

Editorial

Imphal Thursday, December 8, 2016

An alternative perspective

The one basic thing that could make much of almost everything much easier, simpler and smoother, yet seemingly impossible to accomplish is the act of coming clean. It would indeed take a much greater strength of character to own up our mistakes and shortcomings, and still greater willpower to refrain from deliberately committing acts we consciously know is wrong and false. The few fortunate ones who have the grit and will to transcend these urges are acknowledged and respected. On the other hand, a new breed of "Go-Getters" who would not stop at anything to achieve their goal is on the rise - the pressures of present day society helping in developing and pruning such mindset to perfection. They are the restless, hyperactive and aggressive ones who do not cater to emotions and aesthetics. Modern parents and guardians are increasingly urging their wards to adopt the letter approach towards life in order to carve out a place in the society that invariably results in a level of respect-respect that again is dependent on the earning capacity, the social circle adopted and living status maintained. Increasing compulsions for security in terms of food, shelter and a step towards a more secure future could be the factors that prompted the collective thinking towards adopting such an attitude towards life. But then, does that mean the adage "All is fair and love and war" will be made true? Is our life becoming a daily struggle, a battle - if not a war, we are destined to wage every single living day of our lives? Where does that leave us with any room or opportunity for improvement - not the financial kind, but a more rounded and holistic one as a person? The present developments in the society - particularly that of mindless atrocities and lack of considerations that is becoming rampant would be a spill-off of this new approach towards life. The struggle for security - for the basic necessities of life have become the all-consuming tryst for wealth which invariably leads to the thirst for power and influence. Greed takes over everything else, making our lives worse off than when we started. What then could be the panacea for these aberrations that has come to plague our lives of late? The answer lies within us - common knowledge which just needs to be acknowledged, and more importantly to act on. Putting up a façade of make-believe and a show of benevolence and righteousness will not absolve anyone of the crimes and wrongs. This is of utmost importance for everyone, and more so for those who are donning the role of public representatives. Concepts like beauty, peace and harmony can only be experienced if we can rise above our petty urges and look at life - that of ourselves and the ones around us in a different and totally new perspective - one that does not have anything to do with wealth, power or fame. But how does one explain these "abstract" concepts, even after knowing them to be true, to someone struggling to earn a square meal on a daily basis? Aren't there adequate schemes and programs to alleviate these basic sufferings being borne by a majority of the people in the State? How do these people who are consistently trying to find any menial job just to earn enough to eat come to know of these schemes if they are not informed, and more importantly, assist them in getting their fair share? Who would not want a little extra, even in spite of having more than everything they could possibly ever need in life? The best persons to validate this observation will be those in whose hands are the reign of power and affairs of the State. "The earth has enough to satisfy man's needs but not man's greed": Mohandas Karamchand Gandhi.

Anti-terrorists operation underway in J&K's Anantnag

Anantnag, Dec. 8: In Jammu and Kashmir, the anti-terrorists operation launched by the security forces in Hassanpora Arwani area of Bijbehara town in Anantnag district is underway. AIR correspondent quoting Security sources said that a gunfight started early today between terrorists and the security forces in southern Kashmir's Anantnag district. The troops of counter-insurgency Rashtriya Rifles (RR), Special

Operations Group (SOG) of State Police and Central Reserve Police Force (CRPF) surrounded Arwani village yesterday evening after receiving information about the presence of militants. Intense clashes erupted in the area after people pelted stones on the forces while trying to break the cordon laid by security forces. Sources said that two militants are believed to be hiding in the area. There was no report of any casualties uptil now.

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Regional Economic Agglomeration and Openness: The Economic Development of the North Eastern Region (NER)

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Introduction:

The key determinants of a country's economic development depend on the combination of its factor endowment, technology, institutional structure and policy stance. While not denying the importance of these considerations, the paper tries to examine different view of economic development and underdevelopment, based on the idea that economic activity in North Eastern Region (NER) may agglomerate spatially and international openness causes higher economic growth. One of the reasons of prolonged underdevelopment of NER is the export constraint on the part of NER due to low demand, high trade costs, poor infrastructure and lackadaisical nature of the Government. As a result, the region has benefited little from India's trade liberalization. It is said that NER requires more initiatives and investment to develop its own manufacturing base as its manufacturing industry is in infant stage. To find a solution to this problem, it is necessary to examine the trade pattern between India and the rest of the World. On 25th September 2014, PM Narendra Modi launched "Make in India" campaign to make India a manufacturing superpower with 25 thrust sector which includes automobiles, chemicals, IT, pharma, textiles, ports, aviation, leather tourism and hospitality, wellness, railways, etc. The key focus of this campaign are "ease of doing business", focus on Public-Private partnerships, harnessing the potential of Democracy, Demography and Demand. Emphasizing 'collective responsibility' for country's development and focusing on job creation, PM Modi said, "We have to change the economic dynamics; we have to improve manufacturing in a fashion that benefits the poor. This is a cycle, move poor people towards being a part of middle class. Manufacturing boost will create jobs, increasing purchasing power, thereby creating a larger market for manufacturers." It implies that India needs to develop manufacturing industry to lift poor people out of poverty, as it can provide a large number of employment opportunities for both skilled and unskilled workers. Improving manufacturing sector will create more employment opportunities than that of other sectors. Thus, improving manufacturing helps the country to eradicate poverty by creating more income and employment. In the true spirit of 'Make in India' policy, if the NER wants to live on their feet rather than on their knees, it is necessary to change the policies with regional characteristics as well as collective efforts so that the region could become economic powerhouse by converging them into an economic unit. It is suggested that NER should pay attention to improve manufacturing industry by enhancing industrial capabilities as well as by specializing towards its comparative trade advantage commodities. Section II discusses how the regional economic integration and international openness may benefit the development of NER and section III is the conclusion.

2. Regional Economic Agglomeration and Trade Openness:

2.1 Regional Economic Agglomeration:
 The spatial agglomeration of industry has been formally analyzed in recent work in economic geography (see Krugman and Venables, 1995) and the goal of the present paper is to find out the implications of this approach for economic development of the region. Why does NER need to pull economic activity into a single location? Some countries trade more because of their proximity to well-

populated countries, while some trade less because they are isolated (Frankel & Romer, 1999). This situation is also quite true in the NER of India. The region is trapped in 'peripheralism' (Barman, 2009) and the population densities of the NER are below the national averages. In most of the NER states, the main towns are small and there only few regional district hubs. For example, hardly any small market towns can provide chain market to commercial farmers for their produce. Besides, the commercial and financial banking activities are very marginal because of small population and areas (Bruner et al., 2010). Why do firms agglomerate in certain places? When trade costs are sufficiently low, firms tend to locate where demand is larger in order to benefit from economies of scale, and demand becomes larger as production of manufactures concentrate. Three main forces shape the process of agglomeration/dispersion of economic activity in space. Firstly, the 'product market competition' effect implies that when one worker migrates from Region B to Region A, competition in the latter raises (while it is reduced in the former). Then, firms pay lower wages in Region A relative to Region B as a way to support their competitiveness. This effect clearly constitutes a dispersion force since some workers in Region A will decide to migrate in Region B where the relative wage is higher. Secondly, the 'home market effect' implies that, other things being equal, the region with the larger market for a specific product has the higher wage and it is a net exporter of that product (Krugman, 1980): in fact, more workers in Region A entail a larger share of income spent in industrial goods and this allows local firms to pay higher nominal wages, making this location increasingly attractive for more workers (and consequently more firms). As such, Region A becomes an exporter of industrial goods. Thirdly, the 'price index effect' implies that a larger share of workers in Region A determines lower prices for industrial products in the local market. In fact, more varieties are produced in Region A and they do not incur in trade costs

since most firms produce locally. Thus, prices are lower in Region A relative to Region B. As such, the real wage in Region A as compared to real wage in Region B rises attracting more workers in Region A. The intensity of these three forces as well as the balance between them is determined by the level of trade costs between the two regions. What factors will determine the economic integration? And why do firms tend to agglomerate? It is due to increasing return to scale, monopolistic competition, transaction costs and the occurrence of external economies and in turn shape firms' and labor's location behavior. Increasing returns implies that trade arises to take advantage of scale and variety gains from specialization. Increasing returns encourage manufacturing firms to geographically concentrate their productive activities rather than dispersing them in several locations as a way to benefit from the advantages of scale economies i.e. benefits in terms of production costs deriving from creating larger plants. However, since each firm can increase production while reducing the average cost per unit of product, mere existence of increasing returns does not imply that production is automatically concentrated in a single location. Since firms cannot benefit from increasing returns by concentrating production, they will decide to produce in all locations where consumers are. Thus, it tends to spread economic activity to other parts of the region. Transport costs greatly influence location choices. Firms decide whether it is more convenient to concentrate in just a single location and serve other regions by exports or alternatively incur in additional fixed costs to open up a second plant in a different location. Since each region has the same endowments (i.e. no a priori differences between regions), firms have no incentive to relocate from one region to another since they would face more competition without the possibility to serve the other region's market by exports due to high trade costs. Is regional convergence possible in NER? How does clustering of firms in a single location make possible in NER? There are three main forces

that can shape the process of agglomeration/dispersion of economic activity in NER: location of firms to single location, lowering trade costs sufficiently and making NER increasingly attractive for workers and firms. When firms locate to a single location, it creates an incentive for suppliers of intermediates to locate production in the same location, and as production of final goods by clustered firms becomes gradually less expensive due to better access to intermediates, and this effect reinforces industry concentration. In order to illustrate this particular case of high trade costs, consider for example that for an exogenous reason (i.e. historical accident) one worker migrates from region B to region A. Regarding trade costs, higher trade costs lower firms' profitability, and high trade costs that impede exports as firms in cannot compete in distant markets due to high trade costs. When trade costs are sufficiently low, the dispersion effect is not strong enough to impede concentration. It implies that when trade costs are sufficiently low, the region will be more attractive to workers because of higher wages and more varieties, as well as firms for it will increase their profitability. It will also lower the competition effect so that firms can access to distant markets in addition to the local demand. This lower trade costs and migration of workers will in turn increase demand in NER and firms tend to locate where demand is larger in order to benefit from economies of scale, and demand becomes larger as production of manufactures concentrate. Puga (1996) suggests that agglomeration most likely occurs when the supply of labor is highly elastic. Because it allows firms to draw labor force from the agricultural sector without notable increases in the rural wage rate. In other words, the labor migration from agriculture to manufacturing could only slightly affect the wage differential between rural and industrial activities. Therefore, agglomeration takes place for more rural workers intend to move in industry where wages are relatively higher. However, if the supply of labor is inelastic, then agglomeration does not take place, because the labor migration from agriculture to industry heavily affects the wage ratio between sectors. In case, the agglomeration in NER is more likely to take place as the labor supply is highly elastic. (To be cont....)

National & International News

Stranded tourists in Havelock Island safe, says home minister Rajnath Singh

New Delhi, Dec. 8: Home Minister Rajnath Singh on Thursday said all tourists at Havelock Island in the Andamans, who are stuck due to cyclonic conditions, are safe and efforts are on for their early evacuation. Singh called up Lieutenant Governor of Andaman and Nicobar Islands Jagdish Mukhi and enquired about the status of the stranded tourists. Mukhi briefed the Home Minister about the situation and the steps taken for rescue of the stranded tourists. "All the tourists in Havelock Island are safe and the government has made all preparation to evacuate them. Government will launch rescue operations after the intensity of cyclone reduces," Singh said in a statement. The Home Minister said that rescue teams are ready at Port Blair and appealed to family members of the stranded tourists not to panic as all in the Havelock Island are reported to be safe. Havelock and Neil islands, approximately 40 kms from Port Blair, have been hit the most by the

cyclonic weather conditions caused by a severe depression over southeast Bay of Bengal which led to heavy rainfall, strong wind and rough sea conditions, officials said. Neil and Havelock are two of the most popular tourist attractions in Andamans and the only means of transportation from them are vessels and choppers which have stopped operation since Monday last due to bad weather.

South Andaman's deputy commissioner Udit Prakash Rai had said yesterday, "About 1,400 tourists, who had visited the islands, are now stranded and unable to return to Port Blair to fly back home." The local populace of 10 villages of Havelock and Neil islands have also been hit severely by the cyclone which has hampered the movement of essential supplies.

Delhi wakes up to heavy fog, 94 trains delayed
 later. Relative humidity was recorded at 97 percent at 8:30 AM. Minimum temperature was recorded at 8.7 degrees Celsius, considered as normal for the season. "Two train services were cancelled, while 94 others were running behind schedule by several hours" due to poor visibility. Flight operations at the Indira Gandhi International Airport, however, were not affected in the morning, airport officials claimed. According to a MeT department official, the visibility was recorded at 400 metres at 5:30 AM, which dropped to 100 metres three hours