

What Ails The Northeast: An Enquiry Into The Economic Factors

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Abstract

The economic development position in northeast India is characterised by trends prevailing in the country as a whole, as well as some features which are unique to this region. To a large extent, colonial interests dictated the development of the economy of the northeast. Economic development of the region followed a specific pattern. Economic activities got concentrated in select pockets. Together with the perpetuation of traditional practices, select and focussed development impeded the efficacy of modernisation in the region.

Despite efforts at policy formulation to cater to the developmental needs of the northeastern states, nothing significant has yet come out during the last several years. It is as such unwise to approach the problem in the northeast as merely a law and order problem. Neither can it be handled as a purely political one. The roots lie deep in the fundamental economic dynamics of the insurgency movements. Any solution to the crisis in the northeast has to begin with an effort to draw the counter-elite, that is the insurgent leadership, into the political mainstream. Only by giving them an opportunity to participate in the political process can one hope to put a lid on the current disaster. It is a tall order, but since the government has started expressing its readiness to have open talks with the insurgents, the journey in the right direction might well have begun.

The northeastern region of India comprising seven states (often called the seven sisters) of Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland and Tripura has long remained one of the most volatile and sensitive regions in the country. The problems of political violence, insurgency, ethnic conflict, migration pressure, inter-state disputes and underdevelopment have become integral to the understanding of the political process and economic development of the region. In spite of the offer of several autonomy packages, adoption of a policy of political accommodation and doling out of economic concessions, violence has been endemic in the area. The region has always been in the news for all the negative reasons: agitation, violence, abuse of human rights and corruption.

What ails the northeast? Why have measures to accommodate the grievances of the populace not been effective? What are the principal reasons contributing to the perpetuation of unrest and turmoil in the region? Can relative backwardness of the region explain the unrest in the northeast? Are political issues central to the turmoil in the region or are they only a manifestation of the underlying economic factors? These are some of the questions this paper aims to discuss.

Numerous explanations have been offered for these 'paradoxes of a periphery'. Politicians tend to view the problem from a law and order perspective and imagine/present it as a low intensity conflict threatening internal security. Sociologists regard the developments as a clash between the traditional social structure and the changes and challenges of economic development and modernisation. Separatists and insurgents have blamed the extractive and 'colonial' policy of the Union government for the woes of the region. For many of these groups, denial of the right of self-determination of the indigenous people as well as political suppression are responsible for the bloodbath in the region. Economic factors remain common to most of these schools of thinking.

Economic factors appear to be the most potent reason for the continued political unrest and uncertainty in the entire region. Irrespective of the stance and the

vocabulary/ language used, economic causes emerge as a common theme in all the analyses of various problems in India's northeast. Perhaps the most cursory look at this region would point to the fact that the region lags behind the rest of the country, particularly those parts of the country with comparable resource endowments.

The economic development of the northeastern region is characterised both by trends prevailing in the country as a whole as well as some features, which are unique to this region. To a large extent, traditionally from colonial times the region has become an exporter of primary raw materials. The post-colonial mode of development also seemed to endorse such a policy. This is evident in the way transportation and communication linkages developed in the region, which remain concentrated in the upper Brahmaputra valley. The sprawling rural hinterlands continued with traditional agriculture, while the revenue from tea and oil sustained the urban centres. A disparity in the various sectors of the economy and various sub-regions was the natural fall-out. Economic development of the region followed a specific pattern. Economic activities got concentrated in select pockets. Vast areas, therefore, remain inaccessible and backward even to this day. Together with the perpetuation of traditional practices, select and focussed development impeded the efficacy of the process of modernisation in the region.¹

Moreover, the lack of infrastructure has been responsible for the sluggish growth of industries in the region despite abundance of natural resources and endless planning to modernise the economy. Development and modernisation of the northeast has been the victim of a vicious circle. Lack of infrastructure has hampered industrialisation and industrialisation has not materialised because of the poor infrastructure.²

According to a publication of the North-Eastern Congress(I) Coordination Council, economic policy for the region has to be conceived differently because of its geoeconomic and geopolitical predisposition. Economic policy should not be merely a matter of "quantum variation in monetary allocation". After an analysis of the state of economies in the region and the constraints hampering their growth, the report argues in favour of free border trade with Bangladesh, Myanmar and the Tibet region of China. The report suggests a common economic zone including Bangladesh as the "ultimate solution" to the economic woes of the Northeast.³

The Debate

There is no doubt that insurgency, political instability and ethnic conflict are inimical to economic development. Widespread and prolonged socio-political conflict results in economic destruction and social disorganisation. This is, however, only one side of the picture. Most often national economic development is not the only or principal concern of the government and the political elite. More often than not, economic considerations and goals of development are sacrificed to other politically valued gains. However, economic considerations play a major role in generating and perpetuating ethnic conflicts. They have a negative impact on a country's economy as a whole, but frequently benefit a certain section of the ethnic elite.⁴ Political power and economic resources become principal bones of contention between ethnic groups. As resources, wealth and jobs are distributed unequally, the roots of socio-political conflict get firmly entrenched in society.

To compound the problem, socio-economic differentials in many cases coincide with ethnic differences. The seeds of isolation and separateness of the northeast from the rest of the country can be traced to the colonial period. Through the creation of backward tracts, excluded areas and partially excluded areas, the colonial administration had drawn an Inner Line, marking the extent of revenue administration beyond which the tribal people of the region were left to manage their own affairs.

Independent India followed the same policy. The Inner Line system of the pre-1947 period was retained by the post-colonial system of administration. Additionally, traditional institutions were strengthened through the creation of Autonomous Councils to safeguard land ownership and control of land. These measures controlled the population movement and curbed further alienation of land. However, one of the important negative fallouts of the Inner Line system has been the perpetuation of the isolationist tendencies in the hilly and mountainous parts of the region. It has kept the people apart and minimised the sobering impact of modernisation.

Most analyses of separatism and ethnic insurgencies in the northeast tend to identify economic backwardness as the root cause of the problem. It is a moot question whether the lack of modernisation or modernisation itself is responsible for the woes of the northeast. Modernisation theory is premised on the idea of progress. It holds that identity, politics and ethnic insurgencies are transient phenomena and would not survive economic development and industrialisation. Thus, advocates of this theory say that modernisation is a panacea for all the political maladies in the region. However, modernisation has failed to address the maladies. In many cases, increased doses of modernisation, instead of containing ethnic conflict, have indeed exacerbated the problem.

This has led to two mutually opposing viewpoints. According to one group there is nothing wrong in either the premise or the promise of modernisation. The problem lies with the inadequacy of modernisation, in the faulty implementation of the economic development scheme. The other group insists that the spate of insurgencies are a direct result of the clash between the traditional social structure and practices, on the one hand, and the modern state and modernisation, on the other.

The advocates of the latter school would say that economic development always entails significant social changes and cultural disturbances. The modernisation process would also involve shedding of parochial identities in favour of new and more widely defined identities. As people seek change but want to avoid its effects, instruments of change get identified with outsiders with the result that antipathy develops toward them. With expectations rising and pace of economic development becoming slow and uneven, disaffection finds statement in militancy. The emerging middle class and the educated sections are increasingly drawn towards identity-based politics. The fear of outsiders is more prominent among the emergent middle class, who sense the threat of encroachment upon their cultural autonomy and territorial identity and seek to protect them, often by taking up arms against their adversaries.⁵

A close examination of the factors which have led to the present scenario not only takes into account the British and post-colonial policies, but also the administrative and financial arrangements, as well as the political reorganisation of the region. In fact, the colonial economic structure characterised by heavy investment in the extractive and plantation sector having hardly any linkages, backward or forward, was allowed to continue in the post-colonial phase, without much effort to establish the organic link with the rest of the economy of the state. Throughout the planning era, investment on the development of social overhead capital (SOC) was given priority over directly productive activities (DPA). The strategy of unbalanced growth which intended to create imbalance and disequilibrium by investing more on SOC was based on the assumption that an increase in the SOC could give rise to several external economies which in turn would encourage the DPA for profit expectations.⁶ But, unfortunately, the DPA never occurred and the gap between these two widened with the result that development could never take off.

States' Inability to Generate Own Financial Resources

Till late 1960s, the accepted norm for conferring statehood within the Indian Union

was that even when other conditions were satisfied the territory in question must also have the revenue resources to meet its administrative expenditure and other non-developmental expenditures. However, this criterion was given up in the reorganisation of the northeastern states. Starting with Nagaland and ending with Mizoram, which became a state in 1987, the entire region with just 2.55 lakh sq km has been parcelled into 7 states. None of them met the requirement of internal resources meeting the obligatory non-developmental expenditure. Among the consequences of not raising the revenues internally has been the tendency to multiply administrative units and staff beyond reasonable requirements; and to be over-generous in the provision of facilities and allowances.

The root of the matter lies in the failure of several of the northeastern states to develop their internal financial resources, and their continuing reliance on central contribution towards meeting their non-plan expenditures. Also the central government has not considered it fit even to make the tribal population in the northeast liable to pay income tax. It was also hoped that the handicap of the small size would be overcome through the Northeastern Council (NEC) established to undertake regional development and set up regional institutions.⁸

While the distinction between the people of the hills and the plains was one of the main factors which resulted in the demands for separate states in the northeastern region and the subsequent recognition of such demands by the Indian government, it nevertheless failed to create an atmosphere of equality among the people of the region. This in turn further alienated the people of the hills and plains thereby directly and indirectly augmenting mistrust and misunderstanding. The reorganisation and the creation of the northeastern states in a way hampered the integrated development of the region. The small, economically non-viable states and union territories are for obvious reasons unable to take up individual development projects and the northeast does not enjoy the necessary power and resources to do so.⁹

The region has undergone frequent administrative reorganisation that was more or less expected to resolve the economic and social issues dominating the regional political scenario. The demand for further subdivision of administrative units persists even today. This sense of regionalism is in fact rather deep-rooted and sociologists have read it as a spillover effect of their feeling of economic, cultural and political deprivation. The present day conflict in Assam over the unwillingness to share state power and resources with the immigrant groups is largely a consequence of such a sense of deprivation.¹⁰

Economic Profile of the Region

The northeast region spreads over an area of a little less than 260,000 sq km with a population which is rather low, i.e. 32 million (1991 census). All eight states are special category states whose developmental plans are almost entirely centrally financed on the basis of 90 per cent grants and 10 per cent loans (GOI, 1997). The funding pattern of development for the special category states accords them a built-in preferential treatment. There is no agricultural surplus and capital formation and entrepreneurial skills are limited. In terms of per capita income and other standard development indicators such as power, road lengths, hospital beds, etc, the northeast ranks below the Indian national average. Through the 1980s, the economic growth was higher than the national average in Arunachal Pradesh and Nagaland. Except for Assam, they were quite comparable to the national economic growth.

Even after more than fifty years of independence, these states have remained outside the mainstream of economic life. Barring the Imphal valley and some pockets elsewhere, agricultural yields are low in the northeast while traditional farming with a shrinking 'jhum' (shifting cultivation) cycle has become ecologically

unsustainable. Assam has seen some earlier development around tea, oil and timber. However, the economy of the region is basically pre-industrial type despite the presence of a number of saw-mills and plywood factories, a few cement plants and some other industries related to oil and coal. Handlooms and handicrafts, once the pride of the northeastern states, are on the decline, but have considerable potential if given contemporary functionality through design, marketing capital and other inputs.

Buddhadeb Ghosh and Prabir De say that four deficits confront the northeast: (a) a basic locational (northeast) deficit; (b) an infrastructural deficit; (c) a resource deficit; and last but not the least (d) a two-way deficit in understanding with the rest of the country, which compounds the others.¹¹ This is because all these states began with a low level of economic development. The 1991 economic reforms created severe contractions at the national level in 1991-92 and the impact was felt in some of the economies of the region. While the economies in other states recovered fast, those in the northeast slowed down. The trend is clear from Assam, Arunachal Pradesh, Manipur and Meghalaya. A similar trend in the economic growth rate of per capita net state domestic product (PCNSDP) shows that growth in per capita incomes lagged behind in Assam in 1980 and stagnated in the 1990s. The share of the region in the all India net domestic product is less than 3 per cent and is declining further. This indicates further marginalisation of the region in the national economy.¹²

Agriculture

Despite a large geographical area, the land available for cultivation is limited. Compared to an all India average of 64 per cent, arable land under use in Assam, Meghalaya and Nagaland is between 40-50 per cent. Only a small portion of this has irrigation facilities. Two distinct types of agriculture are practised in the northeast region: 'Settled' and 'Shifting' or 'Jhum'. Settled agriculture is practised in the plains, valleys, foothills and on terraced land on hill slopes. Jhum cultivation is practised by the tribals in the hill areas in all the states. The area under jhum cultivation in the northeast is estimated at 30 per cent of the total area under settled agriculture. In the hilly areas, jhum cultivation continues to be a major agricultural practice, adding to soil erosion and destruction of forests. The average size of holdings is smaller than the national average in Assam, Manipur and Tripura. In other states, due to jhum cultivation and common ownership, it is larger.

Among the individual states, Nagaland has the largest area under jhum cultivation. Around 101,000 hectares of the state, or about 35 per cent of its forest land, are under jhum. The number of families dependent on jhum is also the highest in Nagaland.

Apart from Nagaland, jhum cultivation has also taken a heavy toll on the forests of Manipur and Meghalaya. About 25 per cent of the forest land in these states has been cleared for jhum. In Arunachal Pradesh and Assam, about 4 per cent of the forest land is currently under jhum cultivation. With the government doubling its efforts to convert the 'jhumias' to settled cultivators over the last few years, the total area under jhum cultivation in the northeast region has come down significantly.¹³ Food grain yields are higher than the national average in Manipur, Mizoram and Tripura. While food grain productivity has increased substantially in Manipur and Mizoram, it has declined in Arunachal Pradesh. The annual growth rate of the region from 1981 reveals that in that decade in Arunachal Pradesh and Nagaland the rate was higher than the all India average. But the situation in Assam and Meghalaya is critical. In Assam, the agricultural sector has been lagging behind for quite some time.

Table 1. Infrastructural Facilities

Top 10 States in Ascending Order

1971-72 1981-82 1991-92 1994-95

Delhi Delhi Delhi Delhi

Kerala Punjab Punjab Punjab

Punjab Kerala Kerala Kerala

Maharashtra Maharashtra Maharashtra Maharashtra

Tamil Nadu Tamil Nadu Gujarat Tamil Nadu

Haryana Gujarat Haryana Gujarat

Karnataka Haryana Tamil Nadu Haryana

Gujarat Karnataka Karnataka Karnataka

Goa Goa Goa Andhra Pradesh

West Bengal West Bengal Andhra Pradesh Goa

Bottom 10 States in Descending Order

1971-72 1981-82 1991-92 1994-95

Arunachal Pradesh Arunachal Pradesh Arunachal Pradesh Arunachal Pradesh

Mizoram Tripura Tripura Tripura

Tripura Mizoram Mizoram Mizoram

Nagaland Sikkim Nagaland Nagaland

Sikkim Meghalaya Sikkim Meghalaya

Meghalaya Nagaland Meghalaya Sikkim

Assam Manipur Assam Assam

Manipur Assam Manipur Manipur

Uttar Pradesh Uttar Pradesh Orissa Orissa

Orissa Orissa Uttar Pradesh Uttar Pradesh

It can be seen that according to the Infrastructural Index Indicators table, all the seven states in the region and Sikkim come at the bottom.

The region is lagging behind in the industrial sector too. Due to small-scale agriculture or stagnant or declining industries and poor infrastructural facilities, the people in the region have poor standards of living. There is huge scope for improvement in these regions; however, this should be utilised through better incentives to private sector investments so that potential investors would choose the regions for higher returns on their investments.

Industry

In the entire northeastern region, Assam has the largest concentration of industries, which is roughly 70 per cent of the total industry in the region. There is hardly any large or medium private industry outside Assam. And most are located in three districts of Kamrup, Tinsukhia and Dibrugarh. Gross output per employee as well as fixed capital employee is less in the region compared to the all India average. This indicates either low fixed capital or over-employment. The region contributes a little over 1 per cent to the value of output of the manufacturing sector of India.

New Industrial Policy and the Northeast

The new industrial policy (NIP) advocated by the government, by and large, has removed the requirement of obtaining a licence for the setting up of industries. The response of the domestic entrepreneurs, at the national level as a whole, to this policy has been overwhelming and more than 18,000 investment intentions have been received in the post-policy period from August 1991-December 1994. However, in the northeast, the number of investment intentions received in the post-policy period has been rather insignificant.¹⁴

Table 2

States Pre NIP Post NIP

Jan 88-July 91 Aug 91- Dec 94

Assam 73 48

Arunachal 3 4

Manipur 16 0

Mizoram 1 0

Sikkim 1 9

Nagaland 5 3

Meghalaya 6 3

Andhra Pradesh 377 1,172

Punjab 545 1,014

Maharashtra 853 3,733

Gujarat 476 2,745

Orissa 119 116

West Bengal 162 611

Trade

The issue of international and border trade has in recent times received a big boost from all quarters and people at various levels are working towards realising the apparent potential. The idea being that with the improvement of relations among India, China, Myanmar and Bangladesh, the region's trade links must also be opened up to these countries. But Tourism Secretary M.P. Bezbaruah, who hails from Assam, says that "opening up of border trade will not help much in employment generation in a region which has a high literacy rate and low job openings, unless production of various commodities based on resources available in the region goes up."¹⁵

In fact, the economists advise caution about this impetus on the following grounds too. The doubts about the grandiose plans arise in the context of the region's low level of infrastructural stocks; these states are hardly in a position to generate the required trade flows with their neighbouring states.

Recent studies show that a handful of agro-based, forest-based products, mineral products including coal, limestone and stone-boulders as well as tea, textiles and handicrafts, are all in very negligible quantities, the majority of which are exported through Assam. Other northeastern states hardly generate substantial domestic goods. While the lack of demand is the prime cause for low cargo generation, one cannot refute the region's poor infrastructural facilities as a major hurdle. Export from this region to Bangladesh is also negligible.

Agricultural and other biomass-based subsistence activities dominate the life of most of the economies of the states in the region. Production for markets beyond the respective state boundaries and for international markets depends upon a narrow range of primary products and natural resources (exhaustible as well as regenerative). Given this context and the proposed policy of globalisation, the integration of these subsistence and somewhat insulated economies, following prospects of external trade, turns out to be a temporary phenomenon. The sector may initially prosper, but it will eventually decline with the rise in population in the subsistence sector. Consequently, social catastrophe may be much worse. 16

The Shukla Commission report nevertheless suggests a few alternatives to overcome this infrastructural problem. It outlines the merits of continuing with the traditional simple border trade in head-loads or small quantities, which would benefit local communities on either side and would be important in itself, quite apart from substantive inter-country trade. The possibility mainly lies in tapping the current volume of the so-called informal trade between the countries. With both Bangladesh and Myanmar, many items are being traded at the moment, the report reveals. The report suggests that there is scope for beneficial mutual exchange through legitimate channels. Various studies have been commissioned to study the possibilities in this area. This will certainly boost the economic health of the region.

Transport Sector

Except for full funding of the national highways, the construction, quality and maintenance of other state roads remains the responsibility of the concerned state government. The northeast has 12.98 per cent of the total national highways (NH) of the country while it has 7.6 per cent of the geographical area of the country. Though on gross figures they appear to be satisfactory, the connectivity in the hilly terrain needs to be improved.

Table 3

Sl. No. Name of State Length of NH per 1,000 sq km

1 Arunachal Pradesh 3.94

2 Nagaland 6.82

3 Tripura 19.07

4 Manipur 19.30

5 Meghalaya 21.04

6 Mizoram 26.14

7 Assam 29.27

8 All India 10.56

Issues Allied to Regional Economy

Education-Unemployment Linkage

According to the 1991 census, the literacy rate in the northeast is 54.41 per cent as against the all India figure of 52.21 per cent. Significantly, according to the Committee for the Educated Unemployed in the northeastern region, while the percentage of educated unemployed to total job seekers has gone up at the all India level between 1989-93 from 58.4 to 62.7, in the northeast it has gone up more sharply from 50.8 to 65.7 for the same period. This has created its own problems. While education has given the youth political awareness, due to the stagnation in the economy, there are no opportunities for their employment in the region. With little scope for employment in trade and industry and related services in the private sector, all the pressure is on public employment. The result is excessive expansion of public employment coupled with frustration among those who fail to secure such employment. This explains why more and more northeast watchers have been pleading that this region needs more polytechnics than universities.¹⁷

Another related problem that has been cited is that despite availability of funding there is hardly ever any back up support system for any individual enterprises.¹⁸ In spite of reservation and education, the system has not equipped the average tribal to compete outside the region in the national mainstream. It has turned the tribal society inward and the inherent frustration of such groups-closed in outlook and backward-leads to their distancing themselves from the wider national life. Regionalism and insurrections are once again the natural fall-out.

Another common feeling that surfaces while discussing this issue is that the prevailing pattern of education has alienated not only the people from their traditional cultures, but also from the notion of hard work for a living. In fact, when some Naga labourers get employed in a project within their territory, it becomes a national news item.

Corruption, Terrorism, Economy and Politics

It is almost commonplace to talk about corruption in this country, but it is a well documented fact that in Assam, the going rate for jobs in government service is Rs.30,000, for a primary school teacher, Rs.120,000, for a district transport officer, and Rs.150,000 for a block development officer. A lot of studies are being devoted to the regime of corruption in India, which restricts the actual impact of developmental expenditure on target groups.

A recent study emphasises the rather stark presence of the black economy in this region. Leakages account for virtually the entire pool of development resources and relief supplies allotted to states afflicted by terror.¹⁹ This study also highlights our common misperception that terrorist activities in the state are in violent confrontation with the government. In fact, they are all part of a complex collusive arrangement where various legitimate power elites facilitate a continuous transfer of resources into the underground economy.²⁰

This nexus has its conception right from the very first movement that began in the northeast. This is clearly visible in the case of Naga insurgency: it started with a process of incorporation of the Naga hills in 1947 and then creation of statehood in 1963, which soon resulted in the emergence of a bourgeois class among the Nagas having considerable control over the economy as well as polity of the Nagas in Nagaland. The major share of central funds went directly to the unproductive sector,

mostly to support the administrative structure without leaving any substantial space for the productive sector to grow. Politicians in their bid to survive in electoral politics had a trade-off with the Naga underground movement, who had regrouped themselves in the meanwhile after the Shillong Accord. The underground movement also received the necessary logistical support from the politicians.

This mutual interdependence between the constitutional and extra-constitutional forces has not largely impaired the legitimacy of the state, but large amounts of funds have been siphoned off by the insurgents in the form of protection money, professional tax and various other means from both the tribal bourgeoisie and their national collaborators.²¹ And the regional Press is often highlighting this aspect of extortion and siphoning off of funds to extremists groups.²² And despite a general awareness of such events, no one is in a position to check these activities. Commissions have been set up to check these situations,²³ but there is a general tendency to be wary of such commissions, for they have not managed to alter the dynamics of the political economy of the region.

Other Issues

A cursory look at some development indicators reveals that communication channels have not been fully tapped. In fact, a point often raised by critics is that not enough has been done to use the waterways, and Bangladesh has used this to great advantage. This connectivity is linked to the problem of not having market facilities and this in turn has put the local craftsmen at the mercy of middlemen. Lack of local or regional markets compounds this problem.

Another related problem is that of the suspicion of outsiders. The suspicion of outsiders has inhibited economic activities that would otherwise contribute to the economy in the region. Certain cases illustrate this point: the stopping of oil exploration and production (as in Nagaland) by the Naga Students' Federation; preventing railway extension, as has happened in the Khasi Hills; impeding development of immense hydro-electric sources in the region because of lack of inter-state consensus.²⁴ Very often there have been disputes over hydel projects and whenever it is a case of two or more states, such projects have failed to take off. Problems are inherent because administrative support to all such projects is always in doubt. This suspicion has also discouraged external initiatives in the region. For example, the northeast does not have a large and enterprising indigenous business community; at the same time, business classes from other parts of the country are not likely to get encouragement or assurance of goodwill to start new ventures.

Economic Development in the Northeast

The responsibility for economic development lies with three agencies—the central government, the NEC and the local governments at the level of the states and union territories in the region. The main thrust of the central schemes is on the establishment of industries and extension of communication facilities. Many critics say that the NEC was designed as an institution for regional development and it also had a security perspective. But the security aspect has virtually disappeared while the developmental role has been limited.²⁵ However, as far as its developmental role is concerned, the NEC aims at creating an infrastructure involving more than one political unit. The development of the common man is more directly the responsibility of the state administration and its planning process. The state governments have, in pursuance of central directives and on their own, floated schemes of development from time to time.²⁶

Over the years, three main features of national policy relating to the northeast have crystallised:

1. A higher allocation of resources is made to the states and union territories,
2. The infrastructural development in the region has been accorded high priority with major changes in railways, roads, power generation, and telephone services in the next two decades or so.

The central government, the NEC and the respective state governments are moving in the direction of expanding industry and a network of industries connected with oil refineries, petro chemicals, fertilisers, cement, pulp and paper, have been planned and are being set up in the region.²⁷ But such policies, evolved at three different levels, should be integrated with each other and have a clear-cut focus to make any worthwhile impact on the society and politics in the northeast.

Conclusion

Despite official efforts at policy formulation to cater to the developmental needs of the northeastern states, nothing significant has yet come out during the last several years. In fact, the steady flow of central funds into the hands of the local elite has indirectly discouraged local initiatives, which could have been otherwise harnessed to raise the financial resources of the different states in the region. Moreover, in many cases, it has given rise to a political leadership more interested in grabbing funds coming from the centre than in actually using them to uplift the economy of the states. The prevailing economy also, in many ways, through its backdoor channels makes the insurgencies possible and in fact sustains them. Many would say that for all practical purposes, in spite of the elaborate anti-insurgency political establishment running the state administrations, it is the insurgents that run the local economies. In such a case, it is well imaginable how the entire politico-economic set up is lopsided in favour of insurgencies. As has been argued above, in the absence of any healthy sustainable economic activity in the state, the expanding class of young neo-literates feel it immensely remunerative to join the insurgent movements for it offers them material prospects. Insurgency has become, in many ways, the only sustainable, expanding industry in the whole of the northeast, an industry with great promise and less risk. Insurgency as a consequence of poor developmental performance of local and central governance has now become the cause of the economic backwardness of the region. In fact, no entrepreneur, whether local or from outside, would like to invest in a region home to such a firmly rooted counter-industry of insurgency.

It is as such unwise to approach the problem in the northeast as a sheer law and order problem. Neither can we handle it as a purely political one. The roots lie deep in the fundamental economic dynamics of the insurgency movements. Any solution to the crisis in the northeast has to begin with an effort to draw the counter-elite, i.e, the insurgent leadership, into the political mainstream. If they have determined the course of economy of the region and have a stake in the economic backwardness of the region, they have to be made accountable to the people. In a high security atmosphere, these elements find an occasion to be irresponsible and they thrive on the sense of insecurity that accompanies such an environment. Only by giving them an opportunity to participate in the political process can one hope to put a lid on the current disaster. It is a tall order but since the central government has started expressing its readiness to have open talks with the insurgents, the journey in the right direction might well have begun.

NOTES

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11. Buddhadeb Ghosh and Prabir De "Infrastructure, Income and Regional Economic Development with Special Reference to Northeastern States: An Approach to Understanding the Indo-Bangladesh Trade", paper presented in a workshop on Second Dialogue on Interaction with Indian Bordering States, in Calcutta, August 16-17, 2000

12. Gulshan Sachdeva, Economy of the North-East Policy, Present Conditions and Future Possibilities (New Delhi: Konark Publishers Pvt. Ltd., 2000) pp.21-22

13. In 1974, the total forest land under 'jhum' in the northeast region was 2.7 million hectares, but by the mid-Eighties, the figure had come down to 1.4 million hectares. At the same time, however, forest area devoted to 'jhum' has increased in Manipur from 100,000 hectares to 360,000 hectares. The number of families practising jhum in this state has also significantly increased. This is true even of Mizoram and Nagaland where the total forest area under jhum has, however, decreased.

14. Report of Committee for the Unemployed in the North-Eastern Region, April 30, 1997.

15. The Assam Tribune, August 24, 1999

16. Rabindra Nath Bhattacharya, "Opening up and the Economies of India's Northeast: Some Possible Consequences," in Bhattacharya and Das eds., n. 10, pp.133-139.

17. Singh, n. 7, p.405.

18. Ibid.

19. Ajai Sahani, "The Terrorist Economy in India's Northeast: Preliminary Explorations," paper read at ICSSR seminar held at IIC New Delhi, on March 2-3, 2000.
20. Ibid.
21. Das, n. 6, pp.175-176.
22. Extremists also extorted an estimated amount of Rs 100 crore from the people during the period, including funds allotted for the 5th National Games, The Assam Tribune, January 26, 1999.
23. The government is setting up a high-level commission to probe corruption allegations against politicians and bureaucrats in the country's northeastern states. A retired Supreme Court judge would head the commission investigating charges that political leaders and senior civil servants have been siphoning off government funds. The commission will come into effect very soon and it is expected to unravel a very big corruption racket in the northeastern states. The commission is also expected to look at other charges that some government funds have found their way into the pockets of separatist militant groups operating in the region. The Indian Express, September 2000.
24. Verghese, n. 2, p.358.
25. Ibid., p.336.
26. B.P. Singh, The Problem of Change: A Study of Northeast India (Delhi: Oxford University Press, 1987), p.165.
27. Ibid., pp.165-66.