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## UNIT 3 ECONOMIC PROFILE OF THE REGION\*

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### 3.0 OBJECTIVES

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After going through this unit, you will be able to:

- Explain the basic features of economies in Northeast India;
- Underline the significance of land, plantation and mineral resources in the region; and
- Discuss the major challenges which these economies face.

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### 3.1 INTRODUCTION

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Economic profiles of the states of Northeast India impact the politics and development of the region. Their geographic location and topography shape them. The eight states of Northeast India have two types of terrains – plains and hills. The land, service sector, traditional industry, natural resources (forest, mineral, petrol, coal, limestone, etc.), and tourism are important sectors of the economy of the region. Among these land, the land has a special significance. According to Amalendu Guha (1977), all other inputs into Assam were brought from outside except land. This unit deals with the economic profile of Northeast India with reference to different sectors of the economy such as land, plantation, minerals, tertiary sector, challenges, and migration.

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## 3.2 LAND AND PLANTATION

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The land is the source of agriculture, plantation, and natural resources. The nature of cultivation inland is different in plains and hills regions. The proportion of plain areas in Assam is more significant than those in other northeast states. In the hill areas, *jhum* (slash and burn) cultivation has been the traditional mode of cultivation. Moreover, *jhum* cultivation would continue circularly. The main crops cultivated in Northeast India are jute, fruits, tea, pulses, coconut, potato, areca nut, rice, wheat, maize, oilseeds, sugarcane, ginger, *mesta*, spices, pineapples, banana, papayas.

There is no individual ownership of agricultural land in the hill areas of the Northeast. It lies with the community. However, in plain areas of the region, both inhabited by the tribals and non-tribals, there are individually transferable and inheritable rights inland like in other parts of India. In the tribal areas, allotment of land for the purpose of cultivation to an individual is made by the village community through the *gaon buda*/village head. He works on behalf of the community, and the land is allotted according to the traditional custom. Violation of the procedure by the individual allottee can lead to his dispossession of the land.

The relationship between land and migrant peasants has been an important issue in the political economy of Northeast India, especially Assam. Based on the literature, the following pattern emerges about the relationship between land and peasants. The migration of peasants from East Bengal into Assam had been an important feature of the land-based economy of the state. The migration of peasants from the East began in 1891 with the encouragement of the British to cultivate “wastelands” in Assam. The main purpose of encouraging migration was to raise food production and revenue. The “wastelands” were those types of land that forest and other common property resources (CPR) the British called wastelands under the colonial individual ownership. Such forest land, which was termed “wastelands” as a means of sustenance of the Bodos and Rabha tribes of Assam. Till the 1930s, the land was in abundance in Assam. But the situation changed from that time. The growth of the plantation economy from the first half of the nineteenth century affected food production adversely in the province. There was a food deficit in the region. This necessitated an increase in food production in the province. In such a situation, cultivation in the land was carried out by the migrants from neighbouring districts in East Bengal. The migration of peasants from East Bengal to Assam happened for two reasons: First, the impoverishment of farmers due to the nature of the land system, which was a permanent land settlement.

The Permanent settlement impoverished the peasants in East Bengal, which forced them to migrate to Assam (Fernandes 2020). Another reason was political. The Muslim League government in the 1930s, headed by Saidullah, encouraged migration from Bengal. Although the migration was encouraged apparently under the Saidullah government’s “grow more food” policy of Saidullah government, its main purpose was to increase of Saidullah/Muslim league among the peasants.

In the 1940s, the demographic structure of Assam changed, with a number of migrant peasants becoming more than that of the local peasants. In reaction, Congress leader Gopinath Bardolai introduced Line System. It demarcated land occupied by the migrant peasants to prevent them from occupying land beyond the land system (Fernandes 2021; Guha 1977; Nag 1990).

The plantation economy is also related to the question of land in Northeast India. The closure of tea trade with China foreclosed the avenues of availability of tea for England. The British looked for alternative sources of tea. And it was available inland in Assam (plain and hill areas which were occupied over a period of time). The British planters invested money to capture land for tea plantations in Assam. The agents of British trading houses in Calcutta worked on behalf of their counterparts in London. Plantation economy introduced monetisation of Assam's economy. It led to improvement in means of cultivation in agriculture. Indeed, the bullock card was introduced for the first time. The British encouraged tea plantation workers from other parts of India, Bihar, UP and Rajasthan to work in the tea plantation, as they encouraged the peasants from East Bengal to cultivate land in Assam. Although two economies – plantation and agriculture were dependent on land, the link between them remained tenuous and minimal. Changes in the land-related economy did not bring drastic changes within the society (Guha 1977).

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### **3.3 EXTRACTION ECONOMY**

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Apart from agriculture and plantation, land in Northeast India is also a source for extraction of natural resources – forest products such as timber, petroleum, coal. Although attempts to extract natural resources in the states have been made since the 1950s, it was since the 1990s that attempts became more persistent. The Extraction economy in Northeast India was boosted after the introduction of New Economic Policies, which were extended into the Northeast in the 1990s. During this period, the central government, some state-level politicians, contractors, and local business people attempted to extract coal, sandstones, lime, and uranium. It harmed biodiversity, environmental protection, and health hazards. However, the extraction of coal was banned by National Green Tribunal (NGT). Plant to set up Uranium plant at Domiasiat village in the West Khasi Hills District was stalled due to the protest. The death of some miners in the rat-wholes in Jaiantia Hills and attack on some social activists by supporters of the miners show the implications of the extraction economy on the social life in the region (Karlsson 2011).

In Nagaland, the exploitation of minerals did not exist in Nagaland until the 1990s (Fernandes 2020: p.275). The introduction of the New Economic Policies resulted in the acquisition of land to extract natural resources. Extension of reforms in the extraction economy made the availability of land necessary for the extraction of minerals, mining, etc. In Meghalaya, not less 500, 000 acres of land was needed for mining in the states during 1947-2000; around 585.92 acres of land was used for mining purposes in Meghalaya. The areas affected by territorial disputes, e.g. Merapani border region involving Nagaland-Assam territorial

dispute, are mineral-rich: they can be a revenue source for both states. In Tripura, the land is acquired for natural gas exploration. It did not have mining until the beginning of the reform period. In Manipur also exploration is a recent development (Fernandes 2020: p. 275-276).

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### 3.4 DOMINANCE OF TERTIARY SECTOR

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There is limited scope for the development of agriculture and industry due to topography in the region. In such a situation, the development of the service sector is more viable in the Northeast (Ashok Pankaj, et.al. 2021). The service sector, known as the tertiary sector - banking, insurance, transport, communication, public administration and other services such as health, education, sanitation, etc, dominate the economy in the Northeast. Indeed, the tertiary sector has grown faster in the Northeast than other sectors. The study of Hanjbam's (2009) of Manipur shows that in 2009, the tertiary sector constituted more than 50 per cent of the state's NSDP (Net State Domestic Product). Indeed, this study categorises Manipur's economy as "tertiarised" economy. In comparison to the tertiary, the primary sector - agriculture, forestry, logging, mining, quarry contributed less than the tertiary sector to individual the state's NSDP (Hanjbam 2009). The secondary sector has seen low investment in Northeast India. Several units in the secondary sector in states in Assam, Nagaland, Manipur were declared sick since the 1990s (Fernandes 2021, Hanjbam 2009).

In comparison to two components of the secondary sectors, manufacturing and construction, in Manipur, the construction sector leads the secondary sector in Manipur. Different states in the Northeast have traditional industries. However, these units usually remain sick. They do not have sufficient capital. Several units have been closed down. In Manipur, LMSI (Large and Medium Industries) are virtually non-existent (Hanjbam, 2009: pp. 124, 127). The study of Anamika Das and Dipak K. Mishra (2021) shows that in the Saulkuchi silk cluster in Assam, both OAEs (Own Account Enterprises) or the self-owned enterprises exist along with large enterprises. The workers in such enterprises live in poor working and living conditions. There is no scope of capitalist expansion in such enterprises. Even the capitalist class in Assam, the *Marwaris* limit their economic activities to trade and mercantile operations.

### Check Your Progress Exercise 1

- Note:** i) Use the space below for your answers.
- ii) Check your answers with the model answers given at the end of this unit.

1) Discuss the significance of the tertiary sector in the economy of Northeast India.

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2) Explain the role of the extraction economy in Northeast India.

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### 3.5 EMERGENCE OF SOCIAL CLASSES

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Different communities in the Northeast had their traditional hierarchy intertwined in social and economic relations. Traditional social and economic relations have been impacted since the British period. Migration from East Bengal and other parts of the country, which continues into the contemporary times, expansion of educational and other institutions, demographic changes within the communities, and the state policies in the post-Independence period, including the attention of the economic reforms of the 1990s have resulted in the rise of new social classes in Northeast India. The impact of these factors has not been equal in all states and communities, nor have they seen the even level of rising of new social classes. The social classes are not exclusively social or economic groups. Their economic and social characteristics are embedded. These classes can be identified as entrepreneurs/businesspersons/traders, middle classes (salaried classes), youth, elite (who have education, economic assets, political power), peasants, etc. The growth of these classes began during the colonial period with the encouragement of the colonial authorities to carry out various economic activities, and it continued in the contemporary period. The growth of new social classes (especially the middle classes, such as teachers, lawyers, government employees) took place more in the cities than in the villages. Since urbanisation is not a dominant feature in the region, the more articulate classes (middle classes etc.) are concentrated in the cities. Some of them play a leading role in economic, political and community affairs. As you will read in the units of block 5, these social classes address various concerns of their respective communities and organise social movements.

Class differentials among tribals have emerged across states in Northeast India. Although the land is not private property in the hills of Northeast India, studies on Arunachal Pradesh show individualisation (individual ownership of land) of land ownership. Shifting cultivation is giving way to settled cultivation in valley and slop areas. Vandana Upadhyay's study on the transformation of land rights in Arunachal Pradesh shows that a class of "moneyed and the powerful" persons has emerged in Arunachal Pradesh. The persons belonging to this class have

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occupied large plots of community land for horticulture, tea rubber plantations. They lend money to poorer tribals and keep land registration records as collateral. Inability to repay the loan on time results in the transfer of land from the borrower. This has resulted in differentiation within the tribal peasantry, resulting in landlessness and smaller and marginal farmers. Differential access to government support systems also contributed to differentiation with a tribal community in Arunachal Pradesh. This new class formation among tribals in Arunachal Pradesh is happening along with the commercialisation of agriculture. It has occurred due to collaboration between market forces and the government (Upadhyay 2020).

Andreas Kulke's book *Class Formation, Social Inequality and the Nagas in Northeast India* (2019) that contrary to general perceptions, the tribal society is "class less", the Nagas in Nagaland have the formation of classes. This class formation is visible in income disparities. An urbanisation without creating employment has taken place. A class of so-called "educated unemployed" has emerged among the Nagas of Nagaland. This has happened along with the emergence of "neo-patrimonial culture" in Nagaland. In Meghalaya, also a class of entrepreneurs – miners, real estates businesses, has emerged. This class involves in expropriating natural resources such as coal. It causes environmental degradation and depletion of natural resources. A nexus has emerged between the entrepreneurial class and political class. Depletion of natural resources has resulted in opposition of civil society organisations and individuals in the state. In response to the petition of civil society organisations, NGT banned coal mining in Jaintia hills. However, despite the ban, illegal mining continues unabated. In 2018, some social activists were violently attacked when they opposed illegal coal mining. In the same year, some miners were trapped in the coal mines in Jaintia Hills: their bodies could not be retrieved. However, mining still continues unabated despite the ban and protests.

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### 3.6 THE CHALLENGES

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Economies in the Northeast face challenges, i.e., poverty, unemployment, backwardness, anxiety, and social unrest. Northeast India also lacks adequate development of infrastructure. Arunachal Pradesh, Assam and Manipur have a higher hand count of poverty ratio than the national average. Rural poverty is higher in rural areas than in urban areas. The principal reason for the increase in the poverty ratio in Arunachal Pradesh is the increase in rural poverty. However, there has been some decline in poverty within the states of Northeast India in the first two decades of liberalisation. But the decline has not been equal across the states (Joydeep Baruah 2021). There is a lack of employment opportunities in the Northeast. The traditional sector does not provide employment. As mentioned earlier, several units have become sick. Kalyan Das (2021) weighted periodic labour force survey data with the census data from 2011 to show the youth unemployment rate in the states of Northeast India. The youth unemployment rates in 56 per cent in Nagaland, 35 per cent in Manipur, 26.8 per cent in Mizoram, 27 per cent in Assam, and 26 per cent in Arunachal Pradesh. These

youth unemployment rates are against the all India average rate of 17.8 per cent. Food deficiency is a common feature in the states on Northeast India. There is a high level of dependence of the people on Public Distribution System (PDS) for meeting the food requirement (Pankaj, et al. (eds.), 2021: pp.29).

Lack of transport and infrastructure has been a perennial problem in Northeast India. As you will read in unit 16, initiatives have been made through the Look East and Act East policies. It has happened following the introduction of New Economic Policy in the Northeast. Infrastructure – transport, hospitals and academic institutions (after schooling in the local areas) are not well developed in the region. Even infrastructure development suggested by Look East Policy (LEP) focuses on urban areas. Priority of infrastructure development according to LEP is on trade among the nations, not on internal conditions within the region. Villages generally lack basic facilities. Studies reveal that people have to track long distances to avail themselves of health and educational facilities. Educational needs and health emergencies have to shift to Guwahati, Shillong or outside NER (Kekhrieseno alluded to in Fernandes, 2020: pp. 277).

Studies suggest that lack of unemployment opportunities and poverty in the Northeast has boosted the outmigration of people from the Northeast to other parts of India. As you will read in Unit 7, the migration of people into Northeast India has been going on since the nineteenth century. Until the 1990s, migration was primarily a one-sided phenomenon: from other regions into Northeast India. Migration from the Northeast to other regions was insignificant earlier. However, since the 1990s, there has been a growing trend of migration from the states of Northeast India to other regions of the country, especially into Delhi, Gurugram, Mumbai, Bangaluru and other cities. Families of the migrants back home financially depend on the remittances sent by the migrants to other states. They mostly work in the hospitality industry, spas, restaurants, salons, beauty parlours, etc. Maximum migration to other regions of India takes place from Manipur (Kikon and Karlsson 2019; Mc Duie-Ra 2012).

## Check Your Progress Exercise 2

**Note:** i) Use the space below for your answers.

ii) Check your answers with the model answers given at the end of this unit.

1) Discuss the rise of new social classes in Northeast India.

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2) Identify the challenges before the economies in the Northeast India.

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### 3.7 LET US SUM

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The land, service sector, traditional industries and natural resources and tourism are important sectors of the economies of Northeast India. Ownership of land in tribal areas of the region lies with the communities. The tribal peasants practice *Jhum* cultivation. The land is the source of agriculture, plantation and natural resources. The land question in the Northeast is linked with migration. The migration started during the colonial period, and it continues in the contemporary period. One reason for migration into the region was to cultivate the land and engage in plantation activities. Tertiary economy – banking, insurance, transport, communication, public administration and other services such as health, education, and sanitation is the dominant sector of the economies in Northeast India. Over the years, some social groups such as salaried middle class and entrepreneurs have emerged in the region. The economies of the states face challenges such as poverty, unemployment, lack of infrastructure, etc. Lack of opportunities in the Northeast forces outmigration from the region to other parts of the country.

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### 3.8 REFERENCES

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### 3.9 ANSWERS TO CHECK YOUR PROGRESS

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#### Check Your Progress Exercise 1

- 1) Compared to the primary and secondary sectors, the tertiary sector occupies a dominant position in the economy of Northeast India.
- 2) Extraction of natural resources – forests, minerals, coal, petrol, etc. The extraction of natural resources got a boost following the introduction of economic reforms. Entrepreneurs, politicians and government carry extraction of natural resources. Extraction of natural resources is opposed by the civil society organisations in the region.

#### Check Your Progress Exercise 2

- 1) Different social classes such as entrepreneurs/businesspersons/traders, middle classes (salaried classes), youth, elite (who have education, economic assets, political power), peasants, etc., have emerged in Northeast India. These classes in the region began to grow the colonial authorities to carry out various economic activities, and they continue in the contemporary period.
- 2) The challenges in the economies in the Northeast include poverty, unemployment, food deficit, and lack of opportunities leading to migration from the Northeast to other parts of the country.

