Chapter 3

Historical Background of Economic Development in Northeast India

The history of contemporary period is often referred to as the history of development. The term "development" as denoting a process which societies undergo became a focus of concern after the Second World War. Since then the concept and perspectives in which it has been understood have undergone spectacular changes. The term was used interchangeably with growth. However, the two terms are now clearly distinguished where growth has limited connotations and is generally defined in quantifiable indices such as Gross National Product or per capita income. Development, on the other hand, implies a kind of structural transformation in all aspects of society, from traditional society to modern society, where a society or part of it is transformed in the economic sphere. Therefore, development, as Arndt pointed out, encompasses almost all facets of the good society, everyman’s road to utopia. It has many spheres: economic, social, cultural, political, etc. However, development of a country or a community is usually measured in economic terms.

Economic development is a historical and an evolutionary process, where historical past cannot be ignored since history appears in an essential way in any analysis of the evolutionary process of development. There is no commonly accepted definition of the term "economic development". The definitions are broad and theoretical, including

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phrases such as “the process of improving the standard of living and well being of the population.” Other definitions focus on activities and projects that are used to achieve economic development goals. Therefore, economic development is better described than defined.

Though different societies within the Northeastern region might have had different levels of development within a given time frame, certain commonly shared features like their history and geography, their economic structures and the structural change they have witnessed overtime, and their economic and psychological distances from the mainland India binds them together. In this chapter the history of economic development in Northeast India is analysed from the colonial period to the post-independence period till the late 1980s.

Economic Development in Northeast India during the Colonial Period

Northeast India, which occupies the remote corner of India, is one of the least developed regions of the country. This development begins with the region’s initial absorption into the world economy as a marginal periphery, a part of frontier of the British rule and which eventually leads to the region’s peripheral position within the Indian nation-state after independence.

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Assam had interaction with the British East India Company as early as 1792, at the request of the king of Assam, "for commercial advantages" by a friendly and open intercourse. The persisting internal strife and disorder led Burmese occupy the plains of Assam from 1817 to 1826 and Manipur from 1819 to 1826. With the request of the king of Assam the British defeated the Burmese and were forced to surrender their suzerainty over Assam and Manipur by the Treaty of Yandaboo in 1826. Eventually the British rulers annexed the whole region in the subsequent years, the Cachar plains in 1830, Khasi Hills (1833), Jaintia Hills (1835), Karbi Anglong or Mikir Hills (1838), North Cachar Hills (1854), Naga Hills (1866-1904), Garo Hills (1872-73) and Mizo Hills (1890). These annexations brought about drastic changes in the polity as well as in the economy of the region, with the gradual decay of feudal institutions and the rise of capitalist economic entities.

The British East India Company had no interest in the Northeastern region until the discovery of tea in 1823. The modern economic development in the Northeastern region became a priority with the increased interest shown by the East India Company on items like tea, oil and coal available plenty in the region. Robert Bruce, a British merchant, who came to Assam in 1823 learnt about the existence of tea plant from a Singpho chief. The information provided by Bruce led William Bentinck, the Governor General of India, to appoint a twelve-member committee (Tea Committee) to examine the possibility of introducing tea cultivation in 1834. The Tea Committee reported that "We have no hesitation in declaring this discovery...to be by far the most important and valuable that has ever been made on matters connected with the agricultural or

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commercial resources of this empire." Subsequently, some European and Indian entrepreneurs formed the Bengal Tea Association in 1838. The Assam Company was formed in England in 1839 and within a year the Bengal Tea Association merged with Assam Company.

Through the introduction of tea plantation the region was drawn into the world economy by the British rulers and all developments in Assam during 1840-59 centered on tea and the Assam Company. The British rulers introduced various wasteland rules, which were revised after certain period of time, to attract investments. Hence, the Britishers became the owner of large tracts of wastelands and other valuable resources in the plains of Assam. It was in the interest of the British to exploit these wastelands for profit. To clear these vast tracts of wasteland the British rulers encouraged migration of tribals mainly from Bihar, Orissa, Madhya Pradesh and Andhra Pradesh. To attract migrants a pull factor was created by allocating lands free of rent for tea plantation. This was primarily done to meet the interest of the British private capital in tea plantation as the local Assamese were reluctant to join the labour force. Migration, thus, brought about a massive change in the economy of British Assam which resulted in the expansion of tea plantation economy. All this led to a period, often described as "Tea Mania". Tough tea was under the British control some enterprising Assamese carved out a position for themselves. Maniram Dewan was the first Assamese tea planter who was, as British rulers held, executed for treason in 1858.

Though the goal of wasteland grants did not yield immediate returns in terms of government revenue, the object was to clear the vast tracts of forest and promote

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immigration and induce people to bring English capital largely into the market.\(^{12}\) Lands were cleared without much concern for regional ecology, resulting in the rapid deterioration of the potentialities of future plant growth and thereby prevented the use of timber and other forest products by the villagers. To recover the huge loss of revenue in granting rent free to wastelands the tax on agricultural lands were increased. The local population, who mostly depend on agricultural lands, was greatly affected by this hike. This resulted in various resentments by Assamese peasants against the increased taxation in the 1890s. As a result the land abundant valley became land-scarce and the labour shortage economy turned into labour surplus one during this period.

Apart from the migrant tribal labourers from Chota Nagpur, there are several migrant communities. The Bengali Muslims from East Bengal settled initially on fallow land along the Brahmaputra but gradually extended their hold over lands in traditional tribal areas and Assamese villages. The Bengali Hindus took up clerical and other middle class jobs in Assam, Tripura and Meghalaya and also started small businesses and settled in several towns. When the migrant communities started concentrating their hold over land and other sources of livelihood, there was a fairly neat division in respect of economic spoils among the migrant communities from an ethno-economic angle.\(^{13}\)

Even though the sole interest of the East India Company to annex the region was to exploit the rich natural resources, to exploit these resources they were forced to develop transport and communication. From 1859 the East India Company came forward to take up road construction work to facilitate tea industry. Within few decades various


roads linking Bengal and the Northeastern region as well as roads connecting various towns within the region were constructed. Rail lines were also constructed in the later part of the nineteenth century. Apart from the colonial interest of developing transport and communication to maximise profits in tea and oil industries, the East India Company laid stress on the improvement of communication both by land and water to control rebellions in the region.\textsuperscript{14} Hence, the growth of tea estate, commerce, transport and communication was an interrelated process.

Apart from tea, oil and coal were the two other important discoveries of the British in Assam. The formation of Assam Railways and Trading Company in 1881 became the forbearer of economic development in Assam. The company introduced railways, developed petroleum and coal as an object of emergent trade and geared up tea and timber industries. After the Assam Railways and Trading Company gave up its interests in petroleum, the Assam Oil Company was formed in 1899 with its headquarters at Digboi. Assam Oil Company was engaged in exploration of oil and set up Digboi refinery in 1901. All these undertakings by the British brought about a new dawn in the field of industry. Yet, this commercial adventure did not leave any scope for native participation.

Though the region came under colonial economic system, except for tea plantation, no strong linkages were established with outside market. The plantation revolution was not accompanied by any agricultural revolution within Assam to raise the agricultural productivity and marketable surplus. The local economy was not able to meet the needs of the rising immigrated workforce in the plantation sector. As a result, food

grains were imported into the region to meet these rising needs. From this it can be said that people were brought in to meet labour requirement, their foods imported and their wages remitted back home by the labourers, thus the region acted as a resource provider, to be extracted and exploited by outsiders, where the local population have nothing to gain out of it. The limited participation of the local population in the economic activities further restricted their fusion with the main currents of development.

In the hill areas of the Northeastern region the British rulers resorted to the policy of minimum interference of the tribal areas and the traditionally structured tribal societies continued to remain autonomous with minimum colonial presence. Due to the unique geo-political and historical background of the tribals and with a view to check entry of people into this area, the hills and plains were governed by different laws. As a result, the tribal people in the hill areas of the Northeastern region remained outside the ambit of the capitalist path of development and continued to lead a life of relative independence. The fact was that the hill areas were of little economic value and considered to be a burden by the British rulers.

The people in the hill areas of the region mostly lived on subsistence economy. Shifting cultivation was the predominant form of agriculture though terraced cultivation was practiced by some tribes like the Angamis of Nagaland, Apatanis and Monpas of Arunachal Pradesh and the Khasis of Meghalaya. The rice economy was supplemented by food-gathering, hunting and fishing.

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As the main interest of the British was maximisation of profit, the development of transport and communication was mainly concentrated in the resource rich plains of Assam and the hill areas were out of the ambit of these developments. Thus, the colonial economy was mainly concentrated in the two valleys of Assam, where most of the natural resources were located and could be exploited because of its easy accessibility as compared to the hills.

Most of these areas were brought within the British fold through the introduction of monetised economy in the traditional trade and exchange. The colonial powers introduced manufactured, glamourised, finished products which attracted the hill people and created a demand for such goods at big fairs. The tribal people became not only frequent visitor to the fairs held in the foothills but also more dependent on imported goods. The merchant class introduced by the colonisers introduced opium selling and in turn acquired natural products produced by the hill people. The dependence of the tribes in finished imported products and opium led to the destructive mode of acquiring resources and eventually led to the depletion of traditional resource base.\(^{18}\) During the colonial period, the hill areas were marginally integrated into the colonial politico-economic system. It rather remained isolated from the central political system of the mainland.

The development of railways and waterways, and the establishment of other productive enterprises such as coal, petroleum and wood manufacturing, etc., were all guided by the sole objective of maximisation of profit from the plantation economy. What ever little industries and enterprises created were mostly extractive in nature. The

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economic development of Assam during the colonial period, therefore, was essentially enclave in nature.

From the pattern of economic development in Northeast India during the British rule it can be seen that: first, unlike the prediction of development theories, the traditional sector did not provide a source of labour supply to the modern sector.\(^\text{19}\) Hence, the important link between the two sectors in the labour market was never established. Second, the income generated in the modern sector did not remain within the region. Apart from the profits being remitted in the form of dividends and transferred as savings outside the region, a substantial part of the wages earned in this sector was also remitted. Moreover, the immigrants spent their incomes on items which were not locally supplied. Thus, by the end of the century there was a huge drain of money from the region. Even after independence, a dual economy ethos is continuing in which the wages of the migrant labour is remitted to their homes outside the region and this group of labour constitutes a majority on various construction projects.\(^\text{20}\) Thirdly, the rapid growth of workforce in the modern sector raised the demand for agricultural products and the price of these products too increased. However, the agricultural sector has been not able to keep pace with the increasing demand; there was marginal increase in the supply agricultural products like rice and bamboo.

In short it can be said that the coming of the British in the region brought about the growth of modern sector. However, the growth of the modern sector did not bring about a high standard of living to the people of this region due to their limited participation in the economic activities. By the end of the nineteenth century “the


\(^{20}\) B.P. Singh, op. cit., p. 267.
economy of Assam had developed all the characteristics of a dual economy,"$^{21}$ with huge investments pouring into the modern sector and the traditional sector having been left out of this developmental process. The modern sector thrived on the mineral and natural resources of the region, served alien interests, employed capital and labour from outside the region, and catered to an external market. As a result, the traditional sector and the hill areas of the region that had hitherto been underdeveloped remained an enclave and untouched by the process of development.

Barrister Pakem summarises the impact of British rule in the economy of Northeast India as: "The British after pushing up their administration to Northeast India, did not help the region in bringing about economic development for the benefit of the area. Whatever industries they had set up, like tea plantation, oil and other mineral extractions, were done only to further their own interests. Hence during the colonial period limited economic development took place, and that too was confined to the tea and oil producing areas of Assam plains and in some mineral producing areas in the Khasi Hills of Meghalaya. In the rest of the hill areas barring a few pockets the traditional tribal economy of the primitive type of agricultural jhumming and pastoral economy, among others, persisted. This variation in the respective economies of the hills and the plains is the function of different physical features, different social relations, and the neglect and isolation of the region by the colonial masters. This in turn produced a multi-structural economy in the region and this position continued till India’s Independence."$^{22}$

$^{21}$ Amalendu Guha. op. cit., p. 197.
Economic Development of Northeast India in the Post-independence Period

Independent India started with the shockwave of partition in 1947. Partition redraws the political boundary of British India which culminated in the creation of present day India, Pakistan and Bangladesh (former East Pakistan). It resulted in mass migration with serious demographic, socio-political and economic repercussions on the country. The redrawn political boundary has far reaching consequences for the economy of Northeast India by creating a physical barrier with the mainland and formed what is now called the "Northeastern region". Before partition there was no concept of a separate Northeastern region, as every single province or hill region that now constitutes it was closely linked, for trade, economy, movement and education, to the adjoining areas of the East Bengal, Burma and Tibet. Parts of Manipur, Mizo and Naga Hills had direct links with Burma, where many of their ethnic kins live. The Khasi, Jaintia and Garo Hills maintained close relations with Sylhet, the Mizo Hills with the Chittagong Hills Tracts and Tripura with Comilla, Noakhali and Sylhet. The areas of North Eastern Frontier Agency (present Arunachal Pradesh) had close contacts with Tibet, Bhutan and also with Burma. All these relations changed suddenly in 1947.

The partition caused disruption of the age-old pre-independence inland water, road and railway communications through erstwhile East Bengal. All of sudden the region came to be isolated from the rest of the country. The region became virtually landlocked, with tenuous connection with mainland India through the 21-kilometer long landmass, often described as the "chicken’s neck," which is less than 2 percent of the 5000 kilometer combined perimeter formed by the seven Northeastern states. The

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Chinese takeover of Tibet resulted in the creation of new international political boundaries, replacing the soft territorial frontiers of South Asia. It also resulted in the disappearance of a crucial buffer and brought the Chinese Army right to the borders of India, and the virtual closure of the border with Burma added to the isolation of the region. The flourishing trade with the plains of adjacent East Pakistan, Tibet, Bhutan and Burma came to a halt. The separation of communication lines and well developed markets with the plains of Bangladesh thwarted economic growth of the region. It created havoc for the Northeast making it the most regulated, a sensitive border region and the most exposed territory. Using the region’s two percent perimeter as a major linkage point with the rest of India and at the same time checking the inflow of goods and people from across the remaining rest of 98-99 per cent has been a gigantic task. B.G Verghese commented that “if imperial politics distanced the Northeast from its trans-border neighbourhood further east, partition in 1947 all but physically separated the Northeast from the Indian heartland.”

The effect of the partition is large on the contemporary life of Northeast India. Though the new international border dividing India and Bangladesh is seen as inviolable, the partition could not change the position that the region acquired during the colonial times as a frontier. Partition also did not stop immigration from Bangladesh. This demographic changes in one way or the other, contributed to unrest in the region. Social and communal tensions, agitations and disturbances which some parts of the region

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witnessed during that time had seriously impeded the process of developmental activities right at their takeoff stage.  

Further, there are popular movements and national governments endeavoured after 1947 which attempts to close off and regulate national borders more rigorously than ever before with a goal to defend national territory against foreign threats and to secure national territory against internal disruption that might be fed by forces across the border.  

Northeast was closed-off to defend India’s borders. As a result, the region became the most exposed territory, facing alien states around most of its perimeter. These conditions has not been conducive to the region’s economic and political well-being and caused the extreme geo-political isolation of the Northeast. The loss of connectivity and market access, according to B.G. Verghese, set its economy back by at least a quarter century.  

The restriction of the age old mobility through the regulation of national borders and the partition of India has made Northeast India virtually landlocked and a periphery. Even though the isolation of the region is recognised lately, no adequate study is done since independence on the exacerbated post-partition affects on the region.  

The closing of Northeast India’s traditional trading partners - Bhutan, Myanmar and Tibet - during the British colonial rule was replaced by opening up of the local barrier to trade, which led to a flow of migrants into the region. In fact, it was part of the colonial policy to introduce an intermediary class as the colonial policy discouraged local entrepreneurs.  

References:

29 Rafiul Ahmed & Prasenajit Biswas. op. cit., p. 53.
flourishing extractive enterprises like tea, oil, plywood and coal, the flow of migration continued in the region. Capitalists from the mainland acquire mineral rights and timber lands and set up saw mills, coal business and other extractive enterprises in the region. Though some of the enterprises were locally owned, the majority of the resources and a large number of workers were controlled by non-residents. This core-periphery relation created Northeast India an internal periphery. The Northeastern region was converted from a frontier region during the British rule to an internal periphery in the post-independence period. This development in the region can be termed as “internal colonialism”.

Though the term “internal colonialism” has been applied in a variety of contexts, it is widely used to describe the exploitative relationship between the “core” and “periphery” within a nation-state. An internal colony produces wealth for the benefit of the capital area. The members of the internal colonies are distinguished as different by a cultural variable such as ethnicity, language or religion. They are then excluded from prestigious social and political positions, which are dominated by members of the metropolis. The conceptualisation of “internal colonialism” to a large extent originated from the research carried out in Latin America by Gonzales-Casanova during the mid-1960s. However, Michael Hechter’s Internal Colonialism: The Celtic Fringe in British National Development is considered to be one of the most pivotal publications on the subject. Hechter’s conceptualisation of “Internal Colonialism” arose from his study of the Celtic fringe in British national development. Hechter views the process of geo-political

integration of Wales and Ireland into the English state, the union of England and Scotland in 1603 and the passing of the Act of Union in 1707, which left a single Parliament in London, was always unequal. When this political integration was compounded by economic exploitation, Scotland, Ireland and Wales were converted into Britain’s “internal colonies”. This condition emerged with the spread of industrialisation from English heartland to the peripheries. Capitalist industrialism created both a new economic dependence of the periphery on the core. Trade and commerce in the peripheral regions tend to be monopolised by members of the core. Economic development in the periphery is designed to complement and promote economic development of the core. There is a relative lack of services, lower standard of living and higher level of frustration among the member of the peripheral groups. There is national discrimination on the basis of language, religion or other cultural forms. Thus, the aggregate economic differences between core and periphery are causally linked to cultural differences.\(^\text{32}\)

In Northeast India, the exploitation of resources resulted in the destruction of peripheral modes of production where intermediary sectors of the economy fully gain access and control over the resource base of the peripheral modes of production. This core-periphery relationship does not allow the integration of periphery with the core, which subsequently resulted in a situation where the “core develops and spreads underdevelopment by way of a direct exploitation of the periphery.”\(^\text{33}\) As a result, the hills of the Northeastern region still practice a subsistence form of economy and the plains, which act as an extension of markets of the mainland, follows an economy of surplus and abundance. Thus the hill areas are marked by underdeveloped productive


forces while plains are marked by productive forces of the core and the periphery becomes just a market for goods and services brought by the core.

The initial few decades of India’s economic policy towards the Northeastern region was not different from the British colonists. Ever since independence the region has been looked upon as a place for extracting natural resources, the process which started well in the British era. In the plains of Assam not much developmental activity took place except the nationalisation of oil and coal industries. Though Assam’s tea, oil and jute provided the much needed foreign exchange during the 1960s when foreign exchange crisis hit India, the nationalisation of oil and coal industries after independence benefits to Assam economy was marginal. Neither the Assam Government nor the people, except minimal employment, benefited much.

While most of the trade and commerce in Northeast India have been controlled by a growing migrant population, big Indian capitalists enjoy monopoly over oil, tea and plywood industries. Out of about 620 tea gardens in the Brahmaputra valley of Assam, Assamese planters own only about 158 only. The tea gardens of Assam account for about 55 percent of the total tea produced in India and earn an annual Rs.500 crore as foreign exchange for the country. Except for the newly formed Assam Tea Corporation, a public sector enterprise owning a few sick and unprofitable tea gardens; the majority of the big gardens are under the foreign and Indian companies which are controlled from Kolkata. The main office of tea board is situated in Kolkata though most of the gardens are in Assam. Since major portion of tea was sold in Kolkata, Assam lose the vital sale

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tax on tea. Thus, the core based companies simply used the labour of the internal periphery to reduce their operating cost.

The state of Assam produces about six million tones of oil each year and has an estimated reserve of 70.46 million tones of crude oil and 23,000 cubic metres of natural gas. This crude oil has a very high aromatic content and is rated high in the world market. According to international price standards, Assam crude should cost 1.5 times higher than the low grade OPEC crude oil. Till 1980s Assam has no refinery and crude oil was sent to Barauni refinery in Bihar. A number of scholars of the Northeast often ask as to why the refinery was not set-up in Assam. The simple reason, believed to be, is that the Barauni refinery was set up at a time when Indian President was Dr. Rajendra Prasad, who is from Bihar. The sales tax that Assam derives from her crude is Rs.54 per ton whereas India gets Rs.991 per ton as sale tax on Assam crude. Apart from Assam there are crude oil discovered in the state of Arunachal Pradesh and a defunct oilfield in Nagaland.

This economic exploitation of Assam’s resources and the Central Government’s apathy towards the people of Assam was also responsible for the Assam Movement of the late 1970s and the eventual formation of the political party, Assam Ghana Parishad (AGP) and insurgent group, the United National Front of Assam (ULFA). During the formative stages of the movement the leaders noted with dismay that though the state supplied 60 percent of India’s crude oil production at that time; it received less than 3

37 Ibid.
38 Nabendu Pal, op.cit.
39 Tilottoma Misra, op.cit.
percent of its value in the form of royalties from the central government. It was a major producer of tea but its royalty earning was incredibly low. So was the case with plywood. Even the regional capitalist class that developed in Assam after independence was composed mainly of Marwari entrepreneurs. Assam's enrichment, in that sense, according to the movement leaders, served the investors from elsewhere rather than the region's population. There is a widespread feeling that the pattern of development to which Assam and the Northeast generally has been exposed is purely extractive, exploitative, colonial and profits transferred outside the state with little re-investment. Many scholars of the Northeast blame that the colonial economic structure is largely retained only to make the region a periphery of the Indian capitalist system. The British had invested in tea plantation, in timber, in oil, in railways and river transports since then no major industries have come up in Assam. Therefore, there are good reasons for the people Northeast India to have the feeling of being neglected.

In the post-war years, national governments attempted to improve their country's position in the world economy by using various institutions and policies. Planning was adopted as an instrument for attaining balanced growth and to ensure minimum standard of living in the relatively impoverished places. A formal model of planning was adopted in India after independence. Accordingly, the Planning Commission was set up on March 15, 1950, with Prime Minister Jawahar Lal Nehru as the chairman. The main aim of planned development in India has been to attain balanced economic growth by

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transforming the backward colonial economic system into a developed modern industrial one. The five year plans have undertaken this challenge and most regions in the country has felt their long-term impact. The main approach to planning for development of the tribal villages has been to break their isolation and therefore build rural infrastructure and raise their standard of living through the adoption of improved technology of production, that is, by replacement of shifting cultivation by settled cultivation.43

In the 1970s the Indian government began to recognise that the people of Northeast India have been left behind in the economic development. Thereafter, since the early 1970s various schemes for the development of infrastructure and economy of the Northeastern region were formulated. These schemes include the Hill Area Development Projects, Tribal Area sub-plan, Tribal Development Agency Projects, Border Area Development Programme, and formation of the North Eastern Council.

The whole of the Northeastern region, except Assam, was declared by the government of Assam as “backward” for the purpose of industrial assistance. It was realised that the path of development adopted by the government of India in the past have resulted in an uneven distribution of the benefits of economic growth as between geographical areas and also between socio-economic groups. Recognising the topographical, socio-cultural and other peculiar problems as the main factors contributing to the backwardness of the region, the Hill Area Development was launched which started receiving special attention since the Fifth Five Year Plan (1974-79). In the subsequent years several committees were set up by the Planning Commission such as, Tiwari Committee (1980), Sivaraman Committee (1981), Swaminathan Committee (1982), Trivedi Committee (1985),

Bhupender Singh Committee (1985), etc., which reviewed the programmes and suggest measures for the development of the Northeastern region.

The Government of India’s approach to development planning since the 1970s involved special support for geographically backward areas. The “Gadgil Formula” for allocation of central plan assistance to states was evolved in 1969. The criteria used to define these states include (i) remoteness and hilly terrain, (ii) large populations of indigenous (tribal) peoples, (iii) inadequate economic and social infrastructure, and (iv) inadequate capacity to raise resources on their own. Most of the Northeastern states fall under this category. The Gadgil formula was revised in 1980 and other similar states have been added to this “special category states”. For these special category states, assistance was provided on the basis of 90 percent grant and 10 percent loan. In the state of Assam the pattern of central assistance is 70 percent loan and 30 percent grant.

To bring about an integrated development of the Northeastern region, the central government set up North Eastern Council (NEC) in 1971 by an act of parliament, the North Eastern Council Act, 1971. The Council started functioning from 1972 and act as an advisory body and a development wing of the Ministry of Home Affairs. To bring about balanced socio-economic development in the region, NEC supplements the efforts of the states by rendering them such balancing and infrastructural support as they needed.

The North Eastern Council (Amendment) Act, 2002 amended the North Eastern Council Act, 1971 which included Sikkim into its fold. Since its inception the council functions as a regional planning body for the Northeastern region, formulate specific projects and schemes to benefit two or more states and review the implementation of projects and schemes and recommend measures for effecting coordination in the matter
of implementation of such projects and schemes. It has taken up several projects for the development of infrastructure in the region. Some public sector units have also been set up in the region. The policies of industrial licensing, concessional finance and investment subsidy, growth centres, as well as freight equalisation of some major industrial inputs have also been used towards economic development.44 A significant development of this period was that the region drew special attention of the planners. The share of the Northeastern region in the total national plan steadily increase from 2.29 percent in the First Five Year Plan to 5.35 percent in the Fifth Five Year Plan, 5.58 percent in the Sixth Five Year Plan and 6.10 percent in the Seventh Five year Plan.

However, critics pointed out that the NEC has worked only up to a point and is no longer greatly favoured by the constituent states. M.S. Prabhakar commented on the formation of NEC that “on the face of it is difficult to see the rational behind the formation of the North Eastern Council...North Eastern Council seeks out merely usurp the limited powers of the states, but to totally replace the authority of the states by the Centre, especially by the most repressive organs of the states of the region by their to total impotence.”45 He asserted that the whole idea of integrated development and coordinated development of specific areas is faulty and the council is merely a decorative body. The NEC is blamed for adopting a highly bureaucratic and technical approach in its quest for finding regional policies for the region and spends major portion of its plan outlay in developing infrastructure and assumes that by taking care of infrastructural development it can achieve regional development.46 Authors like Munshi, Guha and

45 Ibid.
Chaube have shown that infrastructural indices associated with modernisation have no correlation with the actual growth indices in the units of Northeast India. With its over emphasis on infrastructure with a half-hearted concern the NEC failed to create human capacity formation for a balanced regional development.

The failure in building the local forces of production and human capacity development has made the region increasingly dependent on the mainland. Though the region has rich mineral, water and forest resources, the absence of industrialisation make the region a market ground for manufactured products from industrialised regions of India and more new industries and jobs created outside the region. A vast chunk of the money earned is spent on buying consumable items imported from industrial parts of mainland India. The Shukla Commission that submitted a report to the Government of India entitled “Transforming the Northeast” in March 1997 and estimated that about Rs.2,500 crore worth of consumable items is imported from outside the region every year. Therefore, the questions of being neglected, geo-political and economic situation after independence, the colonial economy still retained and the government approaches to development in the northeastern region is always being raised.

The mainstream economic thinkers generally blame that economic backwardness or neglect is the main source of political turmoil in the Northeastern region, and that once this problem is taken care of, the main source of political turmoil will go away. It is true that, militant groups, political parties and public opinion in Northeastern states do

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complain about the region’s economic underdevelopment and this has resulted in the alienation of the people. Once developmental efforts begin to generate a host of opportunities and penetrate into the lower strata of society, people will cease to resort to insurgency. As the mainstream analysts believe, one of the main reasons for the rise, growth and sustenance of insurgency in the region is the lack of development, and the region as a whole suffers from lack of developmental initiative. It is also true that insurgent groups in the region have been successful in exploiting the prevailing sense of general deprivation among people to further embolden their position. However, the belief that initiation of developmental efforts would automatically end insurgency is just a wishful thinking. Such a line of thought fails to analyse the problem in its entirety.\textsuperscript{50} Though the insurgent groups complain about economic backwardness or neglect, their primary complaint is perceived injustices grounded in the history of how the Indian post-colonial constitutional order came into being.\textsuperscript{51} What is striking is that the bureaucrats, politicians and military officers who make Northeast policy are either oblivious of the historical issues that insurgencies raise, or consider them too trivial to merit substantive engagement.\textsuperscript{52}

Of late, the Central Government has recognised the economic backwardness of the region and that economic backwardness and underdevelopment generate the feelings of alienation and relative deprivation of the people, and hence pumped in crores of rupees as developmental funds with the intention of stimulating economic growth and

\textsuperscript{50} Bihu Prasad Routray, “Is Development a Riposte to Insurgency?” \textit{Institute of Peace and Conflict Studies}, Article no. 770, June 25, 2002.

\textsuperscript{51} Sanjib Baruah, 2001, \textit{op.cit.}

development in the region.\(^5\) The general notion is that by bringing about development people of the region will put aside problems of identity, problems of ethnic assertion, problems of immigration from neighbouring countries and finally result in the abatement of insurgency. Therefore, successive central governments announced developmental packages. In 1996 the then Prime Minister of India H. D. Deve Gowda announced an economic package Rs. 6,100 crore, following his visit to the region. His successor I. K. Gujral endorsed this package. To boost economic development of the region the NDA Government led by Prime Minister Atal Bihari Vajpayee also announced another package of Rs.10,217 crore in 1998. In October 1996, under the “New Initiatives for North Eastern Region”, it was stipulated that at least 10 percent of the budgets of the Central Ministries/Department should be earmarked for the development of Northeastern states. As the expenditure on the Northeast by some Union Ministries during 1997-98 fell short of the stipulated 10 percent target, the NDA government, created a Non-lapsable Central Pool of Resources to support infrastructure development projects in the region. Between 1990-91 and 2002-03, the region received about Rupees 1,08,504 crores.\(^5\) So lack of development could not be due to shortage of funds. It can be said that there is some sort of political or psychological neglect but definitely not in terms of devolution and transfers of resources from the Centre.

After pouring in large sum of money as developmental funds the region still has the problems of underdevelopment. One problem that arises is that the developmental packages being left largely unimplemented neutralise the intended impact. In fact, as economist and Congress leader Jairam Ramesh has argued, this kind of public

\(^5\) Gulshan Sachdeva, 2006, op.cit.
expenditure has become very much part of the problem of the Northeast. This occurs because of poor monitoring, lack of accountability and non-adherence to the set time frame for project execution. What needs urgent attention is the proper utilisation of the funds, not just the announcement of periodic developmental packages. Some scholars believe that pumping in money without proper streamlining and utilisation has opium-like effects. The arm of the government, the bureaucrats, must be reoriented to meet the requirements of the day. Wassabir Hussain listed two main reasons why pumping of funds into the region by the Centre have not had the desired impact:

- Leakage of funds at various levels of the government machinery. Development funds making their way into the coffers of the insurgent groups are common knowledge.
- Lack of capacity by the states in the region to absorb the huge quantity of funds in the absence of training and expertise to successfully come up with implementable location-specific projects and the infrastructure to get some of these projects off the drawing board stage.

With the gaining of independence organised developmental activities started in India. In more than five decades the Government of India has tried different developmental approaches in the northeastern region where some of them have achieved success, more or less; others have not been able to show the expected results. The policy framework for the Northeastern region is guided by a combination of political, economy and culture, and these policies are implemented mainly through the Planning Commission and the NEC. As a result of this combined approach to process of economic development the role of bureaucrats has been given undue importance resulting in red tapeism and hence delays

in implementation of projects. Despite massive financial investments, this has failed to produce desired results.\textsuperscript{58} Though development as a concept took formal shape in the post-independence period it is actually a continuation of the colonial policy whose basic objective is to maximise production (profit) through the optimum utilisation of natural resources.\textsuperscript{59} Therefore, it is being argued that the presence of "outsiders" either privately or through corporate houses into the region provided short-term benefits, but the process, as a whole, has permanently scarred the tribal economy and undermined their knowledge systems and intangible heritage acquired through centuries of intimate interaction with nature.

The Northeastern region is marked with diversity in economic pursuits but geopolitical hindrances have prevented the area to develop economically at par with many other parts of the country. The lack of development and industrialisation has resulted in the growing economic disparity of the region vis-à-vis the national average; and this rising disparity has further led to the growing sense of alienation among the people.\textsuperscript{60} Economic deprivation, disparity, exploitation, lack of development and a growing sense of alienation, en masse, created congenial condition for the rise of ethnic conflicts leading to insurgency in the region.\textsuperscript{61} Approval of the objectives of these movements in certain cases has further deteriorated the situation, and as a result, a sense of integration with the national mainstream faced a serious setback. For this reason it is felt that, "the region is heading towards a paradoxical state of external integration and

\textsuperscript{58} Gulshan Sachdeva, "India's Northeast: Rejuvenating a conflict-riven Economy", \textit{Faultlines}, Volume 6.
\textsuperscript{60} Alokesh Barua and Arindam Bandyopadhyay, "Structural Change, Economic Growth and Regional Disparity in the North-East: Regional and National Perspective", in Alokesh Barua (ed.), \textit{op.cit.}, p. 239.
internal disintegration and thereby frustrating the developmental efforts.\textsuperscript{62} Though underdevelopment is not the only reason for the rise of insurgency it still remains as the prime factor for the prevailing insurgency in the region. Due to widespread insurgency, political turmoil and social tensions, developmental funds are being diverted for the maintenance of law and order which only makes the situation worse. The operation of banking activities, laying of railway tracks, operations of the oil and tea companies, etc., constitute a major challenge for the development process. Most importantly, the continuation of insurgency provides the corrupt political establishment with a smokescreen for its non-performance. Therefore, there is a vicious cycle of underdevelopment, political and social tensions, and insurgency in the region since independence.