

A Winning Strategy for India's North-East

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For most Indians, the North East (NE) has remained largely on the fringes of nationhood as well as on the periphery of the country's geography. This is partly because India has ignored the region politically and economically for a long time, and partly because the complex social and cultural dynamics have made it difficult to integrate the region with the rest of the country. However, India can never achieve sustained high economic growth or become a powerful integrated nation if it continues to think of developing NE as a rural infrastructure project. It is a region of seven states – Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura – that has four international borders – China, Myanmar, Bangladesh and Bhutan – and accounts for a major source of hydrocarbons (oil and gas), coal, limestone, tea, bamboo and other resources. A big, bold, tangible, all-encompassing strategy is suggested in this article to kick-start an economic revolution in the NE, using domestic businesses and partnerships neighbouring South East Asian countries. The paper uses the model of the Delhi Mumbai Industrial Corridor (DMIC), a \$90 billion effort funded jointly by Government of India and Government of Japan to make western India into an economic powerhouse. Part 1 of this paper examines the political and economic landscape of the region and explains how diplomacy, policing and development brought peace to Assam and to NE at large. Part 2 proposes a major new economic plan for the future, with Thailand as partner.

PART 1: THE WINNING STRATEGY FOR PEACE – DIPLOMACY, POLICING AND DEVELOPMENT

ONSET OF PEACE

On February 5, 2011, a 30-year-old insurgency inched towards a close in Assam, the largest state in the NE. The United Liberation Front of Asom (ULFA) announced its willingness to hold “unconditional talks” with the

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Government of India, “respecting the wishes of the people of Assam”.¹ On the face of it, the ULFA statement is correct in acknowledging the larger public sentiment. But support for the outfit’s goal for a sovereign state had been waning, and the outrage at the continued violence, such as the bombing that killed 16 children in a school in Dhemaji, Assam in 2004 showed, how much people wanted peace. So, for ULFA, a legacy of peace was the best remaining choice.

But peace has not come only because ULFA laid down arms and agreed to negotiate. Instead, it is a direct outcome of a winning combination of India’s diplomacy with Bhutan and Bangladesh, the grassroot empowerment and development of communities in the North East, and state intelligence and policing efforts – an old form of statecraft that has been revived with some success.

A COMPLEX LANDSCAPE

It hasn’t been easy. The NE represents India’s most complex affair, leading to difficulty in policy planning and execution. This multi-lingual, multi-religious society (Hindu-Muslim Assam and Tripura, Hindu-Buddhist Arunachal, and Christian Mizoram, Meghalaya and Manipur), with 84% of its population rural, resides in a region that is difficult to understand even as a single entity, let alone create a cohesive policy.²

The region is home to more than 200 of the 635 tribal communities.³ The tribes live in the hill states of Mizoram, Nagaland, Meghalaya and Arunachal Pradesh, making up 25% of the region’s total population of 45 million⁴ and up to 95% of the population in some states such as Mizoram.⁵ Unlike the tribal communities of Madhya Pradesh or Maharashtra, the communities of the NE were never really absorbed by the Indian state identity. The 73rd and 74th Amendment, which introduce Panchayats and Municipalities (local development institutions) do not apply to Nagaland, and parts of Assam, Manipur, Mizoram and Meghalaya. These areas have alternate administrative systems under the Articles of the Sixth Schedule of the Constitution that authorises the creation of Autonomous Councils

1 PTI, . “Ulfa leaders meet Chidambaram for Assam peace talks.” Asian Age 10 Feb 2011: n. pag. Web. 14 Apr 2011. <http://www.asianage.com/india/ulfa-leaders-meet-chidambaram-assam-peace-talks-754>

2 NEC, Government of India. North East Vision 2020. , 2008. Web. 14 Apr 2011

3 NEC, Government of India. North East Vision 2020. , 2008. Web. 14 Apr 2011

4 Government of India., Provisional Population Totals : Census 2011. , 2011. Web. 14 Apr 2011. http://censusindia.gov.in/2011-prov-results/prov_results_index.html>

5 NEC, Government of India. North East Vision 2020. , 2008. Web. 14 Apr 2011

with powers similar to traditional Panchayats (or more) to govern local communities. The Bodoland Territorial Council (BTC) for the Bodo tribe in Assam and Khasi Hills Autonomous District Council (KHADC) for the Khasi tribe in Meghalaya are two such examples.

STRATEGIC IMPORTANCE OF THE REGION

Given its geo-strategic positioning, the North East may well be India's weakest link. It has all the elements – rich in natural resources, contiguous with troublesome neighbours, a neglected population, weak economy, and partial socio-cultural integration with rest of India.

There is also a history of foreign interest in the region. Myanmar ruled a large part of the region before losing it to the British in 1826 with the Treaty of Yandabo. Bangladeshi freedom fighters always had an eye on the economic potential of Assam.⁶ Chinese interest in the region was laid bare by the 1962 Chinese aggression into Arunachal Pradesh – and it has still not given up its claims over parts of the state.

Assam, the largest and most populous state, has been the gateway and the glue for the NE. In 1912, Assam (and other NE states) was one of the eight provinces from which the British ruled in India. The Chief Commissioner of Assam– the equivalent of the Governor General–administered from Shillong. But the administration was never replicated in other parts of the region. Even today, Guwahati High Court still serves as the top judicial court for the region and has one and only, albeit underutilised, international airport for the region. It is the largest economy contributing 60% of the region's Gross State Domestic Product (GSDP), the most industrialised with 88% of all industries present⁷, and holds crucial natural resources for India, such as 15% of crude oil output and 50% of total onshore production of natural gas.

A TROUBLED PAST

Partition and the creation of Bangladesh added a punishing transport cost to the North East's connection with the rest of India, making it impossible to take advantage of the historic British-built Chittagong-Dibrugarh Rail and leaving Assam isolated.⁸

6 Government of India. Assam State Development Report. , 2002. Web. 14 Apr 2011. http://planningcommission.nic.in/plans/stateplan/index.php?state=sp_sdrassam.htm

7 NEC, .Government of India. North East Vision 2020. , 2008. Web. 14 Apr 2011

8 NEC, Government of India. North East Vision 2020. , 2008. Web. 14 Apr 2011

The lack of interest by the central government further frustrated the people resulting in growing dissatisfaction and rise in agitation. Dozens of interlinked domestic insurgent groups sprang up in the NE, which for decades haunted the region.

In particular, the rebellion against continued migration into Assam from Bangladesh after the 1971 war gave birth to the Assam Movement in early 1980s led by the All Assam Students Union (AASU). The movement saw the killing of 2,000 migrants and ended with the Assam Accord in 1985. However, some dissidents continued to believe that armed struggle was the only way to make New Delhi pay attention. Hence, the reactionary ULFA, created in 1979, took over the movement. Since then, the state has seen eras of peace and waves of insurgency, marked by failed peace talks and numerous deaths. The political leadership is much to blame. The Congress Party was loathe losing the Muslim vote bloc it came to depend on, and the Bharatiya Janata Party (BJP) with a weak presence in the region was too wary of being stigmatized as anti-Muslim to take the lead for change.

In the 1990s and early 2000s, ULFA was a difficult outfit to negotiate with; it rarely kept its side of the bargain. For instance, in 1991 it took Oil and Natural Gas Corporation (ONGC) and Coal India workers hostage, and killed 3 hostages even after the government had agreed to its demands.⁹ The insurgent groups found safe haven in neighbouring Bhutan, Bangladesh and Nepal, and with tacit support from Pakistan's Inter-Services Intelligence (ISI), ULFA operations in Assam made it difficult to uproot the insurgency.¹⁰

The bloodiest years of the insurgency came in 2007-09. The serial bomb blasts in 2008 by the National Democratic Front of Bodoland (NDFB), which targeted civilians through coordinated bomb attacks across multiple cities, marked the transition of conflict in the region from insurgency to terrorism. It showed that the rebels had lost their mandate and resorted to terror. Civil society was frightened, and development stalled as everyone feared working in remote areas. Terrorist camps appeared along the border with Bhutan and Bangladesh.

9 Prakash, Ved. *Encyclopedia of the North East*. 2. 624. Print.

10 "Statement Laid on The Table of The House of Assam Legislative Assembly." South Asian Terrorism Portal. Government of Assam, 06 04 2000. Web. 23 Jun 2011. http://www.satp.org/satporgtp/countries/india/states/assam/documents/papers/isi_activities.htm

THE TURNAROUND

But the successful triumvirate of diplomacy, policing and development has created a renewed hope for sustained peace and a fresh environment for economic opportunity in Assam and the NE region at large.

According to an estimate from New Delhi's Institute for Peace and Conflict Studies (IPCS), there were approximately 30 insurgent camps in Bhutan; mostly ULFA and NDFB camps sheltering some 3,000 militants. The Indian government had been requesting Bhutan for action since the late 1990s. However, with a small 6,000-man army and reluctance to get into armed operations, the Bhutanese leadership was unwilling to act. Then in 2003, India's Foreign Secretary Kanwal Sibal, National Security Advisor Brajesh Mishra and Chief of Army Staff General N. C. Vij visited Thimphu to pressurize Bhutan to take action.¹¹ The killing of civilians in Bhutan in 2000 by resident anti-India insurgents was also proof enough that they were as much a risk to Bhutan's internal security as they were to India.¹² Bhutan finally launched 'Operation All Clear' in 2003, deploying the Royal Bhutanese Army to clear out insurgent camps with logistical support from the Indian Army. The operation destroyed all 30 camps, killing and arresting almost 650 insurgents.¹³ The region has since remained sealed to insurgency and Bhutan has proved a reliable partner against terrorism, dismantling insurgent camps and sharing intelligence.

In Bangladesh, for years, former Prime Minister Khaleda Zia turned a blind eye to the over 200 anti-India insurgent camps and suspicious madrassas along its border. The insurgent leaders were deeply embedded in Bangladeshi civil society with some holding considerable business interests from hotels to departmental stores.¹⁴ But recently elected Prime Minister Sheikh Hasina Wazed adopted a different approach, taking the lead in arresting and handing over insurgents such as Arabinda Rajkhowa, chairman of ULFA in December 2009¹⁵, and Ranjan Daimary, chairman of the NDFB, in May 2010.¹⁶ In fact, Bangladeshi forces have launched

11 Mazumdar, Arijit. "Bhutan's Military Action against Indian Insurgents." *Asian Survey* 45.4 (2005): 579. Web. 3 Jun 2011. <http://www.jstor.org/stable/10.1525/as.2005.45.4.566>

12 Ibid.

13 Ibid, p 576

14 "United Liberation Front of Asom." South Asia Terrorism Portal. South Asia Terrorism Portal, n.d. Web.

27 Jun 2011. http://www.satp.org/satporgtp/countries/india/states/assam/terrorist_outfits/ulfa.htm

15 PTI, . "ULFA Chairman Rajkhowa held in Bangladesh, flown to Delhi." *Hindustan Times* 09 Dec 2009: n. pag. Web. 14 Apr 2011. <http://www.hindustantimes.com/ULFA-Chairman-Rajkhowa-held-in-Bangladesh-flown-to-Delhi/Article1-482481.aspx>

16 PTI, "Bangladesh hands over NDFB chief Ranjan Daimary to BSF." *Times of India* 01 May 2010: n. pag. Web. 14 Apr 2011. http://articles.timesofindia.indiatimes.com/2010-05-01/india/28287637_1_d-r-nabla-ndfb-anti-talks-faction

operations against insurgent camps as recently as December 2010 when they attacked the headquarters of ULFA's 109 Battalion.¹⁷ Perhaps the imploding security environment of Pakistan served as a reminder to the Bangladeshi government that the key to growth will be internal security and better bilateral relations with India.

India's relations with Myanmar are back at centre-stage with the state visit of Senior General Than Shwe to India in July 2010 and upcoming visit of President Sein to India in 2011. Caught between Myanmar's warming relations with China and the West's growing disgust with military junta, India has had to tread carefully to pursue its own interests. Northern Myanmar still remains home to the National Socialist Council of Nagaland (NSCN), the Naga nationalist militant group and remaining factions of ULFA. NSCN's role in Nagaland has diminished, but it remains a breeding ground for Meitei insurgents of Manipur.

Relations between India and Myanmar are warming up. India recently signed the Mutual Legal Assistance Treaty (MLAT) treaty with Myanmar – a framework for “investigation, prosecution, prevention and suppression of crime – including those relating to terrorism”.¹⁸ Security experts such as Jaideep Saikia, Senior Fellow at the Vivekananda International Foundation, suggest that MLAT, coupled with an Operation Golden Bird-style counter insurgency operation (conducted in 1995 in Myanmar against anti-India insurgent camps) can prove to be the much-needed final blow to the camps.¹⁹

India knows that supplying arms to Myanmar, at least openly, cannot continue especially as the pressure from pro-democracy activists and Western powers grows to disassociate with the military junta.²⁰ With the uprising of the Kachin rebels in northern Myanmar in early 2011 in protest against the plans for Chinese-made dams, there is renewed concern that the rebellion may spread to Nagaland. This, then, is an opportunity for

17 Saikia, Jaideep. “NE Insurgent Groups and the Strategic Encirclement.” Vivekananda International Foundation (2011): n. pag. Web. 15 Apr 2011. <http://www.vifindia.org/article/2011/january/11/NE-Insurgent-Groups-and-the-Strategic-Encirclement>

18 TNN, . “India, Myanmar to sign legal aid agreement.” Times of India 25 Dec 2010: n. pag. Web. 21 Apr 2011. http://articles.timesofindia.indiatimes.com/2010-12-25/india/28227859_1_indo-myanmar-myanmarese-insurgent-groups

19 Saikia, Jaideep. “NE Insurgent Groups and the Strategic Encirclement.” Vivekananda International Foundation (2011): n. pag. Web. 21 Apr 2011. <http://www.vifindia.org/article/2011/january/11/NE-Insurgent-Groups-and-the-Strategic-Encirclement>

20 Azizur, Shaikh. “Influx of weapons frightens dissidents.” Sydney Morning Herald 12 Feb 2007: n. pag. Web. 21 Apr 2011. <http://www.smh.com.au/news/world/influx-of-weapons-frightens-dissidents/2007/02/11/1171128816679.html?page=fullpage>

India to press Myanmar to conduct counter-insurgency operations against the anti-India insurgents. It has already begun, with the visit of India's Chief of Research and Analysis Wing (RAW) S. K. Tripathi to Yangon in April 2011 – an indication that India is serious about asking Myanmar to tackle the North East militants.²¹

POLICING

Within India, the intense counter-insurgency operations by the Assam Police and Indian Army between 2007 and 2009 crippled the cadres operating in the state and forced ULFA's elite 'A' and 'C' battalions to surrender.²² The political leadership of the central and state governments gave the state police and army a free hand without political interference. The police sharpened investigative processes and intelligence-gathering. They efficiently cracked the serial bomb blast in Assam of 2008 within a week and identified the NDFB as culprit, counter to the prevailing view in the mainstream media, which attributed it to international terrorists. The NDFB leadership was arrested by the Central Bureau of Investigation (CBI) in 2010, dealing a fatal blow to the organisation.²³

Similarly, in May 2009, Assam Police arrested Pradeep Terang, Chairman of Karbi Longri North Cachar Hills Liberation Front (KLNLF) insurgent group, bringing a 15-year armed rebellion against Hindi speaking communities in Karbi Anglong district of Assam to an end.²⁴ Hundreds of KLNLF surrendered to the government citing the wish to “resolve conflict politically”.²⁵

Manipur remains the only troubled state in the region. Counter-insurgency operations by the police and army have led to a drop in violence from an average of 375 killings per year from 2004 to 2009 to 134 in 2010.²⁶ The Nagas, Kukis and Meitei form the major insurgent groups in the state. The

21 Anurag, K. “Government tries to engage Myanmar-based ULFA faction in talks.” Rediff 21 Jun 2011: n. pag. Web. 23 Jun 2011. <http://www.rediff.com/news/report/govt-tries-to-talk-to-myanmar-based-ulfa-faction/20110621.htm>

22 Hussain, Wasbir. “The ULFA Mutiny.” Outlook India 03 July 2008: n. pag. Web. 14 Apr 2011. <http://www.outlookindia.com/article.aspx?237821>

23 Anand, Manoj. “Daimary ‘admits’ role in Assam blast.” Asian Age 28 May 2010: n. pag. Web. 14 Apr 2011. <<http://www.asianage.com/india/daimary-%E2%80%98admits%E2%80%99-role-assam-blast-164>>.

24 “KLNLF chief caught in Shillong.” Zee News 14 May 2009: n. pag. Web. 20 Apr 2011. <http://www.zeenews.com/news531840.html>

25 Das, Biswajyoti. “KLNLF rebels surrender in Assam.” Reuters 11 Feb 2010: n. pag. Web. 20 Apr 2011. <http://in.reuters.com/article/2010/02/11/idINIndia-46094620100211>

26 “Manipur Assessment - Year 2011.” South Asian Terrorism Portal. Institute for Conflict Management, n.d. Web. 21 Apr 2011. <http://www.satp.org/satporgtp/countries/india/states/manipur/index.html>

Meitei armed groups such as United National Liberation Front of Manipur (UNLF), People's Liberation Army (PLA), and People's Revolutionary Party of Kangleipak (PREPAK) are the most active insurgent groups. The arrest of Rajkumar Meghen, Chairman of UNLF in November 2010²⁷, is a big win for the forces but has not yet resulted in a comprehensive ceasefire or surrender by the organisation. Separately, the government is in a ceasefire with the different Naga and Kuki groups, but fighting by their breakaway factions continues. For this reason, the government remains reluctant to repeal the Armed Forces Special Powers Act of 1958 (powers to search and arrest without a warrant, or open fire on suspected militants²⁸), much to the dismay of social activists who have been protesting it for decades.²⁹

Overall though, effective intelligence, swift investigative breakthroughs and efficient counter-insurgency operations have boosted security and confidence in the region, and sent an implicit but strong warning to remaining insurgent groups about the will and capability of the uniformed services.

DEVELOPMENT

Slowly but surely, empowerment of local administrations has begun in Assam's remote areas. This has prevented Assam from falling into the resource-curse trap of the African continent, where the most mineral-rich nations export their resources but remain poor. In fact, this was the original complaint of insurgent movements. Two measures, in particular, stand out: one, the gradual but vital empowerment of village Panchayats and local development bodies, and two, the renewed focus by the central government on the NE.

The introduction of the Panchayat system in Assam has been a success. The district and village heads, who were mostly ignored by the state secretariat until two decades ago, now regularly meet with their legislative representatives in Guwahati and their feedback is increasingly being escalated into national Five-Year Plans. These local bodies were key to implementing Ministry of Rural Development programs such as

27 "Manipur Assessment - Year 2011." South Asian Terrorism Portal. Institute of Conflict Management, n.d. Web. 21 Apr 2011. <http://www.satp.org/satporgtp/countries/india/states/manipur/index.html>

28 Government Of India. Armed Forces Special Powers Act 1958. , 1958. Web. 21 Apr 2011. http://www.mha.nic.in/pdfs/armed_forces_special_powers_act1958.pdf

29 PTI, . "Civil rights activist Sharmila's fast enters 10th year, battle against AFSPA." Times of India 2 Nov 2010: n. pag. Web. 21 Apr 2011. http://articles.timesofindia.indiatimes.com/2010-11-02/india/28219343_1_irom-sharmila-chanu-afspa-rickshaw-pullers

employment for 33 million households via the Mahatma Gandhi Rural Employment Guarantee scheme (MNREGA) and the construction of about 232,000 rural homes at a cost of Rs. 554.6 Crores (\$125 million) in 2009-10.³⁰

Also, between the 1990s and early 2001, three prime ministers, H. D. Deve Gowda, I. K. Gujral and Atal Behari Vajpayee, announced packages of Rs. 600 crores (\$135 million), Rs. 700 crores (\$158 million) and Rs. 10,500 crore (\$2.4 billion) respectively, establishing the NE as a priority for the central government.³¹ It is estimated that about Rs 35,000 crore in funds were spent in the NE between 1998-99 to 2005-06 by the central ministries and departments.³² The Ministry of Development of the North Eastern Region (MDONER) set up in 2001 to centralise management of various initiatives alone has spent between Rs. 1000-1500 crores annually.³³

Finally, the central government's initiative to set up an Indian Institute of Technology (IIT) in Guwahati in 1994, Indian Institute of Management (IIM) in Shillong in 2008, Tata Institute of Social Sciences (TISS) in Guwahati in 2011, and the planned inauguration of a National Institute of Design (NID) in Jorhat – though small moves – are worthy illustrations of capacity building that have induced a sense of good will and national integration amongst the people.

One success that has been widely acknowledged in administrative circles, but largely uncelebrated by mainstream media or by activists, is the Communalisation of Public Institutions and Service (NCPIS) Act enacted by Nagaland in 2002. It gives power to the community to administer public services such as education, health and electric power. Former President A P J Abdul Kalam said during a visit to Nagaland in 2002, “Once the whole State is brought under the Communalisation programme, it would be a model for the whole country to follow”.³⁴ The initiative won the United Nations Public Service award in 2008³⁵ and the Prime Minister's

30 Government of India. Annual Report, 2010. Web. 14 Apr 2011. http://rural.nic.in/annualrep0910/annualreport0910_eng.pdf

31 Ahmed, Zarein. “India: Package for the North East.” Institute for Peace and Conflict Studies 338. (2000): n. pag. Web. 14 Apr 2011. <http://www.ipcs.org/article/india/india-package-for-the-north-east-338.html>

32 Government of India. 11th Five Year Plan, 2007. Web. 14 Apr 2011. <http://planningcommission.nic.in/plans/planrel/fiveyr/welcome.html>

33 Allocation of Rs.1019.90 Crores in 2002-03 to Rs.1455 Crores in 2009-10 – MDONER Outcome Budget 2010-11

34 Government of India. Nagaland State Human Development Report, 2004. Web. 21 Apr 2011. http://planningcommission.nic.in/plans/stateplan/sdr_pdf/shdr_Naga04.pdf

35 PTI, . “Nagaland Govt gets UN public service award.” Indian Express 19 May 2008: n. pag. Web. 19 Apr 2011. <http://www.indianexpress.com/news/nagaland-govt-gets-un-public-service-award/311385/>

Award for Excellence in 2006³⁶ for being an innovative legislative attempt to devolve power to village communities.

In many ways, it is proving to be a viable alternative to the Panchayat system. For instance, the National Rural Health Mission (NRHM) Communalisation Cell works directly with all the 1278 Village Health Committees (VHC) to fund and implement health related initiatives.³⁷ The state has also recorded the highest growth rate in Small and Medium Enterprises (SME) fuelling entrepreneurial activity and local employment. It may also turn out to be a better model than the current one that co-opts the elites by establishing Autonomous Councils which are corrupt and inefficient. The recent charge-sheet against 16 politicians and officials in North Cachar Hills Autonomous Council is a case in point. The council is reported to have swindled Rs. 1000 crores (\$225 million) and the money has made its way to the North East's Black Widows militant outfit, financing the very kind of insurgency the government is fighting.³⁸

For Manipur, applying lessons from the success of this Act could be an important step towards development. MDONER's Vision 2020 initiative had also made similar recommendations that Traditional Institutions (TI) such as those governed by tribes must be strengthened. To be fair, peace and somewhat homogenous communities made it easier for such an initiative to work in Nagaland. Mizoram is studying the model as well but it began the process in April 2010 only after the security situation improved.³⁹

Civil society has to be at peace and capable before powers can be devolved to the communities. But even starting the process can catalyse change. Nagaland's administration too has had to work hard to make it a success. Its attempt to replicate this Act now for urban areas with the Nagaland Municipalities Community Participation Bill, 2011 comes nearly a decade after the original bill was ratified.⁴⁰ A study evaluating the model and how it can be replicated in other troubled states, especially Manipur – and perhaps even in troubled nations like Afghanistan and Pakistan – must be

36 Government Of India. Prime Ministers Award for Excellence. , 2006. Web. 19 Apr 2011. <http://indiagovernance.gov.in/initiatives.php>

37 Government of India. PIP. , 2010. Web. 19 Apr 2011. [http://pipnrhm-mohfw.nic.in/index_files/high_focus_ne/nagaland/Nagaland%20SPIP%202011-12%20\(1st%20Draft\).pdf](http://pipnrhm-mohfw.nic.in/index_files/high_focus_ne/nagaland/Nagaland%20SPIP%202011-12%20(1st%20Draft).pdf)

38 TNN, ."Corruption Matters." Times Of India 27 Mar 2011: n. pag. Web. 15 Apr 2011. <http://m.timesofindia.com/PDATOI/articleshow/7796194.cms>

39 "State communization model inspires Mizoram." Hmar In. Morung Express, 9 Apr 2010. Web. 21 Apr 2011. <http://hmar.in/news/state-communization-model-inspires-mizoram>

40 "Nagaland to implement 'communitisation' in urban areas." Sentinel 28 Mar 2011: n. pag. Web. 19 Apr 2011. <http://www.sentinelassam.com/northeast/story.php?sec=2&subsec=9&id=69668&dtP=2011-04-09&p=1>

conducted. Until then, the proposal alone could be a bargaining tool to bring the insurgents on board.

NORMALCY

The quelling of insurgent activity in Assam has boosted the existing peace efforts in Mizoram and Nagaland. The Bru National Liberation Front (BNLF), which had been the most active insurgent group in Mizoram, declared ceasefire on April 26, 2005. Since then Mizoram has remained the most peaceful state in the region. In Nagaland, the ceasefire by National Socialist Council of Nagalim-Khaplang (NSCN-K) in 2001, and ceasefire by National Socialist Council of Nagalim-Isak-Muivah (NSCN-IM) in 1997, was reaffirmed in 2009 when the Naga Reconciliation Forum met in Chiang Mai, Thailand. The New Delhi-based South Asian Terrorism Portal reports that these two groups, amongst 42 others, renewed their vow to cease violence and work towards peace. Violence in Nagaland has dropped sharply from 201 killed in 2008 to 17 in 2009, and what remains is mostly due to inter-factional fighting among left over insurgent groups. If diplomatic relations with Myanmar improves, as discussed above, the remaining factions of ULFA under its leader Paresh Baruah can also be forced to surrender.

A “new normalcy” is now evident in the NE region. It is reflected in the revival of the arts and theatre, and in the enthusiastic hosting of the National Games in Assam in 2007. The incident-free Assembly elections in Assam in 2011 with a 76% voter turnout that even saw surrendered insurgents from KLNLF voting, is a proof that the winning combination of diplomacy, policing and development has worked. Replicating it across the remaining areas can cement peace in a region that has struggled to break away from insurgency for more than three decades.⁴¹

PART 2: THE ROAD AHEAD: A SEVEN SISTERS CORRIDOR

The Congress Party has been re-elected in Assam for the third time, but this win is the most promising: it will inherit, for the first time in three decades, an Assam at relative peace. The February 5, 2011, decision by United Liberation Front of Asom to lay down arms and negotiate for peace is bringing a 30-year old insurgency to an end. This is a historic opportunity

41 “Assam: KLNLF Ultras Vote in Karbi Anglong.” Outlook Magazine 4 Apr 2011: n. pag. Web. 20 Apr 2011. <http://news.outlookindia.com/item.aspx?717620>

for New Delhi to launch a bold peace-time initiative in the north east that will provide an economic, diplomatic and security boost not just to our eastern flank but to India's global ambitions to be a relevant Asian player and a competitive regional alternative to the Chinese juggernaut.

What is needed is a plan beyond the diplomacy of the 'Look East Policy,' a plan that can provide visibility and branding to the potential of region. Specifically, what is needed is a robust regional economic plan which, coupled with new international relationships, can provide a lucrative alternative to the limited trade opportunities that exist today for the NE through the expensive "Chicken's Neck" route to India (slim strip of Bengal that runs between Nepal, Bangladesh and Bhutan).

A BOLD PLAN

One such bold proposal is to build out a Seven Sisters Corridor (SSC). The corridor will connect major cities and border points of the state and provide high-speed road and tech connectivity, land for industrial regions, access to ports, financing for start-up entrepreneurs and small businesses, railway links, and security to enterprises.

There are four direct benefits of such a plan. The corridor would:

- Force the states to work together towards a common tangible measurable goal
- Spur local development through small scale industries and local entrepreneurs
- Showcase the economic potential of NE with a high visibility, branded initiative
- Empower the NE to be India's ambassador to the South East Asian countries

A Seven Sisters Corridor will link all seven NE state capitals and the border points with Bhutan, Bangladesh and Myanmar.

A. The Northern Fork

The existing East-West (EW) National Highway Corridor connecting Porbander (Gujarat) to Silchar (Assam) includes Nalbari (Assam) extended to Daranga (Assam). Beyond Guwahati (Assam), EW can be extended to Nagaon (Assam) from where the NH 37 and NH 52A can connect to

Arunachal Pradesh's capital, Itanagar, and thereon to the planned Trans-Arunachal Highway onto Tawang (Arunachal Pradesh) which is the border point with Bhutan. The planned 'Golden Jubilee Rail Link' between Hashimara (West Bengal) and Phuentsholing (Bhutan) can be included in the SSC. An airport at Itanagar, the capital of Arunachal Pradesh, should be created and connected from the SSC.

B. The Southern Fork

Beyond the East-West corridor that ends at Silchar (Assam), the SSC can be developed to fork out south-west and south-east. The south-west fork can connect Tripura's capital Agartala through NH 44 and thereon to Akhaura (Tripura) which is the 'Ashuganj Port' border point with Bangladesh, and to Sabroom (Tripura) which is the 'Chittagong Port' border point with Bangladesh. Akhaura is already being converted into an Integrated Check Post (ICP). The south-west fork can connect Mizoram's capital Aizawl, and further fork out connecting Zawkhathar (Mizoram) border point with Myanmar in the east and Lawngtlai (Mizoram) where the Kaladan multimodal project begins. The railway line from Agartala (Tripura) to Sabroom (Tripura), which is the 'Chittagong Port' border point with Bangladesh, can also be made part of the SSC.⁴² The Agartala airport should be developed as an international airport and be connected to the SSC.

C. The Eastern Fork

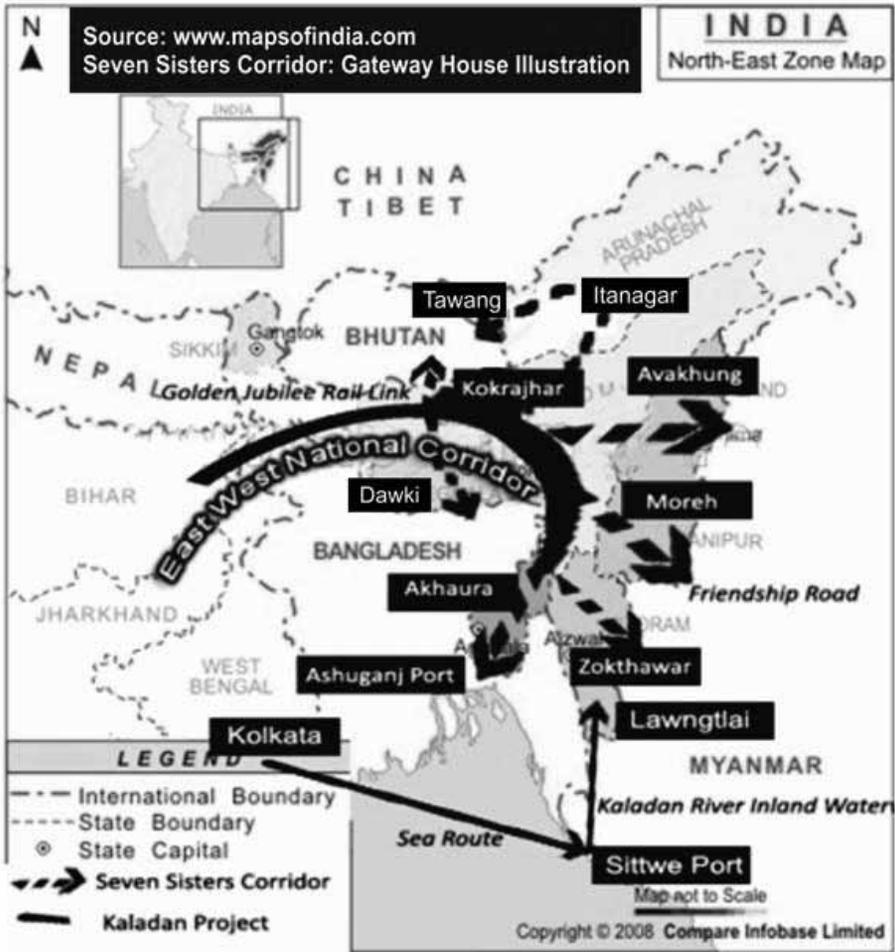
EW Corridor that ends in Silchar (Assam) can be developed to connect to Manipur's capital Imphal and thereon to Moreh (Manipur) which is the 'Friendship Road' border point with Myanmar. Moreh is already being converted into an ICP. Similarly, up north, NH 36 can be developed to connect Nagaland's capital Kohima, and thereon to Avakhung (Nagaland) which is being developed as a border point with Myanmar. An airport at Kohima (Nagaland) should be developed and connected to the SSC.

42 Karim, Rezaul. "Transit: India starts rail, road expansion." Daily Star 21 Dec 2010: n. pag. Web. 28 Jun 2011. <http://www.thedailystar.net/newDesign/news-details.php?nid=166729>

D. The Western Fork

The NH 40 from Guwahati (Assam) can be developed to include Meghalaya’s capital Shillong, and thereon to Dawki (Meghalaya) which is already being developed as an ICP for the Sylhet border point with Bangladesh. An airport should be developed at Shillong (Meghalaya), a popular resort, with accessibility from the SSC. The EW corridor must be extended to include Dhubri (Assam) where two border points with Bangladesh, Mankachar and Golakganj, are being developed by Government of Assam as border points with Bangladesh.

A map of the proposed corridor is provided below:



GUIDING PRINCIPLES

The state capitals need to be connected by high speed road, rail and air network. As like most under-developed regions, the capitals usually are the most, if not only, source of economic activity and human resource talent. The connectivity of the SSC can complement the Ministry for Development of the North Eastern Region (MDoNER) in collaboration with Asian Development Bank (ADB) to improve state capitals Agartala (Tripura), Kohima (Nagaland), Aizawl (Mizoram) and Shillong (Meghalaya). Similarly, airports must also be developed or upgraded in the capitals to enable the flow of investors, executives and businessman, and to enable the trade of goods, especially floriculture and horticultural products that have a short shelf-life. Each state in the region must be connected to one or more border points with respective neighbouring countries. This is to enable each state to enhance its external trade relationships and serve as envoys for India's growing bilateral relationships. The SSC must connect the planned and existing special economic zones such as the Ginger Agri-Export Zone (AEZ), Pineapple AEZ in Tripura and Mega Food Park in Nalbari (Assam) so that industries can make use of the access and logistical support of the corridor.

The corridor should pass through the under-developed rural areas of the region so that the economic activity generated by the construction and presence of the SSC can help the local communities. Where possible, the management of the construction should be allotted to the local Panchayats (village councils) and the contracts for the construction should be allotted to local entrepreneurs. In some cases, such as Nagaland where the Panchayat system doesn't exist, the local community or Autonomous Councils will have to be empowered to play that role. For instance, the Khasi Autonomous Council, representing the Khasi tribes, can take the lead role in building the SSC from Shillong (Meghalaya) to Dawki (Meghalaya).

CURRENT INITIATIVES

There are already a few successes that India can build upon. First, the 3,300 km-long East-West corridor connecting Porbander (Gujarat) to Silchar (Assam) through Guwahati is already being developed. Also, plans are underway to link some state capitals by road through the central government's Special Accelerated Road Development Program (SARDP-NE). With this in place, only the extensions to border points need construction.

Second, the Kaladan Multi Modal Project between Myanmar and India, signed in 2008, is a good example of how the MEA worked with a NE state (Mizoram) to plan transnational infrastructure. The project will develop a sea route from Kolkata in India to Myanmar's Sittwe Port, an inland waterway on the Kaladan River from Sittwe Port to Paletwa, and there on to Lawngtlai in Mizoram. This will give India an alternative trade route to the North East, bypassing Bangladesh. Privately-run Essar Group is already helping to build the Sittwe Port in Myanmar, while other Indian companies will get contracts for other civil engineering projects.⁴³

Third, the link with Myanmar will help Bangladesh recognise the value of connecting with the NE states. It has already started to see this – Bangladesh has made an offer to open its Chittagong, Ashuganj and Mongla ports to India. With this, Tripura can provide a corridor for trade bound for the NE as well as for trade between Bangladesh and Southeast Asia.

Fourth, the construction of Integrated Check Posts (ICP) by the Indian government in the region is widely expected to streamline cross-border trade. This is part of an initiative that will see five ICPs being built in the NE, as a part of 13 being built along the borders with Myanmar, Bangladesh, Nepal and Pakistan at the cost of Rs. 630 crores (\$140 million) by 2012.⁴⁴ They will be managed by the newly formed Land Ports Authority of India (LPAI) and provide customs and immigration facilities, security and scanning equipment, currency exchange booths, cargo process building, cargo inspection sheds, warehouse and cold storage, health and quarantine facilities, clearing agents, banks, scanners, hotels and other public utilities.

Such infrastructure projects are important diplomatic and technical successes in connecting the region to its neighbours. It is also significant in that these efforts are creating infrastructure and systems that will directly benefit the local population.

LIMITED BENEFITS OF CURRENT INITIATIVES

These, however, have not been enough. A report by New Delhi's Institute for Defence Studies and Analysis (IDSA) states that unless the Indian side of the border sees development, trying to improve connectivity and

43 "Centre signs contract on Sittwe port work." Assam Tribune 15 May 2010: n. pag. Web. 14 Apr 2011. <http://www.assamtribune.com/scripts/detailsnew.asp?id=may1510/at08>

44 "Development of Integrated Check Posts on the International Border." Ministry of Development for North Eastern Region. Government of India, n.d. Web. 23 Jun 2011. http://www.mdoner.gov.in/writereaddata/sublink2images/Developmen_Integrated4066283642.htm

energy access on the other side will meet logistical failure.⁴⁵ Thus, expecting bilateral agreements alone to boost domestic development is as much of a stretch as it is to expect the sum of piecemeal subsidies or infrastructure improvements to add up to a grand economic strategy. India can never achieve sustained economic growth of 9% as a nation if we perennially think of developing NE as a rural infrastructure development project.

Incremental efforts to improve infrastructure takes a long time with little benefit. Only 30% of the roads in Arunachal Pradesh and Meghalaya, and 50% of the roads in Assam and Manipur had been completed between 2005 and 2009.⁴⁶

Where roads have been gradually put in place, there has been no paradigm shift from a commodity-dominated economy to the one which is value-added, service-based. Wood products still make up 79% of Nagaland's industrial output, non-metallic mineral products make up 65% in Meghalaya, 63% in Manipur, and 36% in Tripura, and food products make up 38% in Assam.⁴⁷ Coal and Tea make up close to 90% of exports from the region.

If the industrial subsidies were expected to catalyse transition, they have provided little benefit. The NE states accounted for less than 2% of the industrial growth of India in 2008-09 with all states making it to the bottom of the national list.⁴⁸ Foreign Direct Investment into the NE was just 0.1% of the cumulative FDI into India from 2000- 2011, and has dropped dramatically from \$42 million in 2008-09 to zero in 2010-11.⁴⁹ The people do not seem to be any better off either. A full 50% of the population continues to be low-income agriculturalists, and the per capita income in Assam has fallen further from 22% below the national average in 1999-00 (Rs. 12,282 or \$277) to 36% by 2008-09 (Rs. 23,993 or \$542).⁵⁰ A comprehensive overview of the per capita situation is available in the following table:

45 Pandalai, Shruti. "China Entices Myanmar as India Struggles to 'Look East'." Institute for Defence Studies and Analysis (IDSA) (2011): n. pag. Web. 25 Apr 2011. <http://www.idsa.in/node/7216/2755>

46 Government of India. Annual Report. , 2010. Web. 14 Apr 2011. http://rural.nic.in/annualrep0910/annualreport0910_eng.pdf

47 Government of India. Annual Survey of Industries. , 2009. Web. 14 Apr 2011.

48 Government of India. Annual Survey of Industries. , 2009. Web. 14 Apr 2011.

49 Government of India. FDI Statistics Jan 2011. , 2011. Web. 14 Apr 2011. http://dipp.nic.in/fdi_statistics/india_FDI_January2011.pdf

50 Government of India. Net State Domestic Product. , 2010. Web. 14 Apr 2011. http://mospi.nic.in/Mospi_New/upload/State_wise_SDP_2004-05_10mar11.pdf

States	GSDP 2009-10 8.3.2011 CSO Constant Prices (2004-05) (RS. Crores)	GSDP 2009-10 8.3.2011 CSO Constant Prices (2004-05) (USD mil- lion)	GSDP Growth % (YoY) 2009-10 Constant Prices (2004-05)	NSDP 2009-10 8.3.2011 CSO Constant Prices (2004-05) (RS. Crores)	NSDP/ Capita 2009-10 8.3.2011 CSO Constant Prices (2004-05) (RS.)	NSDP/ Capita 2009-10 8.3.2011 CSO Constant Prices (2004-05) USD)
Arunachal Pradesh	5535	\$1,318	22.43	4845	39679	\$945
Assam	69924	\$16,649	8.08	60912	20279	\$483
Manipur	Not Available					
Meghalaya	8796	\$2,094	7.28	7645	29656	\$706
Mizoram	4330	\$1,031	13.95	3901	35323	\$841
Nagaland (2007-08 Prices)	6227	\$1,483		5786	20971	\$499
Tripura	12248	\$2,916	5.62	11917	33503	\$798
National Metric	04493743	\$1,069,939	7.96	3975429	46492	\$1,107

Finally, perhaps the most disappointing of all, the endless subsidies extended through the North East Industrial Policy of 1997 has done little to boost entrepreneurial industrial activity. Tripura recorded 5, Manipur 1 and Mizoram and Meghalaya both 0 (Nil) Industrial Entrepreneur Memorandums (IEM) completed between 1991 and 2009.⁵¹ In comparison, insurgent affected states like Jammu & Kashmir and Chattisgarh recorded 19 and 66 respectively, and even an underdeveloped state such as Bihar recorded 12.⁵²

TIME TO THINK BIG

Former Indian Foreign Secretary, Shyam Saran, stated in a June 24, 2011 op-ed in *Business Standard*,

“The progress in cross-border infrastructure must never outpace the all-round integration of our frontier regions with the rest of the country. If this happens, it will be a recipe for alienation in these sensitive frontier regions, endangering our security.”

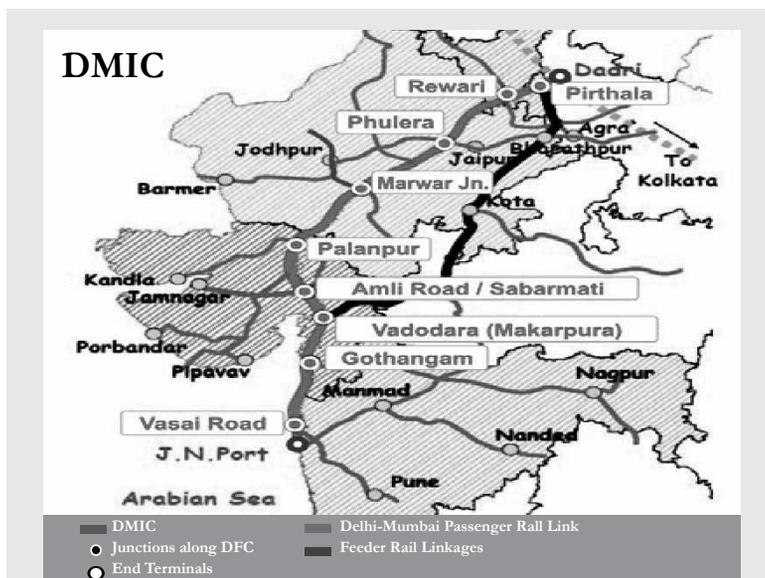
51 An industrial undertaking exempt from licensing by the Department of Industrial Policy and Promotion needs to fill an IEM to avail the benefit of speedy set up.

52 Ibid

What is needed for the North East is a big, bold, tangible, all-encompassing regional strategy that will connect the disparate infrastructure and entrepreneurial neurons towards one major economic activity.

The Delhi Mumbai Industrial Corridor (DMIC) is an example worth emulating. A \$90 billion effort to make the western region into an economic powerhouse, it aims to double employment (14.87% Compound Annual Growth Rate), triple industrial output (24.57% CAGR) and quadruple exports (31.95% CAGR) in five years. It envisions nine mega industrial zones, a high-speed freight line, three ports, six airports, 10,000-megawatt power plants (5 planned so far) and a six-lane expressway connecting Mumbai and Delhi. It is expected to create 3 million new jobs, with 70% of those jobs in manufacturing and agro-processing industries.⁵³

The DMIC is also an exemplary model of a foreign policy initiative, with Japan co-sponsoring the project as an equal partner with a 50% stake. The deal is the largest investment in a public initiative in India by Japan since Maruti in 1981, opening the door for more Japanese companies to come to India.



Of course, DMIC is an effort to connect regions that are already economically vibrant. The economic potential of the NE is yet to be harnessed. But to think that DMIC is simply the result of existing synergies

53 "DMIC Project Goals." Delhi Mumbai Industrial Corridor: An Indo-Japan Mega Infrastructure Project. N.p., n.d. Web. 14 Apr 2011. <http://delhimumbaiindustrialcorridor.com/>

is to miss the point. The states of Rajasthan and Gujarat make up for 80% of DMIC. State and local planning forms the backbone of the initiative, since these administrations are responsible for industrial regions, power connectivity and security. Plus, the investment from the Japan Bank for International Cooperation (JBIC) proves that foreign investment can be drawn into a public initiative.

Thus, the question is not whether the NE has the potential, but whether India and the NE together have the will and the vision to think big and deliver.

INDUSTRY AND EMPLOYMENT

The infrastructure provided by the corridor is going to be of most immediate value to the big corporations and multinationals. These companies want good accessible roads for productivity, defined regions for mega industries, security and housing for employees, air network for their executives to travel and rail links for logistical support.

Many industrialists have expressed a keen interest to lead business initiatives in the NE. The first Assam Investment Advisory Board, 2010, saw many business tycoons invited such as Ratan Tata (Chairman of Tata Sons), Mukesh Ambani (Chairman of Reliance Industries), Anand Mahindra (Chairman of Mahindra and Mahindra), Sunil Bharti Mittal (Chairman of Bharti Group), VN Dhoot (Chairman of Videocon Group) Jamshyd Godrej (Chairman of Godrej and Boyce Group), M.S. Banga (President of Unilever Group), many of whom attended and agreed to be on the Board.⁵⁴

It is natural for companies with prior experience in operating in the region to take the lead in expansion, as the corridor builds out. The Tata group is a case in point. It owns close to 50 tea gardens in Assam which extends into remotest corners of the region and has operated there for over two decades through the worst years of insurgency. No surprise that it was the first to take the lead. In 2010, the Taj Group of Hotels announced that it would set up the first 5-star hotel in Guwahati (Assam) through its business brand, Vivanta.⁵⁵ This comes after it had already started a

54 Dey, Supratim. "Industry barons to chart out Assam growth path." *Business Standard* 9 Mar 2010: n. pag. Web. 29 Jun 2011. <http://www.business-standard.com/india/news/industry-barons-to-chart-out-assam-growth-path/387893/>

55 "Vivanta by Taj checks into Guwahati." *Business Standard* 9 Mar 2010: n. pag. Web. 28 Jun 2011. <http://www.business-standard.com/india/news/vivanta-by-taj-checks-into-guwahati/388023/>

budget hotel, Ginger, in Agartala (Tripura) in 2007. New companies such as HSBC, a leading brand in banking sector, also followed suit; HSBC, a giant in Asia, especially China, opened its first branch in Assam in 2010. Considering that foreign banks are allowed to open only a limited number of branches across India every year, the foray into the NE proves that the bank is convinced of the market and the security of the region.

Yet, the initiatives of interest are the new businesses that want to enter the region. The SSC can catalyse their foray into the region by readying the infrastructure for such businesses. For instance, the Rs. 6,400-crore (\$1.4 billion) Religare Group wants to enter the airline industry by starting an intra-NE passenger airline. It has already applied for a license through its subsidiary Religare Voyages and is expected to get the license in 2011.⁵⁶ The development of airports planned under the SSC can help Religare kick-start operations.

The corridor's success will depend on thriving industrial activity being developed around it – not just big private players feeding off the region's lucrative natural resource base, but more specifically, small and medium value-added businesses. One such example is the food processing industry. With India's food products inflation touching 20% in 2010, production, storage, processing and distribution of food is a renewed priority for the central government.⁵⁷ The NE is a major source of ginger, potatoes, millets, pineapples and many other horticultural and medicinal plants. Food processing can add value to naturally existing farming skills and create more jobs local to the area of produce and residence of those involved. According to a 2011 study by ASSOCHAM, the food processing industry creates the maximum employment for every Rs. 10 lakhs invested in the segment – more than even agriculture and services.⁵⁸

The SSC infrastructure will spur economic activity along the corridor, outside of the state capitals in Tier 3 or Tier 4 towns, ushering in small and medium enterprises in the region. The corridor can pass through Agri-Export Zones (AEZ) for pineapples in Tripura and ginger in Assam,

56 Agarwal, Smita. "Religare plans aviation foray with north-east flying ops." *Indian Express* 15 Mar 2010: n. pag. Web. 29 Jun 2011. <http://www.indianexpress.com/news/religare-plans-aviation-foray-with-northeast-flying-ops/590701/>

57 "The shocking picture of inflation in India!" *Rediff Online* 4 Mar 2010: n. pag. Web. 22 Apr 2011. <http://business.rediff.com/report/2010/mar/04/budget-2010-the-shocking-picture-of-inflation-in-india.htm>

58 ET. "Union Budget 2011: FM proposes 15 more mega food parks in 2011-12." *Economic Times* 28 Feb 2011: n. pag. Web. 22 Apr 2011. http://articles.economictimes.indiatimes.com/2011-02-28/news/28642231_1_cold-chain-mega-food-parks-cold-storages

which will be well-connected through road access to border points with Bangladesh boosting exports to that country, where exports have fallen 45% since 2008.⁵⁹

The government has been trying to spur this industry segment. The centre announced a slew of incentives in the Union Budget of 2011 to expedite development of this industry. It approved plans for 15 mega food parks, zero excise duty and additional financing for cold storages. However, so far only one mega food park in Nalbari (Assam) has materialised because entrepreneurs remain sceptical of building parks in remote areas without supporting infrastructure such as road access, cold storages, trade routes and air network.

The SSC will help create opportunities in supporting businesses even as the corridor is being built – such as construction, hotels, real estate, auto services, telecom, tech, financial services, petrol pumps, housing, consumer products, etc. Financing for first-time entrepreneurs should be given to all businesses building the corridor or establishing operations along it. This is a nuanced approach to grassroots development that avoids imposing multinational values in emerging towns or threatening local identities in return for economic activity.

Perhaps the most uncelebrated characteristic of the region is the highly literate, English-speaking population. A 2009 report by TeamLease, India's largest private temporary employment agency, showed that despite a high – up to 90% literacy rate in the North East, only 1.3% of youth in the region have any formal training or job skills.⁶⁰ They are migrating to other parts of India in droves, manning the front desks of the hospitality business across the country. “The region is like a 10 horse power engine running as 2 horse power engine,” says Manish Sabharwal, founder of TeamLease, whose faces otherwise already dominate the front offices of corporate and tourist India. The literacy rate according to the latest 2011 census is shown as follows:

59 Government of India. India Export of Agro Food Products, 2010. Web. 28 Jun 2011. http://agriexchange.apeda.gov.in/indexp/country_description.aspx?ctry=10027

60 “Annual Labor Report.” TeamLease Reports. TeamLease, n.d. Web. 27 Apr 2011. http://www.teamlease.com/images/reports/TeamLease_LabourReport2009.pdf

States	Literacy Rate % Provisional Census 2011
Arunachal Pradesh	66.95
Assam	73.18
Manipur	79.85
Meghalaya	75.48
Mizoram	91.58
Nagaland	80.11
Tripura	87.75
National Metric	74.04

Many multinational companies would be willing to avail the opportunity, especially as labour becomes expensive in the rest of India. Infosys has expressed interest to build a campus in the NE region. So have Genpact and Tata Consultancy Services (TCS). In 2008, the then Genpact CEO Pramod Bhasin, in an interview with *The Hindu*, revealed that 10% of his workforce came from the North East and that the company was keen to set up base in the region.⁶¹ In 2010, TCS indicated that it too wanted to set up a campus in the region.⁶²

The SSC infrastructure can enable companies such as Infosys, Genpact and TCS to build campuses in the states other than Assam, such as, Mizoram or Tripura, where the talent is available and need is greater. Most of this talent is available in the Tier 3 and Tier 4 cities of the English-speaking, Christian-dominated states of Mizoram, Manipur and Meghalaya. The SSC can provide the necessary infrastructure with road, air and telecom network with defined IT SEZs to attract the IT/BPO companies.

BOOSTING BORDER TRADE AND RELATIONS

The border points of Moreh (Manipur) with Myanmar and Akhaura (Tripura) are examples of increasing border trade. According to a Feb 9th, 2011 report in the *Business Standard*, the official trade between Tripura and Bangladesh, through the border point of Akhaura, has grown from

61 "North-East, emerging new recruitment stop." *Hindu* 8 Jan 2008: n. pag. Web. 29 Jun 2011. <http://www.thehindubusinessline.com/todays-paper/article1612546.ece>

62 "Industrialists keen to invest in Assam, says Ratan Tata." *Mint* 9 Mar 2010: n. pag. Web. 28 Jun 2011. <http://www.livemint.com/2010/03/09172311/Industrialists-keen-to-invest.html>

Rs. 40 Crores (\$9 million) in 2006-07 to Rs. 75 Crores (\$ 17 million) in 2010-11, and is expected to touch Rs. 100 Crores (\$ 22 million) by 2011-12. Similarly, a 2006 study by RITES reported that the informal trade of the border point of Moreh (Manipur) with Myanmar is close to Rs. 2000 Crores (\$447 million).

By connecting all the 7 border points with Myanmar, Bangladesh and Bhutan to the state capital and the NE region at large, the SSC can replicate the same trade value at all points, starting with the Integrated Check Posts that are being built.

FINANCING THE CORRIDOR

The basic infrastructure of the corridor can be set up for approximately \$2.5 billion. This includes costs for project feasibility assessment, road connectivity as described earlier, three airports, two rail links, 10 border check points, two Agri-Export Zones in each state, one mega food park in each state, funding for entrepreneurs and one IT zone in each state. This does not include the costs of acquiring land, power and security – which the government will make available.

The following table illustrates the cost of different parts of the corridor on the basis of comparison listed by the side.⁶³

Item	Cost (Rs Crores)	Cost (USD Mn)	Comparative Basis
Project Preparation	440	98	Allocation for Project Development for DMIC
Roads	3,680	818	Allocation for Special Accelerated Road Development Program-NE
Airports	1,980	440	Allocation for Kohima, Itanagar and Agartala airports
Rail	283	63	Allocation for Golden Jubilee and Akhaura Rail projects
Border Points	485	108	Allocation for 13 Integrated Check Posts

63 Some of the parts of the SSC, such as those under the Special Accelerated Road Development Program (SARDP-NE), are already being built out as separate projects. So, new funding for that particular segment will not be required. However, there are also parts of the corridor which are not directly included in the cost estimates, such as from Aizawl (Mizoram) to Lawngtlai (Mizoram). Thus, for the purpose of the estimate, the resulting savings or expenses is expected to even out.

Agriculture Zones	360	80	Allocation for Agri-Export Zones
Food Parks	390	87	Allocation for Mega Food Park in Assam
Fund for Entrepreneurs and Enterprises	1,550	345	Allocated budget to MDoNER for 2011-12
IT SEZs	1,800	400	Estimated Cost for IL&FS financing
Total	10,968	2,439	

The Indian central government has a number of schemes under which funding is available for the development of the North East. Some of the schemes are:

Central Government Plans	Outlays (Rs. Crores)	Outlays (USD Mn)
10th Five Year Plan for NE - 2002-07	80,000	17,790
11th Five Year Plan for NE - 2007-12	70,000	15,565
MDoNER Budget - 2011-12	1,550	345
Total Central Grant & Aid 2010-11	13,000	2,891
Special Central Assistance (All special category states) - 2011-12	8,000	1,779
Annual Total	22,550	5,015

As the preceding table illustrates, even a 10% allocation of the Five Year Plan can set up the basic infrastructure for the SSC. However, depending on the government for financing is neither practical nor appropriate. The SSC needs stakeholders that can invest in the region independently and for the long term. Even the Delhi-Mumbai Industrial Corridor is funded 75% by Public Private Partnerships (PPP).

One possible approach to fund the corridor would be to share the cost between Government, PPPs, Private enterprises and multilateral agencies with a ratio of 60%, 20%, 10% and 10% respectively. The share of the government can be divided between the Centre and the State. In any case, the established policy is to share the cost between the Centre and States on 90:10 ratio (as opposed to 75:25 for other states). The same policy can be applied for financing SSC.

Funding Source	Proportion	Amount (In Crores)	Amount (USD Mn)
Government Allocation	60%	6581	1464
Public Private Partnership	20%	2194	488
Private Enterprise	10%	1097	244
Multilateral Agencies	10%	1097	244
Total Cost	100%	10,968	2,440

The Infrastructure Leasing and Financing Services (IL&FS) and Tata group are two examples of Public Private Partnerships that worked in the region in the past. In 2010, Tata Group chairman Rata Tata announced an allocation of Rs. 10 crores (\$2.2 million) to fund infrastructure development in Assam.⁶⁴ Subsequently, Tata Housing Development Company signed agreements to build business parks and townships in the state.⁶⁵ Similarly, in 2007 IL&FS established the North East Tourism Development Company Limited (NETDCL) for funding tourism infrastructure in Assam.

The Future Group's announcement to build a food park in Bhagalpur, Bihar, with an investment of over Rs. 200 crores (\$45 million) is an example of how private enterprises can take the lead in establishing infrastructure zones in Tier 2 and Tier 3 towns. This can reach up to 20,000 farmers while also enabling smaller companies to participate.⁶⁶ The Mahindra-funded World City in Jaipur that is an IT SEZ is another example of private enterprise taking the lead in creating a sector-specific infrastructure zone.

The Asian Development Bank (ADB)-funded North Eastern States Roads (NESR) Investment Programme is an example of how financing from multilateral agencies can be sought for such an initiative. NESR is a Rs. 900 crore (\$200 million) initiative to build secondary roads along with the SARDP-NE programmes.⁶⁷

Clearly, it is imperative that all avenues for raising funds are used. Around \$18 billion were spent in the NE by the Central and State governments under

64 Ibid.

65 "Tata Media Room."Tata Group Official Site. Tata, 11 Mar 2010. Web. 29 Jun 2011. <http://www.tata.com/article.aspx?artid=2r36oGT0eMg=>

66 Himatsingka, Anuradha. "Keventer, Future Group to develop food park in Bihar jointly." Economic Times 8 Jun 2011: n. pag. Web. 29 Jun 2011. http://articles.economicstimes.indiatimes.com/2011-06-08/news/29634156_1_future-group-mayank-jalan-testing-laboratory

67 "MFF - North Eastern States Roads Investment Program."Project Information Documents. Asian Development Bank, n.d. Web. 29 Jun 2011. <http://pid.adb.org/pid/LoanView.htm?projNo=37143&seqNo=01&typeCd=3>

various schemes during the 10th Five Year Plan 2002-07.⁶⁸ But the Planning Commission admits that “the absence of a well-coordinated regional plan is being felt constantly” and that the investments have not succeeded in realising the Commission’s two-pronged strategy for the region: creation of infrastructure and creation of employment opportunities. To that end, the SSC is an opportunity for government to shift away from un-measurable, inefficient and insufficient allocation of public financing for infrastructure projects to more direct funding of a regional opportunity.

ENGAGING THAILAND– A DIPLOMATIC THRUST TO THE LOOK EAST POLICY

Perhaps, there is no other region outside of the NE, with whom the people of the NE have a shared cultural and ethnic affinity as with Thailand. About 800,000 Indians visit Thailand every year, most of them from the North East – so much so that Bangkok was the one and only international destination that had flights to and from Guwahati (Assam) airport.⁶⁹

Making the possibility more real is the Free Trade Agreement planned by India and Thailand. Thai delegations have visited the NE as recently as March 25, 2011 hoping to expedite connectivity and trade ties.⁷⁰ On his recent state visit in April 2011, the former Thai Prime Minister, Abhisit Vejjajiva, reiterated his request to partner with India in infrastructure, food processing and services; all three of which are integral to the proposed corridor.⁷¹ At a business meeting hosted for the Thai leader, India’s Minister for Commerce in turn requested Thailand to help develop agriculture and agro processing, stressing the need for investment in “developing cold-chains, warehouses and food processing facilities”.⁷²

Already, Thailand has proximity to the north east and is the largest foreign direct investor in India among all countries in Southeast Asia, topping even China. At \$85 million though, it is a miniscule 0.1% of total foreign investment in India. This can grow exponentially on the base of a north-east project, and through partnerships with private Indian players like the Future Group, Larsen & Toubro, Essar et al.

68 Government of India. 11th Five Year Plan. , 2007. Web. 14 Apr 2011. <http://planningcommission.nic.in/plans/planrel/fiveyr/welcome.html>

69 Ibid

70 “Thai Delegation Visits Moreh And Tamu.” Assam Tribune 27 Mar 2011: n. pag. Web. 14 Apr 2011. <http://manipurhub.com/news-manipur/thai-delegation-visits-moreh-and-tamu/>

71 “Thailand invites Indian investment.” Hindu 6 Apr 2011: n. pag. Web. 27 Apr 2011. <http://www.thehindu.com/business/article1602681.ece>

72 Government of India. India’s Look East and Thailand Look West to work in Unison for Development of North East Region. , 2011. Web. 21 Jun 2011. <http://pib.nic.in/newsite/PrintRelease.aspx?relid=71465>

Significantly, unlike Bangladesh, Thailand does not have pro-India or anti-India political parties that can cause relations to flip-flop depending on who comes to power. Both the warring Thai Red Shirt – Yellow Shirt organizations, the former supporting the ousted Prime Minister and the latter supporting the King, are neutral to India. This in itself can give stability and longevity to a bilateral relationship which is uncommon for India amongst its neighbours.

Prior attempts to partner with Thailand have largely remained on paper or fizzled out.⁷³ The energy of the North East Trade and Investment Summit held in Bangkok in 2007 which was attended by more than 200 Thai delegates has not been replicated by the Ministry of Development for the North Eastern Region or the NE state governments. At the time, many high level delegations had visited the North East and initiated more than 25 projects but there has been no follow up on their progress.⁷⁴ The FTA with Thailand, the process for which began in 2003 and targeted to be completed by 2010, was also delayed by at least one year due to continued disagreements on removing items from ‘sensitive items list’.⁷⁵

Thus, this is a good opportunity to revive the relationship by inviting expert Thai infrastructure companies such as ITAL-Thai Development Company and agro-processors such as CP Group which are already in India to build the corridor and food processing units. This relationship will further boost trade which is currently dominated by the import of machinery from Thailand.

One cascading demonstration effect of diplomacy with Thailand will be that it energises relations with Myanmar, which will witness the growing commercial exchanges passing over its territory. It may breathe life into the stalled Tamanthi and Shwezayi hydel power projects that can be the source of power for the industries in the Seven Sisters Corridor.⁷⁶ Bringing in Myanmar will also give a fresh impetus to the Trilateral Highway Project (India-Myanmar-Thailand), which Indian Commerce Minister Anand Sharma has claimed is a “high priority” for India. Ditto with other

73 Government of India. Fourth North-East Business Summit, Guwahati: 15-16 September 2008. , 2008. Web. 27 Apr 2011. <http://mdoner.gov.in/writereaddata/sublinkimages/4NEBusinessSummit4113036925.pdf>

74 Government of India. Fourth North-East Business Summit, Guwahati: 15-16 September 2008. , 2008. Web. 21 Jun 2011. <http://mdoner.gov.in/writereaddata/sublinkimages/4NEBusinessSummit4113036925.pdf>

75 ENS, . “India, Thailand sign Free Trade Agreement.” Indian Express 10 Oct 2003: n. pag. Web. 17 Apr 2011. <http://www.indianexpress.com/oldStory/33160/>

76 “Major Indian Projects.” Embassy of India, Myanmar. Government of India, n.d. Web. 23 Jun 2011. http://www.indiaembassy.net.mm/index.php?option=com_content&view=article&id=45&Itemid=56&lang=en

projects such as the Asian Highway Project (15 countries), and the Delhi-Hanoi rail link envisioned by ASEAN and the Bay of Bengal Initiative for Multisectoral Technical and Economic Cooperation (BIMSTEC).⁷⁷ If not galvanised, these ventures will fade from the drawing board or be superseded by the Mekong-Ganga Cooperation (MGC) projects led by China.

CONCLUSION: THE ROLE OF GOVERNMENT

As the corridor is being built, a special central force for SSC would be required to secure the construction zones from insurgents who may try to derail the initiative. Such a force could be modelled after the Indian Assam State Tea Plantations Security Force (IASTPSF); although in this case, the expense of the training will have to be borne by the state and not the industry. The sensitive industrial regions around the corridor can be guarded by Central Industrial Security Force that is already trained to guard strategic business assets such as airports and refineries. The presence of the special force and the CISF will enable the state police to focus on maintaining local law and order.

There couldn't be a better opportunity for the Congress government in power in India to introduce this as its flagship initiative. The Indian Chamber of Commerce based in Kolkata, which has been organising the The North East Business Summit for the last seven years, should certainly introduce the Seven Sisters Corridor as the central theme of its deliberations.

Government blueprints in the past have been reluctant to have a common industrial policy for the NE, citing disparity in expertise, laws and maturity of development. The NE Vision 2020 document states, "A common industrial policy framework for the region at this juncture would be premature, for, NER has not yet evolved into a meaningful economic and administrative entity".⁷⁸

However, a coherent and comprehensive strategy can be developed by revising the approach to development of the region. Specifically, the following policy changes need to be made:

77 Government of India. India's Look East and Thailand Look West to work in Unison for Development of North East Region. , 2011. Web. 21 Jun 2011. <http://pib.nic.in/newsite/PrintRelease.aspx?relid=71465>

78 NEC, Government of India. North East Vision 2020. , 2008. Web. 14 Apr 2011

1. Revise the charter of the North East Development and Finance Corporation (NEDFC), managed by Ministry of Development of North Eastern Region (MDONER), which currently promotes various small scale industries, to support the corridor so that funds can be allocated on a priority basis.
2. Set up a new corporate entity, independent of financing companies, to manage the project, partnerships and funds, with accountability to MDONER and investors. The chief executive officer of this entity could be the representative of the corridor to investors and neighbouring countries alike.
3. Modify the North East Industrial Policy, which currently provides subsidies and incentives broadly agnostic of industry, to target enterprises that develop the corridor or establish themselves on it.
4. Set up fund to finance the first-time entrepreneurs or enable small enterprises to partner with larger multinationals in the region. For instance, the Godrej Group can partner with a local enterprise to exchange technical know-how in return for local management.
5. Modify the Private Participation guidelines to apply the Policy, Procedures, Processes and Implementations steps for the construction of the SSC.
6. Set up ICPs at Daranga (Assam) at the border point with Bhutan, at the other two border points with Myanmar – Zawkhathar (Mizoram) and Avakhung (Nagaland).
7. Withdraw the Armed Forces Special Powers Act (AFSPA) from areas in Manipur where the SSC has been built and businesses have taken over as a way to break the impasse between the forces and civil society on AFSPA.
8. Renew the efforts to create the Golden Jubilee Rail Link between India and Bhutan that has been stalled due to opposition from local population in West Bengal (India).
9. Finally, make SSC an integral and defining part of the Look East Policy and have the Ministry of External Affairs vigorously engage with Thailand to complete the Free Trade Agreement process that began in 2003, but which got stuck on negotiations around the ‘sensitive items list’– on which neither country budged for a long time.⁷⁹

79 ENS, “India, Thailand sign Free Trade Agreement.” Indian Express 10 Oct 2003: n. pag. Web. 17 Apr 2011. <http://www.indianexpress.com/oldStory/33160/>