

Reflections on the Elusive Quest for Assam's Growth and Economic Development

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Assam has been one of the slowest growing states in India since 1980.[†] Studies on recent growth experiences of the Indian states broadly ascribe slow growth mainly to low level of economic and social infrastructure, low level of private investment and fiscal deficits, among other factors. Assam's experience presents an interesting conundrum as the issue of growth and economic development in Assam, like many other developing regions in the world, goes beyond the neatly defined realm of economics. The ethnic, linguistic and religious diversity, the political and social unrests and, to some extent, the topography and climatic conditions have posed formidable constraints to economic development of the state. There have been wishful thinking among the people of Assam, and some efforts among the policymakers to achieve high growth and economic development. In recent years there have been fiscal incentives from the central government to promote investment. Development of tourism has been purported to become an engine of future growth. There have been much discussions and debates over the look east policy of the government of India and how, under this policy, opening up the borders to the southeast Asia will benefit Assam and other states in the northeast India. The government of Assam has tried, with little success, to attract investment from other parts of India and even from abroad. This short article presents my personal takes on what have been discussed and debated over the issue of growth and on what might work. As I have not studied Assam's economy carefully, these are not to be interpreted as my professional opinions; they are, at best, casual observations of a cautious economist.

It has been long recognized - and any student of economics would tell you -that to attract investment in manufacturing industries or to develop tourism needs a well developed network of economic infrastructure and a political system that ensures enforcement of law to protect life and property rights. Unfortunately, Assam lacks both. Furthermore, the climatic condition : the prolonged rainy season with almost inevitable floods every year, may not be very conducive to profitable production in manufacturing and will also make the tourism industry seasonal in nature. In order to build good highways, railroads, dams and airports that can withstand the climatic conditions require good engineering technology, financial resources and an efficient and uncorrupt political system. Given the current constraints, unless something miraculous happens, it will take some time to build this network of economic infrastructure. Most importantly, resolving ever increasing social and political problems has been an insurmountable task. Some of the advocates of central government policies in Assam and other northeastern states seem to suggest that economic

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† Calculations based on RBI data on net state domestic product indicate that between 1980 and 2003, Assam was growing at an annual rate 3.23 percent while the average for Indian states was 5.39 percent. This rate was lower during the decade of the 1990s.

development will take care of these social problems and there lies the justification of allocating large sum of central government resources for various developmental plans. However, given the complexity of the social order in Assam, it may not be that simple.

Another important - but often neglected – factor important for attracting investment as well as tourists is the name recognition of the state. In last twelve years of my residence in the United States and travel across the globe, I have come to realize that people here in the U.S. and in most other countries know about some places in India, mainly in the south and in the west, but they hardly know anything about Assam or the places in the northeast India. In recent years, Andhra Pradesh has been able to make a transition from being an unknown, unexplored state to one that is well recognized and that looks attractive to the outside world. I would think, and I am sure there is evidence (which I have not examined) that Andhra Pradesh would attract more foreign direct investment (FDI) than would Assam simply by virtue of name recognition. The government and expatriate Assamese can play an important role in publicizing the state. It will certainly not happen overnight.

The look east policy is poised to benefit Assam and other northeastern states by facilitating free movements of goods and people between this part of India and the southeast Asian countries. While the people in Assam may be able to consume cheap imported goods from China and countries in the southeast Asia, there is not much to export. On the other hand, if Assam and other northeastern states are used just as a trade corridor, without integrating them into the production of traded goods the gain would be inconsequential for the overall economic development of the region. Further, there may be unintended consequences such as smuggling of illegal drugs and arms, human trafficking and a surge of violent crimes. Thus while a comprehensive policy that provides checks and balances for all potential outcomes – good and bad, might work in favor of overall development of the state, successful implementation of such a policy would have long gestation period.

Thus, all the policies and plans in place would require time to have a significant impact on growth and economic development of Assam. Is there anything that can be done to achieve growth and economic development in relatively short period of time? The developmental policies so far do not seem to have paid much attention to use the human resources available in Assam. The state has a good pool of highly qualified, technically skilled young people who unfortunately have to leave the state in search of jobs every year. Based on the availability of this stock of human resources alone, Assam can hope to make profitable investment in service industries, particularly those in information services (like Business Process Outsourcing (BPO), Knowledge Process Outsourcing (KPO), publishing, media companies). The advantages of service industries include low investment in physical capital and infrastructure, less vulnerability to climatic conditions and to political and social disruptions. The brand name of Indian Institute of Technology (IIT) sells very well in the outside world and, in my opinion, potential investors can easily be lured by using the fact that one of the IITs is located in Assam. This can also benefit other institutions of higher education. Creating a ‘technology corridor’ between the IIT in north Guwahati and Assam Engineering College (AEC) in Jalukbari interspersed with Gauhati University to attract investment in service industries would be a

relatively easily implementable plan in a short period of time. The proximity to the airport makes it easily accessible. Once this plan takes off, it can be replicated in other centers of higher education: Dibrugarh, Jorhat, Tezpur and Silchar. These industries will also create jobs for relatively low skilled workers.

This model has been more or less the success story of India in general. The projection of India into a higher growth trajectory in the early 1990s and the sustained high growth afterward was helped to a great extent by the growth of information service industries which required minimal investment in physical capital and could survive even with lackadaisical provisions of economic infrastructure. In the course of time the benefits will trickle down to the other sectors of the economy. If this industry can increase name recognition for Assam it may indirectly help the development of tourism as well. An effort to create employment opportunities for the educated young generation may also serve another long-term social goal. In last three decades, there have been important changes in demographic composition of Assam. The long-run effects of these changes are gloomed by a large scale exodus of talented young people during the post Assam agitation period. This outmigration has both good and bad consequences for Assam. It has helped Assam or the Assamese people in the process of integration into the Indian nationhood and increasing name recognition. But for the vibrancy and overall wellbeing of a democratic society, some of these able, educated people should stay on or come back to Assam. Promoting service industries in Assam may be a venture worth trying.