

GLOBALISATION AND NORTH-EAST INDIA

Edited by

Amaresh Dubey

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About the Book

Globalization has affected a change across the regions of the world and India is no exception. The national economy has become far more integrated with the global economy now. However, there are large parts of the underdeveloped regions that suffer from endemic underdevelopment. The north-eastern region is one such region. The relevance of Globalisation in the context of the North-Eastern Region of India has additional implications in terms of social and political integration. The most important characteristic of the north-eastern region is that all the constituent units (states) are relatively closed ethnic groups. All the states in the region share porous international border. Consequently, both product and factor markets in these states have some international dimension. Given the socioeconomic and geopolitical dimensions in the region, the prevailing pattern of development in these states has also culminated in the form of social unrest and degradation of economic values. This clearly implies that the development policies and programmes have fallen short of meeting the social and economic aspirations of the indigenous population in the region.

In this context, the question that arises is how the forces of Globalization and economic growth could be combined together to address the implicit and most relevant questions associated with migration, unemployment and development of trading activities in the perspective of North-Eastern Region of India.

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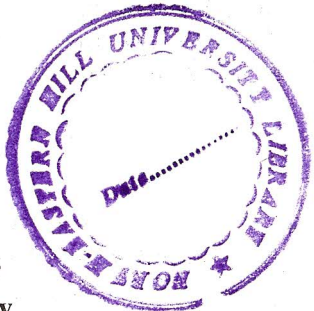
This volume argues for a more perceptive, sensitive assessment of the development needs of the region. There is a need to identify and recognize the most critical and appropriate strategy required for the region. This volume highlights the key issues, which remain as challenges for the future development. Poverty, inequality and deprivation remain entrenched in the backwardness and remoteness of the region despite sixty years of India's independence. Further marginalization and peripheralisation of the communities from this region will not augur for the nation-state.

The book is expected to be a valuable addition to the rather scanty literature on these contemporary economic issues with reference to North-Eastern region of India.

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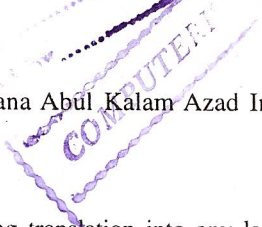
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To Our Parents
&
in memory of late
Dr. Orestes J. Kharपुरi

Acknowledgment

This volume consists of fifteen papers selected from about thirty papers that were presented in a National Seminar held at North Eastern Hill University, Shillong in November 2002. The Seminar was organised by the Department of Economics with financial support from the Maulana Abul Kalam Azad Institute of Asian Studies (MAKAIAS), Kolkata. We are grateful to the Institute for providing financial support in the organisation of the Seminar. Several key functionaries of the sponsors and prominent academics and public servants participated in the deliberations of the seminar.

We are grateful to all the seminar participants in making the effort to present their papers and also engage in the discussion on the current status of Northeast economy. While it is not possible to acknowledge each one by name, however we are hopeful that this volume will provide the necessary framework and a guide for future work on the Northeast.

Acknowledgments are particularly in order for the initiative and enthusiasm shown by the former Director of MAKAIAS, Dr. Mahabir Singh and Executive Council of Institute for selecting the Department of Economics, North-Eastern Hill University, Shillong to organise the National Seminar. We owe a great deal to Professor Jayanta Kumar Ray, presently Chairman, Executive Council of MAKAIAS for his support at every stage of the organisation of the Seminar including his participation in the Seminar.

— Editors

Foreword

There are a number of studies on the impact of globalisation upon India as a whole, but negligibly few about its impact upon States in northeast India. This book, with contributions from some eminent economists, carefully analyses the special features of development in northeast India, which normally elude the attention of scholars who do not live in the northeast region of India. For example, the rate of growth of the non-farm sector in India's northeastern States is higher than the all-India average. Nevertheless, this is less a sign of economic vitality and more of distress arising out of a dearth of cultivable lands and the prohibition of timber trade. Similarly, the growth of employment in the unorganized sector of India's northeastern States is not an indicator of economic rejuvenation. It is rather an outcome of the failure of Government sponsored industrilisation – especially of socially desirable public investment – to take off as also of the evident shortcomings of the small and medium private industries.

This study admirably shuns the prevalent fashion blaming all presentday ills on globalisation. For example, the weakness of small tea gardens in Assam cannot be attributed to globalisation. These gardens can generate employment to absorb the surplus labour in villages – provided the Government formulates appropriate regulations to support the struggling private entrepreneur. Nevertheless, Amaresh Dubey and others do not fail to stress one major impact of globalisation that is common to the whole of India, including the northeast region,

viz a sort of jobless growth in which gross domestic product rises, but not employment. There is one area in which northeastern States, all of them having international borders, can take advantage of economic liberalization and globalisation, i.e. cross-border trade and investment. But here the efforts of the governments in India and neighbouring countries leave much to be desired. This book deserves the attention of informed readers.

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Introduction

If globalisation is understood to be a “fundamental process of change that is transforming the world economy, reflected in widening and intensifying international linkages in trade and finance” (World Bank, 1996, p.1) then it is not a new phenomena. Cross-border trade and financial linkages have been intensifying since the mid-19th century. In recent years, the notion of globalisation has accelerated with the extremely strong ‘counter-revolution’ (Toye, 1987) in development economics, which placed orthodox economics with its emphasis on the price mechanism and limited government intervention firmly into the policy making saddle.

The process of globalisation appears inexorable in the present century. In a seminal article on globalisation and inequality, Lindert and Williamson (2001:19-20) note that globalisation was responsible for more than half of the rising inequality in rich countries and for little over a quarter of the falling inequality among the poorer ones. (Lindert and Williamson, 2001) Therefore the question is will the world economy soon retreat from its commitment to globalisation just as it did a century ago? As seen by its extreme proponents, globalisation is a process that will not only be inevitable in the market-dominated twenty-first century, but one, which subsumes national autonomy to the common goal of global integration. On the other hand, opponents take issue with globalisation on two points. They claim that the spread of western cultural ideals and beliefs is damaging indigenous

society in the developing countries. Second, they dispute the argument that the state is becoming irrelevant to economic policy. Indeed, some scholars question whether globalisation is not a misnomer for greater internationalisation of the world economy (Hirst and Thompson, 1996). The OECD (1996) definition of globalisation as: "the growth or more precisely the accelerated growth, of economic activity across national and regional political boundaries. It finds expression in the increased movement of tangible and intangible goods and services, including ownership rights, via trade and investment and often people via migration. It can be and often is facilitated by a lowering of government impediments to that movement, and /or by technological progress, notably in transport and communications. Globalisation is thus a centrifugal process, a process of economic outreach, and microeconomic phenomena" (p.6). The ease with which capital can be transferred across space due to massive technological advances has made globalisation a reality. The era of information technology this has made the financial world virtually seamless and borderless promises to keep the pace of globalisation rapid. Associated with this phenomenon is the way in which there are increased linkages of investment and sales by giant MNCs.

The 1991 economic reforms were far more comprehensive and helped in liberalising the Indian economy and thereby integrating to the world economy. The positive effects of this new economic policy were the notable acceleration in the growth of GDP and per capita income. The reforms have secured much needed changes in the industrial, trading and financial regimes of accumulation. The negative effects are equally evident. The economic reforms were highly uneven in spatial terms reflecting higher levels of regional disparity.

The growth of Indian economy since 1991 may appear to have taken off for all practical purposes, but the fact is how far this is sustainable particularly in the face of the last East Asian

economic crisis. Employment elasticity in agricultural and Industrial sector has been insufficient in absorbing surplus labour force. There is increasing casualisation and de-skilling of the workforce. Poverty has increased and the poorer states show higher incidence of poverty during the post-reform period. Lack of investment in the social sectors like education, health, drinking water and sanitation has a major impact on the human resource capabilities. The main issue bothering Indian economy pundits today is how to reduce Central government deficit and also State government debts, which according to the World Bank, is one of the world's largest *Second generation* institutional reforms are being fiercely debated or are they? At the same time it is important to recognise that competitiveness among States has also increased, vying to garner the elusive FDI. Here again the poorer States remain untouched by all this frenzy, namely the North Eastern region.

Reforms have yet to deliver in the provision of infrastructure, employment generation and the food system. (Chandrashekar and Ghosh 2002:165) While integration to the global economy sounds exciting, yet we are more vulnerable to the vagaries of the global economy than ever before. The constant erosion of the foundations of the age-old production base in the name of disinvestments has made our economy far more fragile than ever before. At the same time, we need to recognise that unsustainable level of public debt and fiscal deficit are not effective means to bring sustained economic growth in this neoliberal era. An agenda, which ignores investment in employment generating schemes for the reduction of rural and urban poverty, is bound to have deleterious effect on the health of the economy and nation in the long run. As Patnaik (2006) notes, 'humbug of finance' has much to account for the perpetuation of poverty and unemployment in India. Indeed jobless growth is widely seen as a driver for efficiency of the markets.

The most important characteristic of the North-Eastern Region is that all the constituent units (States) are relatively closed ethnic groups. All the states in the region share porous international border. Consequently, both product and factor markets in these states have some international dimension. In the North East of India, in the last more than fifty years since Independence and despite the emergence of independent statehood and identity, State sponsored industrialisation has failed to take off in the region. In the post liberalised scenario, the mismatch between private and public investments is all the more pronounced with lack of regulatory controls to achieve socially desirable investments, particularly in the North Eastern states. Insurgency political uncertainty and lack of effective governance have created a situation whereby the step-motherly treatment of the North East has made radical changes impossible to conceive leave alone to implement them. Much of the resource mobilisation is non-existent and leading to an erosion of competitive advantage for the region to gain control over their developmental agenda. There is a decline in the reinvestment of private and public resources and a considerable flight of private capital from the North East is a reality, thereby leading to unsustainable growth regimes. Given the socioeconomic and geopolitical dimensions in the region, the prevailing pattern of development in these states has also culminated in the form of social unrest and degradation of economic values. This clearly implies that the development policies and programmes have fallen short of meeting the social and economic aspirations of the indigenous population in the region. In this context, the question that arises is how the forces of Globalization and economic growth could be combined together to address the implicit and most relevant questions associated with migration, unemployment and development of trading activities in the perspective of North-Eastern Region of India.

The book contains fourteen selected papers on various dimensions of Migration, Employment, Trade and Globalisation authored by some of the leading economists. These papers were selected out of those presented in a national seminar organised by the Department of Economics, North-Eastern Hill University Shillong in November 2002. The Maulana Abul Kalam Azad Institute of South Asian Studies, Kolkata sponsored this seminar. The seminar facilitated a useful interaction among the experts on regional co-operation, academicians and policy makers from the constituent states and the rest of the country.

A. de Haan and Amaresh Dubey in their paper on the topic *Are Migrants Worse or Better-Off? Asking the Right Questions*, present an overall migration scenario and portray that 10 percent of the labour force is of a migrating character with a male predominance of 60 percent and mostly within the rural to rural migrating stream. Regarding the migration in North-Eastern region, the authors point out that it is much less than the all-India figure, i.e. only 3 percent and mostly found within this region. Migrants are found to be more educated and less poor, generally white collar workers. Migrations among socially deprived classes are less prevalent. The authors conclude that migration should not be considered as a problem and government should think of some supportive policies in this regard.

Amaresh Dubey, Smita Das and Veronica Pala in their paper on the topic *Migration in North-East Region of India: Some Issues*, observe that migration in North-East region is less than the rest of India. Migration in urban areas is largely due to economic reason whereas in rural areas marriage is the main cause for migration among women. Empirical evidences, suggest the dominance of rural to urban migration stream in urban areas. Some other dimensions like increase of migrants in white collar jobs, decline of the gap in the educational level of white collar workers and manual workers, increase of poverty of migrants in manual job sector are additional features of the paper.

Globalisation, Trade and Issues of Employment in the form of a case study about the small-scale tea plantations in Assam, is discussed in-depth by Kalyan Das. This includes the scenario of employment and the marketing of tea in India during the globalisation regime. It is pointed out that since international trade is presently being governed by global market mechanism therefore the price of Indian tea has to be competitive with the prevailing prices in the international market. It is concluded that in the context of small-scale plantations in Assam, globalisation is not to be blamed for its feeble conditions. The small tea gardens are potential employment generator in the labour surplus rural sector of Assam. The entrepreneurial efforts of local growers need supportive regulations from the state. The author believes that it is possible for transforming global presence into global competitive advantage and ensuring labour standards in small-scale plantations sector of Assam.

Smita Das, Amaresh Dubey and Veronica Pala review *The Employment Situation in the North-Eastern Region of India: A Gender Perspective*. The paper focuses on the nature of gender bias in societies of North-East. It is pointed out that the proportion of female-headed household is very less in the region except in Meghalaya. Majority of the females among the female-headed household are widows. The incidence of female child labour in urban areas of the North-East is found to be higher than the national average. The paper makes an urgent plea for the remedy of acute gender bias from which the societies in North-East suffer in the urban areas.

The Non-Farm Sector in the Rural North-Eastern Region of India: Some Correlates and Determinants by Veronica Pala, Smita Das and Amaresh Dubey, discusses the evolution of non-farm (NF) sector in rural North-East India. It has been emphasised that the growth of NF sector is much higher than that of all-India averages. It suggests that this is mainly due to distress

diversification associated with a ban on timber trade and lack of cultivable land. It is pointed out that this type of NF sector growth might have little hope for the reduction of poverty. It is concluded that the falling poverty ratio in the North-East was incompatible with the phenomenon of distress diversification.

M. Satish Kumar presents the *Structure and Trends in the Informal Sector: A Case Study of North-East India*. He refers to Stiglitz's on Globalisation and the particular nature of the North-East, which is plagued with endemic backwardness and stagnation. This characterises informal labour market as being highly heterogeneous and diversified. Analysing the role of informal sector the author opines that a large component of the Gross Domestic Product comes from the informal or unorganised sector. After a state-wise analysis of the role of the informal sector in North-East, the paper states that among other things employment in the unorganised sector is growing in the North-Eastern states. He concludes that: (a) State sponsored industrialisation has failed to take off in the region, (b) Small and medium-sized private industries have also not done well (c) Internal liberalisation is equally important and that co-operatives have got an important role to play in the development of the region.

Nirankar Srivastav provides an assessment of the *Development of Service Sector: Is there any Hope for the Economies of North-Eastern India*. The paper evaluates the status of services sector in the north-eastern states and finds that like other relatively developed states of India, service sector also plays a dominant role in terms of its contribution to Net State Domestic Product in all the states of North-East. However, public expenditure contributes more than other elements under the service sector. The paper highlights the lack of significant structural changes in the service sector of the states of North-East in recent past.

Saundarjya Borbora and Ratul Mahanta provide a comprehensive discussion on *Border Trade with Bangladesh and Pre-Investment Feasibility: Economic Prospects of North-Eastern Region*. The paper identifies resource potential in North-Eastern Region on India's trade with Bangladesh with the help of data on the composition and trend of imports and exports of the two countries, the role of land customs stationed along the NER-Bangladesh border. It further assesses the demand potentialities of diverse goods and the investment opportunities based on import demand and resource availability and suggests an action plan on the investment potential in Assam. The paper highlights the need to take advantage of new liberalized trade regimes in the SAARC region, to improve the infrastructural facilities in order to increase border trade. The role of peace is imperative in the North-Eastern region for development to be effective.

B.S. Mipun and Charles Romalswama discuss *Border Trade in Mizoram*. The paper highlights the socio-economic conditions and standards of living of border traders in Mizoram, in terms of the capita income, standard of living and higher literacy. The paper focusses on the high quality of imports from Myanmar, which is also facilitated by the cultural affinity among traders on both sides. For Mizoram, the contribution of border trade in Net State Domestic Product and employment is significant. It suggests that the government should introduce regulations, which not only generates revenue for the country but also intervenes minimally in the age-old mode of trade.

A.C. Mohapatra and Josojit Dey's paper on *Locations, Economic Growth and Trade: Recent Economic Trends in South Asia*, focuses on the process of trade-driven development in South Asian countries like India, Bangladesh, Pakistan and Sri Lanka. The 'location driven investment in coastal regions' in the last couple of decades is crucial, affecting regional

developments and disparities in these countries. The paper concludes that as economies move under WTO obligations towards free trade, free enterprises help in a higher GDP growth and reduction in poverty. At the same time, growing disparity between richer and poorer regions is concomitant to this process of economic liberalization.

The paper entitled *Globalisation and the Challenge of Poverty, Unemployment and Social Sector Development in North-Eastern States* by Sudhakar Panda, opines that states which have better infrastructure have gained from globalisation. He concludes that most of the states since 1991 have not done well in terms of combating unemployment, but alleviation of poverty has worked to a certain extent. Given that globalisation regime has come to stay, it is inevitable that more state level efforts and intervention is necessary towards development of the social sector.

E. Bijoya Kr. Singh's paper *Globalisation and its Employment Implication for North-East* examines the issues involved with the sectoral structural change, distribution of workers, work participation rates, and unemployment scenario in the North-Eastern states. The paper focuses on the growing trends of tertiarisation of the economies which have been reinforced within the region. The comparative performance of sub-sectors during the 1980s and 1990s does not indicate any change compatible with enlarged job opportunities. The change in shares in NSDP has not been matched by proportionate change in the distribution of the work force, which has remained static and is detrimental to the growth of productive employment. The challenge is to strike the right balance between sectoral distribution of NSDP and work force.

Amitava Mitra's paper on *Economic Reforms and Prospects of Developing Network-Based Tourism in North-East India: A Study of Arunachal Pradesh* deals with the prospects for

developing nature-based tourism. In the context of resource crunch faced by all the states, it can be a major earning sector where the existence of consumer surplus points towards the possibility of even hiking the fees in the tourist sector and thereby increasing the volume of revenue. It is found that such tourism should be made sustainable with well-identified policy interventions so that the negative impacts are marginalised.

A.K. Agarwal in his paper on *Globalisation and its Relevance for the North-Eastern Region of India* discusses the expected impact of globalisation in the North-Eastern region, which is geographically isolated from the rest of the country and have a weak industrial base along with an enclave type of industrial sector. The author opines that globalisation have not helped so far in raising the economic welfare of the masses in this region. He concludes that tourism could be developed further in this region and required higher investment on linkage-based industries whose products have markets in the neighbouring countries.

The book is expected to be a variable addition to the rather scanty literature on these relevant and contemporary economic issues with reference to North-Eastern region of India.

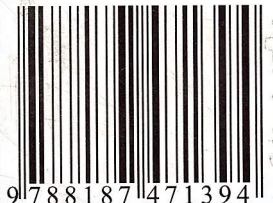
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