

North East : An Economic Perspective

Manjula Wadhwa



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The Seven Sisters of North East', comprising of seven separate but adjoining states as well as standalone Sikkim, definitely occupy a distinctive place in our country, primarily due to their social, cultural, political, geographical and historical features. It is worth mentioning that Tripura and Mizoram are two of the country's most highly literate states. The Assam tea industry is the second largest commercial producer of tea, next only to China. The first ever oil well of Asia, is in Digboi of Assam.

Currently, if we look at the bright side of the picture, as per *India Spend research*, the impressive growth rate of 9.7 per cent of Meghalaya is higher than that of the fastest-growing big state, MP at 9.5 per cent. Arunachal Pradesh grew faster than Gujarat. Fewer people, (12.8 million) fall in the BPL category in the entire NE than in just one large state, Karnataka (12.9 million). On the other hand in contrast, Tripura reported India's highest unemployment rate, 25.2 per cent in urban areas, followed closely by Nagaland with 23.8 per cent in 2011-12. The share of industrial sector for all the 8 states has increased while the share of agriculture and allied activities has declined. Unemployment in urban areas across all the NE states is higher than rural areas and is in line with the national pattern. The poverty here is also unevenly spread: Manipur is poorest: Sikkim the richest.

In fact, since the colonial period NE region has been a witness to highly inequitable rates of economic growth. For the British, the North-East was a storehouse of raw materials such as coal, natural oil, forests and tea. There was a mass extraction of these resources which were then exported to other parts of the country for processing. This region, however, did not get benefit from this process as the British did not set up processing and manufacturing units here, nor did they pay any attention towards the development of transport and communication facilities in the region. With the partition of India, for a long period of time, trade with Bangladesh (East Pakistan) came to a stop which seriously damaged the economic and growth potential of the region. This widened the gap between the region and rest of India. In recent times, the north-eastern region has performed reasonably well in comparison to the all India average situation in respect of human development indicators but it has failed in bringing commensurate economic growth.

The reasons behind the tardy progress of NE are attributable to the following factors-

Geographical Factors: The hills account for about 70 per cent area of NE and accommodate about 30 per cent of the population and the

Gross State Domestic Product (GSDP), Per Capita Income (PCI) and Growth Rate-2016-17(A)

SN	State	Population 2011	GSDP		Per Capita Income		2016-17(A)
			(Rs. In	crores)	(NSDP) (Rs.)		Growth Rate
			At Current	At Constant	At Current	At Constant	of GSDP at
			Prices	(2011-12) Prices	Prices	(2011-12) Prices	(2011-12) Prices
1	2	3	4	5	6	7	8
1	Andhra Pr.	84,580,777	NA	NA	NA	NA	NA
2	Arunachal Pr.	1383727	NA	NA	NA	NA	NA
3	Assam	31205576	NA	NA	NA	NA	NA
4	Bihar	104099452	NA	NA	NA	NA	NA
5	Chhattisgarh	25545198	290140	223932	91772	71214	NA
6	Goa	1458545	NA	NA	NA	NA	NA
7	Gujarat	60439692	NA	NA	NA	NA	NA
8	Haryana	25351462	NA	NA	NA	NA	NA
9	Himachal Pr.	6864602	NA	NA	NA	NA	NA
10	J & K	12541302	NA	NA	NA	NA	NA
11	Jharkhand	32988134	NA	NA	NA	NA	NA
12	Karnataka	61095297	NA	NA	NA	NA	NA
13	Kerala	33406061	NA	NA	NA	NA	NA
14	Madhya Pr.	72626809	640484	465212	72599	51852	12.21
15	Maharashtra	112374333	NA	NA	NA	NA	NA
16	Manipur	2570390	NA	NA	NA	NA	NA
17	Meghalaya	2966889	29567	24005	79332	63678	6.65
18	Mizoram	1097206	NA	NA	NA	NA	NA
19	Nagaland	1978502	NA	NA	NA	NA	NA
20	Odisha	41974218	378991	314364	75223	61678	7.94
21	Punjab	27743338	427870	348487	128821	103726	5.93
22	Rajasthan	68548437	NA	NA	NA	NA	NA
23	Sikkim	610577	NA	NA	NA	NA	NA
24	Tamil Nadu	72147030	NA	NA	NA	NA	NA
25	Telangana		NA	NA	NA	NA	NA
26	Tripura	3673917	NA	NA	NA	NA	NA
27	Uttar Pradesh	199812341	NA	NA	NA	NA	NA
28	Uttarakhand	10086292	NA	NA	NA	NA	NA
29	West Bengal	91276115					
30	A & N islands	380581	NA	NA	NA	NA	NA
31	Chandigarh	1055450	NA	NA	NA	NA	NA
32	Delhi	16787941	622385	498217	303073	240318	8.26
33	Puducherry	1247953	29557	23656	190384	150369	7.49
34	All India	1210569573	15183709	12189854	103219	82269	7.1

Source: (i) Economic and Statistical Organisation, Punjab
(ii) Central Statistical Organisation, New Delhi

plains constituting the remaining 30 per cent of area hold about 70 per cent of its population. The region's accessibility has always remained weak due to geographical reasons and underdeveloped transport links with

the rest of India. Also, as the region witnesses floods and landslides in the Brahmaputra and Barak Valleys of Assam, considerable strain is exerted on the economy of not only Assam but other NER states too.

Infrastructural Factors: One of the reasons for the economic backwardness of the North-Eastern states is the poor state of basic infrastructural facilities like roadways, waterways, energy and so on as well as social infrastructure



like educational institutions, health facilities etc. NER has about 6 per cent of the national roads and about 13 per cent of the national highways. However, their quality is not good due to poor maintenance. The prominent indicators of shortfalls in infrastructure in this region are: increasingly congested roads, power failures, shortage of drinking water etc.

Constraints on Industrial Growth: At the time of Independence, there was a small but significant industrial sector in Assam which was mostly dominated by the colonial capitalists. This sector consisted of plantation and manufacturing of tea, mining of coal and oil, oil refinery, manufacturing of plywood and other forest resource-based products. Post Independence, due to the partition of India, the industrial sector in Assam received a serious set-back as its trade routes were cut-off from the rest of India. This, in turn, hindered economic integration with other parts and also reduced the attractiveness of the region as a destination of investment. The main strength of the region for industrial development comes from its huge natural resource base. For instance, the setting up of National Hydro-Electric Power Corporation to harness the huge hydro-electric potential of the region

and Gas Authority of India Limited (GAIL) and Oil and Natural Gas Corporation (ONGC) for exploration and extraction of oil and gas reserves. The forest based industrial units have been on decline following the ban on felling of trees, by the Supreme Court in 1995. Besides, dearth of local capital, marketing and transport bottlenecks hinder the industrial development of this region. Tea industry is one of the oldest industries in India. Started well in the beginning of the 20th century, tea established itself as a major manufacturing industry in Assam that heralded a huge potential. One of the major problems facing the tea industry, especially in Assam has been the increased conflict between the mainstream Assamese and the labourers regarding their health issues and welfare benefits.

Agriculture: Despite agriculture being the major subsistence occupation of the tribal population here, the pattern of agricultural growth has been uneven across states and between crops. Rice is the major crop of the region (kharif). Other crops (rabi) grown in the region are wheat, potato, sugarcane, pulses and oilseeds. The NER produces only 1.5 per cent of the country's total food grains and provides livelihood support to 70 per cent of the population. The

pace of agricultural growth in the eastern and North-Eastern regions has been slower than the rest of the country. The Green Revolution was largely limited to the North-Western parts of the country and has not benefited the North-Eastern region. By and large, the production conditions in agriculture in the North-East are traditional. The agricultural productivity is the lowest, irrigation facilities are almost non-existent in some areas and consumption of fertilisers is extremely low. One of the most common agricultural practices in the North-East is shifting or "Jhum" cultivation. Approximately 1.7 million hectares of land is under it which leads to a large scale deforestation resulting in soil erosion and loss of soil fertility.

Natural Resource Base: In spite of having a reservoir of natural resources- soil, water, vegetation and hydrocarbons, the NER is underdeveloped because the resources are being indiscriminately exploited and mismanaged, thereby leading to depletion of the very assets that are usually highlighted as triggering the greatest potential for growth and development of the NER. Also the biodiversity of the region is under severe threat. The bulk of natural resource degradation is being caused



by coal mining, fertiliser, paper, cement industry etc. and militant activities.

Transport and Communication:

The road development in the region has been very slow due to various geographical and socio-economic reasons. During the Five Year Plans, the allocated funds for development of the transport sector in the Northeast were not adequate in comparison to its needs. Inadequate transport facility has been a serious drawback that crippled the development of the region for a long time. As a result of the partition, the region suffered not only economically in the form of relatively high prices of consumer goods but also by a sense of isolation from the rest of the country. Moreover, the railway network is only 4 per cent of India's rail network. The entire network in east of New Bongaigaon was in meter gauge and the problems that were faced included not only insufficient railway network but also the hurdle caused by the change of gauge. The region also faced serious problems in transporting essential commodities like cement, steel, food grains, salt, etc.

Another gigantic challenge of NER today is **globalization**. With India's 'Act East' policy which heralded the

tectonic shift of India's west oriented stance towards east-oriented posture, it is extremely difficult for the NER to successfully compete with the MNCs and foreign entrepreneurs in business and trade.

Social Dis-organisation of the region is also a matter of concern. A society that has insufficient productive forces, makes its members capability-poor and a capability-poor society is also poor in cultural capital and if the standard of living of such a society is much higher than what it's productive forces can afford, then such a society's economic condition creates moral degeneration and consequently loss of character.

Education system, having miserably failed here, the well-to-do families send their children to some mainland cities for further education which gives a big economic blow to the local society. This brain-drain, attributable to the Policy Paralysis of the region needs to be addressed.

Another culprit here is, Substance Addiction. It is generally accepted that, more than 30 per cent of its youth are narcotic drug abusers. In league with this, the pandemic of HIV/AIDS, spreading fast in Manipur, Nagaland

and Mizoram, is a matter of grave concern.

With a view to give an undivided attention to the development of the region, in 1971, the Government of India set up the North Eastern Council. All the 8 states are its members. With head quarters in Shillong, it functions under the Ministry of Development of North Eastern Region (MDoNER). The council, initially set up as an advisory body, now has been sanctioned as a regional planning body since 2002. They now discuss any matter in which the North Eastern States have a common interest and decide the action to be taken on any such matter. The North Eastern Development Finance Corporation Ltd. (NEDFCL) is a Public Limited Company providing assistance to micro, small, medium and large enterprises within the NER. Other organisations under MDoNER include North Eastern Regional Agricultural Marketing Corporation Limited (NERAMAC), Sikkim Mining Corporation Limited (SMC) and North Eastern Handlooms and Handicrafts Development Corporation (NEHHDC).

The Ministry for Development of North Eastern Region established in September 2001, which functions as the nodal Department of

the Central Government to deal with matters related to the socio-economic development of the eight States of NE, acts as a facilitator between the Central Ministries/ Departments and the State Governments of the North Eastern Region in the matters of economic development including removal of infrastructural bottlenecks, provision of basic minimum services, creating an environment for private investment and removing the impediments to lasting peace and security in the region.

Coming to the developmental initiatives taken by the Central Government recently in December 2017, the centre has approved North East Special Infrastructure Development Scheme which will fill the gaps in creation of infrastructure in two sectors- One is physical infrastructure relating to water supply, power, connectivity and especially projects promoting tourism. The other is social sector projects of education and health. The remarkable feature of this scheme is that this is a 100 per cent centrally funded scheme as against the NLCPR, where 10 per cent contribution had to come from the State Governments. The Government of India will be providing Rs 5300 crore to NE States under the Scheme over the next three years. In addition, Tuirial Hydro-power project is the first major Central Sector Project to be successfully commissioned in Mizoram. It will produce 251 Million Units of electrical energy every year and boost the socio-economic development of the State. With this, Mizoram becomes the third power-surplus State in the NER after Sikkim and Tripura. The fact that, despite fiscal constraints, the sharing pattern of core centrally sponsored schemes for North Eastern States has been continued at proportion of 90-10, itself shows the concern of the present Government for NE states. Moreover, it has sanctioned over 3800 kms of National Highways with an investment of Rs. 32000 crore during the last three years, out of which nearly 1200 kms of road has already been constructed.

With an objective to bring all the State Capitals of NE on the Rail Map,

the union government will be investing another Rs 60,000 crore under Special Accelerated Road Development Programme in the North-East and Rs. 30,000 crore under Bharatmala in the next two to three years to build a network of high-ways and roads in the region. Proactively following the 'Act East Policy', some of the major initiatives include the Kaladan Multi Modal Transit Transport Project, the Rih-Tedim Road Project and Border Haats. The Union Government has sanctioned two tourism projects worth Rs. 194 crore for Mizoram in the last 2 years, to promote eco-tourism and adventure tourism, out of which Rs. 115 crore has already been released for implementation of these projects.

Keeping in view the fact that Bamboo is a source of livelihood for lakhs of people of NE region, Government has recently relaxed its restrictive regulatory regime. Now there will be no requirement of any permit for producing, transporting and selling Bamboo products. This will benefit lakhs of farmers and will add to the efforts to doubling farmers' income by 2022.

If we look at the latest budget (2018-19), the Government has allocated Rs. 1014.09 crore (nearly 5 times of last year's allocation) for revival of 50 airports and improving aviation infrastructure. These include strategic airports like Pakyong in Sikkim, Tezu in Arunachal Pradesh etc., where civilian air connectivity will be provided for the first time. It is hoped that all these efforts will increase the scope for economic linkages, and contribute to the overall economic growth and development of the North-Eastern Region.

Way-Forward:

A six-fold strategy for the comprehensive development of the region has been proposed-

- Empowering people by maximizing self-governance and participatory development through grass-root planning to promote inclusive development.

- Creation of development opportunities for the rural areas through enhancing productivity in agriculture and allied activities such as animal husbandry, horticulture, floriculture, fisheries and generation of livelihood options through rural non-farm employment.
- To develop sectors in the region having a comparative advantage such as agro-processing, hydro-power generation.
- Enhancing the skills and competencies of the people and building the capacities for institutions within the Government and outside.
- Creating a hospitable investment climate to encourage investment by the private sector particularly for infrastructure.
- Harnessing the resources of the Government and the private sector to realize the objectives of the Vision.

The latest event of Global Investors' Summit in Guwahati held on February 3, 2018, itself evinces the sincere approach of the Central Government towards bringing overall prosperity in the NER. The event undoubtedly, showcased the states' investment potential to countries in South and South East Asia, in sectors including manufacturing, services, power, agriculture and food processing, IT, transportation, petrochemicals, pharmaceuticals, textiles and handicrafts and tourism.

To conclude, innovation, initiatives, ideas and implementation-all the four need to go together. What is needed is inclusive growth through inclusive development with focus on improved governance, doing away with the draconian laws and ensuring that the local communities are empowered to implement basic needs and services. For this, all the stakeholders need to formulate an all-comprehensive realistic plan for the overall development of NE states. □

(E-mail:manjula.jaipur@gmail.com)