

Globalization and North East India



Edited by
Bimal J. Deb
Keya Sengupta
B. Datta Ray

In Collaboration with
North East India Council for Social Science Research

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Introduction

The New Economy Policy introduced in July 1991 was basically aimed at making the Indian economy vibrant, dynamic and internationally competitive as a prelude to its integration with the world economy behind the façade of structural adjustment, inherent in the very reform process itself, lay the compelling force of neoliberal policy perspective which could hardly be ignored by Indian planners and policy makers. Ostensively, higher level of economic growth was the desirable end but it was inconceivable without releasing trade, commerce and industry in particular from shackles of bureaucracy.

Liberalization, Globalization and Privatization are the three facets of New Economic Policy which together provided a market oriented direction to the Indian Economy away from the myopia of mixed economy which failed to deliver and had virtually taken the economy to the brink of collapse. The reform process initiated by the New Economic Policy soon engulfed industrial financial, and service sectors alike and over a period of time the basic thrust in the approach resulted in high growth rate of GDP, and per capita GDP. In general, there there was heightened rate of industrial production apart from fall in inflation rate and fiscal deficits. The most remarkable thing has been a spectacular rise in foreign direct and portfolio investment which has had the effect of making the economy more growth oriented than ever before. The NEP in the past fifteen years has also triggered positive changes, though inadequate, in different facets of human development, involving level of living, employment and wages, literacy and education, nutrition and health. However, its impact on agriculture and rural development has fallen short of the expectations.

North East India presents a resource abundant economy which continued to remain backward in comparative perspective with

other regions. However, backwardness of the economy could be attributed as much due to geo-political constraints as to retrograde policies pursued by the constituent states, a fact which impeded the process of transformation of traditional economy to one having the semblance of a modern one. Tradition and identity issues had lulled the region to a zone of complacency and inaction and the only grace point was the safety net of the region which operated through the community based socio-economic structure prevailing in the tribal areas.

An agricultural economy with shifting cultivation predominating, together with total absence of infrastructure and restrictive land market militated against the development process in the region and as a result, when the NEP came into being the requirements of change could hardly be made applicable to the economy in a radical manner. In the region as a whole, there was no long term perspective of development, notwithstanding the creation of North Eastern Council. Further, internal security scenario was not conducive either to development. The concept of tribal development had also made no dent in the situation. The region despite massive flow of Central resources continued to lay behind in basic infrastructure, power generation, mineral development, cross border trade and agricultural productivity.

The NEP has now opened up great opportunities to bring about structural changes in the economy, although the challenges are daunting as well. The State Governments of the region have started showing the requisite political will to surge ahead by reaping the benefits of NEP. Significantly since 1996 several bold initiatives have been taken by the Central Government by augmenting Central investments in different spheres of the economy with primary focus on the region's infrastructure in order to bring about perceptible changes in economic governance of the region. In fact, state intervention in the economy of the region has become more strident to prepare the ground for absorption of market oriented economic reforms. In the past one decade, central packages, new industrial policy, creation of non-lapseable pool of central resources, upgradation of DoNER from department to a Ministry and revamping of the North Eastern Council have created

the required springboard for developmental leap forward. Winds of change can very well be seen to be in operation in the economy's response to the imperatives of NEP. Indeed the success of India's Look East Policy hinges on the overall development of the region as a whole. However, one has to guard against lopsided planning and faulty implementation. Time has come to initiate proactive measures to address issues like militancy, political extremism and insurgency by evolving a region specific community participation in the process of development. The tremendous manpower potential of the region will then get meaningful channels of productive pursuits.

To accelerate the pace of industrialization and development of the region, the Centre has announced the North East Industrial and Investment Promotion Policy, 2007 (NEIIPP). The policy ensures continuance of 100 per cent excise duty exemption in respect of finished products made in the North East. Capital subsidy would be enhanced from 15 per cent of the investment in plant and machinery to 30 per cent. Further, the limit of automatic approval for capital subsidy has been announced to be Rs. 1.4 crore from Rs. 15 lakhs. Again, for grant of capital investment subsidy higher than Rs. 1.5 crore but up to a maximum of Rs. 30 crore, the decision would be taken by an Empowered Committee. What is noteworthy is the eligibility of new as well as existing units to enjoy incentives for a period of 10 years. The industrial units could be located anywhere in the region and there would be no distinction between thrust and non-thrust industries as it existed earlier. Besides 100 per cent income tax exemption, there is provision for eligibility for reimbursement of 100 per cent insurance premium. The inclusion of service sector, bio-technology and power generating industries within the policy framework is likely to bring about a qualitative change in the pace of industrialization.

The New Economic Policy has undoubtedly opened up the possibilities of harnessing immense potentials of the North East region for developmental imperatives which had hitherto remained illusive in the absence of economic infrastructure and strong political will. Evidently, the decline in agricultural growth rate and retrograde industrial policies only contributed to a stagnating

situation. No doubt, the idea of regional planning was invoked in early seventies with the establishment of the North Eastern Council but it made no headway whatsoever.

Of late, a new realization has dawned on the political leadership that the region can emerge as a vibrant economic zone on the strength of exclusive and proactive central initiatives which prominently include non-lapseable pool of resources and industrial and investment promotion policy. In addition, Look East Policy expectations have generated a positive outlook in favour of making the region a prominent hub for international trade and commerce. Significantly, the Eleventh Five Year Plan has focused on the exploration of huge resources of the North East for economic development of the region. A step in the right direction has been on highlighting public-private partnership in investment in the field of road and air connectivity, power generation and mineral development. The improved security scenario in the region and the all-out effort of the DoNER Ministry is all set to bring the benefits of globalization to the region's doorsteps to get over the skewed development profile.

The book is a pioneering attempt to assess the prospects and constraints facing the region in absorbing the New Economic Policy in its political economy. This is clearly seen in the in-depth and penetrating analysis of the contributors covering all possible issues and dimensions of the development scenario.