

# Editorial

Imphal Friday, December 9, 2016

## The final reckoning

The greatest mistake any political party can make is to take the mandate of the people for granted, or so it seemed. Turns out that more than the making of the mistake, it is the inability or failure to learn from it. The result is unmistakably clear for everyone to see - the Congress party committing the greatest folly in failing to learn from the mistakes of the UPA-2 government under Prime Minister Manmohan Singh of the Indian National Congress which for the majority of people in India, is indeed arguably the most corrupt regime post Independence with the sheer number of scams and scandals, terrible inflation, internal and border security problems made all the more prominent in no small measure by the anti-corruption movement headed by Anna Hazare stirring up the masses across the nation and thereby starting what can loosely be described as a precursor to the citizens standing up to wrongdoings which were for most part till then looking the other way. On the other hand, after the golden run of the BJP in 2014, the year 2015 turned out to be a time of disruptions and disappointments as manifested in the rout in Delhi and the dismal show in Bihar. Narendra Modi, with his personal charisma and political acumen along with the organizational wizardry of his most trusted aide Amit Shah wasted no time in analyzing and rectifying the mistakes which resulted in a surge of supporters across the country, and also making inroads towards the north eastern part of the country with the historic win in Assam. The stark contrast in the alacrity and readiness to admit and address issues between the two political parties cannot have been more prominent.

Closer home, Iboi could not have picked a worse time to end his tenure had he so wished. Like a collapsing house of cards, elected representatives under his leadership have increasingly switched loyalty, and the trend is expected to continue at an increased pace. The society is on the verge of being bifurcated irreparably along ethnic and communal lines, and the continued stranglehold on the people of the state by a group espousing the contrived misnomer of a contiguous homeland of a single community has tried the patience of the generally docile and laidback public to breaking point. These unfortunate incidents are but unmistakable indications that somewhere, something is terribly wrong in the way things are governed or administered. Distractions, diversions and delays - the modus operandi considered to be the weapon of choice of the incumbent government by the general public has become obsolete and will no longer work.

If the state government can somehow muster up enough political will and desire to fight for another lease of life or redemption, there is still time to act - but act it must without the slightest of hesitation or doubt. It must take off the velvet glove with which it has been dealing the incorrigibles. It is time to crack the whip and assert the aspirations of the people - to move towards progress and development. Any form of deterrent should be dealt with in the most exact and decisive terms. It has to be done today.

## Two militants killed in Anantnag encounter

**PTI Srinagar, Dec 9:** Two militants have been killed by security forces in the 36-hour gunbattle in Bijbehara area of Anantnag district of Kashmir which ended today. The bodies of the two militants were recovered from the debris of the house at Arwani in Bijbehara area this morning after security forces blew up the building using explosives, a police official said. He said one of the bodies was severely burnt. However, an army official said they were still sifting through the debris and a final statement on the incident will be issued once the operation was called off.

One army jawan was injured in the gunfight that began in the early hours yesterday. Security forces had cordoned off the area on Wednesday evening following information about presence of Lashkar-e-Toiba militants there. A 24-year-old youth died allegedly after being wounded by a "stray bullet" near the site of encounter. Arif Shah, a resident of Sangam area of Anantnag district, was hit when security forces were dealing with a group which was indulging in stone-pelting near the encounter site, the official said. However, locals alleged that Shah was killed in security forces action against protesters.

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## National & International News

### Solomon Islands escape serious damage after powerful 7.7 quake

**Sydney, Dec. 9:** A major 7.7-magnitude quake struck Friday off the Solomon Islands triggering severe shaking and a tsunami warning, but there were no reports of any serious damage, officials said. The Pacific Tsunami Warning Centre initially said there could be possible "widespread, hazardous" tsunami waves, forcing villagers to flee to higher ground.

But within three hours the warning was downgraded after the threat passed without major incident. The epicentre of the quake, which hit at 4:38 am (1738 GMT Thursday), was located 68 kilometres (42 miles) west of Kirakira, a provincial capital in the Solomon Islands, at a depth of 48 kilometres, the US Geological Survey (USGS) said.

A shallow 6.5 aftershock rattled the same area some four hours later. Electricity supplies were cut in some parts of the Solomons and there were reports of thatched houses collapsing. Donald Tehimae, an officer at the Kirakira police station, said most of the damage appeared to be superficial.

"Some houses have been damaged but no one was hurt. At the police station a lot of documents in the storeroom fell down," he said. Suzy Sainovski, an official with aid organisation World Vision in the capital Honiara, said the shaking was frightening.

"The earthquake woke me up. I was in bed and it was dark and it felt like being in a matchbox that someone was just shaking and shaking," she told AFP.

"It felt almost like the hotel's foundation was just moving in waves. The shaking felt like it went on for quite a while — 30 to 45

seconds. The cupboard doors were shaking, but nothing fell over. "Just from briefly looking outside my window as it begins to get light, I didn't see any damage to buildings," he said. Hugh Glanville, duty seismologist at Geoscience Australia, said the offshore epicentre of the earthquake and sparsely populated areas helped minimise the impact. "So far we have had no reports of major damage," he told AFP.

"There was a small tsunami, the waves were under half a metre. They've arrived through most of the Solomons and Vanuatu and the threat level is diminished or has passed."

"The reason we often get so little damage from big earthquakes in this area is that the plate boundary is offshore," he added. "The epicentre being 100 kilometres offshore makes all the difference."

USGS said earlier that some casualties and damage were possible from the quake, warning that waves reaching 1-3 metres above tide level could occur along parts of the Solomons.

It had also warned some coast in Vanuatu, Papua New Guinea, Nauru, New Caledonia, Tuvalu and Kosrae, as well as Hawaii, were at risk, before saying the threat had passed.

The earthquake-prone Solomon Islands, east of Papua New Guinea and with a population of more than 500,000, are well rehearsed in what action to take following several devastating tremors.

"The adoption of a generally defensive rather than proactive approach to providing security to the local population, have caused frustration locally and disappointment internationally," he said. "I also appeal to Daw Suu to visit Maungdaw and Buthidaung and reassure the civilian population there that they will be protected," he added, referring to the locked down area in Rakhine.

The bloodshed presents the biggest challenge to Suu Kyi since her party won Myanmar's first democratic elections in a generation last year.

It has galvanised Muslim nations around the region, with protesters decrying the latest crackdown as the culmination of years of discrimination and abuse suffered by the stateless Rohingya. On Sunday Malaysia's Prime Minister Najib Razak taunted Suu Kyi, who the former junta kept under house arrest for almost 20 years, before a crowd of some 5,000 protesters in Kuala Lumpur.

"What's the use of Aung San Suu Kyi having a Nobel prize?" he asked the protesters.

"The world cannot sit and watch genocide taking place." Activists say Buddhist-majority Myanmar's stateless Muslim Rohingya minority are among the most persecuted in the world. More than 120,000 have been trapped in squalid displacement camps since the last major outbreak of violence erupted in Rakhine in 2012.

**UN calls on Myanmar's Suu Kyi to visit crisis-hit Rakhine**

**Yangon, Dec 9:** The UN has asked Myanmar's de facto leader Aung San Suu Kyi to visit northern Rakhine state, where the army is accused of carrying out a brutal crackdown on the Muslim Rohingya minority.

The Nobel peace prize winner has faced growing international criticism for not stopping the military's campaign, which has pushed more than 20,000 Rohingya over the border to Bangladesh, bringing tales of mass rape, murder and arson.

The crackdown was launched in response to deadly raids on police posts in October. Malaysia has accused the army of "genocide" — charges Myanmar officials have vehemently denied. Suu Kyi has described the situation as "under control" and asked the international community to stop stoking the "fires of resentment".

In a statement released in New York yesterday, UN special adviser on Myanmar Vijay Nambiar appealed directly to the peace icon to intervene.

Contd. from yesterday issue

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

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The classic example of a success story of economic benefit of regional convergence is the early years following German re-unification in 1990. Prior to the fall of the Berlin Wall, East Germany has been well integrated into foreign trade and its exports over GDP (40%) were higher than in West Germany (29%). After the initial re-unification in the early 1990s, the convergence of per capita incomes between East and West Germany has slowed down. During the mid-1990s, growth rates of East Germany exceed that of West Germany and, since then, growth rates in East and West Germany have levelled off and differences in factor endowments were even more pronounced, resulting cross-border movements of capital, labor, and goods. Unemployment has been persistently above the West German level. East Germany States trade less with the rest of the world than their West Germany counterparts, accounting for 10-13% trade share for East Germany with compared to 24% for West Germany. The share of inward FDI and presence of parents of multinational firms located in East Germany are comparatively low (Buch & Toubal, 2009). Levchenko and Zhang (2012) examine the welfare gain from the trade integration of Eastern Europe after the fall of the Iron Curtain and the role of comparative advantage in the gains from trade. The paper found that Western European countries gain mainly expansion of markets, while Eastern European countries mostly benefit from technological transfer from Western to Eastern Europe. Eastern European countries are expected to experience large distributional effects due to trade opening. How does agglomeration benefit NER? According to Alfred

Marshall, externalities have three effects: labor market pooling, availability of specialized intermediates and technological spillover effects. First, firms that cluster in a single location take advantage of the availability of pooled labor force and reduce the risk of unemployment as compared to an economy where firms are dispersed. It implies that there is an increase in efficiency emerging from an agglomerating industry connected with a local pooled labor market. Second, when firms concentrate production into a single location they also take advantage of the presence of specialized suppliers of intermediate goods and inputs through the creation of backward and forward linkages between producers of final goods and their suppliers of intermediates (Krugman and Venables, 1995). Third, clustered firms are supposed to benefit from technological spillovers consisting in unintentional flows of knowledge arising from proximity to one another and benefitting the industry as a whole. As a result, firms are encouraged to localize in a single place to benefit from external knowledge arising from other firms' activities (i.e. R&D).

**2.2 Trade Liberalization:** Historically, rapid expansion of international trade renders to high growth in the world. Thus, openness for trade, capital flows, and migration can have an impact on economic growth. Buch & Toubal (2009) examined whether international openness causes higher domestic growth in the context of the fall of the Berlin Wall

in 1989. They found that geographical variables play a very significant role in regional openness and higher trade openness increases regional per capita income. What will be the impact of trade liberalization on the geographical distribution of industries of NER? According to traditional trade theory, international trade between countries, both of them benefit of the gains of comparative advantages. The rationale behind trade liberalization suggests that greater competition would induce the production units to improve productivity, which is crucial for accelerating the overall economic growth. Since firms respond to the world market signals, the commodity structure of the country's trade would undergo changes in accordance with the changing patterns of specialization. According to the Heckscher-Ohlin-Samuelsun (H-O-S) model, trade liberalization would induce reallocation of productive resources from the import competing industries to those industries where the country has comparative advantages.

As far as NER's comparative advantage is concerned, it is believed that it has comparatively trade advantage in producing labor-intensive, semi-skilled-intensive and unskilled-intensive products. Table 1 illustrates the SITC (Standard International Trade Classification) Revision 3 two-digit products that accounted for less than 2 percent of total exports during 1990-2013. India's export of labor-intensive products and semi-skilled intensive products is either

relatively small or more or less constant, and some products are even declining: footwear, tea, inorganic chemicals, spices, tobacco, beverages, etc. From looking at India's pattern of trade, how can the NER find out its opportunity to participate in India's trade exports? The answer lies in improving the industrial capabilities and strength of the NER and its major industries i.e. its comparative trade advantage. Industries in the NER are engaged mostly in manufacturing food products, and wood and wood-based products, as well as dealing in some metallic industries, tea, oil, gas and mining sectors (Bruner et al., 2010). Some other potential sectors of this region are agriculture, horticulture, fish farming, handloom and handicrafts and tourism (Goswami et al., 2012). It is also in line with the ASI survey report 2011-12. According to the report, the outputs of the 13 major industries include tea, food products, beverage, other non-metallic mineral products, etc. Most of them are labor-intensive, unskilled-intensive and semi-skilled products: an opportunity for the NER to pursue the specialization and production of these products. Table 2 shows the shares of seven major industries in terms of the output within each state of the NER during 2011-12. Comparing Table 1 and 2, shows that the major industries of the NER have a comparative advantage in producing a majority of the products listed in Table 2, which are mostly labor-intensive, semi-skilled-intensive and unskilled-intensive. The NER should focus on specialization on these industries and try to increase firms' productivities in producing these products.

(To be contd.....)