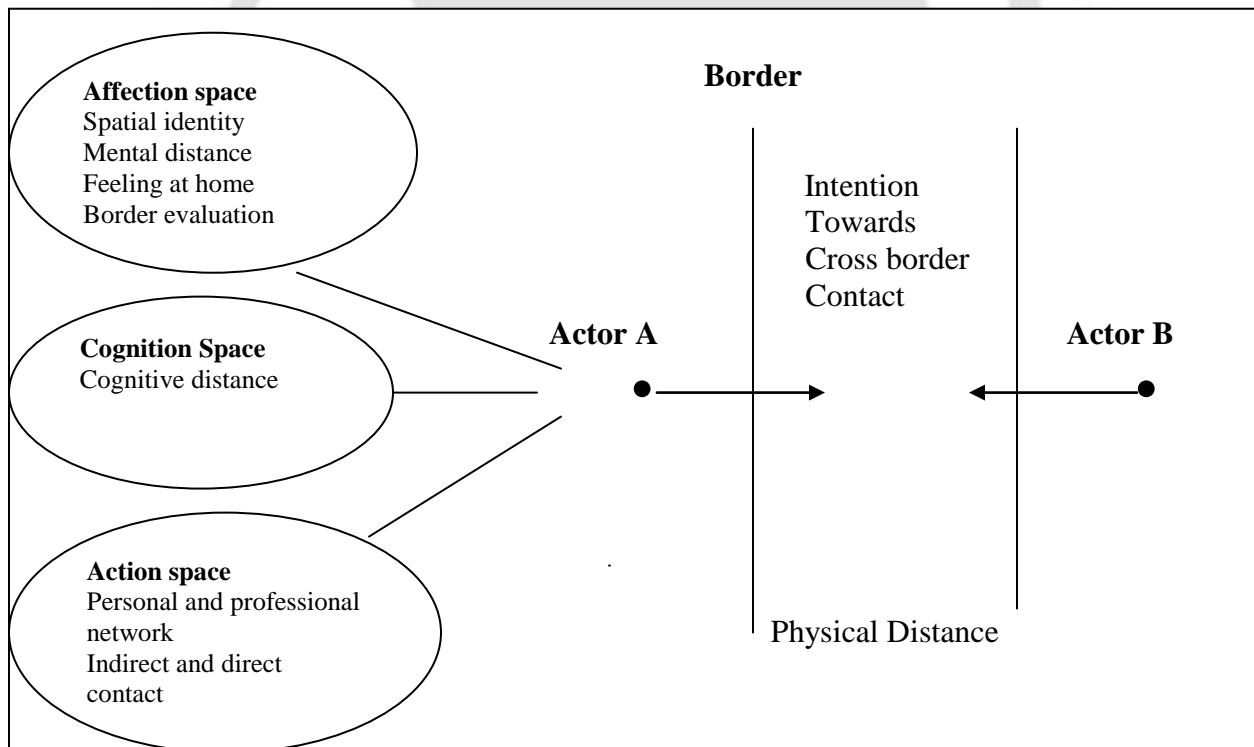
The complete INTERFACE model is represented in the figure below. The different phases of cross border economic relationship as utilized in the model are then explained.



**Fig 5: INTERFACE Model**

### 4.6.1 Contact Stage

Contact is the important stage for cross border relationship as because at this stage, two entrepreneurs of different nationality meet and from here, the future course of action originates. If the meeting has a sequel, the development process of relationship between the two entrepreneurs is also given direction and content during the contact stage itself. In order to determine the readiness and prepared ness of the individual actors for cross border contact with a possible economic partners, the three spatial dimensions ; the actor's action in the cross border space, the actor's cognition of the cross border space, and the actor's affection towards the cross border space are important determinants.



**Figure 6: Contact Determinant; Adopted From Houtum, 1999**

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#### 4.6.2 Action Space

The network theory regards enterprises as embedded in a network of relationship and transaction cost theory regards enterprises as structure for transactions. This provides an understanding that enterprise is socially embedded in a great number of contacts and endeavors to mature some of the contacts in to economic relationships that are good and reliable. The establishment of such relationships then led to possible contact points with other networks, grows with time, and may show the way further to other modes of internalization. According to Burt (1992), with frequent contact and emotional closeness, the relationship gets strengthened. A social network that crosses the border is considered advantageous for economic relationship development. The strength of the contacts whether direct or indirect, personnel or professional, the strength depends on the visiting frequency of the concerned actors. Here relationship preference plays a major role as the visiting frequency of an entrepreneur is influenced by his or her relationship preference. It is expected that in cross border relationship, because of geographical contiguity and resulting possible frequent meetings, the relationship established through a mutually trusted person or through trade bodies are more successful than an economic relationship that is established directly. Economic interactions between two entrepreneurs that are embedded in their mutual social and professional circle of acquaintances are also equally effective.

#### 4. 6.3 Affection Space

At the surface level, the image both entrepreneurs have of each other is an important element (Duck, 1977; Levinger and Snoek, 1972). Their own experience, the experience of other entrepreneurs, and other sources of direct communication and information influence the image formation. It determines largely the estimation by individuals of the characteristics of other countries and/or cultures. The distance between two regions is may be in terms of

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cultural distance (differences based on cultural values), mental distance (based on differences on business convention and consequences), in addition to actual physical distance. The degree of feeling affinity with the culture prevailing in the neighbouring country by the individual entrepreneur also influences economic involvement leading to the success of cross border economic relationship. The spatial identity of the entrepreneur is expected to influence the desire of establishing cross border economic contacts. Entrepreneurs who apply a wider horizon in their world of social identification will be more tempted to go beyond the national border than one who exclusively identifies himself with the region/ state. In the cross border situation, an entrepreneur's observation and feeling towards border influences his actions for developing cross border relationship. The expectation is that entrepreneurs who regard the border irrelevant and not as a barrier in terms of business relationship development would take pro-active actions towards cross border trade and would be more prone to expand the number of cross border relationships.

#### **4.6.4 Cognition Space**

Entrepreneurs involved in the cross border economic activities may have cognitive representation of the neighboring country (difference between the things as they really are and things as they appear). The cognitive distance is often not the representation of reality. As the length of knowledge and experience increases, the cognitive distance merges in actual distance. The estimation of physical distance between two real locations (may be from border town to capital city of Bangladesh, as in this case) and their divergence with actual distance will explain cognitive representation of the entrepreneurs. The expectation is that the entrepreneurs due to variance of their cognitive ability will estimate the distance between the two cities across the border higher than the actual. An overestimation of the distance indicates a low degree of personal experience and knowledge with regards to the city in the neighboring country. An underestimation on the other hand indicates that the city is close by

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in the subject's perception. Apart from cognitive distance, the physical distance between two entrepreneurs is in itself an important consideration for establishment of a contact. If the distance between two entrepreneurs increases, it will render their coming into contact more difficult (Festinger *et al.*, 1950; Kahn *et al.*, 1977). The reason is that entrepreneurs between whom a great physical distance lies simply have less opportunity of meeting. Furthermore, the possibility to control and to have contact is rendered more difficult and costly when the physical distance is great, which is expected to hinder the intensity of the relationship. This will lower the intention to enter a cross-border economic relationship. Therefore, for the purposes of cross border study, the measure of physical distance in terms of actual traveling time has been taken in to consideration that includes also the time lost in border transit, visa formalities at the land customs points, entry tax etc.

#### **4.6.5 Attraction**

Presence of certain amount of attraction between the cross border entrepreneurs is of primary importance other wise the encounter may remain one-off only. Though little or negligible attention has been paid by the economic theories of transaction (Houtum, 2000) on this attraction phase, however, the attraction primarily comes from the probable profitability of the future transaction. The other factors acting as determinants of attraction are:

- (i) Similarity between the entrepreneurs in respect of the professional opinion, ideas, habits, or behaviors of the potential partners
- (ii) Complementation in terms of certain degree of inequality in skills and character traits, information and resource, market and professional ideas. A synergic effect because of complementation also affects the economic relationship in a positive manner.

(iii) Spatial proximity is an important factor leading to attraction between the entrepreneurs. This is so because factors such as trust, commitment, mutual involvement, and common history can only act if there are proximity and face-to-face contacts ( Manshanden, 1996).

#### 4.6.6 Interaction

This phase starts after the first contact and the emergence of attraction between two entrepreneurs. During this phase the entrepreneurs deliberate on the benefits each of them wishes to obtain from the relationship. It determines whether the contact between the two entrepreneurs will actually grow into an economic relationship. In the interaction stage, the transaction stage is prepared, during which the decision whether or not to commit the final agreements to paper (the contract) is made. Two entrepreneurs will enter into an economic relationship if it provides an attractive alternative and if the benefits for both are greater than the costs (Blau, 1964). The behaviour strategy in the interaction stage depends upon the motivation and behaviour of the other. The other's behaviour is, to a certain extent, uncertain. This means that both entrepreneurs must make an estimation of the outcome of the interaction. Thus, each must be convinced that doing business with the other confidently must be possible, in such a way that it may be expected that the relationship will actually deliver the desired benefits (Ligthart, 1995). Personal trust reduces the uncertainty. In the interaction stage, therefore, the actors' norms, including their notions of equality and fairness, become important. Therefore, in the interaction stage, the factors of importance are: (i) the height of the transaction costs, and (ii) the degree of trust in the interaction between the partners. The height of the transaction costs shall be measured by means of the specificity of the investments in the product procurement or production process; the resources, the knowledge and the manpower required to enter into the transaction; and the degree of uncertainty concerning the behavior of the other (Williamson, 1975, 1985; Rindfleisch and Heide, 1997). The degree of trust in the bilateral interaction will be measured through the

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degree of expected faithfulness, the degree of openness and informality of the contact with the other, and the flexibility of communication between the partners.

#### **4.6.7 Transaction**

Transaction phase starts with exchange of resources or information after the conclusion of interaction phase successfully and the phase proceed according to the agreed upon conditions and expectations of both the entrepreneurs. It may be decided to put the agreements down in writing or not to come to an understanding. It seems reasonable to suppose that those agreements whose transaction costs are elevated (due to high asset specificity) and whose trust is low will be committed to paper. Because of higher transaction costs and lower trust, it is expected that formal agreements are less successful than informal agreements. It must be determined, therefore, under which circumstances the parties will decide to commit the agreements to paper, and under which circumstances they will deem it unnecessary to do so. Whether on paper or not, it is crucial that the agreement is recorded in a mutual settlement indicating the temporary or sustained action both actors commit themselves to perform, in which what is an obligation for one actor is the other's right. The right can be enforced if the commitments are not fulfilled.

#### **4.6.8 Relationship phase**

The relationship here referred to mostly trade relationships that are in existence between the entrepreneurs across the borders of northeast India and Bangladesh with fair amount of possibilities that transactions are not one-off only and such relationship is only intermediate to other form of cross border relationship like control relationships, production process relationships, sales market relationships. Therefore, for the purpose of this study, border-crossing relationship is defined as an agreement, whether or not in writing, between two

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entrepreneurs of a different nationality or separately constituted small enterprises from two neighboring countries of northeast India and Bangladesh and which provides in the scope of regular occurrence of such business activities or transaction of economic goods. This relationship phase comes after the transaction phase is over and regarded as a step towards relationship formation between entrepreneurs so that continuity of transaction is maintained. The factors that settle on the mere contact between cross border actors in to relationship having the prospects of continuity are very important from the point of view of getting impression of the size and the cross-border economic interweaving of regions.

#### **4.6.9 Success**

The last stage in the INTERFACE model is the degree to which a border-crossing relationship is successful. Often, the basis of the relationship's success is already laid during earlier stages of the relationship's evolution process. Factors such as the degree of attraction, the degree of trust in the interaction, and the compulsion of the contract are expected to play a role in the degree to which the established relationship will be successful. In other words, the success of border-crossing economic relationships is expected to be heavily path-dependent.

This study has not positioned to investigate how actors interact on the longer term in the course of an established relationship. It simply intends to assess the degree to which the factors determining the establishment of the relationship actually contribute to its success. Therefore, the success perception of the respondent entrepreneurs i.e. how they (1) themselves assess the success of the relationship (Emerson, 1981; Sarkar, Cavusgil, and Evirgen, 1996), and (2) in how far the intensity of the relationship has altered since the moment of transaction of the research areas is treated as a pointer in this direction.

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#### **4.6.10 Consolidation Phase**

This is an addition to the INTERFACE model. The relationship development starting from contact, attraction, interaction, transaction does not happen in vacuum. Often the regulatory framework of the individual countries affects the stages of relationship development across the border. The regulations that are entrepreneur friendly fuel the relationship development process and help in consolidation of relationship. Similarly, the trade practicalities and their degree friendliness also affect the relationship development process.

#### **4.6.11. Determinants of INTERFACE Model.**

This study looks at the growth aspects of the cross border economic relationship not only through the regulation/ trade practice centric factors, like border infrastructure friendliness, tariff stricture etc that either help or hinder economic relationship development across the border. In addition to that, to have a more holistic view of the relationship and its continuance, the study also delves in to enterprise/entrepreneur centric factors relating to the successive stages of relationship development.

The INTERFACE model analyzes the different stages of the development of the cross border economic relationships between the entrepreneurs of three states of northeast India and Bangladesh up the stage of consolidation. The determinants of the INTERFACE model in the developmental stages of relationship are, therefore, as described in the following tables.

**Table 4.3 INTERFACE Model-Contact Stage: Determinants in the Development of the Cross Border Economic Relationship.**

Determinants	Expected influence
1. Feeling at home in the culture of neighboring country	Indication of degree of affinity
2a. Mental distance Expected negative effect of the relationship	Less negative effect reduce mental distance
2b Mental distance Discrepancy with other's business conventions	Less discrepancy reduce mental distance
2c. Mental distance Stringency in financial-economic conditions set to the cross border relationship.	Less stringency reduce mental distance
3a. Border evaluation as Barrier	Indicates level of closeness.
3b. Border evaluation as Irrelevance	Indicates level of solidarity.
3c. Spatial identity, per region	Indicates spatial identity
5a. Social network: number of personal acquaintances	with frequent contact and emotional closeness the relationship get strengthened
5b. Social network: visiting frequency of personal acquaintances	
5c. Professional network: number of professional acquaintances	
5d. Professional network: visiting frequency of professional acquaintances	
6a. Relationship preference: Networking	Indicates basis of relationship
6b. Relationship preference: Bold and well-informed search	
6c Relationship preference: Regionally/nationally bound	
8. Cognitive distance, per region	Indicates mental closeness

**Table 4.4 : INTERFACE Model-Attraction Stage: Determinants in the Development of Cross Border Economic Relationship**

Determinants	Expected influence
1. Spatial proximity	Indicates the level of attraction between the entrepreneurs and reasons for making cross border relationship
2. Similarity	
3. Complementation	
4. Price/quality of the resources	

**Table 4.5: INTERFACE Model-Interaction Stag: Determinants in the Development of the Cross Border Economic Relationship**

Determinants	Expected influence
1. Height of the transaction costs	It indicates whether the contact between the two entrepreneurs will actually grow into an economic relationship
2. Degree of trust	

**Table 4.6: INTERFACE Model-Transaction Stage: Determinants in the Development of the Cross Border Economic Relationship**

Determinants	Expected influence
1. Formal relationship	Indicates soundness of business bonding
2. Informal relationship	

**Table 4.7: INTERFACE Model: Relationship Stage: Determinants in the Development of the Cross Border Economic Relationship**

Determinants	Expected influence
Economic relationship in the neighbouring country	Indicates to the prospects of continuity, Size, Cross-border economic interweaving.
No of relationship	

**Table 4.8: INTERFACE Model: Success Stage: Determinants in the Development of the Cross Border Economic Relationship**

Determinants	Expected influence
Evaluation of success of the relationship	Indicates the degree to which a border-crossing relationship is successful
Changes in the intensity of the relationship since the moment of transaction	

**Table 4.9: Consolidation Stage: Determinants of the Regulation/ Trade Practice Centric Factors**

Determinants	Expected influence
Friendliness of support agencies like customs, banking, border security forces etc	Indicates easiness in establishing relationship
Physical infrastructure at the border	
Law and order	
Policy related support like visa etc	
Tax, tariff etc	Indicate level of tariff barriers

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#### **4.7 Data Description.**

The study requires both primary and secondary data. The secondary data of the trade between northeast India and Bangladesh that has taken place through the land port customs points of the international border for analysis of cross border transfer of commodities with or without control thereafter between different enterprise/ entrepreneurs from three northeastern states to Bangladesh and vice versa. The study also requires primary data collected from entrepreneurs having some sort of cross border relationship for understanding the entrepreneur/enterprise related factor and regulation/trade practice related factors. Since the functional land customs stations are spread across the three states of the region namely Meghalaya, Assam, and Tripura, therefore, these states becomes the research area and destination for collection of primary data.

#### **4.8 The Survey Instruments.**

For surveying the entrepreneurs involved in the cross border trade, a questionnaire has been developed based on the theoretical framework already discussed previously. The questionnaire is entitled: The growth of cross-border economic relationships between the northeast India and Bangladesh. Before the questionnaire was actually used for the purpose, a considerable number of trade analysts and businesspersons evaluated its validity and consistency. The different scales adopted in the questionnaire were tested for internal consistency through Cronbach's alpha and found to be acceptable. The final questionnaire comprised 44 questions, yielding 122 variables. Introductory questions inventoried the enterprise size, type and length of economic relationships with Bangladesh. Since it proved impossible to follow so many enterprises longitudinally, the following method has been used. Respondents were advised to think of their most important relations in the neighbouring country while answering the questionnaire and to answer the questions relating to this subject

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with those relations in mind. This retrospect enabled the study to follow the process of the formation of relationships over time. Other questions included in the questionnaire were related to the identity of the respondents, their evaluation of the state border, and their perception of the differences experienced in entering into relationships in their home state and Bangladesh. To obtain a greater uniformity of responses and ease of data processing, many questions required the respondent to score on 7-points Likert-type scales, most of them ranging from 'very... to very, very...' (Babbie,1990). Other few quotations were in nominal and quantitative scale. Overall, the questionnaire contained the following clusters of questions.

1. General characteristics of the enterprise
2. Economic relations with the Bangladesh.
3. The level of contact, level of attraction, level of interaction.
4. The differences experienced between relationships in the matter of trade with Bangladesh.

Primary investigations revealed that the enterprises doing trade with Bangladesh are small in size and in many cases one-man show supported by few employees. Therefore, the respondents, being the sole representative of the entire enterprise, were requested to fill up the questionnaire by themselves only. To ensure, in as far as possible, a correct image of the individual enterprise, the not so small enterprises were requested to treat the questionnaire at management level at best if the entrepreneur has paucity of time.

For the purpose of trade data collection (secondary data) for the past six years period (1996-02) , a standardized format with five columns- serial number, items traded, quantity, rate and amount in total was prepared. This facilitates computerization of all the trade data with uniformity. The various activities like writing the questionnaire, collection of primary and

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secondary data, data entry, further processing, dissecting and interpreting the data, reporting, results interpretation and formulating recommendations have been done with active intellectual support of the research guide.

#### **4.9 Approach and Collection of Data**

The investigated area embraces the three states of northeastern region of India viz Assam, Meghalaya and Tripura. These states have long international border with Bangladesh and land customs stations are functioning across the border of these states. The state of Mizoram, in spite of long border with Bangladesh, has no functional land customs station. Therefore, this study excluded the state from its study domain.

The approach to the research area's investigation is micro-economic, *i.e.* focuses on the individual entrepreneurs/enterprises involved in the cross border trade with Bangladesh for at least one year and having membership in any one of the trade associations who are facilitating cross border trade with Bangladesh. The enterprises, to be purposeful for the study, are desired to be functioning with continuing trade relationship with Bangladesh. Initial discussions with the office of Joint Director of Foreign Trade, Guwahati, revealed the information about the trade associations whose members are actively involved in trade with Bangladesh. In this respect a seminar organized at Guwahati by North East Chambers of Commerce and Industries (NECCI), Guwahati, for promotion of cross border trade was particularly useful where almost all the trade associations of the three states and trade associations of Bangladesh participated and deliberated. The list of the functional land customs stations across the border of the three states were collected from the office of the Central Excise and Customs, Guwahati. After thorough deskwork, the data collection techniques were planned in two phases. The first phase pertains to collection of trade data from fifteen land customs stations of three states with interaction with the land customs

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officer to have a closure look at the trade scenario. Second phase planned for questionnaire survey of the entrepreneurs involved in the cross border trade with active support of the trade associations. Thereafter the fieldwork started sometimes during September 2002. Though initially planned in two phases but both the phases started simultaneously looking at the practical aspects like remoteness of the some land customs stations, journey time and availability of the land customs officers. After telephonic contact, all the land customs stations were visited and trade data pertaining to each land customs stations, both export and import, were collected. Discussion with the customs officers posted at the land customs stations were very fruitful as it provided an in-depth understanding of the border areas in terms of accessibility , people sentiments, security etc. During the visit, the trade associations were also contacted and explained about the significance of the investigation and the study in hand. The members having trade relationship with Bangladesh were invited for discussions about the purpose of the study, existing trade and the questionnaire that required to be filled up by them and assuring them that the data would be treated confidentially. In fact, a letter of assurance that all the information will be used for the academic purposes only was attached with the questionnaire.

Though 146 questionnaires were distributed, however, the response of receiving back the filled up questionnaires were very low even after few months of distribution. Seeing the low rate of response, a second visit to the border areas of the three states during the month of June/July 2003 were made that resulted in collection of some more filled up questionnaires. This was followed by telephonic persuasion from time to time that could ultimately enhance the response rate to 73.97 percent i.e. a total pool 108 filled up questionnaires. However, while scrutinizing and data entry altogether 29 questionnaires were rejected on the ground that not all the questions were answered. The non-response rate is about 26.03 percent. There could be several reasons why the entrepreneurs did not response to the call of filling up the questionnaire. However, during filled visit the primary impression regarding non response

was that the entrepreneurs simply did not filled up the questionnaire due to paucity of time. The detail of response can be seen from the following table.

**Table: 4.10: Data Description and Response Rate**

Trade bodies contracted	Member strength	Questionnaire send	*Questionnaire collected back		Response rate in %
			Total	Usable	
<b>Assam</b>					
Northeast Federation of International Trade, Guwahati	15	15	7	6	40
Assam Exporter/Importer Association, Karimganj* *	13	13	13	10	76.92
Karimganj District Chambers of Commerce, Karimganj	19	19	12	6	31.58
<b>Meghalaya</b>					
Ghasuapara Export Association , Garo Hills	12	12	8	6	50
Tribal Exporters Association, Tura	12	12	10	7	58.33
Mahendraganj Exporters Association , Mahendraganj	10	10	6	5	50
Dalu Exporters Association, Dalu	8	8	4	4	50
Meghalaya International Trade Association, Shillong	20	20	17	10	50
Meghalaya Export/ Import Association, Shillong	12	12	11	6	50
<b>Tripura</b>					
Tripura Chambers of Commerce	25	25	20	19	76.00
Total	146	146	108	79	54.11

\* Involved in trade through the state border with Bangladesh

\* \* Members mainly using Assam border with Bangladesh

The rejection of 29 questionnaires reduced the response rate to 54.11 percent with 79 usable questionnaires comprises of 22 from Assam, 38 from Meghalaya and 19 from Tripura. The state wise and trade body wise break up of the 79 respondents can be seen in the table below.

**Table: 4.11: Statewide Response Rate**

States	Response*	Response rate	Overall response percent
Assam	22(47)	46.81%	54.11
Meghalaya	38 (74)	51.35%	
Tripura	19(25)	76.01%	

\* Figures in the brackets indicates total members

Therefore, the study is based on primary data collected from 79 cross border entrepreneurs and secondary data related to trade for the period 1996-02 collected from different land customs points spread across three states of the region.

#### 4.10 Statistical tools used.

For analyses of the data, both primary and secondary, various statistical tools have been utilized in the study.

- (1) For characterization of trade, the trade data were grouped commodity wise and Pareto analysis technique has been used.
- (2) For gaining insight in to the connection between the enterprise/ entrepreneur centric factor and regulation/trade practice centric factors with the growth economic

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relationship in the neighbouring country the bivariate correlation techniques has been used for analyses.

- (3) To have a close understanding of the variables that affects and predicts the success, in order of their influences, stepwise multiple regression analysis has been used.
- (4) The method of frequency analysis (average, percentage etc) has been used at different phases of relationship formation process between the cross border entrepreneurs to highlight the state wise similarities and differences.

#### **4.11 Applicability of the Interface Model**

This study has proposed to use the INTERFACE model to explain the establishment of cross border economic relationships. The model provides a description of the process of the formation of cross border economic relationship under broad heading of six stages: contact, attraction, interaction, transaction, relationship and success. From the preliminary interaction with the cross border entrepreneurs (northeast India and Bangladesh), it emerged that there exist commonalities between the actual process of development of relationship and the determinants considered under the six phases of the INTERFACE model. In addition, the model has used the elements of the economic theories concerning the formation of international relationships- the transaction cost theory, the psychic distance theory, and the network theory that are not region specific but has universal application cutting across the east-west or rich –poor barrier. Therefore, the INTERFACE model is applied in this study in understanding the cross border relationship development process between the northeast India and Bangladesh. It is also found to be suitable in finding out the growth of .cross border economic relationship between northeast India and Bangladesh

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## Chapter 5

### Characterization of Existing Cross Border Trade Practices

#### 5.1 Introduction

This chapter factually ascertains characteristics of the existing trade practices across the borders of the three states of Northeast India with Bangladesh. The present chapter will not be limited to analysis of trade data land port custom station- wise (LCS), ascertainment of total volume of trade alone. In addition , the item wise trade pattern indicating the category it belongs (Pareto analysis), border wise and statewide categorization of items traded during the last five year have also been examined in the backdrop of description of the border points spread across the three states. Trade and values are here referring to the one-off sale of commodities and/or products to a person or company across the border. The trade data dealt here refers to transactions, as also earlier defined, between two different entrepreneurs/enterprises, without prejudice whether that commercial activity occurs regularly or not or that a commercial activity or transaction has been placed under joint administration or management.

For facilitation of cross border trade between northeast India and Bangladesh, there are 15 operational land port customs stations in three states of northeastern region namely Assam, Meghalaya and Tripura. The two land customs stations, Sutarkandi and Karimganj, are located in the northeastern parts of Assam in the district of Karimganj. The seven land customs points of Meghalaya are located in the West Khasi Hills district and Garo Hills districts of the state. The six land customs stations of Tripura are located in the West Tripura and North Tripura District of state. For proper visualization of economic interweaving across

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the border, attempt has also been made here to describe the land routes geographically which act as channels for cross border relationship development.

## 5.2 Description of the Land Routes for Cross Border Trade

As already stated, the state of Assam has two functional land customs points namely Sutarkandi and Ferighat station located in the Karimganj district of Assam. The state of Meghalaya has the maximum number of functional land customs stations for trade facilitations namely Mahendraganj, Dalu, Ghasuapara, Borsora, Bholaganj, Dawki, Shellabazar, and Baghmara. The state of Tripura has five land customs points through which trade is taking place namely Agartala, Manu, Ragnabazar, Srimantapur and Khowighat. In this chapter, attempts have been made to provide a brief geographical description of the border points and their connectivity with Bangladesh trade points. The trade data for the last six-year (1996-02), collected from different land port customs points, have also been analyzed in this chapter to understand the trend and characteristics of trade practice.

### 5.2.1 Land Routes for Cross Border Trade: Assam

**Sutarkandi** LCS is located in the Karimganj district of Assam. The 16 km stretch Surma Trunk Road connects Sutarkandi with district town of Karimganj. The official entry point of the border is Sutarkandi and the exit point is Seola that falls in Bangladesh.

**Ferryghat** LCS is located at the Karimganj town and is in the bank of river Kushiara. The official entry point is Steamer or Ferry center and the exit point is Jakiganj in Bangladesh.

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### 5.2.2 Land Routes for Cross Border Trade : Meghalaya

**Mahendraganj** LCS is located in the West Garo hills of Meghalaya. The station operates during post monsoon period and pre monsoon period and remains closed during the months July to October due to rain. The official entry point of the border is Mahendraganj and the exit point is Dhanna- Kamalpur.

**Dalu** LCS is located at the West Garo hills district of Meghalaya. The LCS is directly connected to the NH-51 and condition of the road is very good. The official entry point is Dalu and the exit point is Nakugaon in Bangladesh.

**Baghmara** LCS is located in the South Garo hills of Meghalaya and mainly handle export traffic from NEI side. The land customs station has been used only for export of coal to Bangladesh.

**Ghasuapara** LCS is located in the South Garo hills of Meghalaya. The LCS is located very near to the NH-62 (2 km distance). The official entry point is Ghasuapara and the exit point is Koraitoli – Haluaghat- Sherpur in Bangladesh .

**Borsora** LCS is located in East Khasi Hills of Meghalaya. It is approximately at a distance of 182 km from Shillong. The official entry point is Borsora (India) and the exit point is Borsora (Bangladesh)

**Bhollaganj** LCS is located in the East Khasi Hills of Meghalaya and is at a distance of 80 K.M from Shillong, the capital town of Meghalaya. At present there are three modes of transportation available from Bholaganj to Bangladesh i.e. the ropeway, road way and the river way. Through this LCS, Kumla Lime Stone Mining Corporation exports limestone to Chatak Cement Company in Bangladesh by using the ropeway. The exporters for exporting boulder stone and limestone to Bangladesh mostly use the river ways.

**Dawki** LCS is located in the East Khasi Hills of Meghalaya. It is at a distance of 82 km from capital town Shillong. The export point falls on the national highway (NH-40) passing through Shillong and is connected with the Sylhet town of Bangladesh. There is also another

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road i.e Dawki- Jowai Road connecting the border point and has been declared as national highway 40-A.

**Shellabazar** LCS is located in the East Khasi District of Meghalaya. It is 80 k,m away from Shillong. The whole area comes under the lime stone belt and hence exportable items do not travel much before transported to Bangladesh. There are two points of exports, Shella and river Ichamati.

### 5.2.3 Land Routes for Cross Border Trade: Tripura

**Agartala** LCS is located in the state capital of Tripura i.e. Agartala only. It is in the West Tripura district of Tripura and adjoining the Akhoura town of Bangladesh. The road condition leading to the LCS is motorable one. The nearest national highway i.e. NH-44 is at a distance of 2.5 km from the station. The connecting road in the Bangladesh side is leading to Dhaka (150 K.m) and is of good condition. The official entry point is Agartala the exit point is Akhaura (Bangladesh)

**Srimantapur** LCS is located in Sonamura sub division of West Tripura district and is about 63 km from Agartala town. . The nearest Railway Station in the Indian side is Kumarghat (210 k.m) and on the Bangladesh side is at Comilla town (8 k.m). The official entry point is Srimantapur / Sonamura (India) and the exit point is Bibirbazar (Bangladesh).

**Khowaighat** LCS is located in north Tripura district of Tripura. The official entry point is Khowai (India) and exit point is Balla (Bangladesh)

**Manughat** LCS is located in Kailasahar subdivision of Tripura. The official entry point is Manughat (India) and exit point is Chatlapur (Bangladesh)

**Ragnabazar** LCS is located in Dharmanagar subdivision of Tripura. The official entry point is old Ragnabazar (India) and exit point is Batuli (Bangladesh).

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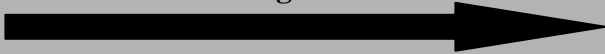
### 5.3 Economic Relationships: Volume Trend etc

The trade data pertaining to 1996-2002, collected from all the land customs stations, were tabulated for understanding the variation and trend. The synthesized tables 5.1 and 5.2 reveal that the total export from northeast India to Bangladesh during 1996-2002 was Rs 873.79 crores and import was Rs 66.45 crores. The export figure went up from Rs 85.04 during 1996-97 crore to Rs 186.85 crores in 2002, the rise being about 220 percent in a span of six years period.

However, export volume through Assam border has dropped from Rs 21.32 crores in 1996-97 to Rs 17.68 crores in 2001-02. The falling trend can also be noticed in case of Tripura border where export volume has dropped down from Rs 4.49 crores in 1996-97 to Rs 2.24 crores in 2001-02. The export trade through Meghalaya border, on the other hand, has risen from mere Rs 59.53 crores to Rs 166.93 crores during the above mentioned period.

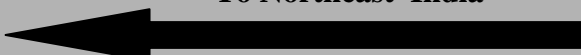
In contrast to the overall rise in export, the import to the northeast India from Bangladesh has fallen from Rs 10.34 crores during 1996-97 to Rs 5.34 Crores during 2001-02. Import through Assam border barring the last two years i.e. 2000-01 and 2001-02 were hovering around Rs 3-5 Crores annually. However, during the past two years the import figure is revolving around Rs 1 crore only. Imports through Meghalaya border have not been impressive during the past five years and revolved around Rs 30 – 40 lakhs only. Imports through Tripura has been comparatively of larger volume and registered even Rs 11.79 Crores during 1997-98.

**Table: 5.1 Trade out Flow to Bangladesh (Rs in crores)**

Border points	To Bangladesh 					
	1	2	3	4	5	6
	96-97	97-98	98-99	99-00	00-01	01-02
Through Assam border	21.32	43.21	51.90	39.39	20.64	17.68
Through Meghalaya border	59.53	109.68	105.97	91.33	129.83	166.93
Through Tripura Border	4.19	5.01	2.07	2.10	0.77	2.24
TOTAL N.E	85.04	157.9	159.94	132.82	151.24	186.85

Source: Compilation of trade data collected from land port customs stations

**Table : 5.2 Trade in Flow to Northeast India (Rs in crores)**

Border points	To Northeast India 					
	1	2	3	4	5	6
	96-97	97-98	98-99	99-00	00-01	01-02
Through Assam border	4.08	4.65	5.52	3.95	0.88	1.08
Through Meghalaya border	-	0.39	-	-	0.004	0.03
Through Tripura Border	6.26	11.79	10.53	6.55	6.31	4.43
TOTAL N.E	10.34	16.83	16.05	10.50	7.194	5.54

Source: Compilation of trade data collected from land port customs stations

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#### 5.4 Borders in Terms Trade Volume

As already has been discussed that to facilitate trade between northeast India and Bangladesh, there are 15 land customs stations operating as agreed upon by both the countries. The other 18 non-functional land customs points, as has been decided by the policy makers of both Governments, will be opened for based on the future need of trade enhancement and facilitation. In this respect, one important aspect has been the usage level of the presently opened 15 land customs stations. For this purpose the trade data collected from various land customs stations were processed, grouped land customs station -wise and presented in the following table 5.3.

The table 5.3 reveals the busyness of the borders points in terms of the trade they handled. The trend of last six year (1996-2002) shows that the busiest border in terms of trade volume is Dawki in Meghalaya. Dawki land customs station handled about 35.8 percent of the total trade (1996-02) followed 17.76 percent by Sutarkandi and 13.08 percent by Borsora.

Khowaighat land customs station in Tripura handled lowest volume of trade (0.001%) and thereby almost remained non-functional during the period 1996-02.

The land port customs stations like Srimantapur, Ragnabazar, Baghmara, Khowaighat, Dalu and Manu have failed to handle even one percent of total trade volume for the period 1996-02.

**Table: 5.3 Year wise/Land Port Customs Station wise Volume of Trade (Rs Crores )**

LCS **	Exports						Imports						Total Trade Volume
	96- 97	97- 98	98- 99	99- 00	00- 01	01- 02	96- 97	97- 98	98- 99	99- 00	00- 01	01- 02	
1	16.93	33.7 2	28.61	35.40	18.01	13.77	4.80	4.65	5.47	3.93	0.87	0.74	133.18 (17.76) *
2	4.39	9.49	23.29	3.99	2.63	3.91	-	-	0.05	0.02	0.01	0.34	48.12 (5.12)
3	31.48	57.31	68.73	42.51	55.21	80.91	-	0.39	-	-	0.004	0.03	336.57 (35.80)
4	2.79	5.20	9.43	9.54	12.19	5.75	-	-	-	-	-	-	44.9 (4.78)
5	8.11	11.50	11.59	17.12	29.44	45.27	-	-	-	-	-	-	123.03 (13.08)
6	11.20	26.39	10.09	15.82	24.41	27.86	-	-	-	-	-	-	115.77 (12.31)
7	2.55	2.80	3.07	2.41	3.62	2.34	-	-	-	-	-	-	16.79 (1.79)
8	3.40	6.45	2.88	3.57	4.11	3.69	-	-	-	-	-	-	24.1 (2.56)
9	-	-	-	0.09	0.02	-	-	-	-	-	-	-	0.11 (0.01)
10	-	0.03	0.18	0.27	0.83	1.11	-	-	-	-	-	-	2.4 (0.26)
11	3.90	1.90	0.67	0.71	0.52	2.05	6.25	11.69	10.44	6.30	6.16	4.39	54.98 (5.84)
12	-	0.06	0.17	0.25	0.12	0.13	-	-	-	0.25	0.02	0.04	1.04 (0.11)
13	0.29	2.99	1.21	1.13	0.13	0.06	0.005	0.000 5	0.08	-	0.13	-	6.03 (0.64)
14	-	0.06	0.02	0.006	-	0.001	-	0.09	0.005	-	0.002	-	0.18 (0.02)
15	-	-	0.01	0.000 1	-	-	-	-	-	-	-	-	0.01 (.001)
Total N.E	85.04	157.9	159.9 4	132.8 2	151.2 4	186.8 5	10.34	16.83	16.05	10.50	7.194	5.54	940.24 (100)

\*Figures in the brackets refers to percentage of the total

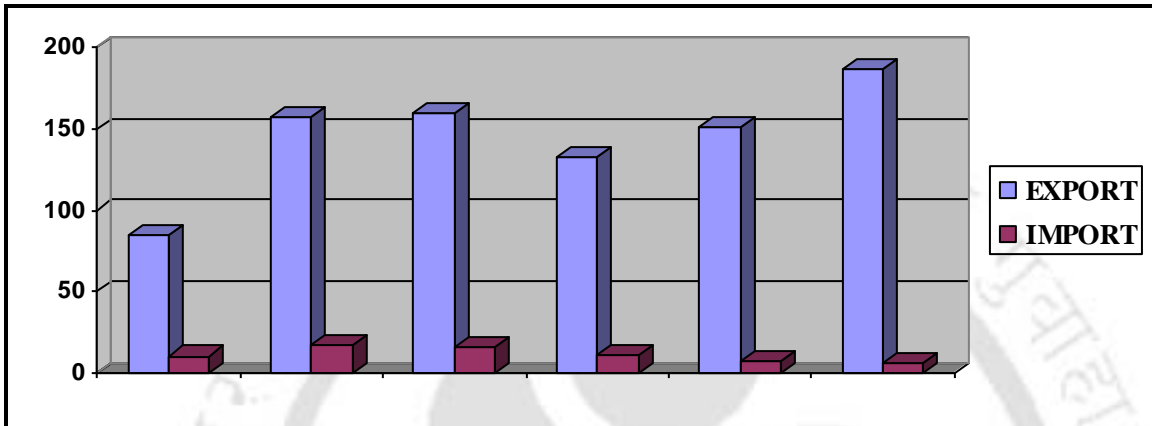
\*\* 1-Sutarkandi, 2 Ferryghat, 3-Dawki , 4- Mahendragang, 5- Barsora, 6- Ghasuapara, 7- Shellabazar, 8- Bholaganj, 9- Baghmara, 10- Dalu, 11- Agartala, 12- Ragnabazar, 13- Srimanapur, 14- Manu, 15- Khowaighat

In fact, the table 5.3 further indicates that five land customs points namely Srimantapur, Ragnabazar, Baghmara, Khowaighat, and Manu, out of fifteen have handled only 0.95 percent of the total trade for the period 1996-02. The other ten land customs points together handled majority of the trade i.e. 99.05 percent of the trade during the period 1996-02. The sequence in descending order of trade flow handled by the fifteen land port customs stations during the period 1996-02 is as shown below in the table 5.4.

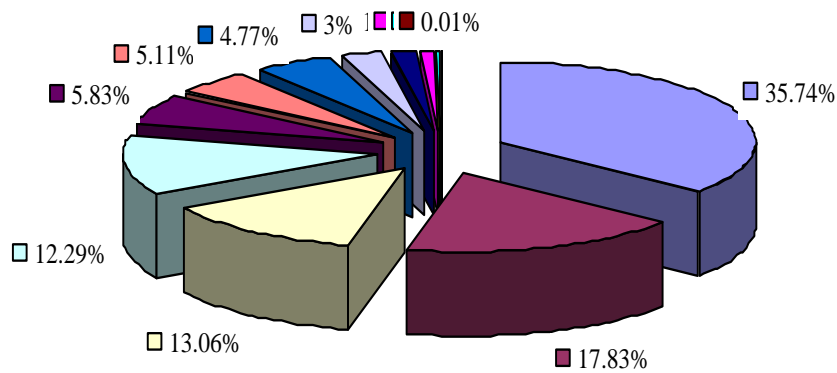
**Table: 5.4 Borders in Terms of Trade Flow**

Ranking	LCS	% of total trade (1996-02)	Ranking	LCS	% of total trade (1996-02)
1	Dawki	35.80%	9	Shellabazar	1.79%
2	Sutarkandi	17.76%	10	Srimantapur	0.64%,
3	Borsora	13.08%	11	Dalu	0.26%,
4	Ghausuapara	12.31%	12	Ragnabazar	0.11%
5	Agartala	5.84%	13	Manu	0.02%
6	Ferryghat	5.12%	14	Baghmara	0.01%
7	Mahendraganj	4.78%	15	Khowaighat	0.001%.
8	Bhollaganj	2.56%			

**Year wise Export-Import through NEI-Bangladesh Border (1996-02)**



**Trade Volume wise Land Port Customs Points (1996-02)**



- |           |            |           |           |           |
|-----------|------------|-----------|-----------|-----------|
| Dawki     | Sutarkandi | Borsora   | Ghasupara | Agartala  |
| Ferryghat | Mahenganj  | Bholaganj | Shelabazr | Srimanpur |
| Dalu      | Ragnabzar  | Manu      | Baghmara  |           |

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### 5.5 Commodities Exported / Traded: Assam to Bangladesh

The study attempted to assess the statewide volume of trade, both export and import, in monetary terms for the past five years period by collecting trade data from different land customs points. The commodities that have been traded also of great importance as this may indicate cross border demand of commodities and through some light on future trade prospects. In order to understand comparative demand of commodities, the trade data have been grouped commodity wise and Pareto analysis technique has been used to group the item under three categories i.e. A, B, and C.

The 'A group' of items refers to those few commodities (about 10% of the items traded) but constituting to about 70% of the total trade value. The 'C group' of items refers to those items that are many in number (about 70% of the total number of items) but value wise only constituting to about 15% of the total value of trade. The 'B group' of items refers to about 20 % of the items contributing to 15% of the total value of trade. In other words, the C group of items though many in numbers but contribute less to the total volume of trade in monetary terms where as A group of items though few items but contribute handsomely to the trade enhancements.

The table 5.5 indicates the traded commodities according to the group they belong in respect of the trade that took place through the Assam border during the period 1997-02. It is clear from the table that the coal and non-basmati rice are the A category items indicating that trade of these two commodities are responsible for the bulk of trade between Assam and Bangladesh. This also indicates that there is lack of variety in terms of commodity traded through the border of Assam and Bangladesh.

**Table: 5.5 Export through Assam Border in Rs Lakhs (1997-02)**

Items	Sutarkandi	Ferryghat	Total	Category
Coal	9850.19	562.99	10413.18	A
Non basmati rice	2788.32	2823.11	5611.43	A
Fresh ginger	73.17	517.58	590.75	B
Garlic	8.56	7.71	16.27	C
Grapes	0.01	9.33	9.34	C
Cement	37.4	-	37.4	C
Dry fish	6.06	1.96	8.02	C
Tomato	0.19	0.49	0.68	C
Fresh orange	11.97	179.84	191.81	B
Chilly	43.17	35.11	78.28	B
Poultry feed	6.33	-	6.33	C
Citrus fruits	1.17	51.8	52.97	B
P wood	5.56	-	5.56	C
Motor parts	1.98	92.91	94.89	B
Umbrella and parts	7.99	1.25	9.24	C
Onion	1.44	4.01	5.45	C
Fresh vegetable	9.28	-	9.28	C
Paper	92.68	13.44	106.12	B
Bay leaves	0.16	3.07	3.23	C
Marble	7.53	-	7.53	C
Cloth	0.49	-	0.49	C
Turmeric	-	1.2	1.2	C
Jack fruit	-	0.12	0.12	C
Tube light	-	0.12	0.12	C
Betel leaf	-	15.84	15.84	C
Soya been	-	2.04	2.04	C
Bamboo	-	7.89	7.89	C
Total	12953.65	4331.81	17285.46	

## 5.6 Commodities Exported / Traded: Meghalaya to Bangladesh

Similar exercise of categorization of commodities has been made in respect of trade that took place during the last five years through Meghalaya to Bangladesh and vice versa and presented in the table below.

**Table: 5.6 Exported Through Meghalaya Border in Rs Lakhs (1997-02)**

Items	Dawki	Shella-bazar	Borsora	Bhola-ganj	Mahendr-aganj	Baagh-mara	Ghasu-apara	Total	Category
Coal	29793	-	9822		3399	10.78	10274.	53300.	A
Citrus fruit	14.75	-	-	0.14	-	-		14.89	C
Oranges	276.2	-	-	4.14	-	-	3.88	284.28	B
Rice (Basmati)	336.9	-	-		-	-	-	336.97	B
Ginger	1.56	-	-		12.28	-	3.62	17.46	C
Fruits	20.19	-	-		-	-	-	20.19	C
Boulder	9.02	-	-	35.03	1671	-	175.5	1890.5	B
Dry chili	6.2	-	-		-	-	-	6.2	C
Marble	4.22	-	-		33.34	-	-	37.56	C
Vegetables	4.54	-	-		-	-	-	4.54	C
Clothes	0.14	-	-		-	-	-	0.14	C
Wool	0.13	-	-		-	-	-	0.13	C
Limestone	2.66	1423.	1322.6	1667.4	-	-	-	4416	A
Cement	-	-	-	364.51	-	-	-	364.51	B
Crushed tin	-	-	-		943.2	-	-	943.23	B
Ballast	-	-	-		72.43	-	-	72.43	C
Tamarind	-	-	-		1	-	-	1	C
Total	30469	1423.	11145	2071.2	6133.1	10.78	10457.7	61711	

It may be observed from the table that two items i.e. coal and lime stones are only the items grouped as A category item. This indicates that in case of Meghalaya – Bangladesh trade also limited commodities occupies the bulk of the trade volume.

### 5.7 Commodities Exported / Traded: Tripura to Bangladesh

Using Pareto techniques the items transacted during the year 1997-02 have been categorized in to three categories A, B and C to reveal that which are the items responsible for the bulk of trade that took place during past years. The categorizations not only help to understand the demand trend of the commodities in the cross border market but at the same time indicated trade variety also. Such categorization of commodities in respect of trade from Tripura to Bangladesh reveals that commodities like ginger and orange constitute the category A items i.e bulk of the trade (70%) in the past revolved round two items only i.e ginger and orange. This is followed by seven category B items like Lentils (fruit), Onion, Potato, building materials, dry fish. coal dust constituting 20% of the total trade volume. The trend and the item categorizations can be seen in the table below.

**Table: 5.7 Export through Tripura Border in Rs lakhs (1997-02)**

	Sriraman -tapur	Agartala	Khowai -ghat	Manu	Ragna- bazar	Total	Category
Ginger	308.13	35.96	1.13	6.97	63.3	415.49	A
Pineapple		3.30				3.30	C
Zipper	4.11					4.11	C
Umbrella	0.1					0.1	C
Pear	2.5					2.5	C
Jack fruit	0.24		0.09			0.33	C
Pine apple	0.7					0.7	C
Lentils (fruit)	16.8	75.51				92.31	B
Cumin seed	2.9					2.9	C
Sarees	0.19	1.77				1.96	C

**Table: 5.7 Export through Tripura Border in Rs lakhs (1997-02) Continued**

	Sriraman -tapur	Agartala	Khowai -ghat	Manu	Ragna- bazar	Total	Category
Turmeric	7.32	1.58	-	-	-	8.9	C
Tomato	0.96	-	0.14	-	0.7	1.8	C
Onion	5.68	19	-	-	1.76	26.44	B
Potato	22.56	4.43	-	-	-	26.99	B
Orange	34.45	105.18	0.12	1.85	1.02	142.62	A
Garlic	1.13	0.29	-	-	-	1.42	C
Grapes	0.34	0.32	-	-	-	0.66	C
Apples	0.13	-	-	-	-	0.13	C
Pomegranate	0.02	-	-	-	-	0.02	C
Slide metal	0.03	-	-	-	-	0.03	C
Fresh Fish	81.31	30.53	-	-	-	111.84	A
Paper	0.45	-	-	-	-	0.45	C
others	9.59	1.09	0.02	-	5.7	16.4	B
Building mat	52.29	-	-	-	-	52.29	B
dry fish	-	103.86	-	-	0.52	104.38	B
Elect. goods	-	1.09	-	-	-	1.09	C
Non Basmati rice	-	6.4	-	-	-	6.4	C
Coal dust	-	67.47	-	-	-	67.47	B
Motor parts	-	1.8	-	-	-	1.8	C
Chocolate	-	1.29	-	-	-	1.29	C
Coal	-	120.91	-	-	-	120.91	A
Chili	-	3.86	-	-	-	3.86	C
Total	552.11	585.46	1.5	8.82	73	1220.89	

### 5.8 Commodities Exported / Traded: Bangladesh to Assam

It is natural that the traders would trade in items that enjoy both price differential and sufficient production in comparison to neighboring countries. The categorization of items in the three category leads to similar results. It is observed from the table below that the cross border traders of Bangladesh have exported to Assam goods like ready made garments (category A items) and famous Hilsa fish (category B items) for which they enjoy both price and production advantages.

**Table: 5.8 Import Through Assam border in Rs lakhs (1997-02)**

Items	Sutarkandi	F'erryghat	Total	Category
Readymade Garments	1012.65	2.05	1014.7	A
Hilsa Fish	553.96	6.06	560.02	B
Fresh Ginger	-	28.78	28.78	C
Bamboo	-	2.64	2.64	C
Betel leave	-	0.13	0.13	C
Citrus Fruits	-	0.09	0.09	C
Motor Parts	-	1.87	1.87	C
Total	1566.61	41.62	1608.23	

### 5.9 Commodities Exported / Traded: Bangladesh to Meghalaya

In comparison to export from Meghalaya to Bangladesh, the import from Bangladesh to Meghalaya has been low i.e. balance of trade is very much in favour of Meghalaya traders. Only item that constitute the A category item is Hilsa Fish coming from Bangladesh to

Meghalaya through the Dawki – Tamabil land customs station located in the international border. This can be seen in the table below.

**Table: 5.9 Import through Meghalaya border in Rs lakhs (1997-02)**

Items	Dawki	Total	Category
Hilsa fish	35.46	35.46	A
Potato	3.82	3.82	C
Clothes	3.91	3.91	B
Fruit products	2.54	2.54	C
Total	45.73	45.73	

Note: other LCS of Meghalaya has no imports

### 5.10 Commodities Exported / traded: Bangladesh to Tripura

The table below indicates that Tripura traders have imported items like Hilsa fish and dry fish (category A item) mainly from Bangladesh. The import has been mainly through the Agartala land customs points. The other border points like Ragna bazar, Manu, and Srimantapur has not been very effective in terms of import.

The table below reveals that Agartala border has been very effective and handled bulk of the trade during the past years. However, the trade variety is again very low and revolves only two items i.e. Hilsa and Dry fish. The Hilsa fish is a specialty of Bangladesh and very good market demand in almost all the northeastern states of India and that has been reflected truly in the trade table 5.10.

**Table: 5.10 Import through Tripura border in Rs lakhs (1997-02)**

Items	Agartala	Ragnabazar Manu, Srimantapur	Total	Category
Hilsa fish	3290.74	38.18	3328.92	A
Dry fish	354.52	-	354.52	A
Scarp of iron	3.95	-	3.95	C
Fruit juice	7.22	0.64	7.86	C
Wafers	119.08	-	119.08	B
Waste of wool	12.01	-	12.01	B
MS rod	11.11	-	11.11	C
Pickles	4.52	0.14	4.66	C
Mineral water	11.76	-	11.76	C
Milk powder	13.29	-	13.29	B
Misc		-	0.85	C
Synthetic fiber	1.02	-	1.02	C
Dry chili	0.85	-	0.85	C
Toilet soap	5.9	-	5.9	C
Mosquito net	0.77	-	0.77	C
Squash	0.03	-	0.03	C
Ice cream	2.3	-	2.3	C
Cotton yarn	7.59	0.14	7.73	C
Cosmetics	1.73	-	1.73	C
PVC pipe	5.47	-	5.47	C
Electronic goods	1.53	-	1.53	C

**Table: 5.10 Import through Tripura border in Rs lakhs (1997-02). Continued**

Items	Agartala	Ragnabazar Manu, Srimantapur	Total	Category
Potato	32.8	-	32.8	B
Clothes	5.86	-	5.86	C
Garlic	0.58	0.28	0.86	C
Machinery	4.43	13	17.43	B
Jute	0.83	-	0.83	C
Total	3900..74	52..38	3953.12	

### 5.11. Conclusions

The earlier tables reveal that the total export from North East India to Bangladesh during 1996-2002 was Rs 873.79 crores and import was Rs 66.45 crores. The export figure went up from Rs 85.04 during 1996-97 crore to Rs 186.85 crores in 2002, the rise being about 220 percent in a span of six years period. However, export volume through Assam border has dropped from Rs 21.32 crores in 1996-97 to Rs 17.68 crores in 2001-02. In case of Tripura border there has also been drop in export volume from Rs 4.49 crores in 1996-97 to Rs 2.24 crores in 2001-02. On the other hand, export through Meghalaya border has been increased substantially during the same period (from mere Rs 59.53 crores to Rs 166.93 crores).

The total amount of import to the northeast India from Bangladesh has fallen from Rs 10.34 crores during 1996-97 to Rs 5.34 Crores during 2001-02. Import through Assam border barring the last two years i.e. 2000-01 and 2001-02 were hovering around Rs 3-5 Crores

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annually. However, during the past two years the import figure is revolving around Rs 1 crore only. Imports through Meghalaya border have not been impressive during the past five years and revolved around Rs 30 – 40 lakhs only. Imports through Tripura has been comparatively of larger volume and registered even Rs 11.79 Crores during 1997-98. Out of seven land port customs points in Meghalaya only one i.e. Dawki have been utilized for import purpose. In case of Tripura, the total export during the period 1997-02 has been Rs 12.21 crores against import of Rs 39.53 crores showing that balance of trade is in favour of Bangladesh unlike the other two state borders of Assam and Meghalaya.

Another interesting feature of NEI – Bangladesh trade is lack of commodity diversity in trade. Out of the total export of Rs 172.85 crores from Assam to Bangladesh during 1997-02, 92.7 percent of the trade has been due to two items only i.e. coal and rice as can be seen from the consolidated table 5.11 below depicting the category A and B items only. The table further makes it clear that the export trade from Meghalaya to Bangladesh is heavily dependent on export demand of two items like coal and limestone and constitute to about 93.57 percent of the total export trade value of Rs 617.10 crores. The same trend can be noticed in case of import trade also. While in case of import from Bangladesh to Assam, about 63% of the trade is due to import of ready made garments only.

In case of import through Meghalaya border, 85.91 percent are due two commodities only i.e. Hilsa fish and clothes. In terms of commodity variety exports from Tripura to Bangladesh seems to show a little bit different trend. Here four items, coal, ginger, orange and Rou fish constitute to about 64.71 percent of the total export of Rs 12.21 crores. Nevertheless, in import of commodities only two items like Hilsa fish and dry fish constitute to about 93.2 percent of the total import of Rs 39.53 crores.

**Table: 5.11 Export/Import of category A and B items during 1997-02**

		A category	B category
Assam Border	Export	<ul style="list-style-type: none"> <li>❑ Coal (60.24)*</li> <li>❑ Non basmati rice (32.46)</li> </ul>	<ul style="list-style-type: none"> <li>❑ Fresh ginger, (3.41)</li> <li>❑ Fresh orange, (1.11)</li> <li>❑ Chilly ( 0.45)</li> <li>❑ Citrus fruits (0.31)</li> <li>❑ Motor parts, (0.55)</li> <li>❑ Paper (0.61)</li> </ul>
	Import	Readymade garment (63.09)	<ul style="list-style-type: none"> <li>❑ Hilsa Fish (34.8)</li> <li>❑</li> </ul>
Meghalaya Border	Export	<ul style="list-style-type: none"> <li>❑ Coal, (86.37)</li> <li>❑ Limestone ( 7.16)</li> </ul>	<ul style="list-style-type: none"> <li>❑ Orange, ( 0.46)</li> <li>❑ Basmati rice, (0.55)</li> <li>❑ Boulder stone, (3.06)</li> <li>❑ Cement, (0.59)</li> <li>❑ Crushed stone (1.57)</li> </ul>
	Import	<ul style="list-style-type: none"> <li>❑ Hilsa fish (77.54)</li> </ul>	<ul style="list-style-type: none"> <li>❑ Clothes (8.37)</li> <li>❑</li> </ul>
Tripura Border	Export	<ul style="list-style-type: none"> <li>❑ Coal, (9.84)</li> <li>❑ Ginger,(34.02)</li> <li>❑ Orange, (11.69)</li> <li>❑ Fish, (9.16)</li> </ul>	<ul style="list-style-type: none"> <li>❑ Lentil, (7.57)</li> <li>❑ Onion, (2.17)</li> <li>❑ Potato, (2.21)</li> <li>❑ Others, (1.34)</li> <li>❑ Building materials,(4.29)</li> <li>❑ Dry fish,(8.52)</li> <li>❑ Coal dust ( 5.53)</li> </ul>
	Import	<ul style="list-style-type: none"> <li>❑ Hilsa Fish, (84.23)</li> <li>❑ Dry Fish (8.97)</li> </ul>	<ul style="list-style-type: none"> <li>❑ Potato, (0.83)</li> <li>❑ Machinery, (0.44)</li> <li>❑ Milk powder, (0.34)</li> <li>❑ Waste of wool (0.30)</li> <li>❑ Wafers (3.01)</li> </ul>

\* Figure in the brackets indicates percentage of total traded value during 1997-02

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This overall indicate towards dependency of the export trade from Assam and Meghalaya, in general, to few like mineral based items like coal, limestone whereas in case of Tripura the dependency towards few agro- horticultural based items like ginger, orange. Therefore, basically (A category of items) few items like coal, lime stone, ginger, orange, fish, non basmati rice and Rue fish have been the transacted commodities causing export trade relationship between the cross border entrepreneurs. In case of import, the commodities like readymade garments, Hilsa fish and dry fish (A category of items) constitute the basis of import trade relationship.



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## Chapter 6

### Introduction

#### 6.1 Enterprise and Regulation Centric Factors: An Empirical Analysis

This chapter looks in to and elucidates the establishment and evolution of economic relationship in order to ascertain the enterprise/ entrepreneur centric factors that are playing critical role for growth of economic relationship between the cross border entrepreneurs of northeastern region of India and Bangladesh. This chapter also analyses the regulation and trade practice centric factors that comes in to play and affect the relationship development process either directly or indirectly. The analysis covers all the three research areas, that is, Assam, Meghalaya and Tripura. As already stated, for ascertainment of enterprise/entrepreneur centric factors, the INTERFACE model has been utilized to describe and understand the process of relationship development closely. The chapter first describes the respondent enterprises in terms of their size, experience, length of trade relationship with Bangladesh, main line of their business in India, ownership structure, employment in the enterprises, operational role of the entrepreneurs in the business, type of relationship with Bangladesh and spread to understand the responding sample intimately. Then the chapter goes on to analyze the different stages of the INTERFACE model and ends up in isolating the entrepreneur centric factors that are either helping the relationship to grow or acting as hindrance. The regulation and trade practice centric factors are then analyzed to highlight and rank the problem areas that are intervening in the relationship development process.

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### 6.1.1 Respondent Enterprise and Length of Trade Relationship

Economic relationships between the two entrepreneurs across the land border of two separate countries are not uncommon. This takes place due to varieties of reasons. However, mutual economic benefit arising out of such relationship remains the primary purpose everywhere. Pushed by the purpose, two entrepreneurs decide to exchange commodities or services. The result is transaction of commodities or services. The success of one transaction prompts them to repeat such actions and as a result, the transactions become frequent leading to the growth of relationship. Therefore, growth of the relationship is very much dependent on the success of each transaction. Since one of the objectives of the study is to understand the entrepreneur centric factor that enhanced or hindered the formation of trade relationship of the entrepreneurs of northeast India with Bangladesh, the length of the trade relationship of the responding entrepreneurs with their Bangladeshi entrepreneurs is of crucial importance. This concern was discussed with the trade associations, both at the state level or at the regional level and it was decided that entrepreneurs with less than one-year trade relation will not be allowed to take part in the survey. The table 6. 1 indicates the age of the responding enterprises and length of their cross border relationship.

In Meghalaya, about 68.5% of the enterprises participated in the survey have less than six years of trade relationship. Similarly, in Assam majority of the enterprises (59%) are doing trade with Bangladesh for more than six years. In Tripura majority of the enterprises i.e. about 79% have trade relationship of 1-5 years while the balance i.e. 21% is in between 6-11 years. This indicates that the majority of the respondents of Meghalaya and Tripura are comparatively young in terms of cross border relationship than the majority of the Assam respondents.

**Table: 6.1 Age of the Enterprise and Length of Trade Relationship**

Territory	Meghalaya (n=38)	Assam (n=22)	Tripura (n=19)
Age of the Enterprises	Nos	Nos	Nos
1-5 years	13 (42.1)	6 (27.3)	6 (31.6)
6-11 year	19 (50.0)	16 (72.7)	13 (68.4)
>11- years	6 (15.8)	-	-
Length of trade relationship with Bangladesh			
1-5 years	25 (68.5)	9 (40.9)	15 (78.9)
6-11 year	12 (31.6)	13 (59.1)	4 (21.1)
>11- years	1(2.6)	-	-

The figures in the brackets represent percentage of the column total

### 6.1.2 Main line of Business in India:

The table 6.2 indicates how the response populations are distributed in terms of their business activities in the northeast India. In Meghalaya, the entrepreneurs are in two sectors only i.e. about 58% are engaged in agriculture related business activities followed by (42%) coal mining related activities. In Assam and Tripura, in a sharp difference to Meghalaya, the majority of the entrepreneurs are involved in retail businesses. In Tripura, about 20% of the respondents are engaged in handloom and handicraft related business activities in home country.

**Table: 6.2 Main Line of Business in India**

	Meghalaya (n=38)	Assam (n=22)	Tripura (n=19)
Food Processing	-	-	-
Handloom/Handicraft	-	-	20%
Agriculture	58%	25%	23%
Mining	42%	22%	-
Retail business	-	53%	57%

### 6.1.3 Ownership Structure and Size of the Enterprises

To complement the inventory of the enterprises represented in the survey, the ownership structure and size of the enterprises both in terms of turnover and in terms of employment were also analyzed. As goes in line with the inherent characteristics of the small enterprises of the northeastern region of India, the majority of the enterprises are small and sole proprietorship enterprises as per definition of the prevailing trade law.(table 6.3).

**Table: 6.3 Ownership Structures of the Enterprises**

	Meghalaya (n= 38)	Assam (n= 22)	Tripura (n= 19)
Sole proprietorship	34 (89.5)*	17(77.3)	17 (89.5)
Partnership	5 (22.7)	3 (7.9)	2(10.5)
Company	-	1(2.6)	-

\*Figures in the brackets are percentage of the column total

In regards to the size of the enterprises, 87% of the enterprises are having business turnover of more than Rs 10 lakhs, which includes revenue from cross border trade. Similarly, in Assam about 73 % of the enterprises are having more than Rs 10 lakhs business turnover. In a deviation to the trend, the responding enterprises of Tripura are almost evenly spread between more than Rs 10 lakhs category and less than Rs 10 lakhs category bracket in terms of their business turnover. One interesting aspect in the matter of the revenue of the enterprises is that the trade with Bangladesh occupies a major portion of the gross revenue earning of the respondent enterprises irrespective of location of the enterprises. The data given in the table 6.4 indicates that about 70-74 percent of their gross revenue is due to trade with Bangladesh.

**Table: 6.4 Size of the Enterprises (including cross border trade)**

	Meghalaya (n= 38)	Assam (n= 22)	Tripura (n= 19)
Less than 2 lakhs	-	-	-
Between 2-5 lakhs	1(2.6)	-	-
Between 6-10 lakhs	4(10.5)	6(27.3)	10 (53)
Above 10 lakhs	33 (86.8)	16(72.7)	9 (47)
Average generated from Cross border trade (%)	73.95	69.55	72.63

Figures in the brackets are percentage of the total

This indicates the level of dependency of the responding enterprises on the trade relationship with Bangladesh entrepreneurs and their involvement in the process.

### 6.1.4 Employment in the Enterprises

It is normal to think that the enterprise would keep some worker for handling the cross border trade related affairs exclusively. The table 6.5 below indicates that in Meghalaya, though strength of employment in the 38 enterprises is 336 (average nine employments per enterprises) but only 32 percent of them are exclusively dedicated for cross border business. Similarly, in Assam, the average employment in the enterprises is about seven but only 22 percent of the total employees are dedicated for the cross border business. In Tripura, average employment is comparatively low with about three employments per enterprises and only 20 percent of the employees are dedicated exclusively for cross border business. This trend was discussed with trade associations during the second visit to the border area. It was revealed that most of the enterprises prefer to have employees who are skilled for both the purposes. Depending upon the volume of trade and instant requirement to manage the show, the enterprises are diverting workers to supplement the strength of cross border workers. This tendency is more with the enterprises of Garo hills district of Meghalaya where the trade is seasonal and practically no trade takes place during the rainy seasons due to extremely poor road condition in the border areas. However, in terms of absolute number, the state of Meghalaya looks a little better in respect of cross border workers as it is revealed from the table below.

**Table: 6.5 Employment in the Enterprises Involved in Cross Border Trade**

	Employment in the Enterprises (Nos)	Absolute no. of cross border worker (Nos )	Proportion in %
Meghalaya (n= 38)	336	107	32
Assam (n= 22)	151	33	22
Tripura (n= 19)	63	13	20

### 6.1.5 Operational Role

The average respondent enterprises, as it appears from size, employment turnover etc, are small enterprises and, therefore, the operational roles of the owners are not very difficult to apprehend. In the majority of the enterprises, as indicated in the table 6. 6, the owners are playing the dual role of both owner as well as the manager. The trend is more visible in Tripura where about 90 percent of the enterprises are like that only. In about 77% and 68% enterprises of Assam and Meghalaya respectively, the entrepreneurs are sharing the dual responsibility of owner and manager.

**Table: 6.6 Operational Role**

	Meghalaya (n=38)	Assam (n=22)	Tripura (n=19)
Chief Executive	-	-	-
Owner	12 (31.6)	5 (22.7)	2 (10.5)
Owner Manager	26 (68.4)	17 (77.3)	17 (89.5)

Figures in the brackets are percentage of the total

### 6.1.6 Type of Trade Relationship with Bangladesh and Spread

In the matter cross border economic interweaving, the relationship between the cross border entrepreneurs gets deepen with more and more both way transactions i.e. with increase in volume of trade due to export from both the involved sides. One of the apparent reasons for this is that in case of export from either side, the relationship is further bonded with blessings from both the governments involved, as the trade looks beneficial to both. Attempt was made

to understand this aspect in respect of cross border economic interweaving between Bangladesh and northeast. As it is revealed in the table 6.7, about 66% of the enterprises of Meghalaya are involved in export only while the balance i.e.34% are in export and import both indicating towards more export than imports. The import inclination is reduced further in case of Assam where only about 23% of the enterprises are involved in both export and import and the balance doing export only. In sharp difference to the above-mentioned two states, the trend of trade involvement of the entrepreneurs of Tripura looks more promising with majority (about 79%) of the relationships are based on exports from both the sides. Another important feature noticed in the matter of cross border relationship is that almost none of the respondent entrepreneurs have trade relationship with any other countries other than Bangladesh. This indicates that the long international border between the states of the region and Bangladesh and the land customs points located along the border are providing immediate opportunities to the entrepreneurs to go for internationalization.

**Table: 6.7 Type of Trade Relationship with Bangladesh and Spread**

	Meghalaya (n= 38)	Assam (n= 22)	Tripura (n= 19)
Only export	25 (65.8)	17 (77.3)	4(21.1)
Only import	-	-	-
Export/import both	13 (34.2)	5 (22.7)	15(78.9)
Trade relationship with any other country	1 (3)	-	-
Frequency of visit to Bangladesh	3.67	4.25	5.35

\*Figures in the brackets are percentage of the total

## 6.2 Social Network and Professional Contact

This section endeavors to analyze the evolutions of economic relationships in successive stages by following the INTERFACE model. The first stage in the development process of cross-border economic relationships is the contact stage. The outcome for the determinants of the contact stage is examined for the three research areas i.e. Meghalaya, Assam and Tripura. In this respect, the personal acquaintances and professional acquaintances of the entrepreneurs of the northeastern states in Bangladesh were examined by means of a quantitative scale. The results are found to differ in the state level as indicated in the table 6.8. The average value of personal acquaintances of the respondents of Tripura and Assam are significantly more than that of Meghalaya. However, professional acquaintances of the respondents of Meghalaya are almost equal to the state of Tripura. Thus, respondents of Tripura and Assam are likely to be more informally embedded in the neighboring country's society while respondents of Meghalaya are more professionally embedded.

**Table: 6.8 Social Network and Professional Contact**

	Meghalaya (n=38)	Assam (n=22)	Tripura (n=19)
Personal acquaintances in Bangladesh	3.79	15.73	15.63
Professional acquaintances in Bangladesh	8.34	10.73	11.00

### 6.2.1 Contact and Visiting Frequency

Entrepreneur's visiting frequency of the personal and professional acquaintances in the neighboring country is a measure to assess the level of participation in the society and the 'strength of ties' with the acquaintances in that society. It may be assumed that a high visiting frequency stimulates a sense of familiarity or 'feeling at home' in the culture of the neighboring country. The point of gravity, in the ordinal scale used for the purpose, of the visiting frequency (the median) is the category 'every few months' for both personal and professional acquaintances. A state wise difference in visiting frequencies, however, has been observed. The entrepreneurs of Tripura and Assam visit their personal acquaintances in the neighboring country of Bangladesh more than Meghalaya entrepreneurs while the entrepreneurs of Tripura visit their professional acquaintances in the neighboring country more often than those in Meghalaya and Assam. These differences in the visiting and contact frequencies can be seen in the table 6.9 below.

**Table: 6.9 Contact and Visiting Frequency**

	Meghalaya (n=38)	Assam (n=22)	Tripura (n=19)
Visiting frequency of Personal acquaintances	2.92	3.00	3.84
Visiting frequency of Professional acquaintances	3.13	3.12	3.42

### 6.2.2 Indirect Contact

It may be assumed that personal and professional contacts are directly useful in generating new contacts, which may lead to new economic relationships. The network theory on this

subject indicates that contacts and relationships are most often initiated through other indirect contacts and relationships. The spread in a cross border market are, according to this theory, determined by the quantity and quality of the contacts and relationships one has in that market. This factor thus necessitates understanding the degree to which others have helped the entrepreneurs of the region in bringing about the contact/relationship with that of Bangladeshi entrepreneurs. The table 6.10 indicates the level of indirect help received by the respondents of the three states in this direction.

**Table: 6.10 Indirect Contact**

Help received to main Indirect contacts (In %)	Meghalaya (n=38)	Assam (n=22)	Tripura (n=19)
From Professional relation in the neighboring country	57.9	45.5	68.4
From professional relation in the home country	63.2	45.5	57.9
From colleague in home country to maintain indirect contacts	57.9	77.3	57.9
From the colleague entrepreneur in Bangladesh	10.5	72.7	42.1
From the Chamber of Commerce/ Trade Associations in the home country	18.4	27.3	38.8
From the Chamber of Commerce/ Trade Associations in Bangladesh.	7.90	18.2	31.6
Personal acquaintance in the home country	36.8	45.5	36.8
Personal acquaintance in the neighboring country	31.6	45.5	47.4

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It is found that the trade bodies of both Bangladesh and northeast India have significantly less contributed in bringing about the new contact/relationship in the neighboring country. The professional relations in both the countries helped the entrepreneurs of three states handsomely. In as much as 58% of the cases, the colleague entrepreneurs in the home country helped in relationship building in case of Meghalaya and Tripura entrepreneurs, that is further high (77%) in case of Assam. Except Assam, the entrepreneurs of Meghalaya and Tripura have not received any significant help in terms of aid or advice from colleague entrepreneurs located in Bangladesh. The percentage of entrepreneurs that received help from the trade bodies has been very low. Of all the respondents of Meghalaya, only 18.47% said to have received help from trade bodies, 26.5% in case of Assam and 30.4% in case of Tripura. Almost same is the case in respect of help extended from the trade associations of Bangladesh. It may be said, therefore, that the trade associations did not play any significant role in the establishment of the most important economic relationships between the entrepreneurs across the border.

### **6.2.3 Relationship Preference**

The relationship preference of the entrepreneurs involved in the cross border trade with one or more relations in the neighboring country was examined through seven questions. Their answers were measured against a seven-point Likert scale where seven-meant highest preference and one meant least preference and the scale has been interpreted as an interval scale to enable comparison of the average values.

Table 6.11 shows the ranking order of the items in the relationship preference of the entrepreneurs in the three states separately. The average values are followed by their ranking order according to importance (in brackets).

**Table: 6.11 Ranking Order of Relationship Preference**

	Meghalaya (n=38)	Assam (n=22)	Tripura (n=19)
Higher profit, despite higher risk	4.39 (2)	2.82 (6)	1.53 (6)
Economic relations with a broad contact network	2.74 (6)	3.23 (2)	4.21 (1)
Steady long-term economic relationships	2.87 (5)	2.82 (4)	3.68 (4)
Conscious search for professional contacts and economic relations in the neighboring country	2.66 (7)	3.18 (3)	4.00 (2)
Economic relations at short term	4.45(1)	2.50 (5)	2.89 (5)
Knowledge concerning the price/quality ratio of alternative partners	2.95 (3)	3.23 (2)	4.00 (2)
Economic relations in the home country	2.89 (4)	3.32 (1)	3.95 (3)

It appears from the table 6.11 above that in case of Meghalaya, average respondents prefer the short term relationships that bring high profits despite greater risks of the trade assignments. The entrepreneurs of Assam have shown greater inclination towards relationship in the home country first and then preferred to have the choice between various price/quality alternatives in the matter of cross border trade relationships. This is well supported by their preference for economic relations with a broad contact network that indicates a risk-avoiding behaviour in relationships. This is again confirmed by the relatively strong disapproval of projects with high profits incorporating greater risks. Entrepreneurs seeking fairly steady long-term economic relationship in the neighboring country, displaying a significant regional dissimilarity between the entrepreneurs of three states. This is clearly

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preferred more by the entrepreneurs of Tripura than that of other two states. In general, economic relations in the home country have been generally more or less preferred by all. A significant difference exists between the states in the matter of duration of economic relationship. It appears from the table that the entrepreneurs of Meghalaya do not have significantly strong preference for long-term relationship with Bangladeshi entrepreneurs and in this respect they are conflicting with the preference of Tripura and Assam entrepreneurs.

#### **6.2.4 Mental Distance**

Generally, a relationship with an entrepreneur in the neighboring country appears to be perceived as a transaction involving more mental uncertainty, greater adaptation, and higher costs than a relationship with an entrepreneur in the home country. However, it is characteristically true that a cross border entrepreneur considers foreign transactions as being of greater business interest than a relationship in the home country. This, in other words, looked upon as compensation towards uncertainty involved. The entrepreneur in the neighboring country is expected to compensate for the additional costs and insecurity of the transaction by ensuring a comparatively better deal. The entrepreneur, therefore, wants the foreign entrepreneur to have a better market position compared to economic relations in the home country. Hence, determination of mental distance between entrepreneurs of northeast India and that of Bangladesh is important as it sheds light on the perceived insecurity aspects of the relationships. Attempts were made to determine the mental distance of the entrepreneurs involved in the cross border trade by looking at their perceptions while working with an entrepreneur of the neighboring country and by evaluations of the same towards the consequences of these differences on the success of the cooperation. For doing this a seven point, Likert scale was utilized where seven-meant highest difference and one meant lowest difference and the scale has been interpreted as an interval scale to enable comparison of the average values. Altogether 13 questions were asked under the mental distance category. It has been found that the respondents of Tripura perceived less difference

(2.73) than Assam (3.38) and Meghalaya (3.52) entrepreneurs in totality as given in the table 6.12 below.

**Table: 6.12 Mental Distance**

	Meghalaya (n=38)	Assam (n=22)	Tripura (n=19)
Required financial resources base of an entrepreneur for developing a trade relationship in Bangladesh.	2.92	2.95	3.05
Time required for finding a partner for an economic relation.	3.34	3.45	2.26
Time required for getting to know the partner well.	3.42	3.50	2.37
Uncertainty about respecting trade agreements i.e. compliances.	3.53	3.59	2.32
Organizational modifications as a consequence of the relationship	3.18	4.36	2.26
Chances that the relationship would become successful	2.55	3.36	2.32
Differences in professional (business) habits	2.97	3.27	2.21
Efficiency in maintaining the relationship	2.97	3.31	2.37
Expected intensity of the relationship	3.08	3.36	2.26
Expected duration of the relationship	2.74	4.68	4.00
Risk of miscommunication (communication failure) in the relationship	3.42	2.36	4.00
Difference in professional ideas	2.95	2.00	2.63
Importance of the other's good market position	2.58	3.77	3.42
Total (Average )	3.52	3.38	2.73

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The picture that emerges from the analysis of the mental distance is that the respondents in Meghalaya expect to encounter greater difficulties caused due to delays in finding a partner for an economic relationship and due to feeling of uncertainty about level of compliances of trade agreement by the Bangladeshi entrepreneurs. The Assam respondents also feel apprehensive about the success of relationship due to uncertainty about respecting trade agreements by the Bangladeshi entrepreneurs. The entrepreneurs of Meghalaya feel that they require comparatively more time than Assam and Tripura in knowing their economic partners in Bangladesh.

#### **6.2.5 Physical Distance**

The respondents were requested to provide the factual traveling distance in minutes to reach their most important cross border trade partners. The table 6.13 shows that the average traveling time to reach the relation was approximately 284 minutes for the entrepreneurs of Meghalaya, 117 minutes for the entrepreneurs of Assam and 111 minutes for the entrepreneurs of Tripura.

The average traveling time of Meghalaya entrepreneurs to reach Dhaka, the capital city of Bangladesh, is 301 minutes, while it is 427 minutes for the entrepreneurs of Assam and 147 minutes for the entrepreneurs of Tripura. The entrepreneurs of Tripura comparatively requires relatively short traveling time either to reach their trade partners or to the capital city.

However, if this is related to the bigger volume of cross border trade between Meghalaya and Bangladesh for the past few years , it seems that Meghalaya entrepreneurs though maintains highest distances both from entrepreneurs and from capital city but long traveling time is apparently no hindrance to develop important relationship

**Table: 6.13 Physical Distance**

	Meghalaya (n=38)	Assam (n=22)	Tripura (n=19)
Travel time to reach the economic partner	284 minutes	117 minutes	111 minutes
Distance between business place and Dhaka	302 minutes	427 minutes	147 minutes

### 6. 2.6 Feeling at home

The aspects of 'feeling at home' in the living culture and business culture of the neighbouring country is an important indication of the actual affective boundary between the entrepreneurs. Generally, people do not really feel at home in the foreign culture as the culture is regarded as foreign and not their own. It is generally regarded that at the end of national border separate and different culture begins. The degree of feeling at home was tested for the respondents in a seven point Likert scale (where seven-meant highest and one meant lowest) and the result in average value have been indicated in the table 6.14. The entrepreneurs, in general, do not feel too much at home in the living and business culture of Bangladesh as revealed by the low score in this respect. However, the entrepreneurs of Tripura, of all the three states, were found to feel considerably more at home in the neighbouring culture than respondents of two other states. This coincides with the generally prevailing image of Tripura, that Tripura has a strong affinity with Bangladesh because of cultural and language similarities. The results that the respondents in Tripura have significantly more personal acquaintances in the neighbouring country than the respondents

of the other two states and that they visit these acquaintances most often, add further to this image.

**Table: 6.14 Feeling at home**

	Meghalaya (n=38)	Assam (n=22)	Tripura (n=19)
Feeling at home' in the neighboring country	2.34	2.36	3.63
The degree of 'feeling at home' in the business culture of the neighboring country	2.53	2.86	4.11

### 6.2.7 Border Evaluation

How the entrepreneurs regard the long international border of northeast India with Bangladesh and its presence is also an important consideration in the matter of growth of economic relationship. To this effect seven questions were included in the questionnaire; four regarding border as barrier and the other three for its relevance.

All the respondents answered them on a seven point Likert scale varying from least barrier to most barriers and from most relevance to least relevance (where seven-meant highest and one meant lowest ). It can be seen from the following table 6.15 presenting the average value of responses that there are significant state wise differences. Entrepreneurs in Meghalaya and Assam regarded border as comparatively more as barrier than those of Tripura. The entrepreneurs of Meghalaya and Assam regarded border as comparatively more cost increasing, more movement restricting, and more dividing than the entrepreneurs of Tripura.

**Table: 6. 15 Border Evaluation**

	Meghalaya (n=38)	Assam (n=22)	Tripura (n=19)
<b>Border as barrier</b>			
Border increases cost	3.10	3.55	2.79
Border restricts movements	3.68	3.50	3.08
Border restricting visualization of market	2.84	3.36	2.95
Border has dividing effect on market	4.05	3.45	2.95
<b>Border as relevance</b>			
Border is useful	3.00	3.45	3.42
Border is a hindrance	3.03	2.86	2.63
Border is noticeable	2.92	2.90	2.47

In terms of relevance of the border also, the entrepreneurs of Tripura felt the border comparatively less useful, less hindrance and less noticeable than those of Meghalaya and Assam. Again, while comparing between the notions of Assam and Tripura regarding the common border, the entrepreneurs of Tripura regarded border less useful, less dividing, less noticeable, less cost increasing etc than those of Assam. This would seem to indicate that the respondents of Tripura feel more closeness with the Bangladeshi entrepreneurs than the entrepreneurs of Meghalaya first and then Assam.

### 6.2.8 Hierarchy of Spatial Identity

Entrepreneurs of a state or region are expected to have a strong spatial affective bond, a spatial identity. In the survey, all entrepreneurs were requested to indicate how strongly they

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felt related to their state, region, and country. This connectedness is a good indicator for geographical identity. The assumption was that the identification with an area decreases, as the working zone/area gets larger due to the so-called distance effect of spatial identity. In addition to the distance effect, the neighbour effect is distinguished. It assumes that the spatial identification with the neighbouring country/region is smaller than the identification with international space in general. In the survey, the following levels were distinguished:

(1) Regional (2) Inhabitant of border region (3) National (4) Asian (5) World citizen.

In the survey, the ranking order of the above-mentioned levels was determined for the respondents through the question: ‘I feel that I am ... . The average values on the scale range from 1 = “very little connected with” to 7 = “very strongly connected with” and the scale was interpreted as an interval scale, allowing for comparison of average values as per preference marked by the respondents. The table 6.16 below indicates the mean score of the respondents of the three states. In general, it was found that there are very strong regional differences for identity. Spatial identity is, as expected, a theme about which entrepreneurs think differently according to the state in which they work reflecting a gradation of spatial identity, which ranges from state via national and Asian to global. It may be seen in the table that entrepreneurs, in the transition from national to international, regard themselves as world citizens rather than as connected with the neighboring country and this holds true for Meghalaya and Assam entrepreneurs. Irrespective of any differences between the states, the entrepreneurs have shown feeling of absolutely being connected with the regional background. Entrepreneurs in Tripura feel more connected to the global level, than to Meghalaya or Assam. Moreover, all entrepreneurs have a higher level of identification with the northeastern region than with the neighboring country except Tripura. The border-regional identity, therefore, scored high, in case of Tripura entrepreneurs, in comparison to the score in other two states. This effect is weakest for Meghalaya entrepreneurs. Of all respondents, Meghalaya entrepreneurs feel the strongest connection with the classification

‘resident of a northeastern region’, even over and above the feeling that they are world citizens.

**Table: 6. 16 Hierarchy of Spatial Identity**

	Meghalaya (n=38)	Assam (n=22)	Tripura (n=19)
I am a resident of north eastern region	5.11	4.23	3.21
I am a resident of NEI-Bangladesh border	2.84	3.25	4.05
I am a resident of India	3.63	4.14	5.32
I am a resident of Asia	3.87	3.86	3.94
I am a world citizen	3.03	3.50	3.89

### 6.2.9 Level of Attraction

The determinant in the next stage of the INTERFACE model is the attraction stage. The first acquaintance and meetings often determine whether the contact evolves to an economic relationship. In the attraction stage, the point is to analyze why two entrepreneurs decide to enter into an economic relationship. The respondents with one or more cross-border economic relationships were asked to explain the reasons for the attraction of their partner in the neighbouring country resulting in to trade on a seven point Likert scale varying from least attraction to most attraction (where seven-meant most and one meant least ).

**Table: 6. 17 Level of Attraction: Ranking Order**

	Meghalaya (n=38)	Assam (n=22)	Tripura (n=19)
<b>Complementation:</b>			
Availability of business contacts and information of the other cross border traders.	3.63 (3)	3.82 (1)	5.00 (2)
Easiness of access to the market of the neighboring country through others	3.00 (6)	3.59 (3)	4.32 (5)
Differing and interesting business notions of the Bangladeshi traders.	2.87 (7)	3.32 (7)	4.05 (6)
Cross border relationship would ensure access to better market of the products.	1.82 (12)	3.50 (4)	3.47 (10)
<b>Spatial proximity:</b>			
Easiness in spreading relationships with other entrepreneurs too within short time	3.08 (5)	3.36 (6)	4.42 (4)
Enabling high visiting frequency with the other entrepreneurs.	2.11 (11)	2.72 (12)	2.58 (13)
The importance of the relatively short traveling time to reach the counterpart	2.74 (8)	3.23 (8)	3.21 (11)
<b>Similarity :</b>			
Flavor of mutual sympathy in the economic relationships.	2.73 (9)	2.77 (11)	5.05 (1)
Dependency (mutual faithfulness) on the other.	3.13 (4)	3.36 (5)	3.95 (7)
Recognizing ability of other's business notions	3.08 (5)	3.04 (9)	3.79 (8)
<b>Physical attraction :</b>			
Specificity and usefulness of other's material resources	3.87 (1)	2.72 (12)	2.84 (12)
Delivery capacity of the requested quality	3.66 (2)	2.81 (10)	3.68 (9)
Expectancy of deal with pretty fairness in price	2.66 (10)	3.77 (2)	4.58 (3)

Note : Bracketed figures are ranking order of the individual column

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A ranking order of factors involved can be seen in table 6.17 showing the average values along with their ranking in the bracketed figures.

The most important attraction factor for the respondents of Meghalaya has been the better marketability of the products that indicates a fundamental characteristic of an enterprise. This is followed by easiness of access to the market of the neighboring country through others, availability of business contacts and information of the other cross border traders and relatively short traveling time to reach their counterparts. The respondents of Assam indicated preference for availability of business contacts with information of the other cross border traders and the importance of the relatively short traveling time to reach the counterpart both as their preferred causes of attraction. This is followed by easiness of access to the market of the neighboring country through others. In case of Tripura traders, easiness of access to the market of the neighboring country through others and spreading of those relationships with other entrepreneurs too within short time constitute the prime factors of attraction. Therefore, in the matter of attraction not much significant state wise difference could be observed here.

#### **6.2.10. Spatial Proximity**

One of the important considerations in the matter of cross border economic relation with neighbouring country has been the spatial proximity. In case of internationalization of small enterprises, this has been regarded as the first step for maturing and going beyond the neighbouring country. In this study, an analysis of spatial proximity reveals that most of the entrepreneurs avail the land transport to reach their cross border counter parts.

The traveling time, on average, is lowest for the Tripura entrepreneurs (about 111 minutes) and highest for the Meghalaya entrepreneurs (265 minutes) and Assam in between (240

minutes) these two. The most (about 74%) of the Meghalaya entrepreneurs used to stay in Bangladesh only for one/ two days but in case of Tripura entrepreneurs, the most of them (about 68%) usually stay for longer duration i.e. one week. However, none of the entrepreneurs of the region usually stays there in Bangladesh for more than a week usually.

**Table: 6.18 Spatial Proximity**

		Meghalaya (n=38)	Assam (n=22)	Tripura (n=19)
Mode of traveling	Air	18%	13.6%	-
	Road	81.6%	86.4%	100%
Traveling time		265.53 minutes	240.00 minutes	111.05 minutes
Duration of stay	One /two days	73.7%	54.5%	31.6%
	One week	26.3%	45.5%	68.4%
	More than a week	-	-	-

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### 6.2.11. Level of Interaction

Generally, a certain degree of positive attraction requires to be emerged between the two entrepreneurs in the stage of acquaintances to facilitate interactions in the direction executing actual transactions. Interaction may lead to working agreements, which may or may not be officially enforced by means of a written contract. General consideration is that for interaction to be meaningful, smooth communication and an informally open atmosphere needed to characterize the interaction process. The reason is, in that situation, one knows fairly well what to expect from the other. Attempt was made in the study to capture the interaction between the entrepreneurs of the region and Bangladesh. Therefore, the questionnaire contained seven questions concerning the interaction process, which was put to all respondents. Four questions are related to transaction cost and three questions related to trust using a seven point Likert scale (where seven-meant highest and one meant lowest).

The table 6.19 below presenting the average value of the responses indicates that the Tripura and Assam entrepreneurs needed comparatively less investments in knowledge or human and material resources or adaptations to new system to realize the relationship. The entrepreneurs of Assam and Tripura faced with comparatively less number of disadvantageous proposals than Meghalaya entrepreneurs.

Furthermore, the table 6.19 indicates that for the entrepreneurs of Assam and Tripura, the atmosphere surrounding the interaction process significantly more often remained informal and open and both the side seemed to understand each other's need well in comparison to the Meghalaya entrepreneurs

**Table: 6.19 Level of Interaction**

	Meghalaya (n=38)	Assam (n=22)	Tripura (n=19)
<b>Transaction cost:</b>			
Changing of your production/ process and/or product to suit the need of Bangladeshi traders.	3.50	3.05	2.37
Investment in knowledge manpower/ Resources to come to working agreements.	2.95	2.86	2.84
Proposals from of the other in professional meetings put you in disadvantageous position.	2.87	2.41	2.26
Discussions mainly covers transaction risk and guarantee related issues	2.63	2.95	2.32
<b>Trust :</b>			
The communication between the two of you go smoothly	2.34	4.18	5.58
You both know exactly what to expect from the other	2.63	4.05	5.05
During the business deliberations also both of you remains informal and open	2.61	4.00	5.11

### 6.2.12. Level of Transaction

When a cross border interaction proceeds according to the expectations of both the parties and conditions have been agreed upon mutually then the moment of transaction comes. Therefore, the next stage after interaction, in the INTERFACE model, is the actual entering in to a bilateral cross border economic relationship when the transactions are completed. This

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stage is vital because from this stage the continuity aspects of transactions and there from relationship development between the actors involved shapes out. A relationship refers here to the repeated transactions between two entrepreneurs. More precisely, a border crossing economic relationship has already been defined in this study as an agreement whether or not in writing, between two entrepreneurs from two neighbouring countries and of different nationalities, which provides in the regular occurrence of business activity or transaction. This study intends to highlight not only the level of transaction (formality and informality of transaction and their result) but also the type of relationship presently existed between the entrepreneurs of the neighbouring countries in question. The idea is that more informality would indicate the depth of trust that again paves the road for repeated transaction facilitating relationship development. However, prior to actual exchange of resources, both the parties may go for a detailed written down contracts indicating temporary or sustained actions both the actors commit themselves to perform wherein what is an obligation for one actor is the others right. In case of non-fulfillment of the stipulated conditions, the right can be enforced. It is pre supposed that high transaction cost due to high asset specificity and coupled with low trust, the involved parties would be more committed to the paper contract i.e. formal legal documents. To understand the level of transactions the questionnaire contained two important questions about the formality of the transactions executed by the entrepreneurs. The questions were put by using a seven point Likert scale where one meant least agrees and seven meant fully agrees to the informality of the agreements. The table 6.20 below presents the average value of the responses regarding formality aspects of transactions along with length and type of cross border relationships of the northeast entrepreneurs. The table reveals that the respondents are generally arriving to informal understanding prior to the actual transactions and the same understanding are followed up by them adequately at the time of actual transaction. Closely associated with the matter of informality of transactions, is the number of transactions that helps in relationship development.

**Table: 6. 20 Transaction Level and Relationship**

		Meghalaya (n=38)	Assam (n=22)	Tripura (n=19)
Reach an informal agreement before actual transaction.		2.34	4.18	6.63
Informal agreements are followed in practice also		4.32	4.05	6.21
Average no of relationship per year		20.61	15.81	22.37
Type of Relationship (in %)	Export import of raw materials	78.9%	77.3%	23.5%
	Joint ventures	-	-	-
	Export import of manufactured goods	-	-	15.8%
	Agent /representative etc	-	-	-
	Only export of goods as per demand	21.61%	22.7%	53.4%
	Only import of goods as per demand	-	-	7.3%

The table above also indicates that the Meghalaya entrepreneurs had executed about 21 transactions per year on average and the most of the transactions (78.9%) were supply of raw materials. The Assam entrepreneurs had comparatively less number of transactions per year i.e. about 16 on average. The most of the Assam entrepreneurs (77.3%) also had similar type

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of relationship like Meghalaya i.e. export import of raw material followed by export of goods as per demand in 22.7 percent cases. In comparison between three states, the Tripura entrepreneurs had the highest frequency of transactions with 22 transactions on average per year. The type of relationship shows different nature here. The majority (about 61%) had relationship between the Tripura entrepreneurs broadly covering transactions related to export / import of material as per demand. However, a good number of entrepreneurs (15.8%) dealt with export/import of manufacturing goods.

The interesting point here is that though both in Meghalaya and Assam, the types of relationship is that supply of raw material but the transactions are claimed to have taken place more informally. High informality in case of Tripura is likely because here the majority of relationships are of export/import of goods as per the market demand.

### **6.2.13 Success**

The last stage of INTERFACE model deals with the degree to which the cross border relationship is successful. The success of cross border relationship often depends on the previous different stages already described i.e. in other words; success is the outcome of several relationship evolution process that takes place in the various stages. Factors such as the degree of attraction, the degree of trust in the interaction, and the compulsions of the contract are expected to play a role in the degree to which the established relationship will be successful. Since the success of border-crossing economic relationships is expected to be heavily path-dependent, the present study, therefore, assesses the degree to which the factors determining the establishment of the relationship actually contribute to its success and growth through the entrepreneurs' perception of success. First, this allows better reflection of the factors that actually contributed to the success and growth. Second, as this study has not aimed to be longitudinal, hence it is not possible to investigate how the actors interacted in longer terms in course of their established relationship and isolate factors contributing to it.

Therefore, the respondents were requested to indicate on a seven point Likert scale (one indicates minimum and seven indicates maximum) how (1) they themselves assess the success of the relationship (Emerson, 1981; Sarkar, Cavusgil, and Evirgen, 1996), and (2) how far the intensity of the relationship has altered since the moment of transaction. The table 6.22 below list out the average of the responses. The average value in the table indicates that both degree of success wise as well as intensity of success wise the respondents of Meghalaya have rated them as average while Assam and Tripura entrepreneurs have rated them more than average.

**Table: 6.21 Success Parameters**

	Meghalaya (n=38)	Assam (n=22)	Tripura (n=19)
Intensity of relationship	3.16	3.50	3.95
Degree of success	2.92	3.23	3.79

### 6.3 Determinants of Critical Factors for Success of Cross Border Relationship

One of the basic objectives of the study is to ascertain the factors that either help or hinder the growth of economic between the entrepreneurs of the neighbouring countries. The different stages of the INTERFACE model have provided an inventory of facts in the formation process of cross border relationship. In the previous chapter, the actual transaction of the commodities from the region to Bangladesh through the fifteen land port customs points has been dealt with critically to take a cross sectional view for characterization of cross border economic activities. The next logical step, therefore, would be to isolate the factors that play a crucial role for growth and development of economic interweaving with

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the neighbouring country across the border. To gain a first insight in to the connection between the enterprise/ entrepreneur centric factor with the growth of economic relationship in the neighbouring country first, the bivariate correlation has been inventoried and analyzed. Here, the entrepreneurs' perception of success of their economic relationship of the entrepreneurs has been taken as dependent variable and the variables involved in the different stages of INTERFACE model as independent variables.

### **6.3.1. The Success of Economic Relationship and Direct and Indirect Contact of the Entrepreneurs**

In the previous analysis it has been observed that, on the average value terms, the personal acquaintances of the respondents of Tripura and Assam are more than that of Meghalaya. However, professional acquaintances of the respondents of Meghalaya are more than that of the other two states. In the bivariate analysis indicated in table 6.22 below, a strong positive, significant connection has been found to exist between the success of relationship and the number of personal and professional acquaintances in Bangladesh. In addition, a strong positive and significant connection could be noticed between the visiting frequency of these acquaintances and success of relationship. This is an important finding and becomes more indicative towards growth aspects when one relates this connection with difference in number of acquaintances that exist between entrepreneurs of Tripura and Meghalaya.

At this stage it may be concluded from the analysis that a great number of personal and professional acquaintances along with high visiting frequencies goes together to enhance growth of relationship. However, the reverse may also occur since correlation does not imply causality.

**Table: 6.22 The Bivariate Correlation between the Independent Variables and Success of Economic Relationship in the Neighbouring Country**

Independent Variable : (Social and professional network of the entrepreneurs and indirect contact)	Dependent variable: The success of cross –border economic relations in the neighbouring country.	
	Pearson Correlation Coefficient (a)	Level of Significance (b)
Professional acquaintances in Bangladesh	0.351	0.002**
Visiting frequency of personal acquaintances	0.286	0.011*
Visiting frequency of professional acquaintances	0.297	0.008**
Help from professional relation in Bangladesh to maintain indirect contacts	-0.400	0.000**
Help from Chamber of Commerce/ Trade Associations in Bangladesh to maintain indirect contacts.	-0.296	0.008**
Help from Chamber of Commerce/ Trade Associations in India to maintain indirect contacts	-0.327	.003**

(a) Force of influence (positive/negative)

(b) \*\*level of significance < 1%, \* level of significance < 5% (2-tailed)

(c) Non significant factors has not been shown in the table

### 6.3.2. Success of Economic Relationship and Relationship Preference of the Entrepreneurs

The result of the correlation analysis between success and relationship preference of the entrepreneurs has been given in the table 6.23 below.

**Table: 6.23 The bivariate correlation between the independent variables and the success of economic relationship in the neighbouring country**

Independent Variable (Relationship Preference)	Dependent variable: The success of cross –border economic relations in the neighbouring country	
	Pearson Correlation Coefficient (a)	Level of Significance (b)
Preferred relationship with higher profit, despite higher risk	- 0.372	0.001**
Steady long term relationship	0.263	0.019*
Preference for conscious search for professional contacts and economic relations in the neighboring country	0.239	0.034*
Knowledge concerning price /quality ratio of the alternative partners	0.371	0.001**
Economic relationships in the home country	0.310	0.005*

(a ) Force of influence (positive/negative)

(b) \*\*level of significance < 1%, \* level of significance < 5% (2-tailed)

(c) Non significant factors has not been shown in the table

The above table indicates a significant positive correlation between the success of relationship in the neighboring country and entrepreneur's preference for conscious search for professional contacts and their preference for economic relationship in the home country also. However, there seems to exist significant negative correlation between the success and entrepreneurs' preference for relationship based on high profit involving higher risk implies that entrepreneurs are taking high risk for higher profit.

### 6.3.3 The Success of Economic Relationship and Mental Distance of the Entrepreneurs

In the matter of mental distance, it has already been analyzed in the previous section that how the respondents react in the face of differences they perceive while developing the cross border relationship. The consequence of the perceived differences may be reflected in the growth pattern. In the following correlation analysis, result indicated in the table 6.24 below,

**Table: 6.24 The bivariate Correlation between the Independent Variables and the Success of Economic Relationship in the Neighbouring Country**

Independent Variable (Mental Distance)	Dependent variable: The success of cross –border economic relations in the neighbouring country	
	Pearson Correlation Coefficient (a)	Level of Significance (b)
Required financial resources base of an entrepreneur for developing a trade relationship in Bangladesh.	0.0546	0.000**
Time required for finding a partner for an economic relation.	- 0.353	.001**
Time required for getting to know the partner well.	- 0.449	0.000**
Uncertainty about respecting trade agreements i.e. compliances.	-0.426	0.000**
Organizational modifications as a consequence of the relationship	- 0.427	0.000**
Chances that the relationship would become successful	-0.585	.000**
Differences in professional (business) habits	-0.511	.000**
Efficiency in maintaining the relationship	- 0.442	.000**
Expected intensity of the relationship	- 0.486	.000**

(a) Force of influence (positive/negative)

(b) \*\*level of significance < 1%, \* level of significance < 5% (2-tailed)

(c) Non significant factors have not been shown in the table

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From the result of the table the following inferences may be drawn:

- (a) there exist a significant positive correlation between the expected requirement of financial strength of an entrepreneur for developing a trade relationship in Bangladesh and the success of relationship.
- (b) there exist a significant negative correlation between the expected differences in professional (business) habits of the Bangladeshi entrepreneurs, intensity and efficiency of relationship and success of such relationship with growth characteristics.
- (c) there exist a significant negative correlation between the expected time required for finding a business partner in Bangladesh and getting to know the partner well for an economic relation with success of relationship.
- (c) there exist a significant negative correlation between the expected organizational modifications as a consequence of the relationship and the success of relationship.

The negative correlation in above areas indicates that the mental distance displays a negative correlation with growth of economic relation. The less the mental distance more the growth of relationship. In the previous analysis, this was indicated that the respondents of Tripura perceived less difference (2.73) than Assam (3.38) and Meghalaya (3.52) entrepreneurs. Therefore, Tripura entrepreneurs feel comparatively less mental distance than Assam and Meghalaya and hence possibility of doing better in terms of cross border relationship growth

### 6.3.4. The Success of Economic Relationship and Feeling at Home Attitude of the Entrepreneurs

The table 6.25 below indicates towards a significant positive correlation between the ‘feeling more at home in the neighbouring country’ attitude of the entrepreneurs of the northeastern region and the success of relationship.

**Table: 6.25 The Bivariate Correlation Between the Independent Variables and the Success of Economic Relationship in the Neighbouring Country**

Independent Variable (Feeling at home)	Dependent variable: The success of cross –border economic relations in the neighbouring country	
	Pearson Correlation Coefficient (a)	Level of Significance (b)
Feeling at home’ in the neighboring country	0.308	0.006**
The degree of ‘feeling at home’ in the business culture of the neighboring country	0.561	0.000*

(a) Force of influence (positive/negative)

(b) \*\*level of significance < 1%, \* level of significance < 5%

(c) Non significant factors have not been shown in the table (2-tailed)

This correlation is further supported by the fact that the degree of feeling at home in the business culture of the neighboring country also positively correlated with success indicating the factors contribution to the growth of cross border relationship.

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### 6.3.5 The Success of Economic Relationship and Border Evaluation, Spatial Identity of the Entrepreneurs

As already stated while detailing the INTERFACE model that entrepreneurs who do not look to the national border as barrier of economic relationship development and regards it as irrelevant for market expansion are more prone for cross border relationship. Since the study respondents are already in the cross border trade with stipulated at least one year of trade relationship with Bangladesh, therefore, it was expected that all the respondents more or less would regard border neither as barrier or much relevant for market expansion. To assess the correlation between the success of economic relationship and border evaluation, spatial identity of the entrepreneurs, bivariate correlation analysis has been inventoried. The result is given in the table 6.26.

As expected the result indicates towards a strong negative correlation between the success of relationship with the entrepreneurs of neighbouring country and perceived relevance of the border. The same is found to hold good in case of their perception of border as barrier. Both of these, therefore, show that entrepreneurs who tend to add growth in cross border relationship would look differently at an abstract phenomenon such as the national border.

These correlations along with the previous findings that the respondents of Tripura feel more closeness with the Bangladeshi entrepreneurs than the entrepreneurs of Meghalaya first and then Assam in terms of border evaluation through light on the comparatively higher tendency of the Tripura and Assam entrepreneurs towards propensity of cross border relationship growth.

**Table: 6.26 The Bivariate Correlation between the Independent Variables and the Success of Economic Relationship in the Neighbouring Country**

Independent Variable (Border evaluation & Spatial identity)	Dependent variable: The success of cross –border economic relations in the neighbouring country	
	Pearson Correlation Coefficient (a)	Level of Significance (b)
<b>Border as barrier</b>		
Border increases Cost	0.450	.000**
Border restricts movements	-0.555	.000**
Border restricting visualization of market	- 0.446	.000**
Border has dividing effect on market	- 0.476	0.000**
<b>Border as relevance</b>		
Border is a hindrance	- 0.549	.000**
Border is useless	- 0.564	.000**
Border is noticeable	- 0.514	.000**
I am a world citizen	0.512	.000**

(a) Force of influence (positive/negative)

(b) \*\*level of significance < 1%, \* level of significance < 5% (2-tailed)

(c) Non significant factors have not been shown in the table

Along with border evaluation, another important factor associated with it is the spatial identity of the entrepreneurs. A great spatial affinity with the neighbouring country and its correlativeness with success would have indicated towards the affinity of cross border

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relationship development. However, it was indicated in the previous analysis that respondent entrepreneurs, in the transition from national to international, regarded themselves as Asian or world citizens rather than as connected with the neighboring country. This holds true for all entrepreneurs, regardless of their state background. Therefore, non significance of these factors found in the correlation analysis indicates that spatial identity of the entrepreneurs is not influencing the respondents to add growth of their cross border relationship. However, a significant correlation found between more strong international identity and growth of cross border relationship may be due to a more general tendency for internationalization of the respondents than that of specific cross border involvement.

### **6.3.6 The Success of Economic Relationship and Level of Attractions of the Entrepreneurs**

The development of cross border economic relationship may have a number of factors related with the level of attraction between the entrepreneurs separated by a land border contributing to the growth characteristics. The most pertinent matter here is the predictability of the factors that played or playing a major role, as perceived by the entrepreneurs who are already in some form of economic relationship across the border for the success of the relationship. Increased level of attraction is very important because from this the ground is set for interaction for any transaction to take place. The table 6.27 below indicates six significant major factors of attraction that influences the success characteristics. The first factor of attraction that remained significant in the bivariate analysis is spatial proximity between the entrepreneurs. The sub factors under this category has been easiness in market access of Bangladesh through existing contacts within short time and frequent visits due to relatively short traveling time that influences growth of relationship. The second factor of attraction has been due to complementation i.e. relationship provides a better market. The significant correlation between growth of relationship and factor like cross border relationship provides

a better market indicates that the entrepreneurs of the northeast India find some dissimilarity in dealing with cross border market in terms of advantages.

**Table: 6.27 The Bivariate Correlation between the Independent Variables and the Success of Economic Relationship in the Neighbouring Country**

Independent Variable (Level of attraction)	Dependent variable: The success of cross –border economic relations in the neighbouring country	
	Pearson Correlation Coefficient (a)	Level of Significance (b)
Availability of business contacts and information of cross border traders.	0.543	0.000**
Easiness of access to the market of the neighboring country through others within short time	0.388	0.000**
Easiness of spreading relationship within short time.	0.444	.000**
Cross border relationship ensure a better market for product	0.343	.002**
Enabling high visiting frequency with the other entrepreneurs.	0.368	.001**
Short traveling time	0.375	0.001*

(a) Force of influence (positive/negative)

(b) \*\*level of significance < 1%, \* level of significance < 5% (2-tailed)

(c) Non significant factors have not been shown in the table

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### **6.3.7 The Success of Economic Relationship and Level of Interaction of the Entrepreneurs**

During interaction phase deliberations are undertaken concerning the benefits each of the entrepreneur's wishes to obtain from the relationship. It determines whether the contact between the two entrepreneurs will actually grow into an economic relationship. In the interaction stage, decision whether or not to commit are taken in consideration with the attractiveness of the dealings. In a situation when the behavior of one is to some extent is unknown to the other, then the entrepreneur makes an estimation of the outcome based on the level of interaction. Thus, at the interaction stage each side must be convinced that doing business with the other must be possible in such a way that the relationship actually delivers the desired benefits. (Veen and Wilke, 1986; Ligthart, 1995).

Therefore, at the time of interaction another factor i.e. personal trust that reduces the uncertainty is important. In the interaction stage, therefore, the actor's norms, including their notions of equality and fairness, become important. In this study, the bivariate analysis between the success and interaction leads to isolation of certain crucial factors that significantly helped the entrepreneurs to go for transaction stage positively.

It is found that factors (table 6.28) which enhance transaction costs like modification in production process, disadvantageous proposals and guarantee related issues are negatively influencing the success. However, certain amount of trust as indicated by smoothness of communication, mutual knowledge of each other's expectation and informality during the business meeting helps to overcome the issues and positively influences relationship development and growth.

**Table: 6.28 The Bivariate Correlation between the Independent Variables and the Success of Economic Relationship in the Neighbouring Country**

Independent Variable (Interaction)	Dependent variable: The success of cross –border economic relations in the neighbouring country	
	Pearson Correlation Coefficient (a)	Level of Significance (b)
Changing/modification of your production/ process and/or product to suit the need of Bangladeshi traders.	-0.478	.000**
Proposals from of the other in professional meetings put in disadvantageous position.	-0.351	.001**
Discussions mainly covers transaction risk and guarantee related issues	-0.865	.000**
The communication between the two go smoothly	0.355	.001**
Exact knowledge of what to expect from the other	0.351	.002**
During the business deliberations also both remains informal and open	0.280**	.012**

(a) Force of influence (positive/negative)

(b) \*\*level of significance < 1%, \* level of significance < 5% (2-tailed)

(c) Non significant factors have not been shown in the table

### 6.3.8. The Success of Economic Relationship and Transaction Level of the Entrepreneurs

It has been already observed in the network theory that mutual trust goes together with informality of transaction. In other words, low trusts with high transaction cost are the cause of formalization of agreements to provide extra cushion for extra security requirements. The

table 6.29 below indicates that there exists significant positive correlation between informality of the transactions and their subsequent following them up at the time of actual transactions with the relationship growth. This correlation confirms the point that informality brings trust and trust plays significant role in executing more transactions leading to growth.

**Table: 6.29 The Bivariate Correlation between the Independent Variables and the Success of Economic Relationship in the Neighbouring Country**

Independent Variable (Transaction)	Dependent variable: The success of cross –border economic relations in the neighbouring country	
	Pearson Correlation Coefficient (a)	Level of Significance (b)
Reach an informal agreement before actual transaction.	0.332	.003**
Informal agreements are followed in practice also	0.336	.002**

(a) Force of influence (positive/negative)

(b) \*\*level of significance < 1%, (2-tailed)

(c) Non significant factors have not been shown in the table

#### **6.4. Multivariate Analysis of the Success of Economic Relations in the Neighbouring Country**

The bivariate analyses done in the previous section provided an understanding of the mutual connection of the factors with the success perspective of economic relationship. The bivariate correlation coefficient expression also expressed the association and provided knowledge that how several independent variables are correlated with the success/growth of relationship.

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Some are positively and some are negatively connected with the success. In other words, some independent variables contributed for enhancement of relationship while some acted as retarding factors.

The mere existence of high value of correlation does not necessarily indicative of the degree of influence of the several independent variables on the dependent variable i.e. success of relationship. Therefore, to have a close understanding of the independent variables that affects and predicts the dependent variable in order of their influences, a stepwise multiple regression analysis has been inventoried with 46 independent variables found to have strong correlation with dependent variable. In the analysis, 44 variables 'included' with 2 variables 'deleted' as their F value was too low to continue.

The table 6.30 below presents the independent variables of the analysis and their explanatory value as per model of Draper and Smith (1981) for 15 independent variables. The other 29 variables have not been shown in the table below as each of the variables has influencing strength of below 0.3 percent hence considered less important. The coefficient of multiple regression ( $R^2$ ) indicates that the fifteen variables included in the regression equation could predict about 70 percent of the dependent variable i.e. success of cross border relationship.

From the table below, it can be seen that the first variable to enter the stepwise multiple regression equation of cross border success of relationship is visiting frequency of professional acquaintances in Bangladesh and has the highest contribution of 42.7 percent in influencing relationship success.

The second variable to enter is the perceived difference in terms of business habits of the Bangladesh entrepreneurs, which contributes to 6 percent in influencing relationship success.

**Table: 6.30 Stepwise Multiple Regression Analysis of the Success of Economic Relationship**

Step No	Variable entered	R	R <sup>2</sup>	Increase in R <sup>2</sup>	F to enter*
1	Visiting frequency of professional acquaintances	.654	.427	.427	57.488
2	Difference in business habits	.698	.488	.060	8.963
3	Border is hindrance	.735	.540	.052	8.451
4	Indirect help from trade association in India	.754	.569	.029	4.942
5	Informal and openness during business deliberations	.771	.595	.026	4.675
6	Conscious search for professional contacts in Bangladesh	.780	.609	.014	2.669
7	Required financial strength for cross border business	.791	.625	.016	3.073
8	Indirect help from trade association in Bangladesh.	.798	.636	.011	2.123
9	Preference for higher profit despite higher risk	.807	.652	.015	3.038
10	Guarantee and transaction risk related discussions	.817	.668	.016	3.302
11	Preference for economic relation in home country	.825	.681	.013	2.795
12	Enabling high visiting frequency	.831	.690	.009	1.860
13	Short traveling time	.836	.698	.008	1.797
14	Knowledge price/quality of the alternatives entrepreneurs	.837	.701	.003	0.665
15	Border restricts movements	.839	.705	.004	0.747

\* F Include, 0.01; F deletion, 0.005

The third and fourth variable to enter is entrepreneur's perception of border as hindrance and expectation of indirect help from trade association in India that influences the success to the

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extent of 5.2 percent and 2.9 percent respectively. The joint influencing strength of the above four variables to the success of relationship is 56.9 percent.

The other eleven factors that are influencing the success of economic relationship with Bangladesh entrepreneurs are as below:

- Informal and openness during business deliberations
- Conscious search for professional contacts in Bangladesh
- Required financial strength for cross border business
- Indirect help from trade association in Bangladesh.
- Preference for higher profit despite higher risk
- Guarantee and transaction risk related discussions
- Preference for economic relation in home country
- Enabling high visiting frequency
- Short traveling time
- Knowledge price/quality of the alternatives entrepreneurs
- Border restricts movements.

In short, the above-mentioned fifteen factors are having major influence to the success of the cross border relationship development.

### **6.5 Regulation/ Trade Practice Centric Factors: An Analysis**

This section of the study examines the formation of bilateral economic relationships between entrepreneurs of northeastern region of India with their counterparts in Bangladesh crossing the national borders by considering the regulation/trade practice centric factors that comes in to play in either enhancing or hindering economic interweaving across the border. The regulation and trade practice related factors plays equally important role in determining the

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success of relationship and contributes in consolidation of the relationship. Though in this study the two aspects, enterprise/entrepreneur centric factors and the regulation/trade practice centric factors are studied separately but in actual practice both have complementary role and have effects on relationship formation. This is more so when the cross border economic relationship development process are shaping up between entrepreneurs of the countries that are not under any free trade agreement (FTA). In that situation the relationship formation process is often dependent on various tariff and non-tariff related factor that effects directly or indirectly the transaction cost and networking as well. The present study concerning northeast east India and Bangladesh is not an exception in that respect and hence considered the regulation/trade practice centric factors as well.

### **6.5.1 Market Related Problems**

The table 6.31 below presents the depth of the market related problems expressed by the cross border entrepreneurs and are measured in a seven point Likert scale where seven indicated highest and one as lowest. The table indicates that gaining insight into rapidly changing market conditions and limited product choice are the major problems for the Meghalaya and Assam entrepreneurs. On the contrary, the entrepreneurs of Tripura have not indicated any seriousness of problem to this effect. This, probably, is due the difference of the type of relationship that the Meghalaya and Assam entrepreneurs are having with their cross border counterpart. As analyzed in the previous chapter of the study, the transaction between Meghalaya and Bangladesh mostly centers around raw materials like coal, limestone etc that are used by the brick manufactures of Bangladesh. The supply order relationship (of raw material) of the Meghalaya and Assam entrepreneurs has not encouraged them in alternate product searching for doing trade with the neighbouring country and hence mostly they are guided by the ultimate users. The result is confinement to few products that being traded across the border. However, the success of export /import relationship of Tripura entrepreneurs depends more on the ever-changing competitiveness and acceptance of the

products over a period in the market across the border. Hence, they are compelled to look through the market and as such, they have indicated fewer problems in this regard. As expected, neither Assam nor Tripura has any problem regarding the acceptance of Indian products in the Bangladesh market. The acceptance of the Indian product is a problem for the Meghalaya entrepreneur to some extent. This may be due to the recently raised concern of the Bangladeshi entrepreneurs regarding quality of coal traded across the border. In line with the similar reasoning, the Meghalaya entrepreneurs have expressed more concern about imports from other countries in reducing demand of Indian products that Assam and Tripura entrepreneurs as can be seen from the table below.

**Table: 6.31 Market related problems**

	Meghalaya (n=38)	Assam (n=22)	Tripura (n=19)
Bangladesh market is too price sensitive	2.87	2.45	2.05
Heavy competition in the Bangladesh market	2.24	2.18	1.47
Imports from other countries reduce demand of Indian product.	3.24	2.18	1.47
Bangladesh market dislikes Indian products.	2.24	1.50	1.53
Limited product choice for Indian entrepreneurs.	3.08	2.41	1.84

### 6.5.2 Business Conventions

The trade practice of the Bangladeshi entrepreneurs that are not liked by the entrepreneurs of the northeast may also effect the relationship formation. Altogether, twelve questions were put in the questionnaire related to business conventions. The questions were put by using a seven point Likert scale to gauge to severity of the problems where seven meant highest and one as lowest. The result is displayed in the table 6.32.

**Table: 6.32 Business Convention**

	Meghalaya (n=38)	Assam (n=22)	Tripura (n=19)
Not keeping appointments	4.53	2.50	2.16
They are untrustworthy in business	4.08	1.45	2.58
They are too easy-going / lazy	2.15	1.73	2.21
They do not come to the point	3.29	2.77	2.21
Privately, they are pleasant, not so in business	3.82	2.27	1.95
They think themselves superior	3.79	3.27	2.00
The Bangladeshis are not good at communicating,	3.79	2.77	1.58
Difference in business mentality and culture	3.71	1.27	2.16
Bangladeshi traders always think the price is too high	2.92	2.23	2.68
Traders in Bangladesh are too indirect	3.05	1.77	1.84
They are interested to the informal way of doing business	3.55	2.23	3.16
They are less flexible, but more punctual	2.45	2.04	2.53
Total	3.45	2.15	2.29

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The table 6.32 indicates that Meghalaya entrepreneurs have complaint about the payment habits and trustworthiness of Bangladeshi entrepreneurs. Regarding communicative ability of the Bangladesh entrepreneurs, the Tripura and Assam entrepreneur are experiencing very little problem. Only Meghalaya entrepreneurs have expressed to have some problem with the communicating abilities of their counterpart. Majority of the entrepreneurs of the three states found to have no complaints regarding alertness of the Bangladeshi entrepreneurs. As also indicated in the table 6.32 that some entrepreneurs of Meghalaya expressed their irritations regarding superiority feeling of the Bangladeshi. In general, the Tripura and Assam had fewer problems regarding business convention of Bangladeshi entrepreneurs than the Meghalaya entrepreneurs

### 6.5.3 Government Regulations

The economic interweaving between northeast India and Bangladesh is governed by various regulations with the aim of accruing mutual economic benefits. The fifteen land customs points and the customs offices along the border are supposed to play a crucial role both in the transaction of goods as well as in the movement of passenger traffic across the border. For enhancing, the trans-border economic relationship, it is expected that all the regulation centric factors should be entrepreneur friendly. For example, the process of pre shipment inspections should not be trade deterrent. The customs duty structure should gradually be reduced to become trade welcoming. A good source of market information, visa issuance system for travel and issuance and disposal of letter of credit for quick settlements of transactions are extremely important as their non-welcoming nature may change the course of relationship formation. Therefore, all these points are needed to be looked in to for understanding the relationship formation process to the core. A seven point Likert scale has been used to gauge to severity of these problems where seven meant highest and one as lowest. The result is given in the table 6.33.

**Table: 6.33 Regulations and Trade Practice**

	Meghalaya (n=38)	Assam (n=22)	Tripura (n=19)
Customs personnel posted in the land customs stations creates problem.	2.18	2.27	2.79
Pre shipment inspection etc is difficult.	2.05	1.50	2.47
The Bangladesh government tries to exclude Indian traders' enterprise through import duty	4.39	4.23	3.68
BSF/Police checks create problem	5.29	5.36	4.53
Opening and retirement of Letter of Credit (LC) from banks is difficult.	5.11	4.41	3.37
Physical infrastructure at the border are not trade friendly	5.45	4.50	3.68
Getting Bangladesh Visa is a problem and time consuming	4.63	3.82	1.63
Bad law and order situation in the border areas is trade deterrent.	5.42	2.59	3.57
Trade related information across the border is not available easily.	4.61	5.32	3.74
Political relation between the countries effects relationship of cross border entrepreneurs.	2.82	2.68	1.95
High customs duty of both side is trade deterrent	4.32	3.77	3.74

The table 6.33 indicates that matters related to trade friendly behavior of customs officials posted in all the fifteen land port customs points across the border, availability of pre-shipment inspection certificate in the border point have not been a major problem for all the respondents. However, the respondents found to be very critical about opening of 'letter of credits' in Banks, import duty regulations of Bangladesh side and Border Security Force's intervention in trade. It can be also be seen from the above table that though law and order situation in the border areas and quick issuance of visa for travel to Bangladesh are not among the indicated problems of the Tripura entrepreneurs but the Meghalaya

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entrepreneurs have mentioned these two to be as problems to reckon with. This, by all probability, is because visa issuance facility of Bangladesh is located only in Tripura for the entire northeastern region. This requires the entrepreneurs of Assam or Meghalaya to spend a considerable travel time in getting visa. In addition, except Tripura, the entrepreneurs of Assam and Meghalaya have expressed dissatisfaction over the availability of trade related information related to cross border market. All the respondents cutting across the state barrier have expressed that political relation between the countries effects relationship between two entrepreneurs involved in cross border trade and expressed dissatisfaction with the existing physical infrastructure at the border.

#### **6.5.4 The Success Of Cross –Border Economic Relationship and Regulation/ Trade Practice Centric Factors: Bivariate Analysis**

The second analysis involves an investigation of the regulation/ trade practice centric factors that play a crucial role in the success of cross border economic relationship in Bangladesh. After the state wise analysis of the factors, a bivariate correlation analysis has been inventoried to isolate the factors that have significant correlation with success aspects. The various results of the correlation analyses are presented in the table 6.34. It has been revealed from the bivariate correlation analysis that a number of the variables related to regulation/trade practice centric factors correlate significantly with the depended variable success of economic relations in the neighbouring country negatively. In general, though, correlation does not imply causality but it allows determining the direction and force of the connection between a pair of variables. The table reveals that business conventions of Bangladeshi entrepreneurs have no significant correlation with the success of cross–border economic relations in the neighbouring country. Only two areas related to market problems that found to be correlated with success are; ‘difficulty in gaining insight of the Bangladesh market from northeast India’ and ‘perceived limited level of product choice for trade’.

**Table: 6.34 The Bivariate Correlation between the Independent Variables and the Success of Economic Relationship in the Neighbouring Country**

Independent Variable	Dependent variable: The success of cross-border economic relations in the neighbouring country.	
	Pearson Correlation Coefficient(a)	Level of Significance (b)
<b>Business conventions</b>	-	n/s
<b>Market related problem</b>		
Bangladesh market is too price sensitive	-.542	.000**
Limited product choice	-.523	.000**
<b>Regulation / policy problem</b>		
The Bangladesh government tries to exclude Indian traders' enterprise through regulations (import duty )	-.571	.000**
BSF/Police checks create problem	-.526	.000**
Problem of opening and retirement of Letter of Credit (LC) from banks	-.419	.000**
Physical infrastructure at the border are not trade friendly	-.528	.000**
Getting Bangladesh Visa is a problem and time consuming	-. 289	.000**
Bad law and order situation in the border areas is trade deterrent.	-.536	.000**
Trade related information not available	-.644	.000**
High tariff barrier from both side	- .528	.000**

(a) Force of influence (positive/negative)

(b) \*\*level of significance < 1%, \* level of significance < 5%

(c) Non significant factors has not been shown in the table

(d) n/s indicates non significant.

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The correlation analysis regarding the regulation and policy related problems with success indicates towards high influencing ability. Altogether eight factors related to the regulation and policy related problem are found to be negatively correlated with the success as revealed from the table 6.34.

#### **6.5.5 Multivariate Analysis of the Success of Economic Relations in the Neighbouring Country and Regulation/ Trade Practice Centric Factors**

The bivariate analyses done in the previous section provided an understanding of the mutual connection of the factors with the success of economic relationship. The bivariate correlation coefficient expression also expressed the associationship and provided knowledge that how (direction of association) several independent variables are correlated with the success of relationship. In other words, some independent variables contributed for enhancement of relationship while some acted as retarding factors.

However, the mere existence of high value of correlation does not necessarily indicative of the degree of influence of the several independent variables on the dependent variable i.e. success of relationship. Therefore, to have a close understanding of the effectiveness of the independent variables in predicting the dependent variable in order of their influences, a stepwise multiple regression analysis has been inventoried with 10 independent variables that found to have strong correlation with dependent variable.

In the stepwise multiple regression analysis, all the 10 variables have been found to be 'included' as their F- statistics are 'tolerable' to continue. The joint influencing strength of all the ten variables entered in the regression analysis to the success of relationship is 58.4 percent.

The table 6.35 presents the first 5 independent variables of the analysis and their explanatory value as per model of Draper and Smith (1981). The other 5 variables have not been shown in the table below as each of the variables has influencing strength of below 0.1 percent hence considered less important. The coefficient of multiple regression ( $R^2$ ) indicates that the first five variables, included in the regression equation, could predict about 56 percent of the dependent variable i.e. success of cross border relationship.

**Table: 6.35 Stepwise Multiple Regression Analysis of the Success of Economic Relationship**

Step No	Variable entered	R	R <sup>2</sup>	Increase in R <sup>2</sup>	F to enter*
1	Poor physical infrastructure at the border	.644	.414	.414	54.439
2	Import duty structure of Bangladesh government	.699	.488	.074	10.975
3	Price sensitiveness of Bangladesh market	.719	.517	.029	4.438
4	Bad law and order	.742	.551	.034	5.632
5	Limited product choice	.749	.561	.010	1.647

\* F Include, 0.01; F deletion, 0.005

From the table 5.35, it can be observed that the first variable to enter in the stepwise multiple regression equation of cross border success of relationship is regarding poor physical infrastructure at the border and has the highest influencing strength of 41.4 percent towards the success of relationship.

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The second variable to enter is the import duty structure of Bangladesh government that contributes to about 7.4 percent in influencing relationship success.

The third and fourth variable to enter are price sensitiveness of the Bangladesh market and law and order situation prevailing across the border that influences the success to the extent of 2.9 percent and 3.4 percent respectively.

### 6.5. 6 Conclusions

In this chapter the actual evolutionary process cross –border economic relationships for the entrepreneurs of the three-research area of Meghalaya, Assam and Tripura have been analyzed with the help of INTERFACE model. The enterprise/entrepreneur centric factors and the regulation/ trade practice centric factors have been analyzed to understand their role in the success of economic relationship. The bivariate analyses have been executed to understand the correlation of several factors with the success parameter and direction of their associationship. The two stepwise regression analyses executed afterwards indicated the relative influence of the different correlated factors on the success of relationship. The factors that are predominantly influencing the success of cross border relationship during various stages of relationship evolution process including direction of influence have been summarized below in three tables 6.36 (a), 6.36 (b) and 6.36 (c) .

The table 6.36 (a) plots eight entrepreneur/enterprise centric factors that are found to be enhancing the growth of cross border relationship. The table 6.36 (b) plots the seven entrepreneur/enterprise centric factors that are found to be retarding the growth of cross border relationship. The table 6.36 (c) plots the five regulations/ trade practice centric factors that are found to be retarding the growth of cross border relationship. The stages where the factors have their influence are also mentioned in the remark column of the tables.

**Table 6.36 (a) Factors Enhancing the Success of Economic Relationship:**

No	Entrepreneur/enterprise centric factors	Influencing ability in %	Remark
1	Visiting frequency of professional acquaintances by the entrepreneurs	42.7	At the contact stage
2	Informal and openness during business deliberations	2.5	At the interaction stage
3	Conscious search for professional contacts in Bangladesh	1.4	At the contact stage
4	Entrepreneurs correct perception about financial strength required for cross border business	1.6	At the contact stage
5	Entrepreneurs preference for economic relation in home country as well	1.3	At the contact stage
6	Cross- border relationship ensures better market position for the northeastern entrepreneurs.	0.9	At the attraction stage
7	Short traveling time required to reach the counterpart in Bangladesh	0.5	At the attraction stage
8	Entrepreneurs preference for gaining knowledge of price/quality of the alternatives entrepreneurs in Bangladesh	0.3	At the contact stage

**Table 6.36 (b) Factors Retarding the Success of Economic Relationship**

No	Entrepreneur/enterprise centric factors	Influencing ability in %	Remarks
1	Difference of business culture /habits of the Bangladeshi entrepreneurs than Indian	6	At the contact stage
2	Entrepreneurs' perception of international border as hindrance for developing economic relationship.	5.2	At the contact stage
3	Low level of Indirect help from trade associations in northeast India	2.9	At the contact stage
4	Low level of Indirect help from trade associations in Bangladesh.	1.1	At the contact stage
5	Entrepreneurs' preference for higher profit despite higher risk in cross border relationship formation	1.5	At the contact stage
6	Prevalence of guarantee and transaction risk related issues during business discussions.	1.6	At the interaction stage
7	Entrepreneurs perception of international border as a line that restricts movements	0.4	At the contact stage

**Table 6.36 (c) Factors Retarding the Success of Economic Relationship**

No	Regulation/ trade practice centric factors	Influencing ability in %	Remarks
1	Poor physical infrastructure at the border	41.4	At the contact and transaction stage
2	Import duty structure of Bangladesh government	7.4	At the transaction stage
3	Bangladesh market is too price sensitive	2.9	At the interaction stage
4	Bad law and order at the international border	3.4	At the contact and transaction stage
5	Limited product choice for doing cross border transactions	1.0	At the attraction stage

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## Chapter 7

### Summary of Findings and Conclusions

#### 7.1 Introduction

In the previous chapters, the study has dealt with different aspects of cross – border economic interweaving between northeast India and Bangladesh. The study has analyzed the existing cross border trade characteristics between northeast India and Bangladesh and examined the determinants involved in the relationship formation process. It has endeavored to ascertain the direction and characteristics of cross- border economic relationship between northeastern states of India with Bangladesh with explanation of the determinants for the successful formation of these cross border economic relationships.

In the present chapter, the findings that are coming out of the analyses have been summarized and presented. In addition, this chapter has also attempted to provide explanation for the future potential growth of cross border economic relationship between northeast India and Bangladesh by setting the initial hypotheses proposed at the theoretical outset of the present study against the findings emerging out of the empirical analyses.

At the end of this chapter, conclusion has been drawn by way of summarizing the findings that emerged out of the empirical analyses of the study followed by important recommendations which have policy level implications to an effort to enhance cross border economic interweaving between two countries for mutual benefits.

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## 7.2 Findings

### 7.2.1 Volume of Export/Import and Trend

The total export from North East India to Bangladesh during 1996-2002 was Rs 873.79 crores and import was Rs 66.45 crores. The export figure went up from Rs 85.04 crore during 1996-97 to Rs 186.85 crores in 2002, the rise being about 220 percent in a span of six years period. However, the export volume through Assam border has dropped from Rs 21.32 crores in 1996-97 to Rs 17.68 crores in 2001-02. The falling trend is also noticed in case of Tripura border where export volume has dropped down from Rs 4.49 crores in 1996-97 to Rs 2.24 crores in 2001-02. The export trade through Meghalaya, on the other hand, has risen from mere Rs 59.53 crores to Rs 166.93 crores during the same period. In contrast to the overall trend of export rise, the import to the northeast India from Bangladesh has fallen from Rs 10.34 crores during 1996-97 to Rs 5.34 crores during 2001-02.

The study also reveals that export of commodities through Assam borders during 1997-02 has been to the tune of Rs 172.85 crores and import through the same borders has been Rs 16.08 crores. The total export value through the seven Meghalaya border is Rs 617.10 crores against the meager import of 0.46 crores only. In case of Tripura, the total export during the period 1997-02 has been Rs 12.21 crores against import of Rs 39.53 crores. This shows in case of Tripura – Bangladesh trade, the balance of trade is in favour of Bangladesh unlike the other two state borders of Assam and Meghalaya. This result confirms the hypothesis that trade volume between northeast India and Bangladesh is showing an increasing trend over the years. The result further shows that the increase in trade volume is basically due to the increase in export through Meghalaya border to Bangladesh.

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### 7.2.2 Effectiveness of Land Ports Customs Stations

The fifteen land customs stations are not equally effective in handling trade with Bangladesh. The trend of last six-year (1996-2002) shows that the busiest border in terms of trade volume is Dawki in Meghalaya followed by Sutarkandi in Assam and Borsora in Meghalaya. It is revealed from the analyses that six land customs points namely Srimantapur, Ragnabazar, Khowaighat, Manu (all in Tripura) and Baghmara, Dalu (Meghalaya), out of fifteen have not handled even one percent of the total trade volume individually during 1996-02. The other nine land customs points together handled majority of the trade i.e. 98.06% of the trade during the period 1996-02. It is also interesting to note that eight borders points of Meghalaya namely Borsora, Ghasuapara, Mahendraganj, Shellabazar, Dalu , Bhollaganj Baghmara and one in Tripura namely Khowaighat have not been utilized for import purpose at all during 1996-02. This revelation contradicts the initial hypothesis that the land customs stations across the borders of northeastern region and Bangladesh are equally effective in terms of handling cross border trade.

### 7.2.3 Composition of Trade

Another interesting feature of trade relationship between the entrepreneurs of northeast India and Bangladesh, as revealed from the analyses, that the whole export trade is revolving around transaction of few items only without variety in the items that are transacted out in bulk. Out of the total export of Rs 172.85 crores from Assam to Bangladesh,, during the period 1997-02, 92.7 percent of the trade has been due to two items only i.e. coal and rice. The export trade from Meghalaya to Bangladesh is also heavily dependent on export demand of two items like coal and limestone. In fact, the export of coal is about 87% of the total export trade. Coal and limestone together constitute to about 93.57 percent of the total trade value of Rs 617.10 crores. However, export trade between Tripura and Bangladesh seems to show different trend in terms of variety of commodities exported. Here four items, coal,

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ginger, orange and Rou fish constitute to about 64.71 percent of the total trade of 12.21 crores.

In case of import from Bangladesh to northeast India lack of variety of items has been noticed. The import of ready-made garment along with Hilsa fish constitute to about 93.89 percent of total import i.e. Rs 16.08 crores that took place through Assam – Bangladesh border points during 1997-02. Similarly, in case of import through Meghalaya- Bangladesh border, 78% of the import is due to import of Hilsa fish only, which again shows lack of variety in import trade executed by the cross-border entrepreneurs involved in cross border trade. Clothes and Hilsa together constitute to about 85.91 percent of total import through the border. In case of Tripura- Bangladesh border, import of two commodities like Hilsa fish and dry fish constitute to about 93.2 percent of the total import of Rs 39.53 crores.

The trade pattern between the northeast India and Bangladesh, overall, indicates towards dependency on the transaction of few commodities like mineral-based items (coal, limestone) for the transactions through Meghalaya and Assam border whereas in case of Tripura border the dependency towards few agro- horticultural based items like ginger, orange. These findings are in contrary to the hypothesis that economic relationships between northeast India and Bangladesh is not highly few item dependent. The analyses of the study reveals that the economic relationship between northeast India and Bangladesh is dominantly based on transactions of few valuable raw material resources that are being traded out of northeast without value addition indicating pre-industrial uses of natural resources.

#### **7.2.4 Level of Contacts**

Personal acquaintances of the respondents of Tripura and Assam are significantly more than that of Meghalaya. However, professional acquaintances of the respondents of Meghalaya are almost equal to the state of Tripura. Thus, respondents of Tripura and Assam are likely

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to be more informally embedded in the neighboring countries society while respondents of Meghalaya are more professionally embedded. The entrepreneurs of Tripura and Assam visit their personal and professional acquaintances in the neighboring country Bangladesh most often, than those of Meghalaya. The majority (about 74%) of the Meghalaya entrepreneurs used to stay in Bangladesh only for one/ two days but in case of majority of the Tripura entrepreneurs (about 68%) usually stay for longer duration i.e. one week. However, none of the entrepreneurs of the region usually stays in Bangladesh for more than a week usually It is found the trade bodies of both Bangladesh and northeast India have significantly less contributed in bringing about the new contact/relationship in the neighboring country. The professional relations of the entrepreneurs in both the countries helped the entrepreneurs of three states handsomely in the matter of relationship development. It may be said, therefore, that the trade associations did not play any significant role in the establishment of the most important economic relationships between the entrepreneurs across the border.

#### **7.2.5 Relationship Preference**

The entrepreneurs of three states are displaying a significant regional dissimilarity in terms of preferences for relationship with Bangladeshi entrepreneurs. Steady long-term economic relationship in the neighboring country is clearly preferred more by the entrepreneurs of Tripura than that of other two states. However, in general, entrepreneurs of all the states have strong preference for economic relations in the home country as well. A significant difference exists between the states in the matter of duration of economic relationship. The entrepreneurs of Meghalaya do not have significantly strong preference for long-term relationship with Bangladeshi entrepreneurs and in this respect; they are conflicting with the preference of Tripura and Assam entrepreneurs.

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### 7.2.6 Level of Affection

The entrepreneurs of Tripura, in comparison of other two states, feel significantly more at home in the neighbouring culture. This coincides with the generally prevailing image of Tripura, that Tripura has a strong affinity with Bangladesh because of cultural and language similarities. The results that the respondents in Tripura have significantly more personal acquaintances in the neighbouring country than the respondents in the other two states and that they visit these acquaintances most often, add further to this image. Entrepreneurs in Meghalaya and Assam regarded border as comparatively more as barrier than those of Tripura. The entrepreneurs of Meghalaya and Assam regarded border as comparatively more cost increasing, more movement restricting, and more dividing than the entrepreneurs of Tripura. In terms of relevance of the border also, the entrepreneurs of Tripura felt the border comparatively less useful, less hindrance and less noticeable than those of Meghalaya and Assam. This indicates that the respondents of Tripura feel more closeness with the Bangladeshi entrepreneurs than the entrepreneurs of Meghalaya first and then Assam.

### 7.2.7 Factors of Attraction

The most important attraction factor for the respondents of Meghalaya, in the matter of cross border trade, has been the better marketability of the products. This is followed by easiness of access to the market of the neighboring country, availability of business contacts and information of the other cross border traders and relatively short traveling time to reach their counterparts. The respondents of Assam indicated preference for availability of business contacts with information of the other cross border traders and the importance of the relatively short traveling time to reach the counterpart both as their preferred causes of attraction. This is followed by easiness of access to the market of the neighboring country through others. In case of Tripura traders, easiness of access to the market of the neighboring country through others and spreading of those relationships with other entrepreneurs too

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within short time constitute the prime factors of attraction. Therefore, in the matter of attraction not much significant state wise difference could be observed.

### **7.2.8 Level of Interactions**

The Tripura and Assam entrepreneurs indicated that they needed almost no investments in knowledge or human and material resources or adaptations to new system to realize the relationship with Bangladesh entrepreneurs. Furthermore, as it indicated from the analyses, the entrepreneurs of Assam and Tripura, the atmosphere surrounding the interaction process significantly more often remained informal and open and both the side seemed to understand each other's need well in comparison to the Meghalaya entrepreneurs.

### **7.2.9 Transactions and Success**

The Meghalaya entrepreneurs had executed about 21 transactions per year on average and most of the transactions (78.9%) were supply of raw materials. The Assam entrepreneurs had comparatively less number of transactions per year i.e. about 16 on average. The most of the Assam entrepreneurs (77.3%) also had similar type of relationship like Meghalaya i.e. export import of raw material followed by export of goods as per demand in 22.7 percent cases. In comparison between three states, the Tripura entrepreneurs had the highest frequency of transactions with 22 transactions on average per year. The type of relationship shows different nature in case of Tripura. The majority (about 61%) had relationship between the Tripura entrepreneurs broadly covering transactions related to export / import of material as per demand. However, a good number of entrepreneurs (15.8%) dealt with export/import of manufacturing goods also. In terms of degree of success in cross border trade, as felt by the entrepreneurs, the respondents of Meghalaya have rated them as average while Assam and Tripura entrepreneurs have rated them more than average.

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### 7.2.10 Characteristics of the Enterprises

In regards to the size of the enterprises involved in cross border trade, majority (87%) of the Meghalaya enterprises involved in the cross border trade are having business turnover of more than Rs 10 lakhs, which includes revenue from cross border trade. Similarly, in Assam majority (73 %) of the enterprises are having more than Rs 10 lakhs business turnover. In a deviation to the trend, the responding enterprises of Tripura are almost evenly spreaded between more than Rs 10 lakhs category and less than Rs 10 lakhs category bracket in terms of their business turnover. One interesting aspects in the matter of the revenue of the enterprises is that the trade with Bangladesh occupies a major portion (about 70-74 percent of the gross revenue earning of the respondent enterprises irrespective of location of the enterprises .

In the majority of the enterprises, the owners of the enterprises are playing the dual role of both owner as well as the manager. The trend is more visible in Tripura where about 90 percent of the enterprises are like that only. In about 77% and 68% enterprises of Assam and Meghalaya respectively, the entrepreneurs are sharing the dual responsibility of owner and manager.

In terms of employment in the enterprises involved in the cross border trade, the total strength of employment in the 38 Meghalaya enterprises is 336 (average nine employments per enterprises). However, only 32 percent of them are exclusively dedicated for cross border business. Similarly, in Assam, the average employment in the enterprises is about seven but only 22 percent of the total employees are dedicated for the cross border business. In Tripura, average employment is comparatively low with about three employments per enterprises and only 20 percent of the employees are dedicated exclusively for cross border business. Depending upon the volume of trade and instant requirement to manage the show, the

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enterprises are diverting workers to supplement the strength of cross border workers. This tendency is more with the enterprises of Garo hills district of Meghalaya where the trade is seasonal and practically no trade takes place during the rainy seasons due to extremely poor road condition in the border areas. In terms of absolute number, the state of Meghalaya looks a little better in respect of cross border workers.

In terms of their business activities in the home country, the majority of the entrepreneurs of Meghalaya are in two sectors only i.e. about 58% are engaged in agriculture related business activities followed by (42%) coal mining related activities. In Assam and Tripura, in a sharp difference to Meghalaya, the majority of the entrepreneurs are involved in retail businesses. In Tripura, about 20% of the respondents are engaged in handloom and handicraft related business activities in home country. As goes in line with the inherent characteristics of the small enterprises of the northeastern region of India, the majority of the enterprises are small and sole proprietorship enterprises as per definition of the prevailing trade practice in In As it is revealed in the analyses that about 66% of the enterprises of Meghalaya are involved in export only while the balance i.e.34% are in export and import both indicating towards more export than imports. The import inclination is reduced further in case of Assam where only about 23% of the enterprises are involved in both export and import and the balance doing export only. In sharp difference to the above-mentioned two states, the trend of trade involvement of the entrepreneurs of Tripura looks more promising with majority (about 79%) of the relationships are based on exports from both the sides. Another important feature noticed in the matter of cross border relationship is that almost none of the respondent entrepreneurs have trade relationship with any other countries other than Bangladesh. This indicates that the long international border between the states of the region and Bangladesh and the land customs points located along the border are providing immediate opportunities to the entrepreneurs to go for internationalization.

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### 7.2.11 Duration of Cross Border Relationship

In Meghalaya, about 68.5% of the enterprises participated in the survey have less than six years of trade relationship. However, in Assam majority of the enterprises (59%) are doing trade with Bangladesh for more than six years. In Tripura majority of the enterprises i.e. about 79% have trade relationship of 1-5 years while the balance i.e. 21% is in between 6-11 years. This indicates that the majority of the respondent entrepreneurs of Meghalaya and Tripura are comparatively young in terms of cross border relationship than the majority of the Assam respondents.

### 7.2.12 Enterprise/Entrepreneur Centric Factors

The study has identified fifteen enterprise/entrepreneur centric factors that have the influencing strength of 70 percent for the success of cross border relationship development. The factors enhancing the success of economic relationship in descending order of influences on success are:

1. Visiting frequency of professional acquaintances by the entrepreneurs
2. Informal and openness during business deliberations
3. Conscious search for professional contacts in Bangladesh
4. Entrepreneurs' correct perception about financial strength required for cross border business
5. Entrepreneurs' preference for economic relation in home country as well
6. Cross- border relationship ensures better market position for the northeastern entrepreneurs.
7. Short traveling time required to reach the counterpart in Bangladesh
8. Entrepreneurs preference for gaining knowledge of price/quality of the alternatives entrepreneurs in Bangladesh

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The factors retarding the success of economic relationship in descending order of influences on success are:

9. Difference of business culture /habits of the Bangladeshi entrepreneurs.
10. Entrepreneurs' perception of international border as hindrance for developing economic relationship.
11. Low level of indirect help from trade associations in northeast India
12. Low level of indirect help from trade associations in Bangladesh
13. Entrepreneurs' preference for higher profit despite higher risk in cross border relationship formation
14. Prevalence of guarantee and transaction risk related issues during business discussions
15. Entrepreneurs perception of international border as a line that restricts movements

Amongst the factors found to be enhancing success of cross border relationship, visiting frequency of northeast entrepreneurs to their professional acquaintances in Bangladesh, has the highest influence (42.7%) on relationship success. The second and third enhancing factors i.e. openness (informal) of the cross border entrepreneurs during business deliberations and conscious search of the entrepreneurs for developing professional contacts in Bangladesh, have the influence on the success of relationship development to the extent of 2.5% and 1.4% respectively.

Amongst the enterprise/entrepreneur centric factors negatively influencing (retarding factors) the success of economic relationship with Bangladesh entrepreneurs, factors like the perceptive difference business habits of the Bangladesh entrepreneurs than Indian, entrepreneurs', perception of international border as hindrance and differences in expected and actual indirect help received from trade association in both India and Bangladesh in the matter related to their cross border business are worth mentioning. These factors are influencing the success of relationship to the extent of 6 percent, 5.2 percent and 4 percent

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respectively. These findings confirm the hypothesis that there are certain enterprise/entrepreneur centric factors acting as determinants towards successful cross border economic relationship development across the northeast India and Bangladesh.

### **7.2.13 Regulation/Trade Practice Centric Factors**

Ten regulations / trade practice centric factors are also found to be influencing the success of cross-border economic relationship. The major retarding factors in descending order of influences on success are:

1. Poor physical infrastructure at the border
2. Import duty structure of Bangladesh government
3. Bangladesh market is too price sensitive
4. Bad law and order at the international border
5. Limited product choice for doing cross border transactions

All the ten factors has the joint influencing strength is 58.4 percent towards the success of relationship. The first factor, the poor physical infrastructure at the border, has the highest influencing strength of 41.4 percent towards the success of relationship. The second factor is the import duty structure of Bangladesh government that found to be influencing relationship success to the extent of 7.4 percent. The third and fourth regulations/ trade practice centric factors are price sensitiveness of the Bangladesh market and law and order situation prevailing across the border and these factors are negatively influencing the success to the extent of 2.9 percent and 3.4 percent respectively. The results of the analyses support the fourth hypothesis framed for the study that the regulation/trade practice centric factors also play a crucial role in determining the number of economic relationships in the neighboring country. This is an important observation, suggesting that it is the combination of enterprise/entrepreneur centric factors and regulations / trade practice centric factors that determines the cross border relationship development.

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### 7.3 Conclusions and Recommendations

Several conclusions are emerging out of the study that are noteworthy and have policy level implications for achieving the ultimate objective of development of the northeastern region of India through enhanced cross border economic interweaving across the border with neighbouring country. Based on the conclusions, the study has also suggested some recommendations. The conclusions and recommendations are as follows.

The total spectrum of present economic relationship seems to be based on transaction of few commodities like coal, limestone that constitute the bulk of the export from northeast India to Bangladesh. This trend is more visible in case of transactions that took place through Assam and Meghalaya border to Bangladesh during the past few years. The trend is not encouraging as it involves pre industrial use of raw material resources of the region. The resources could have been more productively utilized by way of value addition before exported out of the border. The value addition will allow the entrepreneurs to bring back good prices for the products and reasonably more than the present. There is, therefore, a need to make the cross border entrepreneurs aware about the value addition prospects (see annexure) of the raw material and encourage them to take up such activities by themselves. This can be done by way of organizing seminars/workshops for the prospective and existing entrepreneurs and disseminating information about cross border opportunities.

Few land port customs stations like Srimantapur, Ragnabazar, Khowaighat, Manu (all in Tripura) and Baghmara, Dalu (both in Meghalaya) are very inactive in terms of handling trade. Six land customs points have not handled even one percent of the total trade volume during 1996-02 jointly. For the benefit of trade enhancement, this matter may be taken up with Bangladesh government during joint discussions and actions may be initiated to relocate the border points. The state of Assam with 263 kilometer border with Bangladesh has only two land customs points and that too in the extreme southern part of the state. It is suggested

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that while relocating the border points, Assam- Bangladesh border may have another two points preferably with railway connectivity (for example Golokganj as one of them).

Eight customs point out of fifteen (about 53 percent) are only one way functional. In other words, these points are handling only export traffic. Efforts need to be taken by the trade associations of both the side to investigate the reasons and take corrective actions to create awareness amongst the traders to make the points both way functional for enhancement of border traffic.

The present cross border economic relationship between northeast India and Bangladesh found to be based on only export/import and supply order relationship. The Meghalaya entrepreneurs seem to have supply order relationship especially for the supply of coal and limestone to brick/ cement manufacturing enterprises in Bangladesh. Joint effort of both the Government and trade associations are required for other possible types of relationship like control relationship, production process relationship etc.

The visiting frequency of professional acquaintances in Bangladesh by the entrepreneurs of the northeast found to be influencing the success considerably. Therefore, trade associations need to take up the matter of easing formalities for visa issuance and multiple visa facility. As a first step towards it facilities like “visa by post” may be introduced.

The hindering factors like the perceptive difference business habits of the Bangladeshi entrepreneurs than Indian, entrepreneurs’ perception of international border as hindrance are due to the mental distance felt by the entrepreneurs. In line with that, low indirect help received from trade association in both India and Bangladesh in the matter related to their cross border business seems to have contributed in increasing the mental distance further. Therefore, the trade associations of the northeast India are needed to be more pro active in this direction. The Industrial Directorate and Commerce of the three states, therefore, are

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required to take up the matter with trade associations and initiate steps to create awareness amongst the office bearers of the trade associations about the need and importance of their facilitating role in reducing the mental distance. Here, similar steps required to be taken by the trade associations of Bangladesh also to have synergic effects.

The poor infrastructural facilities like bad road condition, absence of telecommunication facility, limited bank branches for carrying out international transactions, non- existence of petrol/ diesel stations in the border areas, non- existence of weigh bridge in the vicinity of land customs points have been the one of the prime concern of the cross border traders. The cross border entrepreneurs have repeatedly expressed this concern during collection of primary data for the study. It is suggested that concern authority need to take immediate actions to improve infrastructure for the benefit of cross border economic interweaving.

The high import duty structure creates negative impact on the free flow of commodities across the border by market forces. As in the case of non –basmati rice, once highly traded commodity presently has come to an absolute halt due to enhancement of import duty by Bangladesh government. However, actions have already been initiated at the government level of both the side to rationalize the duty structure by giving several concessions. The need of the hour is to expedite the process and make tariff structure trade friendly.

The price sensitiveness of the people, in general, has been the result of limited buying power and competition in the market. Rationalization of import duty may come useful for the entrepreneurs in tackling the situation.

The analyses of trade character between northeast India and Bangladesh, done in the study indicates towards profound dependence of trade volume on few items only. Only the trade that takes place between the Tripura and Bangladesh border shows some variety in comparison to Assam and Meghalaya. The comparative high frequency of visit of the Tripura

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entrepreneurs to their counterparts in Bangladesh seems to play a vital role in identifying tradable products. Therefore, to enhance ease in visiting the cross border entrepreneurs, Bangladesh visa office needs to be located somewhere in Guwahati or in Shillong in addition to the existing in Agartala.

This study has indicated that the trade between northeast India and Bangladesh is greatly causing pre industrial use of valuable mineral resources like coal and lime stone of the region . These resources could have been better used if value addition had been possible within the region and then exporting out of the region for more export revenue and economic development of the region. Therefore, it is suggested that concerned agencies, be it government or non-government organizations need to take up the responsibilities in explaining the value addition alternatives of mineral resources and little bit handholding in case of need.

#### **7.4 Limitations of the study**

The following are the few limitations of the present study:

1. The main limitation of the study is its non longitudinal nature. Since a major part of the study deals with relationship developmental process, so longitudinal study would have resulted in isolating and understanding the barriers of trade in a better way. For the same reason, the study has not dealt with political and historical parameters and their effects on relationship development process (for they do) but rather the study focuses on how persistent they are and what impact they have on actions and interactions of entrepreneurs.
2. Initiative for looking across the border of the neighboring country for economic development and benefit is comparatively new in the northeast India. As such

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literature on cross border studies are almost negligible. Therefore, the present study had to depend on international literature for conceptual framework.

3. The study area covers three states of the northeastern region and the entrepreneurs involved in the cross border trade are also found scattered across each state. In addition to that, the land post customs stations in some places are very remote. Since the study is not a sponsored research, therefore, financial considerations have compelled to restrict primary data base within a reasonable limit.



**Annexure:**

Value addition possibilities; Based on available resources in the northeast India and import demand of Bangladesh

Lime stone based industries:

Cement /Clinker plant (s)  
Precipitated /activated calcium carbonate  
Lime plants  
Soda ash  
Bleaching powder  
White cement

Rubber Based:

Cycle Tyres and Tube  
Pre-cured Tread  
Belt and Hoses  
Latex Foam and Coir Foam  
Dipped Goods  
Rubber Wood

Clay Based Industry

Glazed tiles  
Porcelain  
Stone ware  
Earthen ware

Coal Based

Coal briquette  
Coke

Spices

Turmeric powder  
Ginger dehydrated  
Spices powder

Agro Based

Rice flakes  
Vanaspati plant  
Mustard Oil  
Honey processing and packaging  
Frozen vegetables

Poultry Farming

Poultry farm  
Hatchery Unit

Horticulture

Banana cultivation  
Pineapples  
Vegetables  
Spices  
Cashew processing unit



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## **Annexure:**

### **Value Addition Possibilities: Based on Available Resources in the Northeast India and Import Demand of Bangladesh**

#### **Lime stone based industries:**

Cement /Clinker plant (s)  
Precipitated /activated calcium carbonate  
Lime plants  
Soda ash  
Bleaching powder  
White cement

#### **Rubber Based:**

Cycle Tyres and Tube  
Pre-cured Tread  
Belt and Hoses  
Latex Foam and Coir Foam  
Dipped Goods  
Rubber Wood  
Other miscellaneous items

#### **Clay Based Industry:**

Glazed tiles  
Porcelain  
Stone ware  
Earthen ware

#### **Coal Based:**

Coal briquette  
Coke

#### **Spices:**

Turmeric powder  
Ginger dehydrated  
Spices powder

#### **Agro Based:**

Rice flakes  
Vanaspati plant  
Mustard Oil  
Honey processing and packaging  
Frozen vegetables

#### **Poultry Farming**

Poultry farm  
Hatchery Unit

#### **Horticulture**

Banana cultivation  
Pineapples  
Vegetables  
Spices  
Green house (Plastic culture)  
Cashew processing unit

