

Meghalaya's Industrial Leap under the Act East Policy

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Abstract-India's Act East Policy (AEP) aims at improving economic, strategic, and cultural ties with Southeast Asia and the development of the northeastern states. Meghalaya, with its 443 km strategically positioned border with Bangladesh, has enormous potential to become a trade and industrial center under the AEP policy. This analysis locates the policy implications on Meghalaya's industrial growth with specific reference to enhanced connectivity, logistics, and sectoral opportunities in agriculture, mining, tourism, and handicrafts. Mega projects like the Meghalaya Logistics and Connectivity Improvement Project and infrastructure development like the Shillong-Dawki Highway will stem the cost of logistics and enhance trade. Issues like poor infrastructure, problems in regulating the mining sector, and the lack of adequate cold storage facilities still dominate despite this. With proper leverage of the AEP, Meghalaya can attract foreign direct investment (FDI), promote export-oriented industries, and be integrated into ASEAN markets. Strategic policy intervention, green practices, and facilitation of cross-border trade are the solutions to Meghalaya's aspirations to become a USD 10 billion economy by 2028 and to facilitate sustained industrial growth.

Keywords: Act East Policy; Meghalaya; Connectivity; Mining; Infrastructure; Industries; Development; Southeast Asia: ASEAN; Meghalaya Vision 2030; Export; Trade; Resources; Incentives; Public-Private Partnership; Sustainability

I. INTRODUCTION

India's Act East Policy (AEP), which began in 2014 when Narendra Modi became Prime Minister of India in May 2014, termed the "Look East Policy" (1991) as the "Act East" policy and broadened its previous scope from geographical to continental and marine frontiers by enhancing its strategic importance in Southeast Asia[1]. The policy revolves around four pillars: economic integration with ASEAN trade amounting to 131.57 billion in 2022-23[2], strategic partnerships, infrastructural developments through projects like the India-Myanmar-Thailand Highway, and cultural exchanges. Finally, AEP also aims to improve the

economic and social welfare of the region through trade and cultural exchanges.

The key focus of this paper is on Meghalaya, the Act East Policy, and the implications that it has on the industrial development of the state. Meghalaya's strategic geopolitical location provides prospective opportunities, keeping in mind its shared border with Bangladesh. The total length of the Indo-Bangladesh Border in Meghalaya is 443 km, out of which 367.155 km length of the International border has been covered by a fence[3]. With a population of 3.8 million and an economy of USD 5.9 billion, the state endeavours to achieve a targeted economy of USD 10 billion by the year 2028[4]. Much of this growth will be focused on increased FDI, Institutional setups, policies, incentives, and local initiatives for improving the state's industrial foundation. This description will discuss the implications of the Act East Policy on industrial development in Meghalaya by considering key prospects like connectivity, logistics, potential industrial setups, trading potential, challenges, and finally opportunities for the future.

II. CONNECTIVITY AND INDUSTRIAL DEVELOPMENT

India's partition in 1947 cut off the Northeast from accessing the sea, drastically isolating the region. The Northeast is now only connected to the rest of India via the 28 km Siliguri Corridor, which is colloquially referred to as the 'chicken's neck'. In any given situation, streamlined trading access often results in higher investment and economic growth, thereby alleviating poverty and promoting development in the region.[5] As per Biswa Nath Bhattacharyay and Prabir De, improving the mobility of people, commodities, and services would bring about higher efficiency in the allocation process. He himself has also pointed out how ease of movement would lower transportation expenses and improve supply reliability, thus making a region's comparative

advantages. Reduced costs also resulted in the establishment of more production networks, which, in turn, can potentially induce industrialisation, trade, and investment[6]. Improving connectivity was thus “essential for the region’s prosperity, continued growth and, most importantly, poverty reduction”. [7]

The Act East Policy could offer Meghalaya an opportunity to capitalize on its proximity to Bangladesh (with a 443 km border) and position itself as a potential industrial, trade, and logistics hub. This, however, can be achieved by keeping connectivity as a priority. The Government of Meghalaya has taken steps and initiatives, most notably through the Meghalaya Logistics and Connectivity Improvement Project. This project involves a loan of USD 300 million from the International Bank for Reconstruction and Development (IBRD) (“the World Bank”). The project aims at developing a transport system that is well-connected, efficient, of high quality, and safe, and thus supporting key sectors of the economy, including agriculture, tourism, and industry. The overall objective is for Meghalaya to develop into a middle-income state with rising income levels, higher employment opportunities, improved quality of life, and progress towards attainment of the Sustainable Development Goals (SDGs). [8]

In the wake of the Act East policy, enhancement of connectivity presents a unique opportunity due to Meghalaya’s proximity to Bangladesh and Southeast Asian Countries. Moreover, its potential in the industrial sector as a trade and logistics hub through many of its existing and prospective projects presents a potential for the industrial landscape of Meghalaya. Strategic border posts like Dawki and Mahendraganj can be made vibrant trade hubs, thus reducing informal cross-border trade and maximizing revenue. The Shillong-Dawki Highway project is likely to significantly improve connectivity to the Bangladesh city of Sylhet and further to Chittagong Port, thus making goods movement more efficient[9]. Another area of potential opportunity is the use of inland waterways—creating linkages between the Brahmaputra and Barak rivers and those of Bangladesh—potentially significantly reducing the logistics cost of moving commodities like coal, agricultural output, and processed foods to international markets.

The Act East policy promotes regional infrastructural growth by the development of roads and highways, the creation of air connectivity for travel, the extension of railway lines, the creation of trade corridors, and the development of infrastructural conditions for border trade.[10] This has been projected by every state in the North East region, including Meghalaya. The Meghalaya Vision 2030[11], for example, has a special chapter on the development of the state's infrastructure, which is aimed at creating "a congenial investment climate" and "economic opportunities for the neighboring country," thus serving the interest of the Act East policy.

III.POTENTIAL INDUSTRIAL FABRICATION IN MEGHALAYA: AN ACT EAST PERSPECTIVE

The Meghalaya economy is by and large agrarian, but it has tremendous unexploited industrial potential in:

1. Agriculture and Food Processing - The fertile soil and organic farming in Meghalaya provide potential for agro-processing sectors. The state is famous for yielding quality turmeric, ginger, pineapples, and honey[12], which are highly sought after in Bangladesh, Myanmar, and ASEAN nations. Focused growth and development of food-processing industries specializing in spices, fruit concentrates, and packaged organic foods may increase volumes and price returns for farmers. However, the biggest challenge is the absence of cold storage and modern packhouses, which contribute to post-harvest losses. Cold-chain logistics, food parks, and processing zones near borders targeting exports would be good investments that would position Meghalaya well to benefit from the growing food economy in Southeast Asia.. Additionally, the registration of geographical indication (GI) tags for unique products like Khasi mandarin and Lakadong turmeric[13] has largely enhanced their global marketability, especially to ASEAN countries, considering their proximity to the state.
1. Mining and Minerals - Meghalaya is well-endowed with minerals like coal, limestone, uranium, clay (Lithomargic), granite, kaolin, iron ore, glass sand, etc[14], but the industry has been handicapped on environmental grounds and by

regulatory prohibitions. Nevertheless, with environmentally sustainable mining and firm enforcement, revamp potential is present in the industry. The state's limestone deposits of high quality are suitable for cement production, with the potential to supply domestic requirements and export to Bangladesh and other nations of close proximity, mostly aptly ASEAN countries, where construction booms have created an increasing demand for cement. In addition, silica sand deposits utilized in the glass and semiconductor industries and limited quantities of uranium awaiting regulatory clearances, have the potential to attract specialist industries. In order to ensure long-term sustainability, the government must promote value-added processing of minerals instead of raw material exports by encouraging the promotion and development of large-scale industries, thereby bringing in revenue to the state and its people.

2. **Tourism Industry** - Tourism is one of Meghalaya's most promising sectors, with its pristine landscapes, living root bridges, caves, and waterfalls drawing domestic and international tourists. By positioning itself as a destination for eco-tourism and adventure tourism with prospects for targeting would-be visitors from ASEAN nations, the state could realistically make full use of opportunities under the Act East Policy. Homestays and development of trekking circuits could significantly promote augmentation in tourism by linking the local hill station with culture festivals and event-related activities. Development of tourism hubs would significantly augment the experience for tourists, deriving benefits to local citizens and inhabitants, thus leading to employment opportunities, infrastructural development, and development of indigenous industries. Additionally, medical tourism offers yet another opportunity in this niche area. Heritage therapy in Traditional Khasi herbal medicine, as well as Wellness retreats and activities tailored to health-focused tourists, could generate additional income for local inhabitants. However, in order to take full advantage of this opportunity, it would be essential to develop greater air connectivity by expansion of Shillong

Airport, improve roadways infrastructure, and step up digital promotion activities.

3. **Handicraft and Handloom Industry:** Meghalaya's handicraft and handloom industry holds vast industrial potential under India's Act East Policy, especially for ASEAN integration. According to the Incubation Centre, LBI-MSME Incubator, Eri Silk contributes over 90 per cent of the Northeast's total silk output, with Meghalaya accounting for 15.6 per cent[15]. The state's competitive advantages lie in the availability of abundant raw materials that can facilitate manufacturing clusters. Additionally, the industrial growth potential lies in the setup of silk processing units, bamboo product manufacturing units, and value-added finishing units with the foresight of government incentives. Technology integration can drive productivity without compromising traditional craftsmanship. For successful ASEAN market penetration, an industrial policy must be founded on standardization, capacity building, and trade facilitation. Low tariffs of the India-ASEAN Free Trade Area (AIFTA)[16] are favorable for the export of Meghalaya's handicraft textiles and bamboo products, eventually making Meghalaya a regional center for sustainable handicraft production.

IV. CONCLUSION

The Act East Policy (AEP) presents a good opportunity for Meghalaya to improve its industrial landscape by leveraging its geostrategic location, nature-endowed resources, and cross-border trade opportunities. Increased connectivity through road, rail, and inland waterways can decrease the cost of transportation and integrate the state with regional markets, particularly those of Bangladesh and ASEAN nations.

At a sectoral level, both the agriculture and food processing industries have strong export potential, provided post-harvest infrastructure is created in terms of cold storage and food parks. For the mining sector, if properly regulated, it will have the opportunity to attract cement and silica-based industries. Tourism can be developed through infrastructure development and the promotion of eco-tourism. Additionally,

handicrafts and handloom industries, particularly involving Eri silk and bamboo products, have the opportunity to become globally competitive through AEP's trade facilitation measures.

However, challenges associated with inadequate infrastructure, bureaucratic hindrances, and environmental degradation in the mining industries require attention through policy reforms and joint actions between the private and public sectors. Through investments led by AEP, skill development promotion, and robust agreements over border trade, Meghalaya has the capability to become a vibrant center for commerce and industry. This vision will only become possible through joint efforts by both the central and state governments, so that Meghalaya derives benefits from regional integration and meets its economic development targets in sustainable and equitable ways.

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