

On Economic Growth and Development of Assam

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There have been some dialogues on economic growth and development of Assam in recent years. As India stands to emerge as a global economic super-power, the discourse over issues as complex as national/sub-national identity – which, in Assam, has reached almost a surrealistic dimension with layers of identities – has to some extent drifted into a debate over economic possibilities. There are several factors responsible for this. First, a growing number of people in Assam, particularly the members of the intellectual community, have become aware of the economic miracle that India has achieved and, with that, the changing image in the outside world from being a poverty-ridden third world economy to being a technology savvy emerging market economy. Second, although Assam has made little contribution to this economic rise of India, and in fact has distinguished itself as one of the slowest growing states in last two decades, some of the benefits of this economic surge have trickled down to the middle class in Assam. Finally, there has been some exasperation among the majority of people over the socio-political movements that have been going on in the state for nearly three decades.

This debate is indeed a positive development. There have been suggestions and some initiatives to implement programs and policies for economic development of the state. For quite some time now, there have been efforts to establish manufacturing industries based on natural resources and to promote small-scale industries based on raw materials available in the state. Those who have travelled outside the state – in India and abroad – also believe that tourism can be a viable engine of growth for Assam. Some have gone to the extent of suggesting that there is great potential for ecotourism because it requires almost no infrastructure, which is lacking in the state. Lately, the ‘look east’ policy, originally proposed by the Narasimha Rao government in the early 1990s, has caught the imagination of those who are apparently concerned about the economic development of Assam and other northeastern states. Those who are overly optimistic tend to think that opening up of the eastern border to southeast Asia will be the panacea of all economic misery for the state of Assam. These are all good thoughts and initiatives, and represent some genuine concerns. But we need to do a few reality checks: because these good programs may not work, for good reasons.

Manufacturing industries require a well developed system of power, transportation, and communication infrastructure so that the production can be coordinated without any interruption with supply of inputs and distribution of output. This is important in a global economy where competition is intense and real. Although there may be over-enthusiasm about building highways, railways, airports, and supply of power (and we need all of them even without manufacturing industries), the severe climatic conditions of Assam may impair the ability of even the most well developed infrastructural facilities to help those industries achieve efficiency and withstand competition. Furthermore, industries based on natural resources have other limitations. If the resources are nonrenewable like oil and other minerals, the production in industries based on those resources cannot go on forever. If the resources are renewable such as forests, there need to be comprehensive efforts to ensure continued supply of those resources.

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Tourism too requires well-developed infrastructure. It also needs good packaging and a marketing strategy to attract a large number of tourists from home and abroad. Unlike many other tourist destinations in India with significant historical monuments, Assam will have to rely on nature – the rivers, the hills, and the wildlife – to bring in tourists. Rang Ghar, Kareng Ghar will not be too alluring to most tourists after a visit to Taj Mahal or to Ambar Fort or to the caves of Ajanta and Ellora. Once again, the climatic conditions of Assam may not be very conducive to the tourism industry. Rains and floods now occur more frequently between April and October – much beyond the ‘official’ monsoon season – and will be a major deterrent for tourism even with well developed infrastructure. Ecotourism may not be a major driver of economic growth as some enthusiasts have suggested. Only a handful of tourists are interested in adventurous ecotourism. Demand for tourism comes mainly from middle income consumers with very conventional expectations. Furthermore, the socio-political problems which often take violent form may also deter tourists from coming to Assam. Advanced countries like the U.S. has special advisory for their citizens travelling in Assam and other northeastern states. Finally, in order to promote tourism as a major industry in Assam, it will also require some cultural adjustments. The hospitality that is so elemental to the colorful culture of Assam has to be geared towards the market forces of demand and supply, an adjustment that may not always be pleasant.

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 will benefit from being able to consume cheap imported goods from China and countries in southeast Asia, there is not much, out of what Assam produces now, to export to those countries. The export of tea to this region may increase. Some handicraft items may find a market. The overall impact on the economy is not likely to be very significant. Further, 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. 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 the overall development of the state, successful implementation of such a policy will involve a long gestation period.

The policy recommendations for economic growth and development of Assam do not seem to have paid too much attention to tapping the human resources in the state. 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), advertising, publishing, media companies). There are several advantages to information service industries. In general, these industries require low investment in physical capital and infrastructure. They are less vulnerable to the climatic conditions and to political and social disruptions. Furthermore, these industries may also suit the temperament of the people of Assam. Casual observations indicate that there is a strong preference for jobs that require less physical activities, particularly among the educated people. The information services fit very well into such preferences.

With a large number of institutions of higher education, Assam is well-positioned to train and prepare a workforce necessary for such industries. With five universities, one Indian Institute of Technology (IIT), three engineering colleges, three medical colleges and numerous undergraduate

colleges and technical institutes, Assam can produce a sizeable workforce for information-based service industries. The fact that people educated and trained in Assam have been successful in Bangalore, Chennai, Delhi, Hyderabad, Mumbai and other parts of the world is a testimony that these institutions are capable of producing quality human resources which can compete and succeed anywhere in the world.

The recent attempts of the Assam government to attract investment into the state have not been very successful. With all the constraints discussed above, it will be hard to attract investment in the manufacturing and the tourism sector. It, however, may not be very difficult to bring in investment for information service industries, which, as I mentioned, require relatively less in physical investment. The brand name of IIT sells very well in the outside world and, in my opinion, will lure potential investors. At an operational level, 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 through trickle down effects.

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 were 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 these industries, which will primarily cater to the markets outside the state and the country, increase name recognition for Assam it may indirectly help the development of tourism as well. Furthermore, an effort to create employment opportunities for the educated young generation may also help retain some of Assam's brightest and best minds in the state and may even lure back others who left the state in search of greener pastures in the job market. They will create positive externalities which are important for the overall well-being of the society. Thus, promoting information service industries in Assam is a viable enterprise that is worth everyone's attention and effort.