

FINAL REPORT ON

“IMPACTS OF ECONOMIC LIBERALIZATION ON GROWTH IN INSURGENT
NORTH EAST INDIA AND ITS SELF-SUSTAINIBILITY”

BY

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SARMA, Siddhartha

CERTIFICATION

I hereby certify that the contents of this Final Report have been either the authors own independent views or have been adopted by superior writers in the Academia who have been properly referenced. One can find the details of the references at the bottom of this thesis work. Furthermore, the sources to all data and tables in this report have been cited at the bottom of each such dataset.

SARMA, Siddhartha

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ABSTRACT

India's North East region, composed of eight states including Assam and Sikkim, have been labeled as 'disturbed area', owing to its insurgent activities, by the central government of India. Despite its rich natural resources, the North East remains one of the most underdeveloped parts of the country. Even as the introduction of the liberalization policies and opening of Indian trade in 1991 produced tremendous growth in other regions of the nation, the North East still lagged behind the national average.

The objective of this research is to refute some of the common stereotypes pertaining to the region and to be able to identify issues that are presently crucial for the region's growth. Stereotypical views suggest that government's attitude towards growth of businesses and rent seeking activities have been critical in the region. Thus the aim is to determine if the government's initiatives have been helpful in reducing the transaction costs in the region and to find out if rent seeking activities have been critical in the growth of the recent businesses, from the viewpoint of recent business ventures. Also what is the most crucial factor hindering the growth of businesses in North East India and if it is violence (as is commonly believed)? The objective is to be able to finally suggest what improvements can be made for businesses to prosper in the N.E region.

With this research some fundamental misconceptions about growth of businesses in the North East region have been able to be addressed appropriately.

From the point of view of the recent venture companies, the government's initiatives were found to be helpful in terms of easing regulations and reducing transaction costs for these venture companies. In fact, even after more ex ante costs than mainland India (mainly due to higher negotiation costs), the companies were able to make a handsome profit at the same level of costs savings, lower operating costs and higher benefits from the government. Similarly, the corporate suggested that the level of rent seeking activities were actually moderate when compared to other regions in India even after compensating the insurgents and was not being the major hindrance to their operations.

Also through this study it was found that rather than threats from insurgent groups the greatest challenge faced by these companies was the lack of basic infrastructure and poor connectivity in the region, as opposed to the main stereotypical view of violence being the biggest impediment. Thus to be able to render the region's growth self-sustainable we need to resolve the basic infrastructure, energy requirements and connectivity issues not just within the region and the nation but also through its long international borders across international neighbors.

1. INTRODUCTION

1.1 India's North East

India's North East region comprises of the eight sister states of Assam, Manipur, Meghalaya, Arunachal Pradesh, Nagaland, Mizoram, Tripura and Sikkim. These states have been long referred by mainland India as their remote states because of its location away from the mainland India connected by a 21 km stretch of land often called the 'Chicken's neck'. The North eastern states share international borders with Myanmar, Bangladesh, Bhutan, Nepal, Tibet and China. With the maximum density of international borders anywhere else in the country, the region's mountainous terrain also makes it highly vulnerable over the porous and lesser protected border regions.

Along with great abundance of flora and fauna, this region is also mineral rich in graphite, bauxite, coal and precious stones. Oil, petroleum and natural gas have been extracted from this region since the 1800s when the British colonial rulers first discovered the immense oil reserves that Assam had. Nearly half of India's oil and natural gas requirements were served from oil fields in Assam and the North east region for nearly a century until West Indian off shore oil rigs began operation. Apart from oil and mineral reserves, the British East India Company also began the massive Tea industry in this region that is still operating with huge profits. Tea estates are spread out

all over the North-Eastern region (N.E region) with massive estates in the floodplains of the mighty Brahmaputra river basin, in Assam and the hill slopes of the picturesque Arunachal Pradesh, Meghalaya and Mizoram. The description of the natural reserves and tea are only a certain aspect of these lands, in addition to the beautiful flora that reside on the hill slopes of the north eastern Himalayas, there is an immense tourist potential in this region. Assam's Kaziranga National Park is the only place in the world to find the Asiatic one-horned rhinoceros, the white tiger, Siberian crane and the Asiatic elephant.

The population is mostly tribal, with Nagaland, Arunachal Pradesh and Mizoram being the three states with abundance of hill tribes. These states are also primarily Christian states and have English as their official language. All the tribes of the North eastern region are from the Tibeto-Burman ethnicity and speak dialects of the same family of languages. Many of the hill tribes were able to avoid not only the influence of the colonial rulers for centuries but also the development that took place in the major cities in the post independence era. The 'Chicken's neck' corridor as described above was the only source of contact, to say in physical terms, just a single railway line that was the vital vein of the Northeastern states.

After the independence in 1947, as India began as a fresh under the hands of the Congress Party, they passed policies that had provoking results amongst the N.E bureaucrats, albeit minimal in number. The Tea Auction center of the N.E region was pronounced to be established in Calcutta, the capital of West Bengal. At the same time the oil refinery closet to the N.E region was established in Bihar. While Calcutta was declared to be an international airport base, no major capital city in the N.E region had an international airport. All this and more, led to the start of the more than fifty years of economic stagnation of the N.E region which started soon after India's independence. While the elites in the capital cities of these states grew wary about the policies undertaken by the central government at New Delhi, these tribesmen usually lived a very quiet life in the hills and did not seem to be aware. Nagaland was annexed into the Republic of India soon after its independence, while the Naga tribesmen themselves were never ruled by any foreign power for centuries. While the missionaries did a great deal in educating and converting them to Christianity, the inclusion of these hills into the Indian constitution came almost as a surprise. Thus historically we see that though there was some confusion ever surrounding this region, the post independence era negligence by the central government was the major reason for the rise of extremist forces trying to demand separate nations and the chaos that pursued.

1.1.1 Liberalization in India

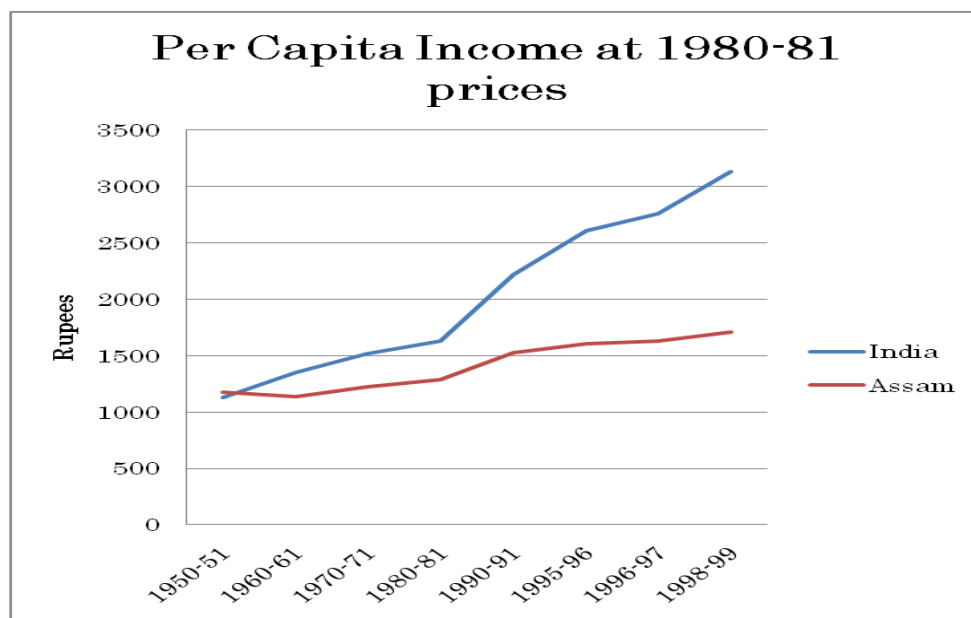
With the collapse of the USSR with its policies in 1991 and the first Gulf War which caused leaping oil prices, the Indian economy saw a brief but dark period of a major balance-of-payments crisis and possible defaulting on loans or bankruptcy until the International Monetary Fund (IMF) bailed it out. The crisis forced India to procure \$1.8 billion from the IMF which in return demanded reforms proceeding the Washington Consensus. That was the much needed impetus that, the then Finance Minister Manmohan Singh and Prime Minister P.V Narasimha Rao used, in order to introduce breakthrough reforms to save further deterioration of the economy. These neo-liberal policies included opening the markets for international trade and investment, de-regulation, initiation of privatization, tax reforms and inflation-controlling responses. The License Raj was finally dealt with, in other words, instead of nearly 80 licenses to start a firm, entrepreneurs now needed only 4 or 5, with the environmental licenses being the vital ones. However, only the defense industry remained protected as most firms were given far more control over their decision making. Tariffs were cut for most goods from 87% in 1990 to 25% in 1995, though excluding the consumer sector. The Indian markets were opened to foreign direct investment, as evidently the annual average foreign direct investment jumped from \$100 million in the 1980s to as high as

\$1 billion in 1994-1995 [Maddison, 2007]. As a result, after growing by only 0.8% in 1991-92, GDP started to grow by around 5% in the following years. India opted for a gradual and controlled liberalization and downplayed the stress on the speed of reforms emphasized by the Washington Consensus [Jha, 2005]. Strikingly similar to its counterpart of a decade prior, China, India too increased its reliance on free market forces but to a limited extent. Some critics go even as far by stating even after the Washington Consensus, India's general economic policies remained opposed to the main recommendations; high levels of protectionism, partial privatization, extensive industrial policies planning, lax fiscal and financial policies through the 1990s. What the Delhi Consensus hoped to achieve was not lesser intervention but rather effectiveness to implement, what the then Prime Minister P.V Narasimha Rao borrowing a term used by Cornia et al. [1987], called 'reforms with a human face'. By then obviously, the government had realized that the reforms and structural adjustment programs would not result in a temporary fall in public expenditure and that economic growth would not just 'trickle down' to the poor automatically as advocated by the policy makers. So a number of national support programs were started for the poor to alleviate their extreme conditions. With the reforms in the economy, mainland India saw massive improvements in its economy in just over the decade.

An important feature to be noted here is selective regional development. Just as the coastal China saw liberalization at its high and thus developed much more rapidly than the other much interior regions of the country, in the same way mainland India too saw a rapid advantage of liberalization being pulled towards areas like Bombay (Maharashtra) and Bangalore (Karnataka) also called 'silicon valley' of India. Consequently, these benefits were obviously late to come to the Himalayan region in northern Indian as well as the landlocked N.E region. However a critical difference in both the above mentioned cases has been that of the concept of 'natural protection' being absent from the Northeastern market. Factors such as high transportation costs added to the transaction costs to any firm that wanted to sell to the hinterland; this naturally protected the rural industries who could find the nearest local market to sell to. However this 'natural protection' could not be enjoyed by the Northeastern region in India since the central government's strict license regime did not allow this to happen. Another reason is because of trade blockade with neighboring countries like China, Myanmar and Bhutan; the Northeastern region was obliged to buy from mainland India's recommended firms no matter how high the transaction costs. Thus, literally the Northeastern region could deserve to be called an economically 'isolated island' of India in the far east.

1.2.1 Economic Indicators in the North East region

Considering the table in Appendix 7.12, we see that the Per Capita income of the undivided state of Assam in the 1950-51 periods was slightly higher than the national average. But over the next 3 ~ 4 decades the gap became staggeringly high as shown by the graph below. Interestingly, the adverse effect of the militancy can be seen on the decade 1980-81 per capita income, where the national average grew by nearly 110 Rupees and the state by just 63 Rupees. Further the gap widened and it was only after the 1996-97 period that a slow rise was seen in the trend as suggested by the graph below.



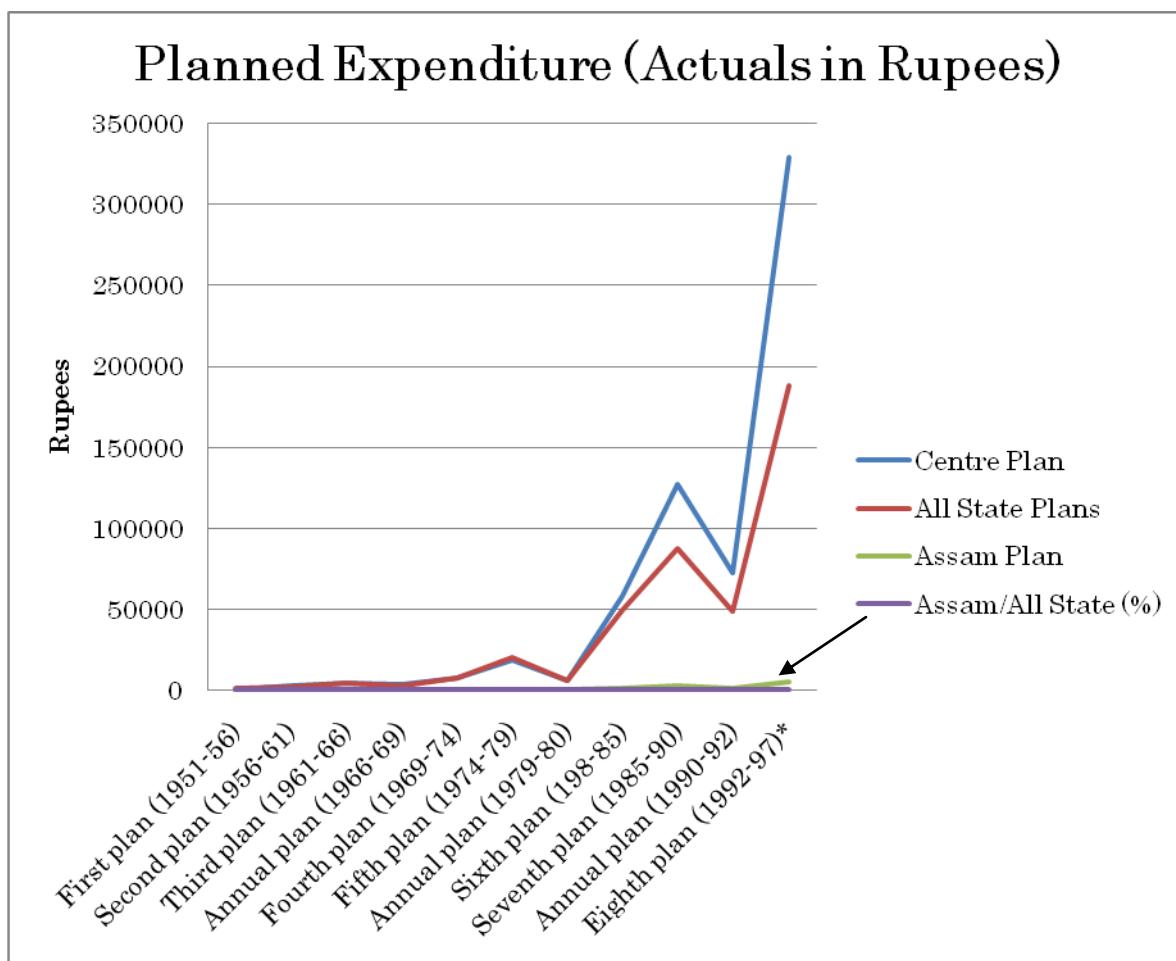
Source: Govt. of Assam Vision 2025

This happened despite the fact that the Northeastern states were a crucial source of natural resources to fuel the mainland India's economy, in terms of providing tea, oil &

natural gas and vast timber resources. Prioritizing oil & natural gas because of its utmost importance in pushing a nation forward please look at the table provided in Appendix 7.10, which shows the state-wise production of crude oil and natural gas in metric tons. Assam, Nagaland and Arunachal Pradesh together consistently produce nearly 40% of the total production from all Indian sources, only following the state of Gujarat which is much larger in land size. In the following statistics of natural gas, we see that small Northeastern states such as Assam, Nagaland, Arunachal Pradesh and Tripura together produce more than 40% of the total Indian production of natural gas. Not only has this been a major share in terms of contribution to the mainland economy but at the same time also beat the production in rapidly industrialized states such as Tamil Nadu and West Bengal over the years, both in the pre as well as post liberalization era. Considering the size of the economy of these states, their contribution to the resource has been quite substantial, therefore let us see if the budgetary allocations reflect this fact.

From the table Appendix 7.15, we can see the planned expenditures on all the states beginning from the very first Five-year plan in 1951-56 introduced by the Jawaharlal Nehru government. As the trend table shows below too, the center's plan for the then undivided Assam state remained negligible for nearly four decades. From the Annual

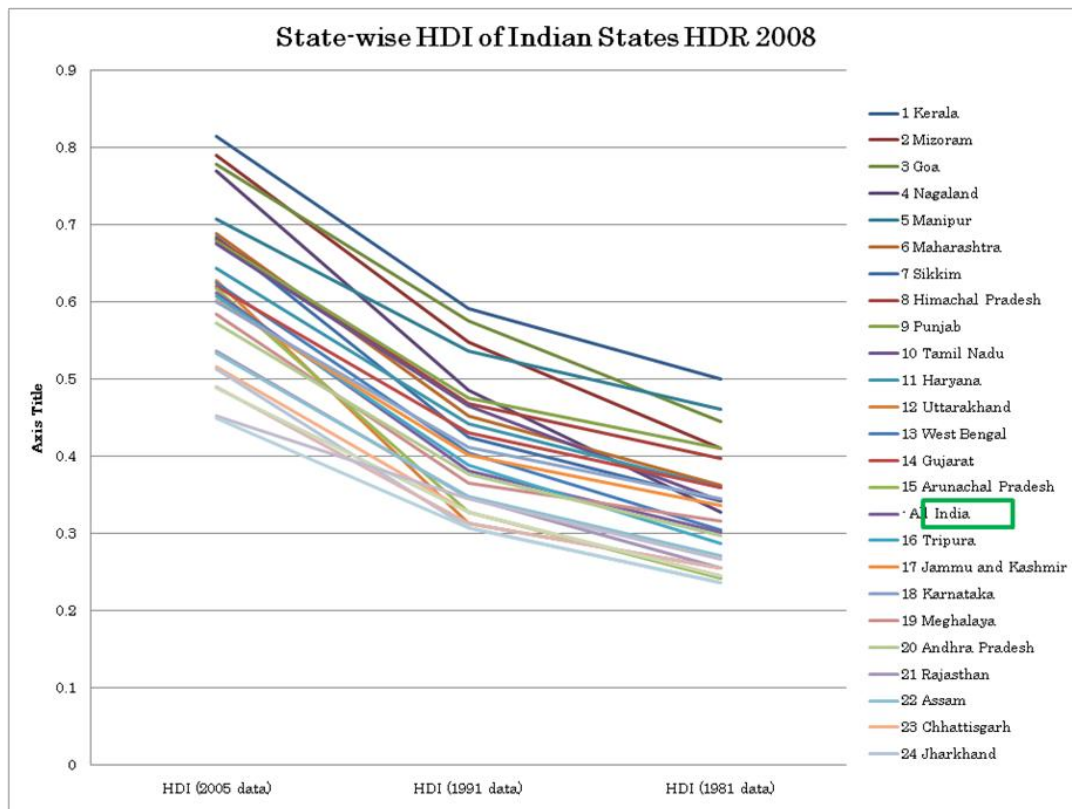
plan of 1979-80 the center's average annual plan took a steep rise and especially a rise took place from the Annual plan of 1990-92, which is the regarded as the start of the liberalization era. Thus the following Eighth Five year plan (1992-97) we see a very high rise in the center's plan as well as All state plans, however such a steep rise is not yet seen in the case of Assam. Generally speaking, this was the trend of planned expenditure in the newly formed Northeastern state from the division of the Assam state.



Source: Planning Commission, New Delhi

The economic infrastructure index was calculated by the Government of Meghalaya in the Human Development Report of 2008 which is shown in the table in Appendix 7.13. This index was calculated by taking various factors such as electricity coverage in the villages, roads density per square kilometer, irrigated area as a percentage of sown area as well as bank branches per 100,000 people. We consider the highest economic infrastructure index as 1 in Kerala and nearly 0.1 in Jammu and Kashmir. Here we see that the highest economic infrastructure in the Northeastern region is given to Nagaland at 0.39 which is still well below the national average which is nearly 0.55.

HDI trends in the N.E region

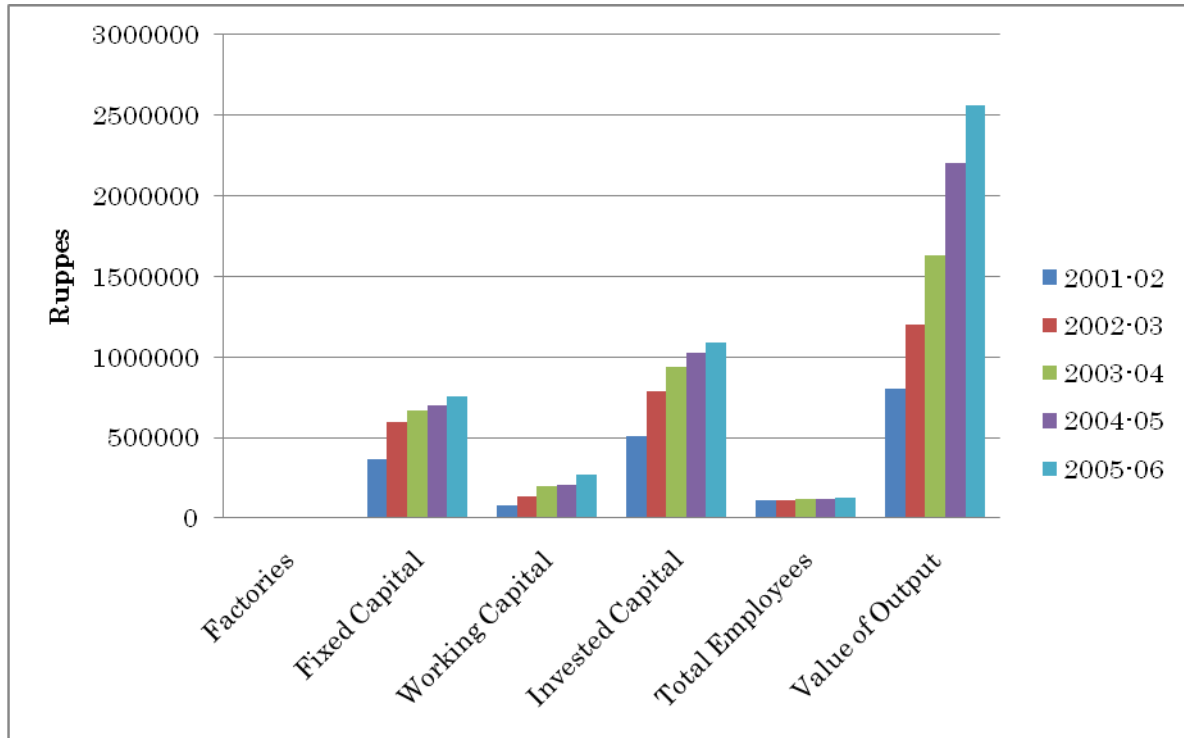


Human Development Index in the North East has been very respectable compared to the

National average ever since the first Indian census in 1951. Referring to the table in Appendix 7.8 we see that Mizoram ranked second on the HDI ranking in the Indian states done in 2008 with the latest data available from 2005. Also except for just three states like Assam or Meghalaya, most of the states were actually much above the national average. Surprisingly Manipur with the highest instances of political unrest and violence is ranked just below Nagaland with a high Human Development Index of 0.707. With such high levels of HDI for almost all the North Eastern states one cannot neglect the importance of literacy rates in these states that is driving the HDI forward.

Investments in the region

Graph based on Appendix 7.5 which shows some characteristics of Annual Industries survey.



With reference to the table in Appendix 7.5, we see that the invested capital row shows some very interesting trends. In just a period of five years (2001-2006) the invested capital in industries rises from Rupees 5.05 million in 2001 to Rupees 10.09 million in 2006. That is to say that the capital investment in industries doubled itself in just 5 years. Correspondingly, the value of output row also gives a pleasant surprise. The value of output was Rupees 8.022 million in 2001 which goes up to 25.6 million rupees in 2005-06, nearly more than doubling itself. While industrial trends correspond to Assam,

the state responsible for almost all the industrial growth in the region, the major drivers in the region are mainly the Small Scale Industrial units (SSIs). With reference to Appendix 7.6 (statistics on small scale industrial units in Assam) there is a quite interesting point to be noted in the years 2005-2006. The table shows us that until 2001 the total investment on plants and machinery in the SSI had been Rupees 22,009 and in the year 2005-06 alone the investment jumped to Rupees 23,776. This shows us that in just one year more investment was made than the entire period before 2001. Focusing our attention to the Production value column, it may be observed that just like the investment on plants and machinery, production value too is showing very high positive growth. Thus we see that the production value of the Small Scale Industries more than doubles (2.7 times) in a period of approximately 7 years, from (2001-2008).

Here Appendix 7.17 gives us a clear picture of the gross state domestic product (GSDP) of the various states in India at constant (1999-2000) prices. Again we will compare the state Assam with the rest of the states as mentioned previously. It is indeed noteworthy to see that immediately after the liberalization of 1991 starting in about 2 or 3 years time (1993-1994) to the end of the decade until 1999-2000 we see that mainland states like Gujarat, Karnataka, Rajasthan & Kerala show tremendous growth running at 7 or more than 8 percent. While at this time that the rest of the nation are catching up fast

Assam is staggering behind at 1.95% for nearly a decade which can rightly be called as the 'lost decade in the race' for generally all the North Eastern states that was lagging behind due aftermaths of violence and political instability as has been discussed earlier. Contrastingly, we see that in the following half a decade (for as long as the data is available) Assam GSDP growth rate has tremendously jumped to 6.99% which is way higher than rapidly growing states like Karnataka, Rajasthan & even Kerala. This sudden jump in the average growth rate from 1.95% to 6.99% over the decade prompts us to questions not just what economic conditions but also what socio-political conditions were favorable in the region during the turn of the decade.

1.2.2 Rise of Insurgents

One of the most ruthless yet versatile insurgent groups that threaten the Indian Armed forces even now is the National Socialist Council of Nagaland (NSCN), established in 1980. The NSCN militants levy underground taxes on local businesses and politicians and then collect them on a monthly basis. This system has been on ever since the Independence of India in 1947 and the local people seem to be getting used to a parallel government running underground.

Along the same lines, the most notorious of group hailing from Assam is the banned organization called the United Liberation Front of Assam (ULFA). This group too sprung up during the same time in Assam, when the people were made to wake up to the harsh realities of division and neglect. The government of India banned it in 1990 and declared it to be a terrorist group. They have been known to have been operating training camps and shelters in the Indo-Bhutan border areas where thick tropical rain forests make it difficult for the armed forces to tackle. Way back in 1984, ULFA was reported to have been training its cadres well along side with NSCN cadres at training camps organized by the Kachin Independence Army (KIA) in Myanmar along the Indo-Myanmar border. The ULFA has claimed responsibility for bombing of economic targets like crude oil pipelines, freight trains and government buildings, also claiming

that the motive behind is not to let further exploitation of resources of the region.

Of all the states in the North East that have been affected by insurgency related violence, Manipur is by far the most adversely affected. The population of the state is merely 2 million people out of which at least 10,000 youth are involved with either of the above mentioned insurgent groups. The government buildings and offices have seen the worst of the anger of the people, which have been frequently burned down in protests and strikes. While human rights violation by the Armed Forces personnel remains a major problem in the state, yet another issue here is that the groups themselves have internal rivalry sometimes leading up to small scale internal conflicts [Upadhyay, 2005].

The National Liberation front of Tripura (NLFT) have been the major perpetrators of violence in the remote North east Indian state of Tripura, which shares its borders with Bangladesh in the north, west and south. The state government reported that the Baptist churches in the state were involved in providing financial support as well as providing arms supply for to NLFT (SATP, 2001). The situation was further complicated as the news agencies around the state discovered that the incentive of such forced conversions was in-fact a constant flow of clean cash.

Ceasefire

By the end of the 1990s there was a series of talks between the Government of India and various major militant groups in the region, which included some influential names such as the ULFA and the NSCN (I-M). There was a special talk body set up by the government of India headed by National Security Board advisor M.K Narayanan and the talks began with a chance to meet and discuss with the then Prime Minister P.V Narasimha Rao. The local governments themselves made several provisions such as providing a 'safe passage' for about 10 days before the talks began [Deka, 2006]. During this time several leaders had an option to reunite with their family members. There were stray incidents during the first ceasefire drawn between 1999~2001, however the general security situation, especially in Nagaland and Manipur was somewhat under control. Referring to Appendix 7.14, the militancy in Northeast Region during 2003-2004, although high incidences are shown in Tripura, Assam and Manipur, we can observe that there have been a massive number of militants surrendering during that time. In 2003 alone, according to the table, nearly 3000 extremists surrendered in Assam followed by 742 militants surrendering in 2003. So not only huge numbers of militants were surrendering to the government and the army at the same time huge arms and ammunition were being surrendered thus rendering the groups weaker.

Apart from surrenders during the ceasefire which were with most of the militant groups in the region, the Army also undertook some major operations against the militants around the same time. Although there were huge operations such as the ‘Operation Bajrang’ and ‘Operation Rhino’ by the Indian Army in 1991-92 to curb the extremists in the N.E region , but perhaps the most significant of them all has been the ‘Operation Flush Out’ undertaken by the Royal Bhutan Army in the summer of 2003. The Royal Bhutanese army soldiers took on the insurgents from the ULFA, National Democratic Front of Bodoland (NDFB), BLT, etc. that had set up camps & hideouts in the thick jungles of the Assam – Bhutan border. The ‘Operation Flush Out’ lived up to its name and was greatly successful in flushing out all the militants from its borders forcing the Northeastern extremists to find safe haven in neighboring China and Myanmar. The political stand of the militant groups was softened somehow and their demand to hold bi-party talks at a foreign location under the supervision of the United Nations, was also weakened [Deka, 2006]. However, it was not before September 2005 that a more authoritative People’s Consultative Group (PCG) was set up by the militant group ULFA and another round of talks began, this time on a positive note and thus raising hopes for a prolonged ceasefire.

1.2.5 Central Government's Initiatives

The North East Industrial and Investment Promotion Policy (NEIIPP), a policy initiative by the Department of Industrial Policy and Promotion, Government of India, was first implied in 1997. Under this policy, any new industry being set up as well as expansion of existing industry in the Northeastern states will enjoy various benefits such as subsidies for a period of ten years. 100% excise duty exemption on finished products made in the N.E region as well as a 100% Income Tax exemption. Expansions on fixed capital investment bar of 33% will be lowered to 25% to be able to claim the benefits of NEIIP, 2007 under the expansion of existing industries clause. Capital investment subsidy enhanced from 15% of the investment in plant and machinery to 30%, Interest subsidy will be offered at 3% on working capital loan and also, industrial units eligible for 100% reimbursement of 100% insurance premium (Promotion, 2007). The NEIIPP, 2007 puts special emphasis on the sectors such as Service sector, Bio-technology and Power generation industries in the region. As regards to proper monitoring in order to avoid much rent seeking that has marred the face of industrial development in the region in the past, a special monitoring mechanism 'High Level Committee' is established which will comprise secretaries from finance and Industrial ministries of government of India, DoNER and NEDFi acting as a nodal point.

In 1995, the North Eastern Development Finance Institution was incorporated by the Government of India in order to contribute to the development of industries, infrastructure, animal husbandry, agri-horticulture plantation, medical plantation, sericulture plantation, aquaculture, poultry and dairy sectors of the region. NEDFI has been supported by various finance institutions across India towards development projects. Some of the partner institutions with which NEDFI works closely are Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI), Small Industries Development Bank of India (SIDBI), etc. These institutions have been greatly helpful in advising and directing many projects around the region. In addition to the projects undertaken, NEDFI has also, under the banner of its Corporate Social Responsibility, created the NER Databank in collaboration with the National Informatics Center which stores user friendly relevant data and is available for all to use [NEDFi, 1995]. Working with various international multi-lateral aid agencies such as Asian Development Bank (ADB), International Fund for Agriculture and Development (IFAD) and World Bank, NEDFI has been able to successfully finance many positive initiatives in the region like the Non-Lapsable Central Pool of Resources (NLCPR).

1.2 Research Background

The Central government has been generally blamed by the people of the North East region for negligence in its attitude towards the development of businesses in the region. However, the government has been active in the past decades in initiating new policies such as the NEIIPP, in order to boost the industrial set up in the region. Although these policies have attractive conditionality on paper, this research attempts to find if these have been practically helpful in allowing set up of joint venture businesses by foreign investors in helping to reduce the transaction costs. If the initiatives have been helpful in reducing the transaction costs, then in what way have they reduced the transaction costs? In other words, how have the transaction costs breakup been affected by the government's introduction of these policies for the North East region.

The rent-seeking activities in North East India have had an adverse effect on its growth and development over its history. This has been greatly attributed, by Madhab 1999 and Sanjib Baruah 2002, to the rampant corruption that existed amongst the local and central government officials during both pre and post liberalization era. Rent seeking structure in the region was made highly complex by the further fragmentation into the leaders of tribes and clans that made up the hierarchy of any district or village. However,

not all rent seeking activities is growth hampering for an economy. It cannot be ruled out that the NEIIPP providing favorable conditions to businesses could have been as a result of rent seeking activities of firms that wanted to gain superior access to the North East's unexplored markets. Therefore since various interest groups have objectives counter to the interest of trade development, rent seeking behavior by industrialist may be needed to counter other lobbying efforts [Andrew Schmitz, 2002]. Although agreeing to the ill effects of rent seeking, this research attempts to find if these rent-seeking activities had an adverse effect on setting up of ventures by foreign investors in the region in the recent past. Interviews with some of the investors will give us an understanding of the current situation and help us outline a rent seeking structure in the North East region that will help us to understand the resource flows better.

Finally, violence in the region has been a stigma for new businesses for a long time. As generally is the stereotypical view to blame the security situation and violence in the region for underdevelopment of businesses, this research attempts to find out from the current investors if violence is the factor impeding them. If not, then what factors are most impeding their business growth in the region?

1.3 Research Questions

- (1). From the viewpoint of foreign investors, were the Government initiatives helpful towards reducing the transaction costs in the N.E region? If yes, then in what way?
- (2). How was the rent-seeking level in the N.E region when compared to rest of India? Was the rent-seeking structure different from the rest of India?
- (3). Presently what are the most crucial issues hindering growth of businesses in the region and is violence to be blamed as it is stereotypically believed?

1.4 Summary of Methodology

There are three hypotheses being considered in this report. The first hypothesis suggests that the government initiatives towards the N.E region have been helpful in reducing the transaction costs and this has been encouraging the firms who already have setup their operations in the region. Thus the first hypothesis argues against the traditional outlook of the people of the region that the central government is to be blamed for the present condition in the N.E region. Although the attitude of the central government has been called hesitant towards this region there were many factors which contributed to the

underdevelopment of this region. The central government took initiatives such as the NEIIP Policy or setting up of the NEC that encouraged businesses to start in the region by helping to reduce transaction costs for these firms. In order to test this hypothesis, we will try to find out from the management of the firms by way of self completion questionnaire if these Government policies have been indeed been helpful and if they have been, then in what way. With the interviews (telephonic and face-to face) with the CEOs, the motive will be to clearly find out how the transaction cost structure has been affected by the policies and if they have been indeed helpful rather than just on paper.

The second hypothesis attempts to suggest that although the rent seeking activities in the region have had adverse effect on growth in the region however from a point of view of setting up businesses the rent seeking levels are comparable to any other states or region in India. Consequently, the rent seeking structure in the region is different from the rest of India but not necessarily more growth retarding. In other words, N.E region does not have an exceptionally high level of rent seeking and businesses face the same level of corruption that they would face anywhere else in India. In testing this hypothesis, we will conduct a survey using self completion questionnaire to analyze their response to questions regarding rent seeking levels faced in the N.E region in

comparison with the rest of the nation. Consequently, with the help of interviews with the CEOs of these joint venture firms, we will try to construct a new rent seeking structure for the North East region based on Mushtaq Khan's impressions of rent seeking resource flows in the Indian subcontinent.

The third hypothesis argues against the common stereotypical view on the region that violence and insurgency is the main problem hindering the growth in the region. In order to test this hypothesis, we will survey the managements of the venture companies with the help of self completion questionnaire to find out whether violence and the insurgents were hindering their growth or in the past created troubles during their setup. Also we will find out from the interviewees the greatest challenges they are facing in the region right now that is hampering businesses to grow in the region.

1.5 Summary of Findings

With the help of self completion questionnaires submitted to the management professionals of the joint venture companies under this study, it was revealed that the government initiatives were indeed helpful to reduce the transaction cost by reducing operating costs and also helpful in terms of easing regulations. With the help of interviews (telephonic and face-to-face) with the CEOs of these joint venture firms, the author was able to draw a description of the transaction costs involved in the region comparing it with the rest of India. Interestingly it was found that although the ex-ante transaction costs were higher in N.E region still the firm should handsome profits because of lower operating costs at the same costs saving level. Also whereas the firms were operating at the 'survival of the fittest' stage of profit maximization in mainland India, they were actually having profits in the N.E region that encouraged them to grow more. However, it was also noted that these benefits may be as a result of monopoly profits in the region which may be threatened by more and more young companies entering the virgin N.E market.

It was found from the responses to the self completion questionnaire posed to the management of the joint venture companies that the rent seeking levels in the region were comparable to anywhere else in India. Since the investors had experience dealing with this issue almost all over India, they suggest that N.E rent seeking were not exceptional. Thus it is possible to refute the notion of higher corruption in the region compared to elsewhere in the nation and consequently encourage the private sector from mainland India to set up their businesses in the N.E. With the help of telephonic and face-to-face interviews with the Heads of the firms, the author was able to draw a rent seeking structure for the North East region based on Mushtaq Khan's resource flows in patron-client relationship in Indian subcontinent diagram. Here an additional node, the insurgents was added to the diagram showing the involvement of the insurgent groups that almost behaved as con men (or sometimes even Robin Hood) for non-capitalists and political powers in the North-East region. Also the resource flows were always targeted from the capitalist or bureaucrats towards these insurgents, whereas between insurgents and politicians or non-capitalist there was a two-way benefit pattern. Finally, from the point of view of the corporate even if the structure was more complicated in the region yet the rent expenditures remained as comparable as anywhere else in the region.

Consequently, the survey conducted in the North East India revealed that rather than the security situation, the major impediment to the growth in the region was the lack of basic infrastructure and poor connectivity that was as a result of decades of economic stagnation. Since it was found that the insurgents were not the major impediment to their operations, Indian businesses should dispel the stereotypical view that violence and insurgency is hindering businesses to grow in the region. Also, the government should take up major development projects to improve the basic infrastructure and improve the connectivity of the region, both nationally and internationally.

1.6 Chapter Outlines

In the introductory chapter, opening is made with the introduction of India's northeastern region comprising of its eight states to the readers, along with attempting to lay a historical basis to better understanding this region. Basic overview is presented to the reader so that one is able to understand in brief the present economic statistics or the security situation in the region, to further appreciate the need for such a study.

In the next section, based on the research background and what has been studied in this area in this region we are then introduced to the research questions that form the core of this thesis. The questions try to refute some common notions and misgivings that

businesses have about the government's attitude, transaction costs, rent seeking and the security situation in the region.

The following chapter gives a brief summary of the methodology being followed in this paper. This chapter introduces the reader to the hypothesis generated by the literature reviews in the field and how the author plans to prove the hypothesis. A summary of the findings reveals to the reader what were the results the analysis gave us and how these findings can be interpreted in order to support the argument.

Chapter 2, the literature review, first attempts to give the reader a background of the theory of transaction costs and rent seeking and further the rent seeking structure in India by Khan and also debate on rent seeking in North East India. The final subchapter of literature review discusses the existing debate on the above mentioned issues that the region is facing.

Chapter 3, tries to explain the methodology followed in this paper as the subchapter one introduces the hypothesis, following subchapters explains what indicators have been considered in order to test the hypothesis mentioned above. Research planning shows what, how and why the above steps are followed to reach at a point to be able to prove the hypothesis. The last subchapter on proposed analysis explains the method of questionnaire distribution, interviews conducted with the employees and management

of the foreign investors in their collaborating with Indian counterparts and how the interviews would be used to answer some stereotypes in doing business in the region.

In chapter 4, the method of carrying out of the survey has been detailed. The analysis is made on the quantitative data obtained from questionnaire and qualitative analysis is made on the questions asked during the interviews with the joint venture companies in the N.E region. It is also determined if the answers to these questions are able to overrun some of the common misconceptions about this region in general and conceptual framework is arrived upon.

The interpretations are then explained in the next chapter 5, on discussions relating to the analysis done. Along with the interpretations from the analysis, explanation of the external factors is also made to show the contribution of these on the present situation.

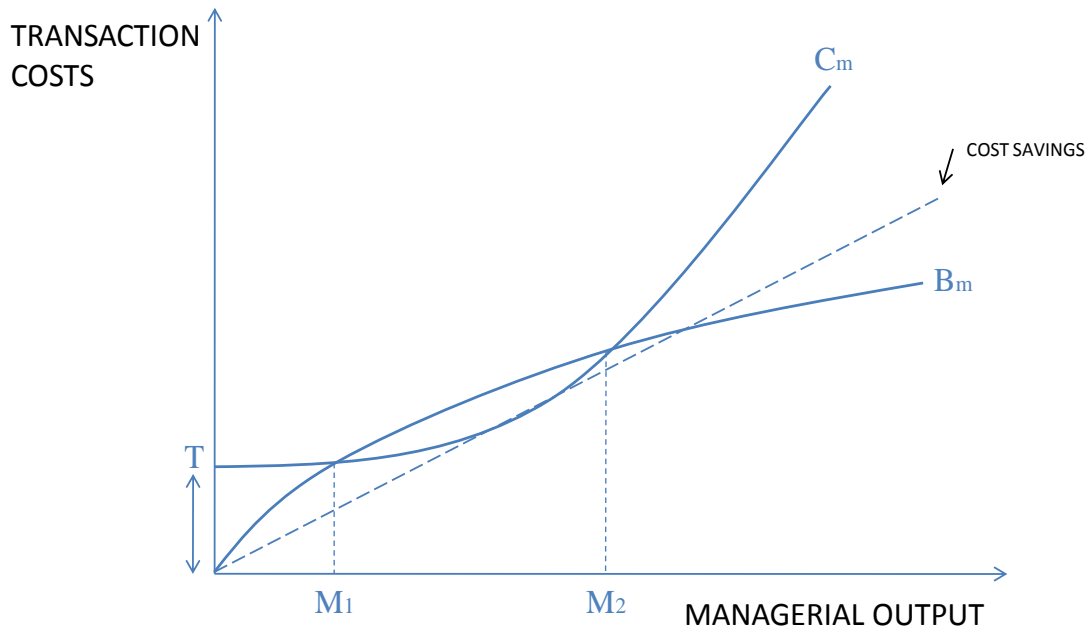
Finally in chapter 6, conclusions are drawn from the preceding chapters on the analysis and also the recommendations for improving the situation are provided.

2. REVIEW OF LITERATURE

2.1 Transaction costs theory

Ronald Coase [1937] suggested that transaction costs cannot be avoided whenever there is a transaction in the economy since imperfect competition due to asymmetry of information is inevitable. His theory attempts to tell us that the transaction costs determine the nature of the market structure and the efficiency of the production and marketing process. Transaction costs can be broadly divided into three categories of costs that together add up to the total transaction costs involved. These are namely, search costs, negotiation costs and enforcement costs. While search costs and negotiations costs are ex ante (before the transaction occurs), enforcement costs are ex post (after the transaction) [Andrew Schmitz, 2002]. If negotiation, search or enforcement costs are high the economy of a market will be unhealthy as many potential exchanges will be abandoned [Yeager, 1999]. Interestingly, Yeager also argued that difference in enforcement costs is what maybe the biggest factor why some nations in the world are wealthy while some are not. Thus analyzing the transaction costs in a region and the contribution of the enforcement costs will tell us if the region maybe better off than the others in terms of providing favorable conditions to firms to establish themselves and make desirable exchanges possible.

TRANSACTION COSTS THEORY



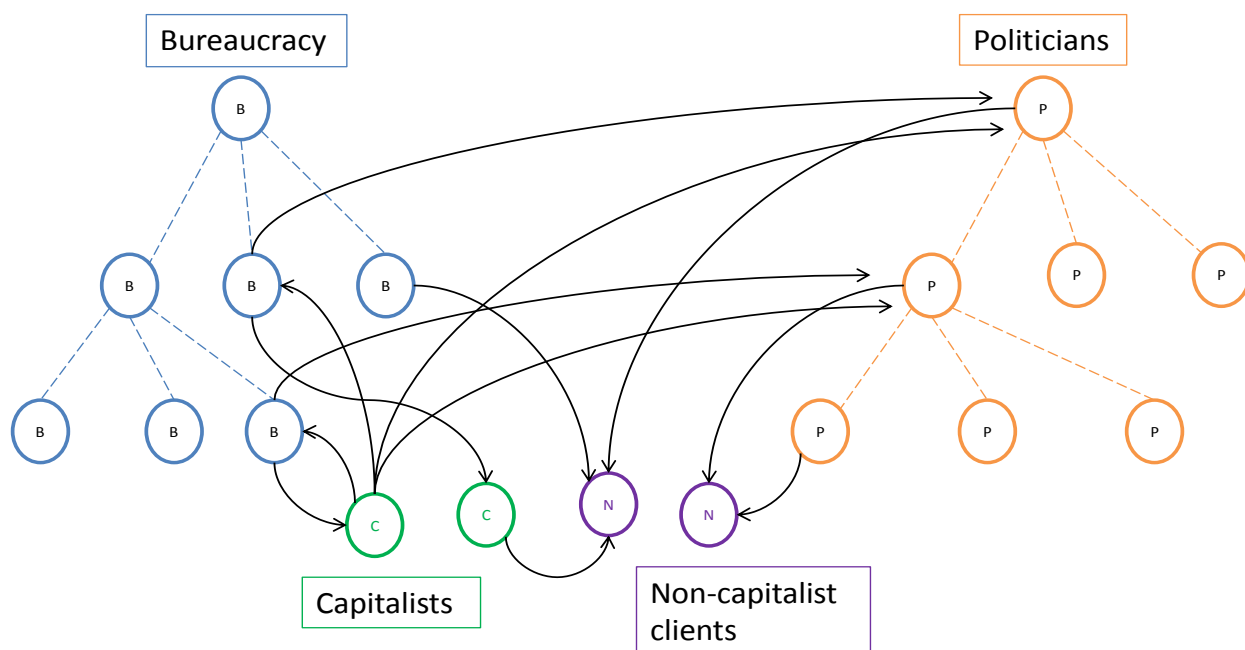
The theory of transaction costs helps us to see how ‘the most effective market structure will emerge ultimately’ from a firm’s viewpoint [Coase,1937]. We can say that extent of difference between transaction costs will depend on ‘cost of monitoring performance, cultural differences and managerial skills’ [Hennart, 1991]. Looking at the graph above, transaction costs are represented by the curve C_m which represents various costs along the companies growth from initial stages up to operation, whereas the tangential dotted line shows the cost savings to the firm. The curve B_m shows the benefits to the firm (not necessarily financial) with diminishing returns. Thus, at managerial outputs between M_1 and M_2 , a profit maximization could be attainable from intra-firm resource allocation where benefits exceed the costs and savings [Dietrich, 1994].

2.2 Rent seeking structure

According to Williamson [1985], at the heart of the rent seeking behavior lies the nature of people that is 'self interested with guile'. In other words, rent seeking behavior arises since individuals or groups work in their self interest and do not hesitate to take advantage of the situation. In fact, bureaucrats, politicians and other similar people in power who maybe in a position to govern the situation are not above benefiting from the same. Groups in search of economic benefits offer incentives to politicians or bureaucrats to provide them with favorable outcomes or to avoid unfavorable ones and politicians in turn, respond to them if their own interest is served [Gardner, 1996]. Mostly politicians look for their favourable conditions for them like re-election by saving a vote bank or financial resources when the campaigning time would demand.

However, not all rent seeking activity can be termed as growth hampering. Some expenditures may be purely transaction costs used to inform government (productive rent seeking behavior) but other expenditures may be attempts to influence political outcomes independent of the broader welfare implications (unproductive rent seeking behavior) [Andrew Schmitz, 2002]. With each interest group undertaking their own favourable rent seeking activity it is thus necessary to examine whether or not in the long run they are responsible for creating positive effects on the economy.

One of the pioneering works on the rent-seeking structures in India has been made by Mushtaq Khan, where he elaborately breaks up the complex rent seeking structure in India between the bureaucracy, politicians, capitalists and non-capitalists in his book and describes it as 'fragmented clientelism'. According to Khan [2000] by 1960s in India, new ethnic and caste groups entered the political arenas, which were able to access rents based on their abilities to organize much more numerous groups below them. Here, professionals that were the subset of the intermediate classes, soon became strong enough to form a coalition with capitalist and non-capitalists and went on to enforce most of the resource flows in the system. The following shows the resource flows in patron-client networks since 1960s by Mushtaq Khan, in the Indian Subcontinent.



In the four decades of the License Raj the underdeveloped regions in the country especially the N.E region suffered the most, where it created a fertile ground for widespread bribes and political kickbacks [Ahuja, 2006]. The Indian government offers backward area subsidies and concessions for locating new industries in the N.E region. We have seen instances in the region when a large business in mainland India sets up its operation in N.E region only to be able to claim the subsidies and not necessarily producing worthy goods which were seldom scrutinized. Assam Polyester Limited in mid 1980s is such an example, where the company merely met its obligations with manufacturing and was known to produce below the market standard textiles for a decade [Hazarika, 1994]. It is hardly surprising that the only industries that came up were by the public sector marred with high instances of rent seeking and rent seeking activities.

2.3 Existing debate on the North-East

As rampant as ever, one of the key reasons for this mass failure of the local governments to curb insurgency is obviously ‘rent-seeking that acts as an incentive to the so-called elite groups for demanding new states’ [Madhab, 1999]. As per Madhab, the state politicians with the help of beurocrats siphon big chunks of financial resources coming in for the states for various development activities from the central government at Delhi. As far as the budget is concerned, the budget expenses are spent in salaries and meeting the debt services, leaving nothing for development.

One may be tempted to blame the security situation in the region and violence as the major impediment to growth in the N.E region while some researchers believe that the levels of violence is not so high when compared with some other states such as Uttar Pradesh and Bihar. In fact, researchers believe that the security situation in the N.E region has been blown out of proportion by the media. Dasgupta, J., who has written quite a bit on institutional development in the N.E region, suggests that the national media mainly concentrates on violence, unrest, insurgency in the region most of the time which creates misunderstandings of the political process. The mainstream media’s focusing always on the security situation in the region misleads the people away from the core issues like institutional development and community formation activities taking

place in the N.E region [Dasgupta, 1997]. Stating the Mizo story of winning statehood from Assam under the Mizo accord in 1986, he suggests that after statehood the insurgent activities siezed to occur as the rebel leaders were asked to follow the democratic process to attain power. Consequently newly formed smaller state like Nagaland and Mizoram recorded in 1983-93 period an increase in agricultural production of 5.15% and 7.93% respectively while the national average was running only at 3.71%. Some of the most likely reasons as to why the independence struggle took a rapid growth amongst the N.E states could be the identity crisis that the states had to deal with. Madhab goes as far as describing the fear of loosing identity amongst the N.E youth as the ‘paramount’ fear, followed by the security factor which in this case was protecting their land from foreign intruders (illegal immigrants from acorss borders). This fear was showcased by one of the most horrific killings in the history of the region when thousands of illegal immigrants from Bangladesh were slaughtered by rebels in 1984. It was believed that the rebels wanted to send a clear message to illegal land grabbers in order to protect the rights of their people and recevied mass support from locals. In this context Sanjib Baruah too in his book Guillever’s Troubles, suggests that ‘these militant organizations are able to provide some kind of social security to the people that even the government is unable to provide [Baruah, 2002].

3. METHODOLOGY

3.1 Introduction

As Baruah [2002] suggests that the N.E region's underdeveloped business sector can be owed to the lack of a proactive Government, we will try to see how far this holds true despite various initiatives taken by the government. In order to be able to suggest that the government's initiatives have been at least helpful in reducing transaction costs for those firms that decide to venture in the North East region, we will interview and distribute self completion questionnaires the company management and heads to gather if they experienced a supportive attitude of the government towards reduction in their transaction costs, both ex ante and ex post.

Although Madhab [1999] suggested that there was rampant corruption between the local and central government officials that led to the deplorable business growth in the region, the motive of this study is to find out if there was a huge impact of this on the recent business growth in the post liberalization era N.E region. In order to find this out, we will conduct a survey comprising face-to-face or telephonic interviews and distribution of self completion questionnaire to recently successful ventures in the region to see if they felt that the level rent seeking in the region was higher than it would have been

expected. With the help of qualitative analysis of interview data with the company heads, we will try to draw the intricacies of rent seeking in the North East and come up with a rent seeking structure especially for the North East region.

With the help of the feedback from the interviewees and subjects, we will identify the prevailing factors that are impeding the growth of businesses in the region the most.

This will be done in order to find out if violence perpetrated by the insurgents (threats and ransoms) is the biggest impediment to the region's business growth. If not, then which kind of challenge are these companies facing the most, that may hinder them from expanding their services or hinder such new ventures being made in the region in the future.

3.2 Research Planning

The study began with a study of some of the popular books in academia that describe the history, general society, lifestyle etc of the people of the North East region. Coming to terms with the geography, anthropology and economy of the region, it was then time to understand the various issues that the region is facing owing to which it has remained as an underdeveloped far-east corner of the Indian subcontinent. Identifying the questions that needed to be answered, the next step was to make a review of the

literature in these issues that had been previously written by scholars in the Academia specifically.

The following step was to make a field trip to the North East India, taking an initial flight to Guwahati, the capital of the state of Assam, in February 2010. During this field survey trip a pre-prepared self completion questionnaire was presented to venture company management in almost all the capitals of the North eastern states (except Tripura) making singular trips to all. After obtaining back the questionnaires, it was time to return to the original base at Guwahati which was also the headquarters of these venture companies. During the latter half of the month of March, an opportunity was awarded to meet and interview the CEOs of the venture companies which gave the author a better understanding of the challenges they faced during initial the set up of the company as well as the operational difficulties present now. Upon return an analysis was made of the data obtained. The relevant responses were clubbed together to be able to support the hypothesis made in this report. Again, during the final stages of completing this study, telephonic interviews were organized with the CEOs of the two venture companies to further develop on the understanding of details on the structure of transaction costs and rent seeking in the North East region.

3.3 Proposed Analysis

The survey was administered in two distinct ways. Initially the companies to be studied was chosen (two market leaders) in the region, with a sample size (20) of the management employees of these companies that were involved in the firms operations right from the beginning until now. The first being the analysis of data obtained from the self completion questionnaire that was distributed to the management of the two joint venture companies. The next being the analysis of qualitative data obtained from the conducting of face-to-face interviews with the CEOs of the firms. Later, after some initial problems were tackled, the above mentioned CEOs were interviewed again (this time, telephonically) in order to have a detailed understanding of the structure of transaction costs and rent seeking in the N.E region.

In the self completion questionnaire various questions were raised pertaining to their setting up, troubles and issues faced during their launch. Questions were directed to be able to find out whether there were any significant threats from the militant groups and were pertaining to the rent seeking activities witnesses by these professionals when compared to rest of India and whether the government initiatives were helpful in their setup. Many stereotypes associated with doing business in this region were tested to see whether they hold true or not. If the answer is found to be negative then it is possible to

suggest that the region has undergone a transformation of its environment and that the stigmas relating setting up of private businesses in the region no longer hold true. Contrastingly, the interviews were directed in order to obtain enough qualitative data to be able to have a detailed understanding of the key issues, such as, reduction in what type of transaction costs was made possible by the government initiatives or how was North East region's rent seeking structure different from that of the Indian subcontinent. The primary motive of the research was not only to test the hypothesis framed at the beginning of the work but also to suggest changes or provide recommendations towards improving the situation in the region. Identifying the major problems being faced right now by these companies, policy changes need to be suggested through this study so that the future investors in the region can be encouraged.

4. DATA ANALYSIS

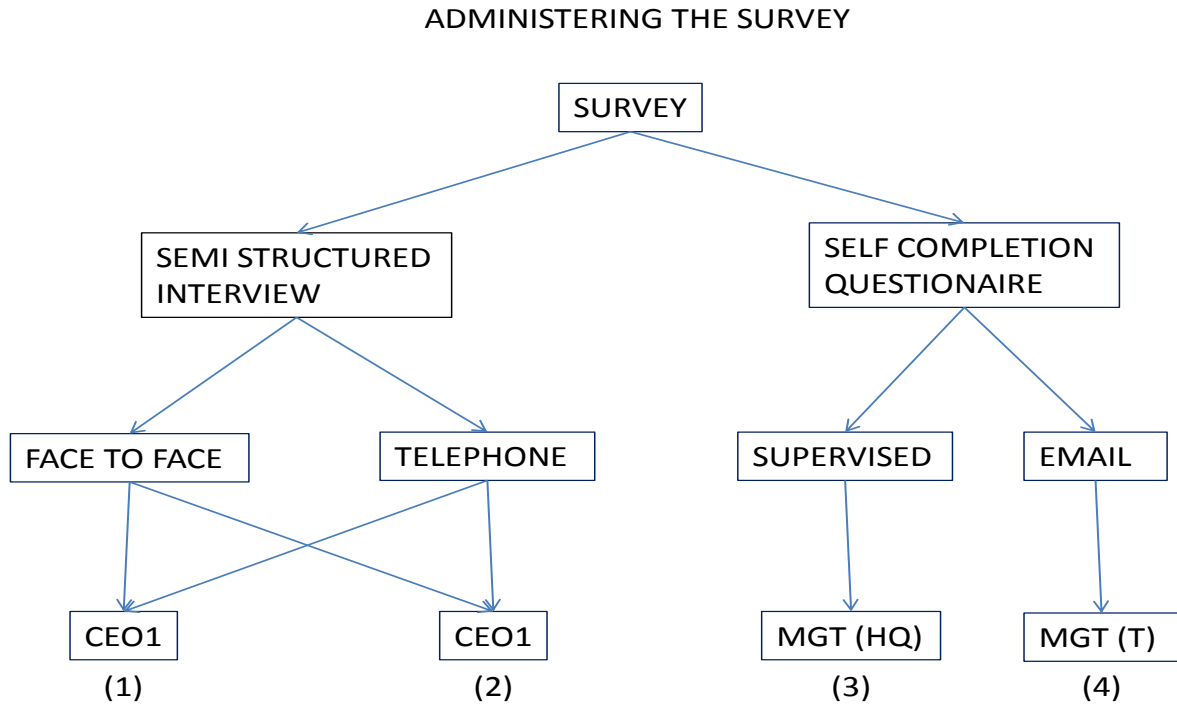
4.1 Research Approach

With the identification of the research questions, a self completion questionnaire was made comprising of ten questions that were relating to the research questions. Alongside that preparation of semi structured interview questions was made that was based on the also on the research questions needed to be answered. However, the interviews were semi structured so as to allow the interviewees to throw their light on factors outside what was given and to encourage new knowledge generation.

During the field trip to the North East region in India in February and March 2010, an opportunity was given to interview two foreign-Indian joint ventures in the regions, which had launched successful operation and were in a position to further expand their services as rapidly as possible. Below are the two collaborations. Telenor group from Norway joint venture with Unitech India to form Uninor & Maxis from Malaysia joint venture with Dishnet India in a joint collaboration called Aircel.



4.2 Selecting sites & subjects



The diagram above shows the method of administering the modes of the survey. Semi structured interviews was conducted first face-to-face and later over telephone with the CEOs of the two joint ventures. Telephonic interviews took place later than the face to face interviews and were required to obtain further crucial data on the research study.

The self completion questionnaires were distributed at all head quarters in all the states in the North East India (except Tripura) and were supervised by the author. In the case of Tripura head quarters, where it was not possible to go due to external reasons, the questionnaire was sent and received over email. The survey began in mid February of 2010 and lasted until the end of March 2010. The sites included capitals of the seven

states in the North East region where the companies had their head quarters.

The subject target included a group of 20 employees (ten each from each joint venture) and also included the CEOs of the venture company headquarters at Guwahati, Assam.

A self completion questionnaire consisting of questions was distributed to each of these employees from the management of the companies however with the two CEOs a very brief face to face interview was held. The questionnaire consisted of questions regarding rent seeking levels in the region that the management felt, about the government's help towards them and the current situation in the region. The semi structured interviews did begin with similar questions as in the questionnaire but in addition an attempt was made to obtain an understanding of the transaction costs involved in the region and also the rent seeking structure in the region.

The number of joint ventures selected for this study may seem to be few but are substantial owing to the fact that these two firms were credited for being the first to venture into the N.E region despite criticism and have made huge successes ever since. Similarly, although the author agrees to the constraints of a conservative sample size (20), the subjects involved were from the higher management of the companies and thus had relevant experience in the matters required by this research. Almost all the employees were involved in the affairs of the company ever since its initial setting up

offices in 2005. The CEOs too were managing their positions ever since 2005, right through its most challenging phase. Therefore though the size of the sample was constrained due to time, expenses etc, the small number of respondents, amount for the crucial people involved the process of development of these businesses in the region.

4.3 Data Interpretation

4.3.1 Based on self completion questionnaire

Question1. What is the reason for choosing North East India for your business?

Referring to the question 1 in Appendix 7.19, with 95% respondents opting for option A (emerging market), it gets revealed that most of the foreign investors are interested in seeing the North East as an emerging or unexplored market and also confirm its potential in the future. A corollary could be as the rest of the nation gets saturated the North east region gives hopes for the investors as a new and emerging market.

Question2. Has the government been helpful towards your set up? If yes, then how?

In response to question 2 on the central government's attitude towards the set of these ventures, we see that the respondents felt strongly (70% yes) that the government has been supportive. On the part b of the same question, the respondent's belief was

dividing over the way in which the government has been supportive. 20% of the respondents felt that the easing of regulation was a very healthy gesture, while 20% believed that the government's initiative helped reduce the operating costs in the N.E region. Yet another 20% opted for miscellaneous causes such as reducing bureaucracy and red tape-ism and making the documents pass faster than one would expect for any official approval. Since the response of the companies has been in favor of deregulation, evidently, looking at Appendix 7.17, 'Ease of doing business in Indian cities' according to the World Bank report 2009, Guwahati the capital city of Assam, has risen to the number 8th rank in the nation leaving behind giants like Bombay, Bangalore, Madras and Calcutta. This is a very crucial development and is successful in not just showcasing the potential of the N.E region but at the same time showing us that the reforms have been helpful in opening up bottleneck in doing business in the N.E region.

Question3. What is the level of rent seeking activities in the North East region compared to rest of the country?

In response to question 3 on rent seeking, 65% of the respondents revealed here that the rent-seeking activities in the region are only moderate when compared to the rest of the nation. This being highly suggestive that although there had been high rent-seeking in the government-run business over the decades, the private sector has seen a level which

is very comparable to the rest of the nation thus proving the stereotypes about rent seeking being biggest growth impeding factor in this region as doubtful.

Question4-6. What is the main hindrance to your growth in the region? Are the insurgents threatening or hampering your work?

Response to question 4 shows that the companies' will to progress in the region has been suffering due to the low infrastructure index, especially low quality of roads, bridges and other basic infrastructure. While 50% of the respondents suggested lack of infrastructure to be the main impediment in their growth, 25% believed that high demands by the militants were responsible for impeding their growth. This gives us some insight that rather than militants it was the lack of infrastructure that is to be blamed for the region's underdevelopment.

This can be also be confirmed with the responses to question 5, wherein 75% of the respondents state that there were no threats received from the insurgent groups during the launch and marketing of the company's product.

Furthermore to find out if the insurgents are responsible for hampering the daily activities of these companies, responses to question 6 indicate that 55% of the respondents said that the insurgent group's involvement in the usual operation of the

company was least, strongly suggesting that the strangled-hold of the militants in the region is a thing of the past and businesses can run as usually. This shows that now the other domestic as well as foreign investors in the region need not worry about security concerns while doing or getting business in this region.

Questions 7-8. Compare the problems faced in the North East in comparison to the rest of the nation. What has been your greatest contribution in region?

The above goes in conjuncture to the point (as responses to question 7 indicate) that the problems faced in the Northeast region were also as much as anywhere else in the nation. This should refute all such stereotypes that have been prevalent in the mainland about business in this region. Furthermore, (question 8 where 70% responded for option C - employment) the greatest contribution to the N.E region by these investment giants in the recent years has been the supply of jobs which has greatly increased the employment rate in the region.

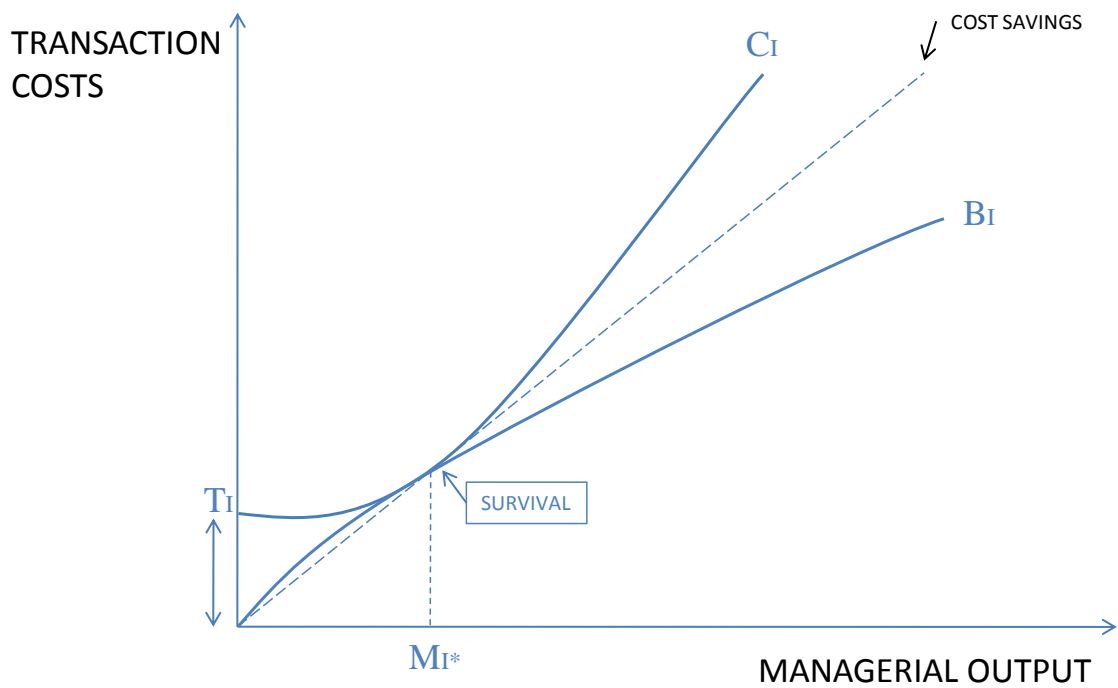
4.3.2 Based on Semi-Structured interviews

1. Transaction costs in the N.E region.

Question; were the government initiatives helpful in reducing the transaction costs in the North East Region?

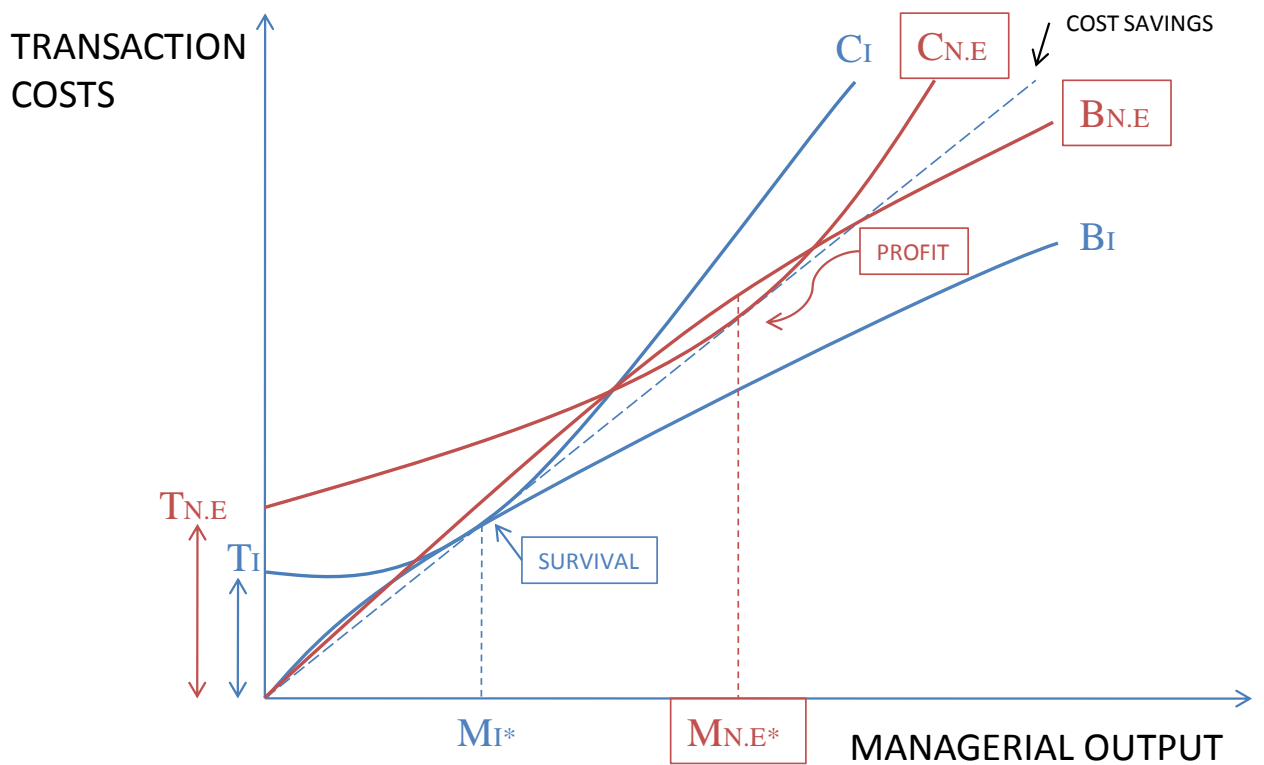
Based on the telephonic interviews, it was revealed that due to immense amount of competitors in the mainland Indian markets the situation of the firms were mostly of the 'survival' type. Although the initial transaction cost involving search or negotiation (ex ante) were reduced by the government's de-regulation yet the high operational costs and market competition kept them at the survival state in profit maximization.

TRANSACTION COSTS & BENEFITS (INDIA)



Whereas in the North East India the situation was quite distinct, where ex ante cost were higher due to higher negotiation costs (involving insurgents mostly) than the mainland India but the operational costs were much lower. One of the respondents said that the insurgent's position in the rent-seeking structure in the region (described next) played a role in additional negotiation costs in the region, but in totality "was not phenomenally higher" than what was in mainland India. As shown below in the graph, the initial transaction costs were not exceptionally higher in the North East ($T_{N.E}$) than what was in the mainland India (T_I).

TRANSACTION COSTS & BENEFITS (NORTH EAST INDIA)

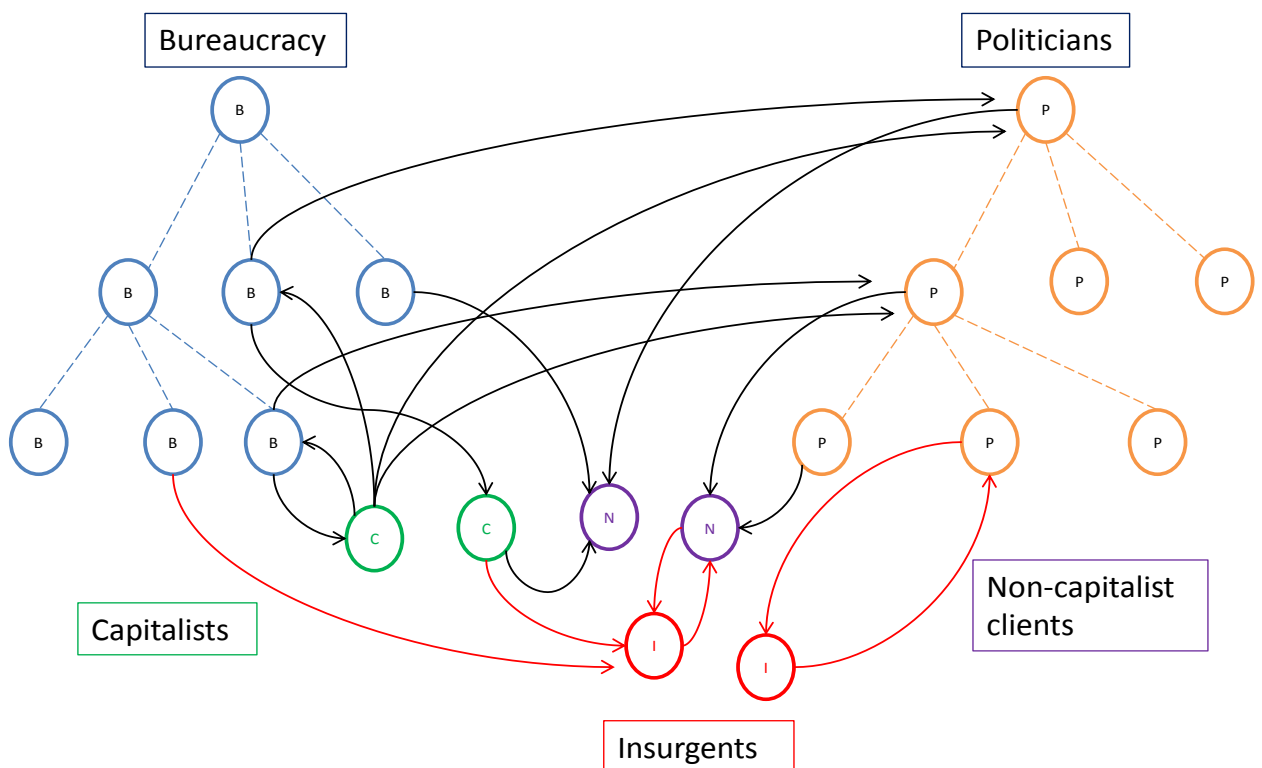


As the CEOs (interviewees) revealed that the cost saving in the North East was the same as was anywhere else in India, the author intends to show that both the transaction cost curves C_I and $C_{N.E}$ lie on the same tangential (cost saving line). However, plotting the curve reveals that the $C_{N.E}$, although starting higher, actually crosses over C_I depicting a reduction in operating costs. Meaning obviously, that although the ex ante transaction costs are higher in the North East region, the ex post costs are much lower owing to policies such as NEIIPP etc by the government. The lower degree of involvement of the insurgents in the daily operations of the firms (as shown in pervious section) was also contributing towards reduced operation (or ex post) transaction cost in the N.E region. As the interviewees stated that due to the North East being a virgin market, the benefits in the region is much higher for the firms, the author plots the benefit curve of the North East region $B_{N.E}$ higher than the benefits in the mainland India B_I . Because of higher benefits at the same cost savings & lower operating costs for the firms, there is profit in the region while in the rest of the nation it's a survival state. Consequently, $M_{N.E}^*$ is the amount of managerial input that is needed to obtain the maximum benefit in the region with the lowest transaction costs. However, it worth noting here that the firms are able to enjoy profits at monopoly levels in the North East region which may be affected in the future as more and more players enter the N.E market.

2. Rent-seeking structure in North East India

Question; is the rent-seeking structure in North-East India different from that of India?

Based upon the interview responses from the interviewees, it is possible to suggest a point of difference from what Mushtaq Khan broadly described as the ‘resource flows in patron-client cycle in the Indian subcontinent’. With the inclusion of the red node, letter I (standing for Insurgents), some changes in the resource flow pattern is made as shown below in the ‘Resource flows in patron-client cycle in the North East India’ diagram.



The insurgents (node I) entities play a major role in the political process of the state, which is also being the reason why the author places the red nodes closer to the right

half of the diagram below nodes N & P. According to the response of one of the interviewees the relationship between the insurgents and local non-capitalist were described as “quite cozy”. The insurgents were able to pressure the capitalist (especially those from the mainland) towards healing to the non-capitalist who were, in turn, able to provide mass support for the ‘cause’. Similar two way relationship existed with the politicians in the region. During the interview it was revealed that it was not rare to find insurgents acting as “con men” between the politicians and the capitalist in the late 90s. Interestingly, there seems to be support of the view that the resource flow pattern always moved one-way between the capitalist and insurgents. Since they were behaving as con men for the politicians and non-capitalists, capitalist always ended up paying the insurgents. Similarly, the resource flow pattern was also one-way between the bureaucrats and the insurgents. In most cases these insurgents were able to “extract” benefits from the bureaucrats by pressurizing them politically, mostly with the hidden support from the politicians in the region. Also the bureaucrats and capitalists were easy targets for the insurgents in the region that made it easier for the non capitalist and politicians to push their demands anytime. In fact, as one of the respondents claimed, there was a period in the 90s (before the ceasefire) when the insurgents had a supposedly “greater capacity to monitor rents in the region, than the government itself”.

5. DISCUSSION

During the course of this study, it was possible to be able to suggest that the firms believe that the government's policies have been helpful towards their setup by various ways such as easing regulation, reducing transaction costs and is not just on paper as is commonly believed. Also, this study is able to reveal to the reader that there were interesting differences in the transaction costs involved in the N.E region in comparison to anywhere else in the country. Although initial setting and negotiation (ex ante) costs were slightly higher than mainland India, yet the region was able to provide profit to the firms due to reduced operation costs. At the same level of cost savings, the position of the firm is 'survival' in India but that of profit making in N.E India. The profit in the region may be short lived owing to its monopolistic nature lasting only until newer competitors enter the market, nevertheless the hypothesis in the holds true. Government's initiative such as the NEIIPP was able to help reduce operational costs for these companies that feared ransom from the insurgents. Thus even after compensating the insurgents the operational transaction costs were not as high as in mainland India. The author believes that the influx of more such firms setting up in the region cannot be neglected as soon as the stereotypical views are refuted.

The study also revealed that the rent seeking levels in the region were moderate in comparison to rest of the nation. This meant to show us that the high rent seeking activities between the local governments and central governments do not affect the private business up to the level that is commonly believed to be. With evidence that rent seeking was not the primary impeding factor, we were able to construct a new pattern of resource flows in the region's rent seeking behavior showing the insurgents at a role playing position. Although resource have been directed towards the insurgent node yet in scale it is much lesser, which brings the total rent expenditure much lower in the N.E region in comparison with the rest of the nation. Also in the case of N.E, there has been evidence of productive rent seeking behavior from the part of the industrialist that resulted in the NEIIPP policies suggesting that such a behavior is desirable and justified in the region when various groups lobby for their personal interests rather than the nations.

The data collected reveals that there was almost no deterrence from the insurgents in the region in the working of their company or many threats during the setting up of their services. This shows to skeptics that the strangle hold of the militants on the economy of the states is a thing of the past and violence is as big as a factor as anywhere else in the country.

However, most certainly the biggest hindrances in the region had obviously been the low infrastructural index in the region and poor international & national connectivity. Although with exceptionally high HDI index as compared to the other states in the country, the low infrastructure standard and connectivity of the region were the primary factor that renders the region still backward.

Deducing the reasons for the poor infrastructural index in the region, in the course of this research work, it has been realized that the 'landlocked' nature of the region has an important effect on its trade and economy. Therefore if the region can benefit from utilizing other potential markets and letting access to its own then in the future a good trade balance can be desired. Also being landlocked there is no ready availability of a port that the regions industries can utilize in order to boost trade relations. The port of Chittagong on the Chittagong hill tracks of the eastern region of Bangladesh can be opened to the N.E region's trade to connect it to the ASEAN nations especially Thailand and Indonesia. This port had been a junkyard for breaking old ships for many decades because of poverty and unemployment in Bangladesh, yet its strategic potential is truly huge if tapped properly. Thus, we need open trade dialogues with the Bangladesh government in order to explore the potential of this port and help creating a breathing space for the Northeastern region.

On the same lines, the Stillwell road built during the Second World War by the Allied forces connecting Assam with Myanmar and Southern China needs to be re-opened with proper dialogues with the Myanmar's Junta and the Government of China. This road can be the trade route between India and China, rendering the Northeastern region of India a crucial sector for the development of this road. Not just China but also Myanmar can be opened up for trade with India on this road link and thus will allow easy access to the markets Myanmar and further. This coupled with Free Trade Agreements with China, Myanmar and Bhutan will lead to access of open markets to all the involved nations. Moreover, in case of a Free Trade Agreement between India and ASEAN nations (especially Thailand), the N.E region would provide a gateway to trade amongst the two nations across its borders and across the ports available in the region.

Concerning the roads links, lack of roads in the region adding to the immense presence of jungle hills make it important to have well connected highways connecting the at least the state capitals. At the moment only few capitals are connected directly by a national highway. More so, elevated highways connecting the capitals to each other and the nation's other capitals would greatly improve the connectivity of the region. The term elevated should be emphasized here since this will be helpful in protecting the trees and the natural habitat of the animals in the region. Based on elevated highway

models in developed countries, that efficiently provide animal corridors for the animals to cross from one habitat to the other, need to incorporate in the region as well. Elevated highways and corridors would provide a permanent solution to the bi-annual floods that hit the region with the overflow of the mighty Brahmaputra River and affect trade, commerce as well as many animal lives every year. Connectivity will come with the priority of protecting the natural rain forests in this manner.

Alongside the road projects, yet another factor lagging behind in the region is the deplorable situation of airports. At present just one airport in the entire region, the Guwahati Airport serves as the hub for the region's air traffic. It is not only suitable to increase connectivity of the N.E capitals not just with each other but also with the ASEAN nation's capitals, to say the least.

Therefore with the catching up process already delayed by more than a decade now, the emphasis must be made to improve infrastructure and connectivity by way of access to international ports, elevated highways connecting the capitals, more international airports and clean energy systems. Together these pushing endeavors may bring the region back in track with India's rapid mainstream development.

6. CONCLUSIONS

With the background studies and analysis done to be able to answer the questions raised at the beginning of this research we were able to see that certain stereotypical views regarding the North East region has been refuted. An idea supported by the analysis of data obtained from interviewing management employees and Heads of two foreign-Indian ventures running businesses in the North East India.

The government's initiatives were indeed helpful in reducing the operating costs in the region contributing to the reduction in the overall transaction costs for businesses in the region. In fact the companies were enjoying monopoly profits in the region as newer competitors hesitated to enter the N.E markets.

The level of rent seeking experienced by these companies is comparable to anywhere else in the country and is not the main reason responsible for hampering business growth in the region. Although the insurgents played a role in the overall resource flows pattern but the share of rents going to them were much lesser than what existed in mainland India. Besides, the stranglehold of the insurgents is weakening so much that the firms need not worry about threats and ransoms in the future. Thus, Indian and foreign businesses need to change the outlook towards this region and invest more boldly as has been shown by the foreign investors interviewed during this research.

In this study it was also revealed that the insurgent groups have neither impeded the setting up of the companies nor have disrupted their usual working. In fact more than the security situation or the violence in the region there are more core issues like lack of basic infrastructure and lack of connectivity (national and international) that are real impediments to growth of businesses in the region. This helps us to refute the common stereotypical view that most people have about this region, that violence is the biggest hindrance to businesses here. In fact instead of focusing on the security issues in the region, the companies, businesses and the government should focus on working at bringing basic amenities and basic infrastructure in the region and also try to improve connectivity of this region with the rest of the country and rest of the world, which can be made possible by building elevated highways, more international airports and access to the nearest international seaport.

Hence in order to catch up these lost decades and the delayed development in the region the primary problem that should be tackled first hand by setting up talks with neighboring nations to be able to use ports and open up this land locked region both nationally and internationally. The North East region shows great potential to grow as a hub of human talent (with high literacy rates) and natural resources (huge reserves of mineral and oil) with smart regulations on trade and a peaceful economy.

7. APPENDICES

7.1 GROSS STATE DOMESTIC PRODUCT (GSDP) of N.E States (2002-2009) at current prices

Gross State Domestic Product at Current Prices: (Rupee in Crores)													
States	GSDP (Current Prices)							% Growth over previous year					
	2002- 2003	2003- 2004	2004- 2005	2005- 2006	2006- 2007	2007- 2008	2008- 2009	2002- 2003	2003- 2004	2004- 2005	2005- 2006	2006- 2007	2007- 2008
Arunachal Pradesh	2071	2368	2853	2918	3413	3888	4536	-1.57	14.34	20.48	2.28	16.96	13.92
Assam	43407	47305	52533	57817	64429	71625	79277	13.3	8.98	11.05	10.06	11.44	11.17
Manipur	3506	3979	4568	5066	5403	5848	6344	4.07	13.49	14.8	10.9	6.65	8.24
Meghalaya	4763	5280	5805	6445	7330	8472	9611	6.36	10.85	9.94	11.02	13.73	15.58
Mizoram	2166	2325	2455	2721	2996	3305	3663	11.25	7.34	5.59	10.84	10.11	10.31
Nagaland	4467	4812	5139	5490	5978	NA	NA	12.46	7.72	6.8	6.83	8.89	NA
Sikkim	1276	1430	1602	1830	2039	2298	2612	12.32	12.07	12.03	14.23	11.42	12.7
Tripura	6733	7551	8297	9388	10322	10821	NA	5.7	12.15	9.88	13.15	9.95	4.83

Source: Central Statistical Organization (As on 12-04-2010)

7.2 Gross Domestic Product at Constant Prices (1999-2000) Prices

Gross State Domestic Product at Constant (1999-2000) Prices:

(Rupee in Crores)

States	GSDP (Constant Prices)							% Growth over previous year						
	2002–	2003–	2004–	2005–	2006–	2007–	2008–	2002–	2003–	2004–	2005–	2006–	2007–	
	2003	2004	2005	2006	2007	2008	2009	2003	2004	2005	2006	2007	2008	
Arunachal Pradesh	1911	2120	2469	2364	2689	2860	3028	-4.31	10.94	16.46	-4.25	13.75	6.36	
Assam	39233	41595	43150	45282	47502	50222	53319	7.07	6.02	3.74	4.94	4.9	5.73	
Manipur	3246	3598	3947	4129	4283	4573	4899	-0.46	10.84	9.7	4.61	3.73	6.77	
Meghalaya	4186	4470	4788	5173	5508	5971	6459	3.79	6.78	7.11	8.04	6.48	8.41	
Mizoram	1913	1974	2056	2105	2221	2344	2495	10.39	3.19	4.15	2.38	5.51	5.54	
Nagaland	3985	4185	4377	4554	4850	NA	NA	9.45	5.02	4.59	4.04	6.5	NA	
Sikkim	1116	1204	1297	1413	1514	1626	1756	7.31	7.89	7.72	8.94	7.15	7.4	
Tripura	6255	6623	7162	7813	8019	8350	NA	6.41	5.88	8.14	9.09	2.64	4.13	

Source: Central Statistical Organization (As on 12-04-2010)

7.3 Per Capita Net State Domestic Product (NSDP) at Current prices

Per Capita Net State Domestic Product at Current Prices:

(Rupees)

States	Per Capita NSDP (Current Prices)							% Growth over previous year					
	2002–	2003–	2004–	2005–	2006–	2007–	2008–	2002–	2003–	2004–	2005–	2006–	2007–
	2003	2004	2005	2006	2007	2008	2009	2003	2004	2005	2006	2007	2008
Arunachal Pradesh	17124	19322	22185	22291	25717	28945	33302	-3.05	12.83	14.82	0.48	15.37	12.55
Assam	14421	15487	16900	18378	20194	21991	23993	10.43	7.39	9.12	8.75	9.88	8.9
Manipur	13250	14728	16433	17772	18630	19780	21062	2.16	11.15	11.58	8.15	4.83	6.17
Meghalaya	18208	19702	21170	23355	26387	29811	33674	5.6	8.21	7.45	10.32	12.98	12.98
Mizoram	20896	2196	22417	24029	25682	27501	29576	7.55	5.11	2.07	7.19	6.88	7.08
Nagaland	19413	19806	20133	20255	20892	NA	NA	7.39	2.02	1.65	0.61	3.14	NA
Sikkim	19428	21476	23791	26628	29819	33349	37553	12.15	10.54	10.78	11.92	11.98	11.84
Tripura	19059	21138	22836	25700	27816	28806	NA	3.76	10.91	8.03	12.54	8.23	3.56

Source: Central Statistical Organization (As on 12-04-2010)

7.4 Per Capita Net State Domestic Product at Constant Prices (1999-2000) Prices

Per Capita Net State Domestic Product at Constant (1999-2000) Prices:

(Rupees)

States	Per Capita NSDP (Constant Prices)							% Growth over previous year						
	2002–	2003–	2004–	2005–	2006–	2007–	2008–	2002–	2003–	2004–	2005–	2006–	2007–	
	2003	2004	2005	2006	2007	2008	2009	2003	2004	2005	2006	2007	2008	
Arunachal Pradesh	15832	17340	19339	18179	20458	21582	22475	-5.72	9.52	11.53	-6	12.54	5.49	
Assam	13072	13675	13946	14419	14894	15526	16272	4.33	4.61	1.98	3.39	3.29	4.24	
Manipur	12319	13389	14334	14663	14941	15667	16508	-2.55	8.69	7.06	2.3	1.9	4.86	
Meghalaya	15882	16658	17595	18870	20185	21597	23069	2.35	4.89	5.62	7.25	6.97	7	
Mizoram	18429	18555	18904	18616	19220	19750	20483	6.87	0.68	1.88	-1.52	3.24	2.76	
Nagaland	17409	17319	17269	17008	17129	NA	NA	4.64	-0.52	-0.29	-1.51	0.71	NA	
Sikkim	17065	18159	19332	20777	22277	23684	25257	6.97	6.41	6.46	7.47	7.22	6.32	
Tripura	17752	18554	19825	21524	21706	22493	NA	4.75	4.52	6.85	8.57	0.85	3.63	

Source: Central Statistical Organization (As on 12-04-2010)

7.6 Principal characteristics of Annual Survey of Industries (2001-2006)

Item	Unit	2001-02	2002-03	2003-04	2004-05	2005-06
1. Factories	Nos.	1423	1533	1593	1710	1864
2. Fixed Capital	Rs. lakh	361737	596543	670965	702998	752036
3. Working Capital	-do-	81710	137282	195235	204272	267665
4. Invested Capital	-do-	505381	790402	934228	1022608	1090977
5. Total Employees	Nos.	111030	111058	115082	119548	128662
6. Value of Output	Rs. lakh	802278	1204070	1634167	2205002	2560914
7. Net Fixed Capital Formation	-do-	NA	1370	62260	18319	NA
8. Net Value Added	-do-	96860	253882	373164	372082	357617
9. Income	-do-	77420	221673	343009	347551	329431
Source: Economic Survey Assam 2008-09						

7.7 Some statistics on Small Scale Industries (SSI) units

Some Statistics on SSI units of Assam:				
Year	No. of SSI units (Nos.)	Production value	Employment (in Nos.)	Investment on Plants and Machinery (Rs. in lakh)
		(Rs. in lakh)		
Up to 31-03-2001	14453	115303	64623	22009
2001-2002	2528	16013.81	11538	4888.95
2002-2003	2246	16379.6	11115	4868.94
2003-2004	2364	18976.9	11795	7198.82
2004-2005	2067	19698.2	9396	7120.18
2005-2006	2082	22940.86	10780	23776.88
2006-2007	2172	25514.67	11852	9282.72
2007-2008	1692	44720.97	10471	26637.42
Total	29604	279548.01	141570	105782.91

Source: Economic Survey Assam 2008-09

7.8 Population Density of Indian States

APPENDIX

STATEWISE POPULATION, SEX RATIO, POPULATION DENSITY, LITERACY RATE AND PERCENTAGE DECADAL GROWTH IN INDIA.

Sl. No.	India, States, Union Territories	Population 2001	Sex Ratio 2001	Population Density per sq. km. 2001	Literacy rate 2001	Percentage decadal growth	
						1981-1991	1991-2001
1	2	3	4	5	6	7	8
	India	1028737436	933	325	64.8	23.87	21.54
1.	Jammu & Kashmir	10143700	892	100	55.5	30.89	29.43
2.	Himachal Pradesh	6077900	968	109	76.5	20.79	17.54
3.	Panjab	24358999	876	484	69.7	20.81	20.10
4.	Chandigarh	900635	777	7900	81.9	42.16	40.28
5.	Uttaranchal	8489349	962	159	71.6	23.13	20.41
6.	Haryana	21144564	861	478	67.9	27.41	28.43
7.	Delhi	13850507	821	9340	81.7	51.45	47.02
8.	Rajasthan	56507188	921	165	60.4	28.44	28.41
9.	Uttar Pradesh	166197921	898	690	56.3	25.61	25.85
10.	Bihar	82998509	919	881	47.0	23.38	28.62
11.	Sikkim	540851	875	76	68.8	28.47	33.06
12.	Arunachal Pradesh	1097968	893	13	54.3	36.83	27.00
13.	Nagaland	1990036	900	120	66.6	56.08	64.53
14.	Manipur	2293896	978	103	70.5	29.29	24.86
15.	Mizoram	888573	935	42	88.8	39.70	28.82
16.	Tripura	3199203	948	305	73.2	34.30	16.03
17.	Meghalaya	2318822	972	103	62.6	32.86	30.65
18.	Assam	26655528	935	340	63.3	24.24	18.92
19.	West Bengal	80176197	934	903	68.6	24.73	17.77
20.	Jharkhand	26945829	941	338	53.6	24.03	23.36
21.	Orissa	36804660	972	236	63.1	20.06	16.25
22.	Chhatisgarh	20833803	989	154	64.7	25.73	18.27
23.	Madhya Pradesh	60348023	919	196	63.7	27.24	24.25
24.	Gujarat	50671017	920	258	69.1	21.19	22.66
25.	Daman & Diu	158204	710	1413	78.2	28.62	55.73
26.	Dadra & Nagar Haveli	220490	812	449	57.6	33.57	59.22
27.	Maharastra	96878627	922	315	76.9	25.73	22.73
28.	Andhra Pradesh	76210007	978	277	60.5	24.20	14.59
29.	Karnataka	52850562	965	276	66.6	21.12	17.51
30.	Goa	1347668	961	364	82.0	16.08	15.21
31.	Lakshadweep	60650	948	1895	86.7	28.47	17.30
32.	Kerela	31841374	1058	819	90.9	14.32	9.43
33.	Tamil Nadu	62405679	987	480	73.5	15.39	11.72
34.	Pondicherry	974345	1001	2030	81.2	33.64	20.62
35.	Andaman & Nicobar Islands	356152	846	43	81.3	48.70	26.90

Source : Census of India, 2001.

7.9 State-wise Human Development Index (HDI) by India HDR 2008

Rank	State	HDI (2005 data)	HDI (1991 data)	HDI (1981 data)
1	Kerala	0.814	0.591	0.5
2	Mizoram	0.79	0.548	0.411
3	Goa	0.779	0.575	0.445
4	Nagaland	0.77	0.486	0.328
5	Manipur	0.707	0.536	0.461
6	Maharashtra	0.689	0.452	0.363
7	Sikkim	0.684	0.425	0.342
8	Himachal Pradesh	0.681	0.469	0.398
9	Punjab	0.679	0.475	0.411
10	Tamil Nadu	0.675	0.466	0.343
11	Haryana	0.644	0.443	0.36
12	Uttarakhand	0.628	0.314	0.255
13	West Bengal	0.625	0.404	0.305
14	Gujarat	0.621	0.431	0.36
15	Arunachal Pradesh	0.617	0.328	0.242
–	<i>All India</i>	<i>0.612</i>	<i>0.381</i>	<i>0.302</i>
16	Tripura	0.608	0.389	0.287
17	Jammu and Kashmir	0.601	0.402	0.337
18	Karnataka	0.6	0.412	0.346
19	Meghalaya	0.585	0.365	0.317
20	Andhra Pradesh	0.572	0.377	0.298
21	Rajasthan	0.537	0.347	0.256
22	Assam	0.534	0.348	0.272
23	Chhattisgarh	0.516	0.328	0.245
24	Jharkhand	0.513	0.308	0.237
Low human development				
25	Uttar Pradesh	0.49	0.314	0.255
26	Madhya Pradesh	0.488	0.328	0.245
27	Orissa	0.452	0.345	0.267
28	Bihar	0.449	0.308	0.237

Source: Meghalaya Human Development Report 2008

7.10 Ranking of States according to Infrastructure Index 2005

States Grouped According to Selected Indicators

Human Development Index	Infrastructure Index
High Goa, Kerala, Maharashtra, Mizoram	High Goa, Maharashtra, Punjab
High Middle Gujarat, Manipur, Nagaland, Punjab, Sikkim, Tamil Nadu	High Middle Gujarat, Haryana, Kerala, Tamil Nadu
Middle Andhra Pradesh, Arunachal Pradesh, Haryana, Himachal Pradesh, Meghalaya, Karnataka, Tripura, West Bengal, Uttaranchal	Middle Andhra Pradesh, Karnataka
Lower Middle Assam, Chhattisgarh, J &K, Jharkhand, Rajasthan	Lower Middle Himachal Pradesh, Madhya Pradesh, Orissa, U.P., Uttaranchal, West Bengal
Low Bihar, Madhya Pradesh, Orissa, Uttar Pradesh	Low Arunachal Pradesh, Manipur, Meghalaya, Jharkhand, Mizoram, Nagaland, Assam, Chhattisgarh, Sikkim, Tripura, J&K, Bihar, Rajasthan

Source: UNDP for HDI and IDFC for Index of Infrastructure

7.11 State wise production of Crude Oil & Natural Gas (2005-2010)

Table-10. Production of Crude Oil and Natural Gas

Item	2005-06	2006-07	2007-08	2008-09	2009-10*
1	2	3	4	5	6
1. Crude Oil Production ++ ('000' Tonnes)					
(a) Onshore:					
Gujarat	6251	6212	6177	5944	5961
Assam/Nagaland	4474	4400	4357	4673.4	4740
Arunachal Pradesh	104	109	102	102.4	131
Tamil Nadu	385	353	298	265	238
Andhra Pradesh@	216	252	279	289	304
Rajasthan	-	-	-	-	447
Total (a)	11430	11326	11213	11274	11821
of which					
AOC	@				
OIL	3234	3107	3100	3468	3572
ONGC	8095	8058	7921	7563	7515
JVC/Private	101	161	192	243	734
(b) Offshore:					
ONGC	16309	17993	18020	17801	17341
JVC/Private	4451	4669	4885	4431	4529
Total (b)	20760	22662	22905	22232	21870
Grand Total (a+b)	32190	33988	34118	33506	33691
2. Natural Gas Production					
(Million Cubic Metres)					
(a) Onshore:					
Gujarat	3831	3294	2931	2605	2444
Assam/Nagaland	2408	2526	2598	2573	2704
Arunachal Pradesh	48	35	30	30	40
Tripura	480	520	534	553	562
Tamil Nadu	906	1130	1169	1242	1178
Andhra Pradesh	1663	1525	1567	1524	1479
Rajasthan	242	242	255	216	239
West Bengal\$(CBM)	-	-	15	20	38
Total (a)	9578	9272	9099	8763	8684
of which					
AOC	@				
OIL	2270	2265	2340	2268	2416
ONGC	5751	5876	5877	5753	5633
JVC/Private	1557	1131	882	742	635
(b) Offshore:					
ONGC (Mumbai High)	16823	16567	16457	16738	17476
JVC/Private	5801	5908	6861	7348	21350
Total (b)	22624	22475	23318	24086	38826
Grand Total (a+b)	32202	31747	32417	32849	47510

Notes: *: Provisional ++: Includes condensates
 @: Includes Andhra Pradesh \$: Coal Bed Methane Production

Source: Ministry of Petroleum & Natural Gas, Govt. of India (2009-2010)

7.12 Sanctions & Disbursements under RIDF (Rural Infrastructure Development Fund)

(As on December 31, 2009) (Rs crore)

Region	Sanctions	Disbursements	Disbursements as per cent of sanction
South	27,068.41	17,417.90	64.35
West	14,354.92	10,042.81	69.96
North	27,997.49	18,513.68	66.13
Central	8,956.38	5,607.56	62.61
East	16,901.57	8,825.99	52.22
North-eastern Region & Sikkim	4,375.76	2,415.68	55.21
Total	99,654.53	62,823.62	63.04
Bharat Nirman	16,500.00	14,080.70	85.34
Grand Total	1,16,154.53	76,904.32	66.21

Source : NABARD (National Bank for Agriculture and Rural Development).

7.13: Per Capita Income (at constant 1980-81 prices)

Year	1950-51	1960-61	1970-71	1980-81	1990-91	1995-96	1996-97	1998-99
India	1127	1350	1520	1630	2222	2608	2761	3132
Assam	1173	1140	1221	1284	1524	1606	1628	1708
Difference	46(+)	210(-)	299(-)	346(-)	698(-)	1002(-)	1133(-)	1424(-)
Assam/India	1.04	0.84	0.80	0.79	0.69	0.62	0.59	0.55

Source: Government of Assam Vision Assam 2025

7.14 Infrastructure Index & States Ranking

Infrastructure index and States Ranking		
States	Index Value	Rank
Nagaland	0.39	1
Tripura	0.37	2
Manipur	0.35	3
Mizoram	0.33	4
Assam	0.30	5
Meghalaya	0.23	6
Arunachal Pradesh	0.22	7

Source : Human Development Report, Govt. of Meghalaya, 2008

7.15 Militancy in NER states during 2003-2004

(number)

State	Year	Incidents	Extremists Killed	Extremists Arrested	Security Forces Killed	Arms Recovered	Arms Surrendered	Extremists Surrendered	Civilians Killed
Arunachal Pradesh	2003	50	31	32	1	34	-	18	7
	2004	41	35	16	2	12	4	23	6
Assam	2003	358	207	215	12	186	609	2,958	182
	2004	267	104	161	17	121	188	742	194
Manipur	2003	243	128	232	27	29	3	5	50
	2004	320	112	370	38	66	-	5	62
Meghalaya	2003	85	37	103	7	53	4	20	35
	2004	47	22	33	8	23	19	95	17
Mizoram	2003	3	-	-	1	-	-	1	-
	2004	3	3	6	1	10	4	32	-
Nagaland	2003	199	70	90	3	64	15	29	13
	2004	186	55	68	-	31	-	22	42
Tripura	2003	394	50	336	39	76	122	268	207
	2004	212	51	192	46	53	86	365	67

Source: indiastat.com

7.16 Planned Expenditure (actual in Rupees)

S No	Plan Period	Centre Plan	All State Plans	Assam Plan	Assam/All State (%)
1.	First plan (1951-56)	706	1245	28	2.25
2.	Second plan (1956-61)	2535	2115	63	2.99
3.	Third plan (1961-66)	4212	4227	132	3.13
4.	Annual plan (1966-69)	3401	3118	87	2.79
5.	Fourth plan (1969-74)	7826	7675	198	2.59
6.	Fifth plan (1974-79)	18755	20015	429	2.14
7.	Annual plan (1979-80)	5695	6291	160.7	2.54
8.	Sixth plan (198-85)	57825	49458	1280	2.59
9.	Seventh plan (1985-90)	127520	87492	2490	2.85
10.	Annual plan (1990-92)	72101	48856	1396	2.86
11.	Eighth plan (1992-97)*	328906	188449	4987	3.86

* Eighth plan expenditure is based on 1992-93 (actuals), 1993-94 (actuals), 1994-95 RE, 1995-96 RE and 1996-97 BE

Source: Economic Survey and Annual Plans of different years; Planning Commission.

7.17 Ease of Doing Business in Indian Cities

Table 2.3 : Doing business in India - Comparison among major cities/capitals

Sl. No.	Places in India	Ease of doing business (rank)	How many days to start a business (days)	Days to enforce a contract (days)	Time to close a business (years)	Days to export
1	Ludhiana	1	33	862	7.3	21
2	Hyderabad	2	33	770	7	26
3	Bhubaneshwar	3	37	735	7.5	17
4	Gurgaon	4	33	1,163	7	25
5	Ahmedabad	5	35	1,295	6.8	17
6	New Delhi	6	32	900	7	25
7	Jaipur	7	31	1,033	9.1	22
8	Guwahati	8	38	600	8.3	22
9	Ranchi	9	38	985	8.5	21
10	Mumbai	10	30	1,420	7	17
11	Indore	11	32	990	8	21
12	Noida	12	30	970	8.7	25
13	Bengaluru	13	40	1,058	7.3	25
14	Patna	14	37	792	9.3	19
15	Chennai	15	34	877	7.5	25
16	Kochi	16	41	705	7.5	28
17	Kolkata	17	36	1,183	10.8	20

Source : World Bank, Doing Business in India 2009.

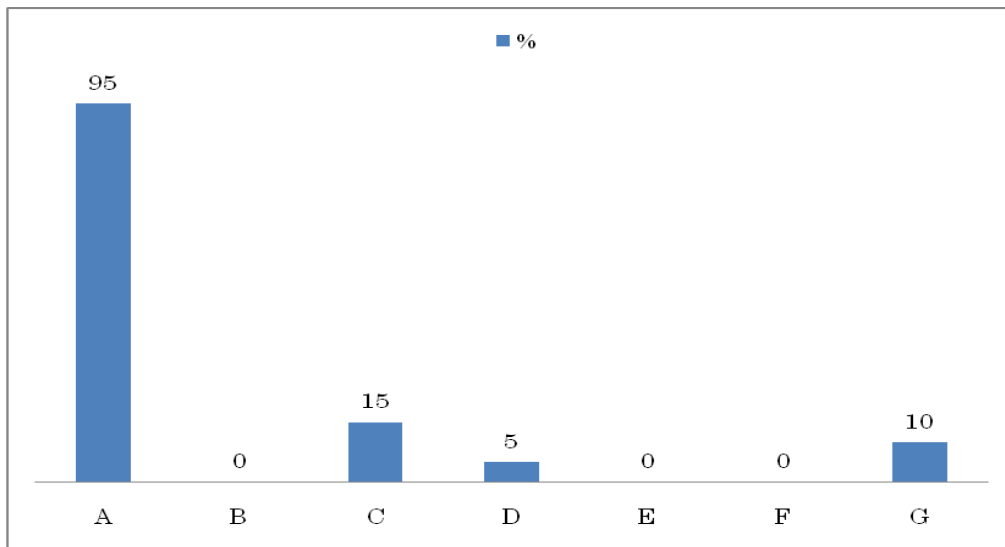
7.18 Trend Growth Rates of GSDP at constant prices (1999-00)

Sl. No.	States	1993-94 to 1999-00	2000-01 to 2005-06	1993-94 to 2005-06
1	Andhra Pradesh	5.29	6.54	5.90
2	Assam	1.95	6.99	4.29
3	Bihar*	4.70	5.95	4.74
4	Gujarat	7.66	10.25	6.27
5	Haryana	5.74	8.31	7.12
6	Karnataka	7.96	5.87	6.62
7	Kerala	5.15	6.84	5.72
8	Madhya Pradesh*	5.33	5.80	4.23
9	Maharashtra	6.21	7.16	5.89
10	Orissa	4.12	8.30	4.84
11	Punjab	4.87	3.80	4.11
12	Rajasthan	8.25	5.39	5.37
13	Tamil Nadu	6.25	5.26	5.11
14	Uttar Pradesh*	4.46	4.56	4.04
15	West Bengal	7.19	6.06	6.32
	15 States	5.86	6.36	5.40

Source (Basic Data): Central Statistical Organization.

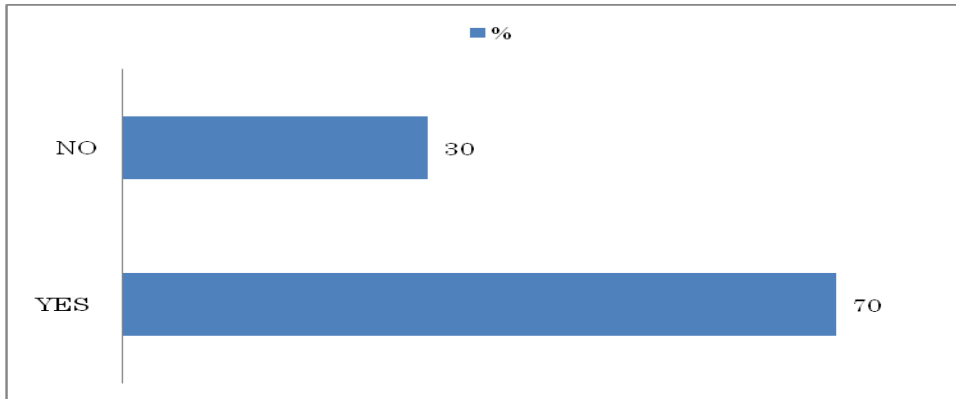
Note: * Data relates to combined states.

7.19 Question 1. Why has your company chosen the North-East Region?

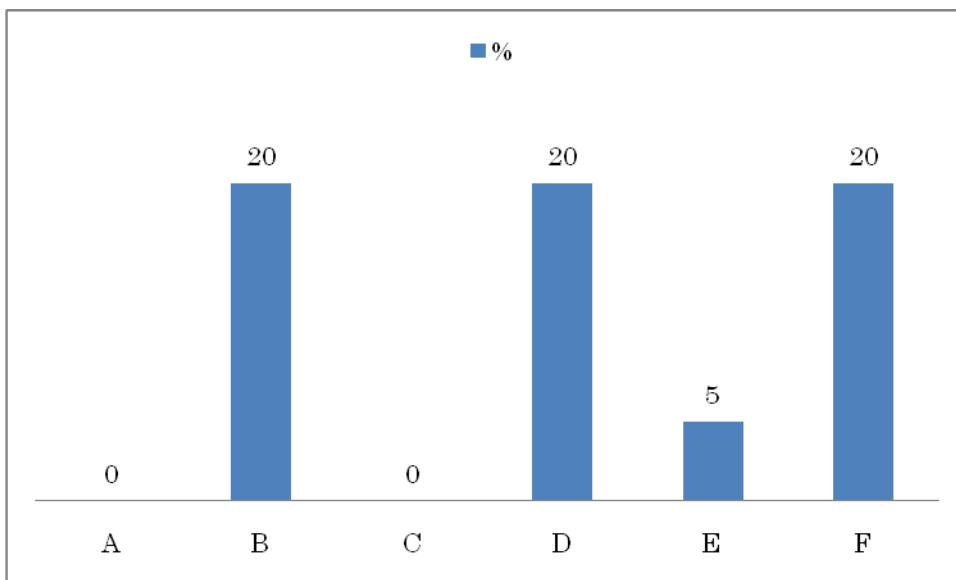


- A. Emerging Market
- B. High Literacy rates in the region
- C. Huge profits expected after the Government's subsidies
- D. Rise of peace in the region
- E. Lack of similar initiations from Central Govt.
- F. As part of your companies' goodwill / image building
- G. If any other, please specify

Question 2 (a). Has the Central Government been helpful towards allowing your set-up?



Question 2(b). If yes, how have they been helpful?



A. Reducing setting up costs

B. Reducing operating costs

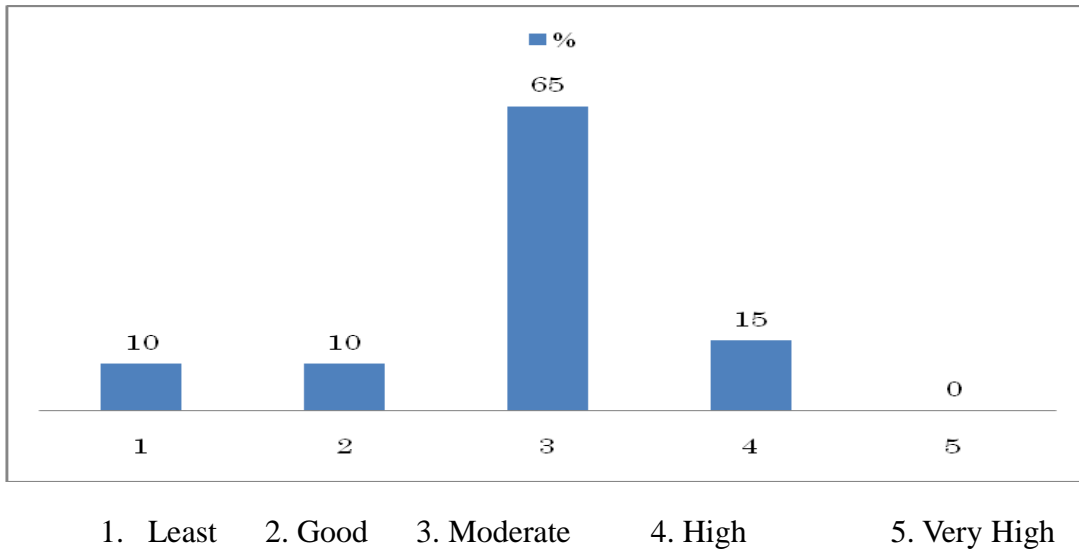
C. Financial protection against loss/non-operation

D. Easing regulations

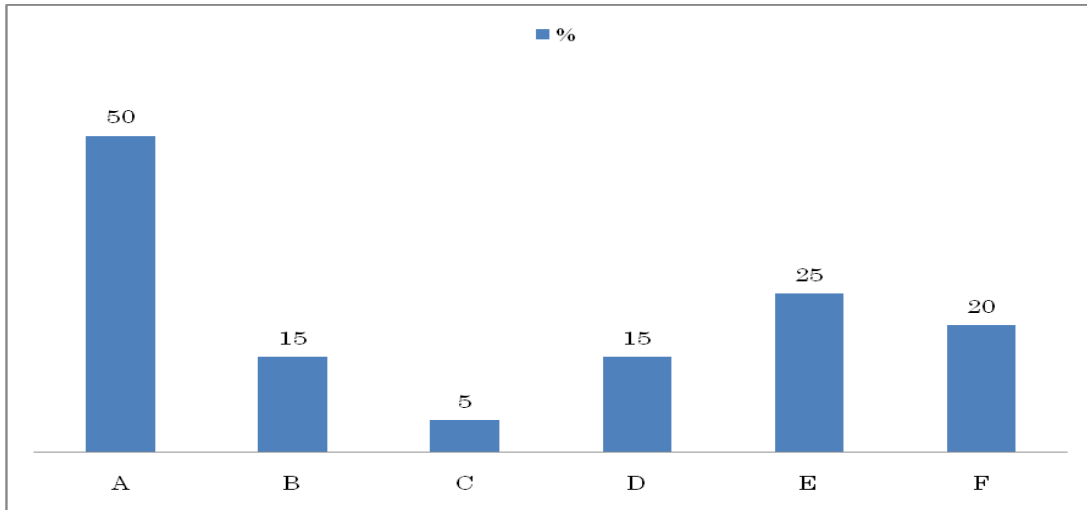
E. Providing necessary human resource

F. If other

Question 3. The rent-seeking activities in the N.E region in comparison to the rest of the Nation



Question 4 What kind of challenges did you face in this region during the initial set up?



A. Lack of basic. Infrastructure, like roads etc

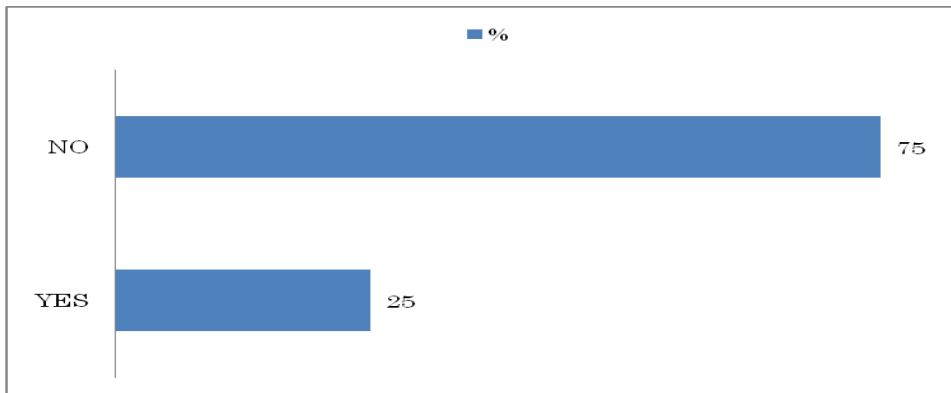
B. Lack of good communication with the rest of the nation

C. High instances of rent-seeking in the local governments

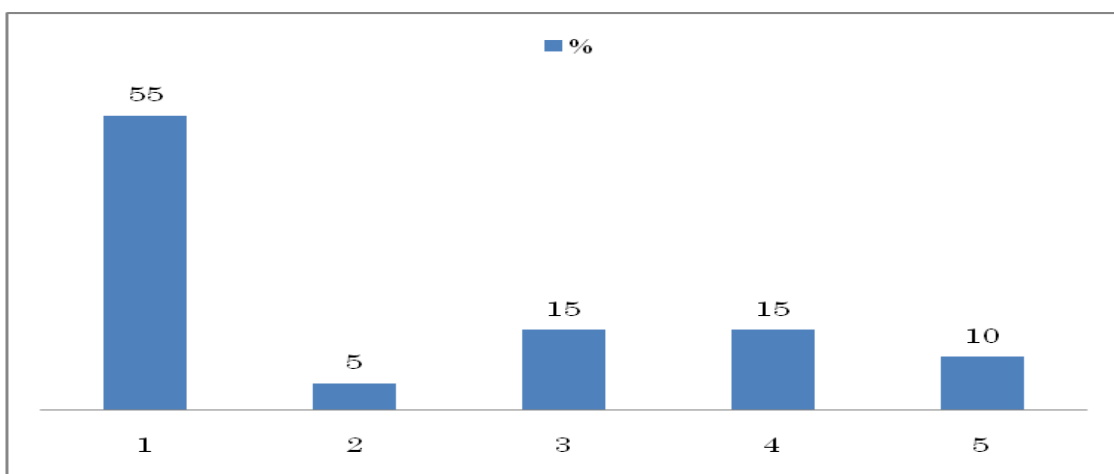
D. Low predictability of services E. High demands from insurgent groups

F. If any other,

Question 5. Did you face any threats from the insurgent groups during the launch and marketing of your product?

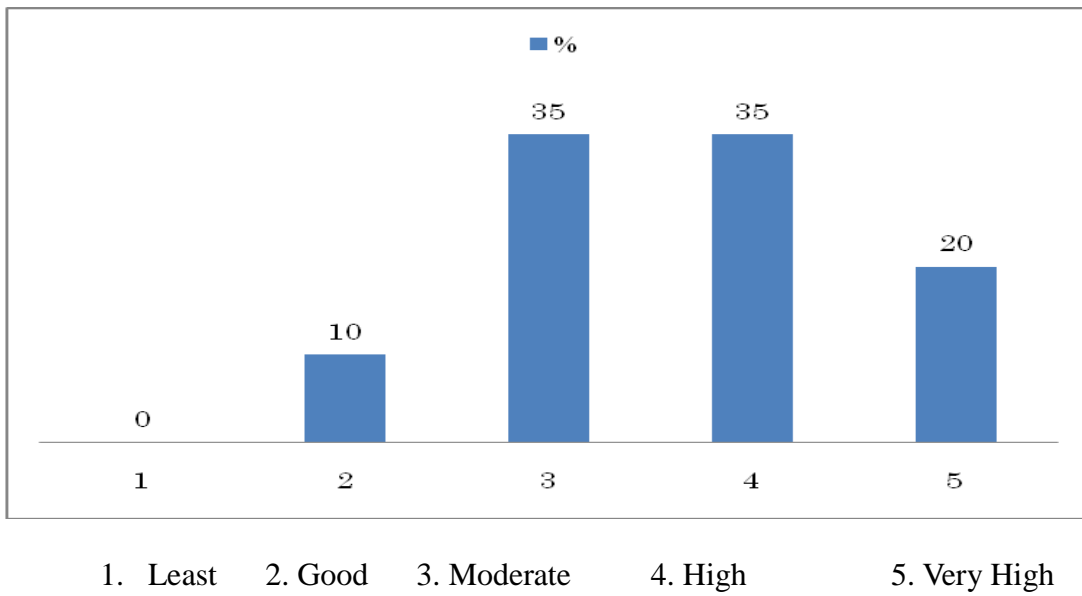


Question 6. The involvement of insurgent groups in the company's usual operations

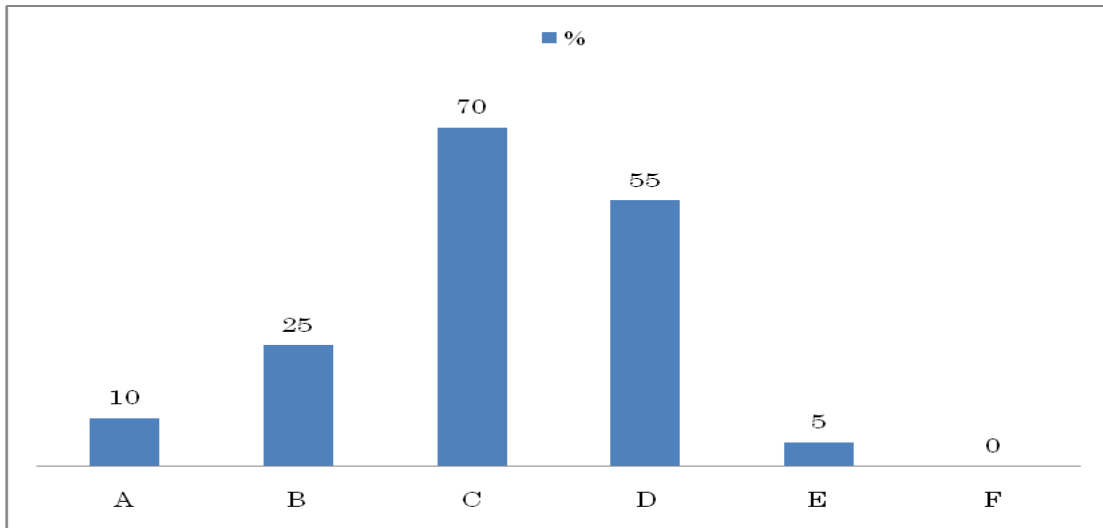


1. Least 2. Good 3. Moderate 4. High 5. Very High

Question 7. The problems that you faced in N.E region in comparison to those faced in the rest of the nation.



Question 8. Which of the following has been the greatest contribution(s) by your company towards this region?



- A. Urban infrastructure development B. Rural infrastructure development
- C. Employment D. Improving communications in the region and with rest of the nation
- E. Technology sharing F. If other , please specify

8. LIST OF ABBREVIATIONS AND SYMBOLS

ASEAN – Association of South East Asian Nations

BJP – Bharatiya Janata Party

CII – Confederation of Indian Industries

DoNER – Department of North Eastern Region

GSDP – Gross State Domestic Product

GNLF – Gorkha National Liberation Front

LTTE – Liberation Tigers of the Tamil Elam

NSCN – National Socialist Council of Nagaland

NEDFi – North Eastern Development Finance Institute

NDFB – National Democratic Front of Bodoland

NABARD – National Bank for Agriculture and Rural Development

ONGC – Oil & Natural Gas Commission of India

PLA – People’s Liberation Army

IMF – International Monetary Fund

RIDF – Rural Infrastructure Development Fund

ULFA – United Liberation Front of Assam

UNLF – United National Liberation Front

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