
UNIT 16 ECONOMIC DEVELOPMENT*

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16.0 OBJECTIVES

After reading this unit, you will be able to:

- Explain the phases of development in Northeast India;
- Discuss the patterns in the development of the agriculture sector;
- Analyse the processes of industrialisation and urbanisation in the region.

16.1 INTRODUCTION

All states in the Northeast are endowed with natural resources – forests and minerals. The utilisation of the natural resources in terms of development of various sectors of the economy, agriculture, industry and manufacturing indicates the nature of development in the states of Northeast India. As mentioned in Unit 3, the tertiary sector dominates other sectors – agriculture, industry and manufacturing. There are also variations in developments of various sectors within and between the states of the region. Studies show there are different levels of development across the states of Northeast India in terms of industrialisation, utilisation of natural resources and infrastructure development. The plain areas or valleys are more developed than the hills (Sachdeva 2008). *Jhum* cultivation is the principal mode of agriculture in the tribal-dominated hill areas. The development of the states in Northeast India has always been associated with the central government's policies. During the colonial period, the

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policies towards the region were influenced by their administrative convenience and revenue needs. They introduced plantation economy and isolationist policies and made some areas “excluded” and partially included in the region. In the post-Independence period, special provisions were introduced in the Constitution to protect natural resources and the social and cultural identities of the indigenous people in the region.

Regarding the central government’s attitude about the development of the Northeast, there are two opposing arguments in the academic discourse. One set of argument underlines that a lot of funds has been allocated to develop the region. However, because of corruption, it does not reach the targeted groups. Again, due to the disturbed law and order problems, the funds are not adequately utilised. The policies of the centre towards the development of Northeast have been shaped in cultural approach. In this approach, economic development has been viewed in association with the cultural identities of the tribes in the region. Due to this approach, the role of bureaucratic arrangement in economic has been overemphasised. In this, development policies have been introduced through traditional cultural institutions without imposing new institutions in the region. According to this kind of argument, the states of Northeast India were not encouraged to channelise their potential in the areas of agriculture, handicraft, and hydroelectric power to become financially viable after being given initial protection. Their dependence on the centre did not let the states in the Northeast “develop their internal financial resources”. The central funds have been utilised in a routine manner. The presence of large scale public sector employment and negligible internal mobilisation of resources is a constraint on the economies of the states of the Northeast (Sachdeva 2008). The other set of arguments underlines that while devising the policies about the Northeast, the centre adopted a step-motherly attitude. It did not consider the opinions of the local people. The attitude was about all kinds of issues – economic and cultural (Baruah 2005, 1999; Hazarika 2000).

PV Narasingha Rao’s government introduced the Look East Policy in the 1990s. Its main focus was to develop economic and political ties with the South and East Asian countries by linking road linkage through “Eastern Gates of India”. However, the Northeastern states had little room in participating in regional forums such as Mekong Ganga Cooperation Forum or BIMSTEC (Bangladesh, India, Myanmar, Sri Lanka, Thailand Economic Cooperation). Even the meetings for public diplomacy, e.g., for holding Regional Economic Cooperation, the meeting took place in Delhi, not in Guwahati or Shillong (Baruah, 2005, pp.225-226). In order to make it more action-oriented, the Look East Policy was renamed Act East Policy by the Narendra Modi government in 2014. It is also argued that the centre’s policies have largely been guided by security considerations rather than the social and economic development of the region. Even the formulation of the Look East Policy was not uninfluenced by the pattern.

16.2 PHASES OF DEVELOPMENT

For the sake of discussion, we can divide the evolution of economic development in Northeast India into three phases: phase one, roughly from the 1950s-till 1972; phase two, from 1972 till the 1990s; and the third phase - the post-liberalisation phase. The first phase one was dominated by the Nehruvian model of development, followed after the Independence. In this phase, the state was given a dominant role in carrying out the development under the premise that the market would increase inequalities. The state was expected to reduce the inequalities. With reference to Northeast India, however, development was not the main focus of the policies about the Northeast. The centre's policies were oriented towards nation-building: dealing with insurgencies, the question of political autonomies, resulting in the reorganisation of Assam. The second phase was characterised by reorganisation of Assam - formation of the states of Meghalaya, Tripura, Manipur; for Union Territories of Arunachal Pradesh and Mizoram (which became states in 1987, and merger of Sikkim in 1975, and creation of North Eastern Council (NEC) in 1972. During this period, development became a focus of state policies and academic discourse. In the third phase, i.e., the phase of economic reforms or post-liberalisation phase, the centre sought to give more institutional and policy incentives for the development of Northeast India. As you have read in unit 5, states of Northeast India have been categorised as "Special Category States" according to the recommendation of the fifth Finance Commission from 1969. All states of Northeast India are categorised "Special Category States". This entitles them to central assistance and tax breaks. Under this category, several schemes have been introduced for providing help to the region. Under this category, the states of Northeast India get central assistance – 90 per cent grant and 10 per cent loan. Incentives have been provided for development through industrial licensing, concessional finance, investment subsidies, the establishment of growth centres, and freight equalisation of some industrial inputs. In 1996, Prime Minister Deve Gowda directed the central government departments to earmark 10 per cent of their budget for the programmes related to the Northeast. If the amount was not utilised to meet the target, the unutilised fund was pooled in the "non-lapsable central pool of resources. It could be reutilised (Sachdeva 2008: p. 293).

Check Your Progress 1

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

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

1) Narrate the arguments which are related to the development of Northeast India.

- 2) Discuss the phases of development of Northeast India.

16.3 SECTORAL DEVELOPMENT

The states of Northeast India lag behind the national level development. The gap between the regional and national growth rates has widened in the post-liberalisation phase. According to Gulshan Sachdeva's calculation, the average growth rate in the 1980s and 1990s was 4.4 in the 1980s as against 3.6 in the 1990s (at constant 1993-94 prices). It was lower than the national average in both decades – 5.5 in the 1980s and 5.8 in the 1990s. The decline in the growth rate varied in different states: Assam with the lowest growth, and Tripura and Nagaland with the highest growth rate (Sachdeva 2008: Figure 15.2, p. 290). Skewed avenues for employment and rising aspirations have become perennial features of the economy in the Northeast. This section discusses industrialisation, agricultural development and urbanisation with some examples from Northeast India. The second AGP (1996-2002) in Assam began with bad economic conditions in the state. The state's per capita income was lower than many states in India. The second AGP government made development part of its agenda. It introduced policies for the development of industry, infrastructure and agriculture.

16.3.1 Industrialisation

Following the introduction of reforms in India in the 1990s, the states got freedom from the restriction to take the initiative to develop their economies. The central government announced a new industrial policy. The North East Council (NEC) prepared a road map for the development of the region. Confederation of Indian Industry (CII), Bengal Chamber of Commerce and Industry (BCCI), and Federation of Industries for Northeast Region (FINER) took initiatives to invest in the region (Sachdeva 2008). Based on Arun K. Jana's analysis of the development policies of the second AGP government (1996-2001), we can identify some features of the development of this government's development policies (Jana 2011). The second AGP government announced the industrial policy for Assam in 1997. Earlier, industrial policies were announced by the Assam governments in 1982, 1986 and 1991. The policy aimed at creating employment opportunities and utilise the raw material and human resources in the state. The basic thrust of this policy was to:

- 1) Create opportunities for making use of a maximum of available resources - raw material and human resources for industrialisation in the state;
- 2) Provide a competitive environment for investors for industrialisation from the region, other parts of the country and from abroad;
- 3) Ensure the incentives given by the central and state governments benefit everyone in time;

- 4) Give special attention to some areas in the process of deindustrialisation, such as developing local skill and entrepreneurial abilities; developing women entrepreneurs; creating employment opportunities; growth of export-oriented units, the revival of sick units, focusing on the development of hills and less developed areas (Jana 2011).

The Assam Vision Document 2025

The second AGP government sought to develop infrastructure, which is necessary for industrialisation. For the revival of industries, the government prepared the Assam Vision 2025 Document. The objectives of the Vision Document were: to make the Assam's social and economic indicators of development at par with other parts of the country; it justified the need for sectoral development because of the low contribution of the primary sector to the state's productivity (NSDP), and low per capita income in the state. The objectives of the Vision were to be achieved through the partnership between the private sector and the government. It is not easy to see the success of this industry (Jana 2011).

16.3.2 Agriculture

The growth of agriculture in Assam has been very low. The pattern of land distribution is one of the reasons for the low productivity in agriculture. Between the 1980s-1990s, agriculture grew at the rate of 2.1 per cent, and it slowed down to 1.6 per cent in the 1990s (Assam Human Development Report 2003, in Jana 2011, p. 120). The AGP did not adequately emphasise the importance of agriculture in its manifesto in the 1996 elections. However, the AGP government included it in its 2025 Vision Document. The vision document proposed a strategy of direct intervention for poverty alleviation and minimise unemployment. It was to be done through the development of "human resources". This would be possible by available educational infrastructure, nutritional welfare activities, and upliftment of backward communities. However, despite an emphasis on agriculture in the vision document, agriculture did not grow on expected lines. There have been fluctuations in the growth of agriculture during and after the policies of the AGP government. Agricultural productivity increased in the second half of the 1990s but declined after that. But the chief minister claimed self-sufficiency in food production (Jana 2011: p. 121). Encroachment of government land has been an issue in the development relating to agriculture in Assam. Traditionally, the encroachers on the land are seen to be immigrants from Bangladesh.

According to Sanjib Baruah, while traditionally encroachment was done by immigrants, it is also done by the people who have been displaced due to erosion of their land. Displaced by erosion, they encroach on whichever land is available, including the government land. The encroachers are not only descendants of migrants but indigenous tribal communities. The BJP government in Assam, led by Hemanta Biswa Sarma, seeks to introduce a development project in the land of the Garukhuti area of Sipajhar from which encroachers are evicted. It has

identified evictable encroached areas for introducing Development Projects. The government formed a committee of legislators to lead an initiative for development and allied activities. The government identified a group of farmers as part of a Multipurpose Agricultural Produce Organisation to initiate forestation activities (Baruah 2021).

16.3.3 Mizoram and Manipur

The inflow of cash from central agencies without a parallel mechanism for its absorption has created pathologies in Mizoram. A lot of funds have been allotted in the Central Pool of Lapsable Resources alone for the development of the Northeast region: Rs. 60, 000 million in May 2004 (*Newslink*, Aizawl editorial 24 May 2004, quoted in Hassan 2008: p. 159). A few rich have grasped a large proportion of money spent on luxury items. This has led to “a skewed development of the economy”. The NSDP of Mizoram has been consistently lower than the national average. But its per capita consumption has been higher than the national average (Hassan 2008: p. 159). Development projects have failed to meet their objectives in Manipur. All development projects have been stalled due to the interference of the militants. The militants demand a certain amount of funds needed for development. Construction of flyover in Imphal was delayed because of such demand. Militant groups demand money from small-traders, barbers, low ranking government officers. The absence of formally recorded rights in the land has acted as a barrier to investment in productive enterprises. Politicians, senior bureaucrats and militants appropriate the funds meant for public goods. There exists “the legitimacy deficit” of the state agencies and actors. A large amount of subsidised fertilisers for farmers was diversified into the private market (Hassan 2008).

16.3.4 Urbanisation

Urbanisation is also one of the parameters of development in Northeast India. Northeast which is a predominantly rural society, is undergoing the process of urbanisation. Urbanisation has become part of the agenda for the following reasons: encouragement by the state government to promote development through a partnership between the state and private entrepreneurs in the post-reform period; the rise of new social classes such as entrepreneurs among the local tribal communities, etc. Literature on urbanisation in Meghalaya is an example of urbanisation in Northeast India. The Meghalaya government initiated a plan to develop New Shillong Township (NST), coinciding with India’s beginning of economic reforms. For developing the NST near the old city of Shillong, the land was acquired in various areas Mawdiangdiang, Diengiong, Umsawli Mawpet, Mawtari and Mawkiang. From 2003 onward, the Land allotment was made to several people in violation of the law (Kha Kha 2019). Acquisition of Land for NST along with usage of mineral and forest resources has become the centre of politics in Meghalaya Karlsson (2011).

Check Your Progress 2

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

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

1) Discuss the features of the Vision Document 2025 of the AGP government (1996-2001).

2) Comment on urbanisation as a part of the development process in the Northeast.

16.4 LET US SUM UP

Eight states in Northeast India are endowed with natural resources. Their economic development can be viewed in terms of the development of sectors – agriculture, industries, service, infrastructure and preservation of the environment. Due to its topography and geography, the economic development of Northeast India lags behind several other regions of the country. The process of development of the region can be broadly into three phases: the first phase (from the 1950s till 1972; the second phase (1972- the 1990s); and the third phase (post-liberalisation period). In all these phases, the role of the centre towards the development of the region is important.

Regarding the role of the centre of the Indian state, there are two kinds of contrary arguments in the academic circles. One argument suggests that the centre has neglected the opinion of the people of the Northeast in the formulation of its policies, including those relating to the development of the region. Another argument suggests that a lot of funds have been allotted by the centre for the region's development. But these have not been adequately spent due to corruption and the link between the politicians and bureaucrats. The first phase of Indian politics was marked by the dominance of the Congress party and the Nehruvian model of development. In this phase, the centre's policies towards Northeast India were also impacted by the concerns of the development of the nation-state, insurgencies, and autonomy movements in the region. The second phase was marked by the reorganisation of Assam, the establishment of the North-East Council (NEC), and the inclusion of all Northeast states in the Special Category Status. The NEC was created to work as an agency of development of

the region. The Special category entitled the states in the Northeast for special grant and tax rebate from the centre.

The third phase began with the introduction of economic reforms in India. Moreover, this impacted the policy orientation about the Northeast. This phase was had some important features as follows. Development became an important agenda in Northeast India; the regional governments got relative autonomy from the centre to devise policies about the development of their respective states, and the private sectors (entrepreneurs, businesspersons) were encouraged to play a role in the development in partnership with the state. During this period, the central government established the Ministry of Development of the North Eastern Region (DoNER). Different state governments in the Northeast devised their development policies in all sectors of the economy – agriculture, industry, infrastructure, etc. These policies attempted to create employment opportunities, use natural resources properly, revive sick industries, and utilise land to increase production. This phase also saw the increase in the role of the private sector – entrepreneurs in the exploitation of natural resources. They often work in collusion with politicians. The exploitation of natural resources has led to climate change. It has resulted in conflict between the civil society movements as opposed to the exploitation of natural resources and political classes.

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16.6 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress 1

- 1) The two arguments are contrary to each other. One argument underlines that the central government neglects the opinion of the people of Northeast India while devising policies about the region. These policies are related to all kinds of issues, e.g., cultural, language and development. The other argument suggests that the centre has been allotting a large amount of money to Northeast India. However, it is not meet the target because of corruption and nexus between the politicians and bureaucrats.
- 2) There are three phases of development in Northeast India. The first phase (the 1950s-1972) was marked by the dominance of Congress and the Nehruvian model of development in India. In Northeast India, the prime concern of the central government was on nation-building, dealing with insurgencies and the question of political autonomy in the region. The Second (1972-the 1990s) saw the reorganisation of Assam, establishment of NEC and categorisation of the states in the Northeast as Special Category states. The third phase began with the introduction of economic reforms. This phase is significant because of the following factors: state government got relative autonomy from the centre to formulate their policies; development became a major issue of their agenda; the state government could work in collaboration with the private sector in developing their states. Some states governments attempted to introduce their development agenda in relation to different sectors, for creating job opportunities and utilising local resources.

Check Your Progress 2

- 1) The Vision Document 2025 of the AGP government (1996-2001) suggested direct government intervention in alleviating poverty and generation of employment; developing human resources; achieving social and economic achievement; developing all sectors of the economy state, etc.

- 2) During the post-reform period, urbanisation has become part of the development process in Northeast India. The emergent class of entrepreneurs and other elite sections of society are allotted land for setting up a new township. Acquisition of land and its allotment has become a source of politicisation and conflict. Development New Shillong Township in Shillong is an example of urbanisation in the Northeast.



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