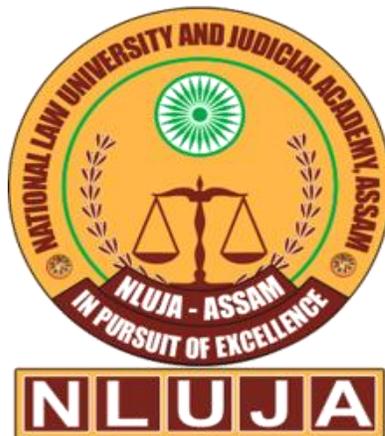


IMPACT OF POLITICAL INSTABILITY AND NATIONAL INSECURITY ON INVESTMENTS IN NORTH-EAST INDIA.

Dissertation submitted to National Law University and Judicial Academy, Assam
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Table of Statutes

1. 1958-Armed Forces (Special Powers) Act (AFSPA).
2. 1950- Constitution of India.
3. 1960- Geneva Convention Act.
4. 1987- The Terrorist and Disruptive Activities (Prevention) Act.
5. 1967- The Unlawful Activities (Prevention) Act.

Table of Abbreviations

1.	AASU	All Assam Students Union
2.	ADF	Arunachal Dragon Force
3.	ADB	Asian Development Bank
4.	ADR	Alternative Dispute Resolution
5.	AFSPA	Armed Forces Special Powers Act
6.	ASEAN	Association of Southeast Asian Nations
7.	BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
8.	BLT	Bodo Liberation Tigers
9.	BRI	Belt Road Initiative
10.	BTC	Bodoland Territorial Council
11.	CAA	Citizenship Amendment Act
12.	CGST	Central Goods and Service Tax
13.	DHD	Dima Haram Daogah
14.	DoNER	Development of the North Eastern Region
15.	EALF	East India Liberation Front
16.	FDI	Foreign Direct Investment
17.	FTA	Free Trade Agreement
18.	GDP	Gross Domestic Product
19.	GNLA	Garo National Liberation Army
20.	GoI	Government of India

21.	ICC	Indian Chamber of Commerce
22.	IGST	Integrated Goods and Services Tax
23.	ILP	Inner Line Permits
24.	IMF	International Monetary Fund
25.	IRDP	Integrated Rural Development Programme
26.	JETRO	Japan External Trade Organization
27.	JICA	Japan International Cooperation Agency
28.	LEP	Look East Policy
29.	MNF	Mizo National Front
30.	MEA	Ministry of External Affairs
31.	MHA	Ministry of Home Affairs
32.	NDA	National Democratic Alliance
33.	NDFB	National Democratic Front of Bodoland
34.	NEC	North Eastern Council
35.	NEFA	North East Frontier Agency
36.	NEIDS	North East Industrial Development Scheme
37.	NER	North Eastern Region
38.	NIRD	National Institute of Rural Development
39.	NITI	National Institution for Transforming India
40.	NNC	Naga National Council
41.	NSCN	Nationalist Socialist Council of Nagaland

42.	ODA	Official Development Assistance
43.	PPP	Public-Private Partnership
44.	QUAD/QSD	Quadrilateral Security Dialogue
45.	RCEP	Regional Comprehensive Economic Partnership
46.	SATP	South Asian Terrorism Portal
47.	SOP	Standard Operating Procedure
48.	ULFA	United Liberation Front Of Assam
49.	UPDS	United People's Democratic Solidarity
50.	UN	United Nations
51.	UNLF	United National Liberation Front
52.	USA	United States of America

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ABSTRACT

Investors before making their decisions usually like to factor in the common investment risks. This process is also called as 'Financial Navigation'. The common pitfalls to watch out for, while finalizing an investment portfolio are volatile market systems, national security concerns, and currency fluctuation risks, prices in rise (Inflation risk), and political risk along with changes in policies of interest rate risk. Based on many well researched theories political instability is considered as a detrimental factor that hinders the flow of Investments. In this research, the researcher here would like to draw our attention to the Northeast Region of India, which has had its substantial share of political disorder because of ethnic conflicts, insurgency related incidents, border disputes and exclusion by the Central Government. The research will focus on the historical background of Northeast India from the Colonial rule till the centre's initiative of Look East Policy 1991. The researcher in this research will try to find the causal link between political instability and lack of investments in the NER. The findings suggest that the rise of insurgency and ethnic conflicts in the region has direct implications in the slow economic growth. The study aims to fill in the gap of causal relationships between political disorder, investments' and economic development of the region. The implications in the Central schemes have a direct impact in the growth of the economy.

CHAPTER 1

INTRODUCTION

1.1 Background: An Overview of the topic

“Development is the only way ahead. We will carry forward the good work done by Atalji for the Northeast”. (Narendra Modi, 2014).

North East Region (NER) of India shares a little over 2.8 percentage of the total Gross Domestic Product (GDP) although it accounts to 3.77 percent of India’s population. India's North-East comprising of various ethnicities in all eight states of the region is one of the troubled insurgency zones in South Asia. Geographically, Northeast is landlocked in true sense as ninety-nine percent of the land is surrounded by international borders while just one percent of land connects Northeast with the mainland India making investment unfriendly due to connectivity issues. Economy of the northeastern region is largely dependent on agriculture accounting to almost 70 percentages while the services sector comes next and a small percentage from manufacturing.¹

As many researchers suggest that geographical distance between the heartland India and NER were partly responsible in the hampering of trade activities. Is it purely geographical distance or is it the distinctiveness of each state (socio-cultural, geo-political aspect) that sets forth various group of issues and challenges against the prospect of incoming investments.²

“The geographical distance between the Northeast and the rest of India has hampered trade and economic opportunities. The unique and complex nature of the region, its prolonged socio-political isolation from the rest of the country and its geographical

¹ FICCI, ‘Gateway to the ASEAN: India’s North East Frontier’ (17 November 2014) <<https://www.ficci.in/state-study-page.asp?spid=20772&stateid=1011>> accessed 19 July 2021;

² Subhir Bhaumik , *Troubled Periphery: Crisis of India’s Northeast* (first published 2009, SAGE 2009) 3-10.

*vulnerability required special measures. The incremental internal stability has led to a spurt of new ideas and options for tapping into its vast natural resources.”(Datta, 2021).*³

Northeast in India has always been regarded as a geopolitically sensitive region because of ethnic cleansing violence, insurgencies, cross-border immigration, and identity politics, along with interstate border conflict. The fact that the region is culturally diverse makes it an even more irresolute region in South Asia. India's North-East with various race-ethnicities in all eight states of the area is considered a troubled insurgency zone in ‘Southeast Asia’. Every state in the Northeast-India has its distinct claims founded on ethnic diversity of its regional population. The claims can be broken down into few objectives such as, “freedom from Indian Union, self-determination, separation, regional autonomy based on cultural foundation, and separate statehood”.⁴ The violence amongst the states varies from the level of conflicts and their resolve against the Government. Currently, the ambit of AFSPA in the region mainly circles around the disturbed areas of Assam, Manipur, and Arunachal. The level of security under the militarized zones has dropped significantly. Nevertheless, the issue is not in the insurgency related conflicts rather “the difficulty arising out of the identification of conflicts of a non- international character or civil war and situations of internal disturbances and tension not reaching the threshold of armed conflicts.”⁵

Due to various armed and ethnic conflicts, the Northeast region has witnessed a lot of loss of lives and property. Almost 28 percent of the people in the northeast live in poverty. As per the National Institute of Rural Development (NIRD), the total people under poverty line are around 12.8 million while 11.6 million of the total people live in

³ Sreeradha Datta, *Act East Policy and Northeast India* (Renu Kaul Verma, Vistata Publishing, 1st edn 2021);

⁴ Anita Yadav, ‘Applicability of International Humanitarian Law Principles on Non International Armed Conflicts with special reference to Northeast States in India An Analysis’ (Sodhganga, 2019) <<https://shodhganga.inflibnet.ac.in/handle/10603/330666>> accessed on 14 July, 2021.

⁵ Additional Protocol II- Protocol Additional to the Geneva Conventions (Aug.12, 1949) and Relating to the Protection of Victims of Non-international armed conflicts (June 8, 1977) art 1.

the rural areas of the Northeast.⁶ The border conflicts around the region have led to mass migration within the region due to heavy displacements. Displacement is a failure of regions political governance. It undermines a regions peaceful coexistence in turn creating a long standing image of political instability. The prevailing military control in the region has made it difficult for execution of developmental projects. These law and order situation have arisen due to multitude of issues. Large scale illegal immigration in the region, lack of development, distinct ethnic concerns, cultural identity crisis, omission from representation and slow growth of economy have escalated the crisis in Northeast India. These inter-cultural ethnic conflicts have escalated due to racial and inter-state border disputes, favoritisms and lack of development. However, there are no effective dispute mechanisms to resolve the conflicts peaceably. Therefore, this region has witnessed a lot of political movements, protests curfews and blockades with insurgents fuelling such public protests.

The recent 2020 Anti-CAA (Citizenship Amendment Act)⁷ protests in the country with Assam being the center for such demonstrations has created a political instability in the State.⁸ With Covid19 pandemic, the whole violence during the Anti-CAA protests created a political disorder. Many of the insurgency related violence saw a decline during the Covid 19 lockdown phase. However, the Myanmar and Bhutan borders still remain as an active region for terrorist activities since the whole terrain is a forest cover making it a safe haven for the militants. With the pandemic crisis the Indian economy has been declining. The worry surrounding the government's ill management of the pandemic coupled with increased state despotism (abuse of power) towards the civil society could lead to another political disorder. Rising joblessness has led many youngsters to join

⁶ Prachi Salve & Sanjana, 'Report Reveals Northeast's Incredible Growth rate, But also How it's Failing Miserably' Youth Ki Awaaz <<https://www.youthkiawaaz.com/2016/02/northeast-report/>> accessed 15 July, 2021.

⁷ CAA came into effect on Jan.10, 2020. This Act grants citizenship to particular minority refugees from neighboring countries leaving out the Muslim Population from Myanmar. Issues with regard to influx of illegal migrants have been a longstanding concern.

⁸ ACLED- 'Bringing Clarity to Crisis', <<https://acleddata.com/2020/10/26/covid-19-and-political-unrest-in-northeast-india/>> accessed July 2021).

militancy and in turn increasing the continued concern of National Security in the region.⁹

For almost fifty years since independence the Northeast was left in alienation. The lack of economic growth and myriad other issue gave rise to insurgencies thus creating a conflict zone instead of ‘investor friendly’ region. The insurgency issue has hampered a lot of trade ties between the urban and the hilly terrains of the NER. The attacks by the insurgents on transport routes, passengers, public property such as roads, bridges, schools, tea industries, manufacturing and supply chains have developed a political risk factor in the minds of prospective investors. The uncertainty towards good governance is likely to create an unstable political environment in turn decreasing both foreign and domestic investments which as a result may lower the national growth rate of the States.¹⁰ In the light of the above, this research attempts to bring clarity to the causal link between Insurgency, Political Instability and Investments in the NER.

The researcher here will study the scope of political instability and insurgency in the region of NER. The researcher will try to include the overall security situation in the areas declared as ‘Disturbed’ under the AFSPA. Many researchers have deeply connected the relation between political disorder and its effect on the economy of a country. To understand the causal link between political disorder and inflow of investments is the scope of this research. The economic aspect of the region has not seen any growth for the last six decades since independence. The researcher will therefore try to find the attribution of political instability and national insecurity towards the decline of investments in the region. The historical reasons responsible for the conflict in the NER along with the study on separatism during pre-independence and post-independence will be analyzed to take stock of the current situation in the region. The researcher will try to find the interaction between the law and order situation and flow of investments into the region.

⁹ ACLED- ‘Bringing Clarity to Crisis’, <<https://acleddata.com/2020/10/26/covid-19-and-political-unrest-in-northeast-india/>> accessed July 2021);

¹⁰ Sreeradha Datta, *Act East Policy & Northeast India* (Vitasta, 2021).

1.2 Statement of the Problem

Northeast Region of India accounts for only 2.8 percentage of the total Gross Domestic Product of India while the population percentage accounts to 3.76 percent (2011 census) of India's total population.¹¹ Developmental issues in the Northeast Region cover a range of socio-political factors; Lack of Investments from the Centre and other foreign investors is one of such reasons for the slow growth of Northeast India's economy. With vast natural and human resources, northeast has failed to attract investors in to the region. The crux of the problem here is to understand the factors responsible for such investment reluctances towards the region. No investor wishes to invest in a dying horse. Is Northeast India viewed upon as a gambling risk? The reasons for lack of investments cannot be studied in isolation. Issues such as poor infrastructure, bureaucracy level corruption, dense forest cover, hilly terrains, weak connectivity, land-locked, security concerns, border disputes, other socio-cultural-political factors play a pivotal role in sidelining investments. However, this research particularly focuses on the negative impact of Political Instability and rise of insurgency conflicts on investments.

The causal link between political instability and insurgency related incidents create an investment risk thus reducing the economic development. The violent separatism situation has hampered the flow of investments. The government for sixty years did not create north-east as an 'investment friendly' region. The level of ethnic differences contributed to a sense of aloofness while the centre remained apathetic with its isolation from the heartland India. The only measure taken by the Centre was guarding its territorial sovereignty in the NER. This paper will objectively will look into how Political governance and National Insecurity hampers investments both foreign and domestic. This research is limited to filling the gaps between Insurgency related incidents and economic performance of the region.

¹¹ Karin Kemper et al, *Development and Growth in Northeast India: The Natural Resources, Water and Environment Nexus- Strategy Report*, (World Bank, 2007);

1.3 Aim

The aim of this dissertation is to find the causal link between political instability and investment inflows in the region. The operational inefficiencies in a political unstable region act as a variable against the inflow of investments. The present research aims to explore the political risk indices along with national insecurity concerns and learn the respective indicator's impact on Investments in the NER.

1.4 Objectives

The present study is aimed to achieve the below mentioned objectives:

- To identify the effect of political instability and national insecurity on investments.
- To study the history of the rise in insurgency and its impact in the economic growth.
- To analyze the political-militancy nexus as it's an unspoken dimension noteworthy in contemporary politics of northeast India.
- To analyze the consequences of National insecurity and terrorist activities on investment inflows as well as outflows.
- To bring out much needed economic reforms in the Northeast India.

1.5 Scope and Limitation

This research is limited to the northeast region and does not cover other parts of India. The study is on national insecurity and political stability. The study is doctrinal in nature hence this is purely limited to research from books and data available. There is no empirical study on how national security as a variable impacts investments. Therefore, this study is based on inferences and not scientific data. The Covid-19 lockdown has made it difficult to access research tools and any sort of participatory method could not be conducted. Data collection during this lockdown was not possible. Hence, the researcher could use only few primary sources of data. The research has been conducted purely on secondary data available. The online research can act as a limitation since it blurs out researchers understanding of the setting.

1.6 Literature Review

The available literature has been studied to build an in-depth understanding of the historical background of the Northeast region now regarded as a Conflict Zone of the East.

Political Instability and Investments:

Scholars like Mutubwa et al (2020)¹² and Khan (2013)¹³ found in their studies that Political Risk Indicators had a negative impact on the relationship with FDI. A region's political risks are a critical variable which is considered by foreign investors while analyzing their investment portfolios (Moosa, 2002).¹⁴ Musibah (2017)¹⁵ studied on the impact of political instability a macro-economic variable on Foreign Direct Investment inflows in selected countries like the Middle East and North Africa. The variable is a risk factor that directly hampers the flow of investments.

Northeast India and Political Risks:

The Political risks involved in the Northeast India are criminal syndicates, insurgency groups, corrupt local administrations etc. which has tremendously impacted the crisis of development in the NER (Bhaumik, 2009).¹⁶ The North East has been a subject of target of militarization for the last five decades. The AFSPA was introduced in 1958 for a temporary period to subdue the insurgency conflicts in the region;

¹² Wilfred Mutubwa et al, 'Determining the Impact of Political Instability and National Security on Foreign Direct Investment in Kenya' (2020) 5 J. CMSD 60-77;

¹³ Mashrur Khan Mustaque and Mashfiqelbne Akbar, 'The Impact of Political Risk on Foreign Direct Investment' (2013) <https://mpr.ub.uni-muenchen.de/47283/1/MPRA_paper_47283.pdf> accessed 14 July, 2021;

¹⁴ Moosa I A, *Foreign Direct Investment: Theory, Evidence And Practice* (Palgrave McMillan Britain 2002);

¹⁵ Anwar Salem Musibah 'A Political Stability and Attracting FDI: A Comparative Study of Middle East and North African Countries' (2017) 29 SCI. INT. 679-683;

¹⁶ Subir Bhaumik, *Troubled Periphery: Crisis of India's Northeast* (SAGE Publications, 2009).

Sonowal (2018)¹⁷ analyses how this Act has violated part of citizens' lives for five decades and transformed this beautiful landscape into a conflict zone. Haokip (2015)¹⁸ a native of the Northeast India works at the Jawaharlal Nehru University points out the continual change of Centre's policy towards the Northeast Region- with the analysis of the Nehruvian policy framework to the possible political impact of turn east policy including issues of ethnic differences, insurgency, and migration and trafficking. "The northeast region can only catch up with the rest of India in terms of growth rates and income levels, if the region correctly identifies actual potential comparative advantages (Brunner, 2010)".¹⁹ Maling (1998)²⁰ describes how internal self determination can be made an alternative solution to the demands of the secessionist movements in the India's Northeastern region.

Investment policies in NER of India:

The economic policies in the region have not been sustainable in the long run since the policy making by the centre discarded all the ground realities of the region. At the micro level, the structural problems are not limited to geo-political issues but socio-cultural differences (Datta, 2021)²¹. Goswami & Saikia (2012)²² suggests that the Centre needs to intensify its promotion towards export-oriented FDIs to have a direct impact on the economic growth. The Look East Policy 1991 was introduced to promote cooperation

¹⁷Bhabani Sonowal & Dipa Dube, '58 Years of Militarization and Victimization of Vulnerable Groups in Northeast India' (2018) 12 NUALS L.J. 113;

¹⁸ Thongkhohal Haokip, *India's Look East Policy and the Northeast* (SAGE Publications, 2015);

¹⁹ Hans-Peter Brunner, *North East India: Local Economic Development and Global Markets* (SAGE 2010);

²⁰ Maling Gombu & Julie Buragohain, 'Internal Self Determination: An Alternative to the Secessionist Movements in India's North East'(1998) 10 Student ADVOC. 81;

²¹ Sreeradha Datta, *Act East Policy & Northeast India* (Vitasta Publishing Pvt. Ltd. 2021);

²²Goswami & Saikia, 'FDI & its relation with exports in India, status prospect in NER' (2012) 37 ICEE;

with ASEAN countries and build on its strategic sea affairs for the purpose of defense growth while seeking to balance the strong rise of China (Zhang, 2012).²³

1.7 Research Questions

1. Does political instability affect investments for economic growth in the North-East India?
2. Whether the interaction between political instability and investment is positive or negative?
3. Does political instability shorten policymakers' vision leading to short term economic policies which in turn create volatility and thus negatively affect incoming investments?
4. Is there a causal link between good governance and its impact on financial investments in the NER?
5. Does growing National Insecurity in Northeast India create collateral damage on investment inflows?
6. Is National Security of a region a pre-requisite for lasting economic growth?
7. Has the Act East Policy contributed to any FDI inflows into the region?

²³ Zhang Guihong & Qiu Changqing 'Reflections on India's Look East Policy' (2012) 35 CHINA INT'L Stud. 114.

1.8 Research Methodology

The researcher in this paper has adopted the Doctrinal Method of Research. It involves an analytical and jurisprudential analysis of the legal schemes, historical and comparative analysis of the economic growth in the Northeast region. The researcher has utilized various Primary and Secondary sources of data. The primary sources of data referred for the paper consists of the Constitution of India, Acts, Statutes, Conventions and legislative enactments. The secondary sources of data for conduct of this research include books, journals, articles, legislative reports, data published by public and private institutions, reports, blogs, websites, newspapers, etc. The Researcher has followed OSCOLA 4th Edition for citation and footnoting.

1.8 Research Design

The present research is organized in five chapters. The pattern of research is as follows:

The First Chapter titled as, ‘Introduction’ provides a general overview of the research topic, objectives and research problem. In relation to the topic it puts forth the research questions and the adopted method of research.

The Second Chapter titled as, ‘An Overview of Northeast India’ deals with the geographical and historical significance of the NER.

The Third Chapter titled as, “Political Instability and National Insecurity”” deals with the study of the current security scenario in the region. It gives an analysis of the historical reasons responsible for the revival of the insurgency groups.

The Fourth Chapter titled as, ‘Impact on Investments’ deals with the negative impact of political instability on investments. This chapter studies on the relationship between National Insecurity and Investments.

The Fifth Chapter titled as, ‘Conclusion’ deals with the concluding summary of the overall study and the recommendations by the researcher after the conduct of this study.

CHAPTER 2

AN OVERVIEW OF NORTHEAST INDIA

2.1 Geographical Overview of NER

“North-East Region (NER) of India consists of eight states- Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura.”²⁴ The whole of northeast is connected by the “Siliguri Corridor also referred to as the Chicken Neck” isolating the region completely from various prospects of development after 1947 partition. The entire Northeastern region of India occupies an area of 0.262 million sq. km. accounts for approx. eight percent of total geographical land of India and 3.77 percent of total population of India. Amongst the northeastern states during the 2001-2011 censuses, Meghalaya witnessed the highest population growth while Nagaland saw the least. The Northeast shares international borders with China and Bhutan (North), Burma (East); and Bangladesh (South & West). The NER constitutes of approximately 475 ethnic tribes and 400 various regional languages. Prior to the partition the international trade ties with the neighboring countries were strong. However, partition almost physically separated the Northeast from the mainland India. The Northeast region has a large bio diverse region with a forest cover of over sixty five percent.

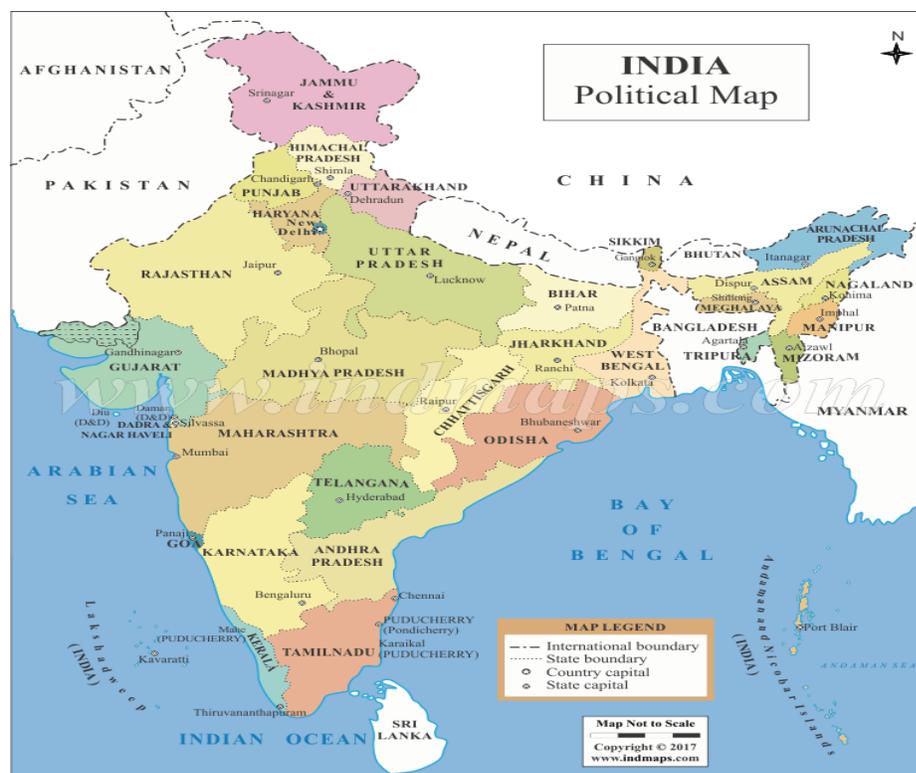
The North East Region has rich natural resources, accounting for thirty four percent of the country’s water resources and almost forty percent of India’s hydroelectric power potential.²⁵ The northeast region is adjacently located with the countries willing to expand their trade ties with the East India, along with adjacency to the capital cities in the east and neighboring countries such as Bangladesh and Myanmar. The region also acts as an entry point to the Southeast Asian economies. This resource-rich land of alienated

²⁴ FICCI, ‘Gateway to the ASEAN: India’s North East Frontier’ (17 November 2014) <<https://www.ficci.in/state-study-page.asp?spid=20772&stateid=1011>> accessed 19 July 2021.

²⁵ Karin Kemper et al, *Development and Growth in Northeast India: The Natural Resources, Water and Environment Nexus- Strategy Report*, (World Bank, 2007);

India has a wide expanse of fertile agricultural land and extensive untapped human resources, with a potential to be the most prosperous region in the country.²⁶ Despite its potential, the region has been characterized as one of the backward regions since the British Raj. Almost 28 percent of the people in the northeast live in poverty. As per the “National Institute of Rural Development (NIRD)”,²⁷ the total people under poverty line are around 12.8 million while 11.6 million of the total people live in the rural areas of the Northeast.

Figure 1: Territorial Map of India



Source <http://www.indmaps.com/political-map-of-india/>

²⁶ UN India, ‘Northeast’ <<https://in.one.un.org/un-priority-areas-in-india/north-east/>> accessed 15 July 2021;

²⁷ Jyothis Sathyapalan ‘Rural Development Statistics 2019-2020’ (February 2021) <https://www.google.com/url?sa=t&source=web&rct=j&url=http://www.indiaenvironmentportal.org.in/file/s/Cover_Page9550048814.pdf&ved=2ahUKEwjsz4KP7_bxAhVjI0YKHc9oAx40FjAAegQIAxAC&usg=AOvVaw3samiCZOdo9eKSh6PIWCd4> accessed 14 July 2021;

2.2 Historical Overview of NER

2.2.1 Pre-Independence situation in the NER:

The colonial rule in India was the main factor for the current situation of insurgency in the region. The conflicts which challenges the north east region is without doubt related to the developments and exploitation that occurred during the colonial rule. The geopolitical highlight of the North East Frontier (NEF) first emerged during the British regime whose main focus was to annex territories between Bengal and Burma, until then Northeast did not exist as a region. Amongst the Northeast States- Assam, Arunachal, Manipur and Meghalaya were the first ones to find some relevance even prior to independence. “The British East India Company annexed Assam, Manipur, Cachar Hills, Jaintia provinces after the first Anglo-Burmese War (1824-26). The Treaty of Yandaboo signed by the British and Burma after the loss by the Burmese side against the British in 1826 brought the colonial forces closer to North East”.²⁸

Backward Category: The geopolitical highlight of the North East Frontier first emerged during the British regime until then Northeast did not exist as a region. Many Khasi-Jaintia tribes put forth their unhappiness being categorized under the head of backward tract. “The tribal areas that were under the control of the Rajah were termed as backward tracts under the Government of India Act 1919”.²⁹ Consequently, such references were used for the northeast frontier region even under the Government of India Act 1935. The North East Frontier Tract of Assam was politically made part of the province of Assam under the GoI Act 1919. However, the Government of Assam was denied actual

²⁸ Rajiv Gandhi University, ‘History of Northeast India- 1228 to 1947’(Vikas, 2016) <https://www.google.com/url?sa=t&source=web&rct=j&url=https://rgu.ac.in/wp-content/uploads/2021/02/Download_629.pdf&ved=2ahUKEwjFpOGp0fXxAhWm_3MBHa11C0gQFjAJegQIEhAC&usg=AOvVaw2WD9jC-yYrvD58sgjj2yeK> accessed 19 July 2021;

²⁹ Thongkhohal Haokip, *India's Look East Policy and the Northeast* (SAGE, 2015);

participation in the politics. The Government of India Act 1935 declared parts of Northeast areas as 'Partially Excluded Area' or 'Excluded Area'.³⁰

Inner line Regulation: The Company brought in demarcation of newly governed territories by setting down the physical limits also known as 'Inner Line Permits (ILP)' in 1873. Oblivious to such physical demarcations the hills people continued raiding the plains and as a means of last refuge the company had to establish administrative headquarters in the Garo Hills (1866), the Naga Hills (1878) and the Lushai hills (1895). The Economic implication of the Inner Line was that most tribes remained in archaic conditions and did not allow any development in the region. The market economy between tribes and the outside society remained one-sided. Basically, the products of the tribes could be sold in the markets and the tribes could also purchase goods from the plains, the actual profit was earned by the British. The tribes also spent on useless products like opium. This led to the drain of wealth from the hills.

Christianity and English: The British (Welsh) missionaries brought in Christianity and converted most of the population of Nagaland, Meghalaya and Mizoram increasing the proficiency of English language in the states.³¹

Munda Rebellion: This was one of the strongest rebellions after the year 1857. The Mundas as tribesmen enjoyed certain rights as forest dwellers. Since the tribal were oppressed by the contractors and the British and it was only after the enactment of the Chottanagpur Act that ended tribal bonded labour.

Garo and Jaintia Rebellion (1860-70s): The connectivity project for transportation of troops was planned by the British between Assam and Sylhet. The construction was strongly opposed by the Garos and Jaintias wherein a number of villages were burnt down by the British. This resulted in the rise of hostility after the introduction of income tax and house tax.

³⁰ *Supra Note 28;*

³¹ V R Raghavan, *Consequences Of Long Term Conflicts In Northeast India*, (Book India Pvt. Ltd. 2013) 11;

Civil Disobedience & Quit India Movement: The pace of Civil Disobedience Movement was strongly kept alive in Assam by the Congress leaders. Due to this movement, sale of opium by the British Raj slowly reduced in Assam. Slowly, the Quit India Movement arose and the actions by the British to suppress the voices only made the resolve of the people stronger. The people of the Northeast rose against the government by ways of mass protests. The British did not wish to leave India as One instead they urged the Muslim League to create a separate ministry leading to the partition of East Pakistan now 'Bangladesh'. The colonial subjects took more than a decade to annex the frontier hence, the major chunk of the northeast India never came in touch with the Administrative Centre.³²

2.2.2 Post-Independence situation in the NER:

The East India Company had a secret plan during the end of their regime for establishment of a Crown Colony in the hilly areas and tribal areas of Burma. However, the plan had to be set aside for multitude of reasons. The responses during independence varied between regions like Assam and the Naga Hills. The Indians saw the dawn of independence from the British Raj. The freedom struggle saw India's emergence of a new sovereign state. However, the people of the North-East India viewed this as a possibility to go back to their traditional methods of independent living. Many tribes from the hills did not wish to be integrated under the Indian Union. The Nagas declared their Independence on August 14, 1947 along with the partition of Bangladesh. The compelling circumstance made Nagas to join the Indian Union. The Nagas' took benefit of the partition with East Pakistan and negotiated with the Union. The integration of the northeast region was not concluded until "Tripura, Manipur and the Khasi States signed instruments of accession with the Indian Union".³³ While Tripura and Manipur were

³² Thongkhohal Haokip, *India's Look East Policy and the Northeast* (SAGE, 2015);

³³ Rajiv Gandhi University, 'History of Northeast India- 1228 to 1947'(Vikas, 2016) <https://www.google.com/url?sa=t&source=web&rct=j&url=https://rgu.ac.in/wp-content/uploads/2021/02/Download_629.pdf&ved=2ahUKEwjFpOGp0fXxAhWm_3MBHa11C0gQFjAJegQIEhAC&usg=AOvVaw2WD9jC-yYrvD58sgjj2yeK> accessed 19 July 2021.

treated as Union Territories in 1950, other hills such as the Garo, Khasi, Cachar, Jaintia and Lushai were tagged as District Councils to protect their ethnicity.

Unlike other states which were formed on linguistic basis in 1950s, North East was formed on the basis of cultural and ethnic differences.³⁴ “Under the Indian Constitution (1950), the tribal occupied regions of Northeast India were categorized in two parts; Part A & B in the table attached to the Sixth Schedule.”³⁵ “In the year 1954, after small regional changes, the North-East Frontier Tracts were changed into North-Eastern Frontier Agency (NEFA). The Lushai Hills District was renamed as Mizo District in 1954”.³⁶ In December 1963, the state of Nagaland was given recognition under the Constitution. Slowly the claims for sovereignty and political independence in the hills grew stronger. The state of Meghalaya emerged in 1972. The NEFA was turned into Arunachal Pradesh and was given the status of Union Territory alongside Mizoram. The Princely Provinces of Manipur and Tripura signed with the Indian Union 1949 under the instrument of accession.³⁷ They gradually succeeded to be full-fledged states. The state of Sikkim was the last region to join the North Eastern Council (2002). Northeastern region of India is an abode to more than 100 ethnic insurgency groups as per the South Asian Terrorism Portal. The insurgency groups has their own objectives with many demanding complete secession from India, while some with a demand for separate statehood, others for a constitutional recognition of their ethnic identities and some without any political objectives. The current militancy groups with no political objectives are managed with an intention of easy money making business by ways of extortion, abduction and communal violence.

³⁴ Dr N N Acharya, *A Brief History of Assam: From Earliest Time to the year 1983* (Omsons Publications Guwahati, 1996) 237;

³⁵ Constitution of India, Schedule 6 r/w Art 244, (1950);

³⁶ B Datta Ray and S P Agrawal, *Reorganization of Northeast India since 1947* (Concept Publishing Company New Delhi 1996) 6-50;

³⁷ Avalok Langer, *In Pursuit of Conflict* (Westland Publications, 2018);

The reasons that led to the inception of the various insurgent groups in the region are:

- The Nagas declared their independence along with the partition of East Bangladesh on 14 August, 1947. They believed that Assam and Arunachal were part of the ‘Greater Nagalim’ or Greater Nagaland. Under the Head A Z Phizo, the ‘Naga National Council’ (NNC) was formed making it the first militant group with a demand for greater autonomy. Due to differences in objectives the NNC divided to form “National Socialist Council of Nagaland (NSCN). The NSCN further split into two insurgency groups;
 - Isak-Muivah faction (NSCN-IM)
 - Khaplang faction (NSCN-K)”³⁸
- The MNF (Mizo National Front) was formed by Laldenga in 1966 with the objective of grant of independence from India. The resolve of this group became stronger after the ‘Mautam’ famine as the Indian Union failed to provide any assistance to the state of Mizoram.
- The mass immigration of Bengalis and Hindus from Bangladesh during the British rule reduced the population of the majority indigenous to minority status. This affected the tribal rights of the state of Tripura sparking enmity thus creating many militant groups.
- A movement in Assam due to infiltration of many illegal immigrants from Bangladesh led to the “inception of ULFA in 1979”.³⁹ Their demand was to see the implementation of the Assam Accord which stated deportation of illegal immigrants will be met. The other insurgency groups that formed are “Bodo Liberation Tigers (BLT), National Democratic Front of Bodoland (NDFB) and the United People’s Democratic Solidarity (UDPS).”⁴⁰

³⁸ North East Insurgency, <<https://www.drishitias.com/to-the-points/paper3/north-east-insurgency>> accessed on July 15, 2021;

³⁹ *Id.* 38

⁴⁰ Avalok Langer, *In Pursuit of Conflict* (Westland Publications, 2018);

- The “United National Liberation Front (UNLF) which saw its inception in 1964”⁴¹ was to protest against the forcible amalgamation of the former Monarchical Manipur Kingdom with Indian Union. Their concern was the alienation and discrimination developed against Manipur since it was accorded statehood in 1972 after 23 years of merger.
- The rise of resolve grew stronger for the demand of recognition of tribal autonomous region. This led to the inception of varied insurgent groups in the state of Meghalaya, like the “GNLA and HNLC”.⁴²
- The close geographical international border between the states and the countries of Myanmar, China and Bangladesh is gradually creating a safe abode for the rise of insurgency. “The only case of indigenous insurgency group in Arunachal Pradesh was the inception of the Arunachal Dragon Force (ADF), which was re-designated as East India Liberation Front (EALF) in 2001”.⁴³

Militarized operations (Operation Rhino and Bajrang) were launched against ULFA militants in Assam. The AFSPA (1958) have been placed in the NER for six decades now giving the military discretionary powers to tackle insurgency. The air strikes against the MNF groups in Mizoram witnessed a lot of human rights violation with severe civilian casualties. According to Ministry of Home affairs the period of 2020-2021 saw a lot of improvement in the security situation. While there is almost no insurgency left in Tripura, Meghalaya and Mizoram. The whole of Meghalaya and parts of Arunachal witnessed an improvement in the security situation with the lifting of AFSPA. The MNF dialogues in 1986 were successful and even the Shillong chord in 1975⁴⁴ brought peace into the region. The ceasefire negotiations have led to a reduction in the insurgency related conflicts in the states and complete eradication will attract investments in the region which will improve the social and economic backwardness of the region.

⁴¹ North East Insurgency, <<https://www.drishitias.com/to-the-points/paper3/north-east-insurgency>> accessed on July 15, 2021;

⁴² *Id.* ;

⁴³ *Id.* ;

⁴⁴ *Id.* ;

CHAPTER 3

POLITICAL INSTABILITY & NATIONAL INSECURITY

3.1 Political Instability in Northeast Region

“The rest of India does not see us. If seen we are not recognized. If recognized we are not remembered. And are not heard.”

(Rajmohan Gandhi)

The Northeastern states of India has witnessed years of insurgency conflicts and is generally categorized as being ethnically diverse, with a befuddled number of ethnic and cultural backgrounds. Northeast has seen a long standing violence and separatist movements by a number of ethnic groups. “In terms of colonial rule, the British subjects annexed Province of Bengal in 1757. To the northeast of these Bengal possessions lay the Brahmaputra River valley now known as Assam”.⁴⁵ The Assam valley was annexed into the company’s territorial holdings in 1826 after the first Anglo-Burma war with Myanmar.⁴⁶ The colonial control accelerated gradually into hill areas and these terrains of the Northeast frontier were closed to immigration and administered under the head of excluded areas or partially excluded areas. Many of the parts of Bengal and Assam Provinces were transformed in to tea plantations and hill stations for the British exploitation. Even during the British regime, the northeast region was mainly regarded as a ‘buffer zone’ between China, Burma and India. This overview of the region continued and the reason for military deployment continually disrupted its economic growth.

⁴⁵ Rajiv Gandhi University, ‘History of Northeast India- 1228 to 1947’(Vikas, 2016) <https://www.google.com/url?sa=t&source=web&rct=j&url=https://rgu.ac.in/wp-content/uploads/2021/02/Download_629.pdf&ved=2ahUKEwjFpOGp0fXxAhWm_3MBHa11C0gQFjAJegQIEhAC&usg=AOvVaw2WD9jC-yYrvD58sgjj2yeK> accessed 19 July 2021.

⁴⁶Avalok Langer, *In Pursuit of Conflict* (Westland Publications, 2018);

The post independence political upheaval with the partition of Bangladesh left the hill tribes into splits. The separation of Burma from the hill tribes in Eastern India had already created differences amongst the tribes. “The states of Meghalaya, Nagaland and Mizoram were carved out from the province of ‘Greater Assam’ with the North East Frontier Agency included into the State of Arunachal Pradesh.”⁴⁷ It was necessary to divide the region into states because of ethnic and cultural differences. The ‘Balkanisation of Assam’ led to the inception of new states Nagaland (1963), Meghalaya and Mizoram (1972). The prolonged public disagreement over the annexation process led to the formation of various separatists groups like the Naga National Council (1956) and the Assam-Manipur groups were formed in 1964. The tactical methods used by the Centre to subdue the insurgent’s demands were coercive in approach making the resolve even stronger. Up until 1970s, the security personnel used “collective punishment, forcible relocation, and military occupation in an attempt to end Insurgencies in the NER”.⁴⁸ The region has been politically volatile region.

Reasons for Political Disorder:

Few causes for such political disorder include:

- ***Inter-state Border Conflicts:***

The state of Assam borders all the states of the Northeast region and the root cause for such border disputes was the divide of states. It was an urgent need during the 1960s where the Indo-China war broke out and thus compelling the states to be integrated with the mainland India. The war of 1962 led to the creation of these territorial boundaries with the primary goal of integrating the states and subduing the insurgency movements in the region. The reorganization of Northeast Frontier Agency and creating Arunachal Pradesh into a Union Territory in 1972 and gradually upgrading it into a full-fledged state in 1987 was the concluded negotiation between the Chinese-Indian Government. The other states were given the status of states;

⁴⁷ B Datta Ray and S P Agrawal, *Reorganization of Northeast India Since 1947* (Concept Publishing Company 1996) 6-55;

⁴⁸ Sanjoy Hazarika, *Strangers of The Mist* (Penguin Books 2000) 90-97;

Nagaland (1963), Meghalaya (1972), Mizoram (1987). The grant of statehood definitely met the requisite requests by the ethnic tribes for a separate political identity. This led to severe implications in the form state border disputes between Assam and the newly formed states. The territorial boundaries created by the Central Government failed to consider the ground realities of the tribes. There is a sizeable population of both Mizos and Nagas in the Cachar Hills of Assam making it a probable territorial claim for both the states of Nagaland and Mizoram. One such instance: when Dimapur was the capital of Dimasas of the North Cachar Hills. In order to provide it a railway head, the centre transferred Dimapur to Nagaland creating tensions amongst the Dimasas and Nagas. The history of the ongoing dispute between Assam-Mizoram lies in historical documents of the 1875 Notification and 1933 Notification. The 1875 notice differentiates between the Cachar and the Lushai Hills while the 1933 Notification demarcates the line between Lushai Hills and Manipur. Mizoram refrains to accept the 1933 notification as this was laid down before the formation of the state of Mizoram (1972). There are no policies or mechanisms in place to resolve such border disputes. The negotiation between parties is usually conducted with the involvement of a third party but this has never been fruitful. The Supreme Court in 2005 directed the Centre to constitute a boundary commission to resolve such interstate-border disputes. The Committees constituted by the Centre are, the Sundaram Commission 1971 and the Shastri Commission 1985 to resolve the Assam-Nagaland Border Dispute. The committee's recommendations were not accepted by the parties in dispute.⁴⁹

- ***Dispute for Natural Resources:***

To occupy a resource-rich land for economic purposes the clashes are fuelled by few politically motivated persons. 'The local rivalries particularly the resource disputes

⁴⁹ Lt. Gen Shokin Chauhan, 'Assam-Mizoram border dispute: Baggage of the Past' FINANCIAL EXPRESS (13 July, 2021) <<https://www.financialexpress.com/defence/assam-mizoram-border-dispute-baggage-of-the-past/2289316/>> accessed on 14 July 2021;

between tribal groups; plains and the hills; and between the sons of the soil and the migrants from Bengal, Nepal and Central India.’⁵⁰

- ***Economic and Political Reservations:***

This categorization for benefits has significantly developed various socio cultural groups. Politics around the region is centered linguistic and tribal groups seeking benefits from the legislators in employment. New autonomous councils⁵¹ have been introduced below the statehood level and their shortcomings are huge; Breakdown of rule of law, elections not being contested democratically, and the absence of political participation leads to exclusion instead of empowering the tribesmen.

- ***Ethnic Identity & Clashes:***

In order to redefine their superiority over another ethnic tribe they start ethnic clashes to occupy the land. The relationship with land for the tribal groups is the basis of their indigenous ethnic identity. The identity of these tribal groups cannot be protected without safeguarding their land and natural resources, as these factors largely determine their lifestyle.

- ***Ongoing Insurgencies:***

The presence of insurgent groups in the region makes the region politically imbalanced. The reason other than the demands for a separate nation is the weakness and corruption of government institutions. The insurgent groups flourish themselves by partnering or extorting money from the local governments. Extortion or Bribery was a way of life for the insurgents till the 1990s. Although, now the system has become more sophisticated with a lot of wildlife poaching, international funding, extortions by means of abduction, criminality.

⁵⁰ B Datta Ray and S P Agrawal, *Reorganization of Northeast India Since 1947* (Concept Publishing Company 1996) 6-55;

⁵¹ Indian Constitution, Art. 244 r/w 6th Schedule (1950);

- ***International Border disputes:***

The 1962 Indo-China war had frozen almost all interactions between the countries. This war ruined the situation of Arunachal. The 1988 negotiations were effective having increased the trade ties. The recent 2020 Galwan clash made the situation even more serious. China claims part of Ladakh, Jammu & Kashmir and Arunachal Pradesh from the NER. The Minister of External Affairs Mr. Jaishankar declared that “normalcy cannot be possible without disengagement and de-escalation and signaled its measures with regard to Chinese Investments.”⁵² The recent clashes were due to infrastructure disputes along the border regions. In January this year, an entire village of Chinese troops settled down inside the Indian Territory of Arunachal.⁵³ China’s recent construction of the Brahmaputra dam in the Tibet region will negatively impact the Northeast Region in the agricultural sector. This international dispute is likely to economically impact the political order of the Northeast.

- ***Mass Immigration:***

The reason for armed conflicts and rebellion were over the questions of mass immigration from Bengal and Bangladesh. During the time of partition the leadership in Assam decided to join Assam (Mizoram and Meghalaya) with East Pakistan. The fear of being Hindus in a Muslim majority nation prompted the Assamese to join the Indian Union. The backlash of large scale immigration was seen after the 1950s and was addressed in the year 1978. The 1978 electoral polls saw huge influx of foreigners in the region. After this the Nellie massacre in 1983 witnessed a lot of ethnic killings. Bengalis and Muslims were mass murdered in broad daylight. The Tewary Commission report included the involvement of RSS and the youth wing of BJP. The Members of Parliament just occupied the seat and position without working

⁵² The Hindu, ‘Ending the Impasse: On India-China ties’ (16 July, 2021), <<https://www.thehindu.com/opinion/editorial/ending-the-impasse-the-hindu-editorial-on-india-china-ties/article35352171.ece>> accessed 19 July, 2021;

⁵³ Riya Singh Rathore, ‘As China-India Border Construction Heats up, So do Confrontations’ THE DIPLOMAT (June 25, 2021) <<https://thediplomat.com/2021/06/as-china-india-border-construction-heats-up-so-do-confrontations/>> accessed 16 July 2021;

towards development. Since the independence, Northeast has been nothing more than a disturbed area.

The CAA was introduced by the BJP government and this led to political disorder in the whole of Northeast. The protests against CAA came to a halt because of the pandemic. The Assam Accord was signed in 1985 which stated, “Foreigners who came to Assam on or after March 25, 1971 will be expelled from India”.⁵⁴ Since the matter is in the Supreme Court questioning its Constitutional validity. The matter is yet to be resolved.

The Northeast community with its development sanctions made a clear statement. The stand against the extraction of resources to their claims as locals should not be dismissed as ‘terrorism or parochial’ in nature.

“This Development feels like an Invasion”- Mamang Dai

3.2 Current Scenario of Political Instability:

The recent Assam-Mizoram Border dispute in the Hailakandi District has caused serious injuries on both sides of the States. Prior to this, the border clashes took place in 1972. Then, in 2020 the tensions arose as both sides of the communities clashed leading to the loss of lives and property on both sides. The intervention by the Central Government and the security personnel the peace was restored.

There was yet another incident of grenade explosions in Dholakhal of Assam (July, 2021). This area of conflict is situated right between the borders of Assam-Mizoram. There has been rising tensions along the border region between the two states. The clash was perfectly timed with the visits of senior officials from the state of Assam. The reason of the conflict was due to incorrect territorial demarcation between the borders of the states. During the British regime Mizoram was known as Lushai Hills located in the southern most part of the Northeast India. The incorrect and non precise demarcation of

⁵⁴ Anita Yadav, ‘Applicabilty of International Humanitarian Law Principles on Non International Armed Conflicts with special reference to Northeast States in India An Analysis’ (Sodhganga, 2019) <<https://shodhganga.inflibnet.ac.in/handle/10603/330666>> accessed on 14 July, 2021;

boundaries has been an ongoing issue amongst the tribes that occupy the land. The radical redefinition of the growing political imbalance is not solely focused on the recognitions of their ethnic identity but the issue now is centered on the superiority of ethnicity. The superiority is shown by suppression another ethnic tribe or culture, fuelled by political aspirations by means of annexing territorial boundaries.⁵⁵

Currently, the dialogues between Assam, Nagaland and Meghalaya are great as cooperation between themselves to resolve the border dispute without any third party intervention is welcomed. The recent Langpih issue resolved between Meghalaya and Assam acts as a welcoming factor of change. It is of utmost urgency to find a sustainable resolution to the border disputes and ethnic clashes in the region. The peaceful relation between the states needs to be maintained as the Northeast will act as a bridge of connectivity towards the ASEAN trade ties. The China's BRI near the North-East India makes it all the more a necessity to resolve political disturbances.

3.3 National Insecurity in Northeast Region

“The words 'national' and 'security' are like precursors for a binary chemical weapon: not overly dangerous by themselves, but capable of completely shutting down the brain and nervous system when used in combination.” - John Alejandro King

National Insecurity in any form hampers prospective investments in the North eastern Region. The region has seen a lot of separatist guerilla war since 1947. However, none of the separatist movements against the centre has led to secession like Bangladesh from India in 1971. As per the Home Ministry, the National Insecurity concerns can be broadly divided into:⁵⁶

- Terrorist attacks in the remote area of the nation;
- Left-Wing Extremism;

⁵⁵ Lt. Gen Shokin Chauhan, 'Assam-Mizoram border dispute: Baggage of the Past' FINANCIAL EXPRESS (13 July, 2021) <<https://www.financialexpress.com/defence/assam-mizoram-border-dispute-baggage-of-the-past/2289316/>> accessed on 14 July 2021;

⁵⁶ The South Asia Terrorism Portal,<<https://www.satp.org/terrorism-assessment/india>> accessed 19 July, 2021,;

- The Jammu and Kashmir security concern;
- Separatism and Insurgency in the Northeast India.

Amongst the Eight North-eastern States except for Sikkim all the seven states have recorded an extent of insurgency related incident. Though Arunachal does not have any indigenous separatist group from the state, the region has reported the highest number of casualties because Naga militants claim statehood in parts of districts such as Tirap, Longding, Changlang as part of their Sovereignty claim ‘The Greater Nagaland’.⁵⁷ In Assam the leading militancy is the United Liberation Front of Assam (ULFA) their main objective for such armed struggle is the attainment of Independence and Sovereignty from the rest of India i.e. ‘Swadhin Asom’.⁵⁸ The Naga Nationalists believe that when the British relinquished the Indian Union on Aug 14, 1947 it was their day of Independence. Hence, they are fighting for De Jure recognition of that fact by the Indian Union and the neighboring countries. These ethnic conflicts and separatist movements have lost their separatist agendas and most of them are divided by their segmentation of objectives. Militants during their years of inception voiced their true concerns of the lack of development. Currently, the violent separatism has taken a different form of making easy money by ways of kidnapping, abduction, extortion etc.

The historical relationship amongst the ethnic tribals in the Northeast mainly constitutes of Tibeto/Burman/ Mongoloid culture and they are much closer to Southeast Asia. The diversity in this region is immense; although that cannot be regarded as the fundamental reason for such ethnic disputes between the tribes. The major problem in the Northeast is that unlike other states which were organized according to the language spoken the northeast states were organized in a manner where the major ethnic cultures were recognized while the rest were ignored during the process of delineation. This gave rise to discontentment of the minority tribes and their assertion of one’s identity was

⁵⁷ The South Asia Terrorism Portal <<https://satp.org/terrorism-assessment/india-insurgencynortheast>> accessed 12 July 2021;

⁵⁸ M S Prabhakara, ‘Separatist Movements in the North-East’ 42 Economic & Political Weekly 9 ISSN 2349-8846 (Mar 3, 2007) <<https://www.epw.in/journal/2007/09/commentary/separatist-movements-north-east.html>> accessed 15 July, 2021;

questioned. The bond to the newly determined Indian Union was deficient from its inception in 1947 which was unfortunately accentuated with the partition of Bangladesh leaving the Northeast Frontier in complete isolation.

The centre's consolidation of various states has accentuated the conflict situation in India. One such instance:

*“The eight states comprising the Northeast are populated by nearly 40 million inhabitants who vary in language, race, tribe, religion and regional heritage. Hence, most often the clubbing of all these state under one head ‘Northeast’ has tended to have a homogenizing effect with its own set of implications for policy formulation and implementation; not mention local aversion to such policy construct”.*⁵⁹

The 6th schedule in the India Constitution that introduces autonomous councils in the districts is lacking in its effectiveness. This political-administrative arrangement by the Centre has ended up dividing power centers instead of bringing in change. The AFSPA which was passed in 1958 was meant for a short term deployment of troops to counter the nationalist movement which has been in use for the last five decades. The AFSPA was directed against anyone challenging the territorial sovereignty of India. The intricacies of AFSPA have had its share of downfall although it did bring down a lot of terrorist activities in the region. A commission even stated that the “AFSPA has become a measure of oppression, object of hate and tool used for discrimination and authoritarianism”.⁶⁰ The apprehension of Chinese intervention in the NER is worrisome as recently on April 6, 2021, the Global Times which is financed by the Communist Party of China published an article warning India.

It read, “If India supports China’s separatist forces, it means that it has undermined the principle of establishing diplomatic relations, and China will not respect India’s sovereignty or territorial integrity.”

⁵⁹ Heinrich Boll Stiftung, <<https://in.boell.org/en/2009/02/28/conflict-northeast-india-issues-causes-and-concern>> accessed 12 July, 2021;

⁶⁰ *Id.*

There are several reports that China has been indirectly or directly financing the Insurgency groups of India.⁶¹ The reports also suggest that the top leaders of various Insurgency groups have been taking shelter in the areas under Chinese control. The Northeast Region is surrounded with tough political & economic issues such as migration, displacement, refugees, illegal immigrants, exclusion, alienation, etc. Currently, the national insecurity with the rise of ISIs has been a risk factor in the security situation, specifically in Bangladesh. Additionally, the expansion of International criminal institutions via educational institutions such as madrassas has become a concern of national security. As one of the senior BSF official statement, “Islamic fundamentalists and Jihadi elements from Bangladesh were infiltrating the Northeast in the name of studying religion. The IG of BSF said that the Jihadi elements have infiltrated Assam and some of them have entered Meghalaya as well”.⁶² The insurgency in the states of the Northeast has taken a toll on all aspects of life of the region. It has troubled the social, economic and political life of the people in the region. Moreover, national insecurity violence has played a part in weakening the democratic space of the region. Insurgency has created havoc in the ordinary lives of the common citizens.

However, “according to Dr Clemens Spiess, the politics of identity lay at the center of the larger part of the current conflict constellations in the region”.⁶³

⁶¹ The South Asia Terrorism Portal, <<https://satp.org/terrorism-assessment/india-insurgencynortheast>> accessed 14 July, 2021;

⁶² Gurmeet Kanwal, ‘Internal Security Challenges’ (Oct. 2006) 21 Indian Defence Review 70-85;

⁶³ Heinrich Boll Stiftung, <<https://in.boell.org/en/2009/02/28/conflict-northeast-india-issues-causes-and-concern>> accessed 12 July, 2021;

3.4 Current Scenario of National Insecurity in North-East.

The Economic and Political weekly describes that about thirty such separatists' organizations are still active in the Northeastern Region of India. However, "The South Asia Terrorism Portal identifies over a 100 terrorist/insurgent groups in the region."⁶⁴ Insurgency in the Northeastern Region States declined majorly in 2019.

"On March 4, 2020 MoS Kishan Reddy in the Rajya Sabha stated- The security situation in the Northeastern States has improved substantially since 2014. Compared to 2013, there has been 70% reduction in insurgency incidents, 80% in civilian deaths and 78% in security forces casualties in the year 2019".⁶⁵

The general situation of the Northeast has improved to a great extent. The Ministry of Home Affairs states that one of the reasons for the decline in the insurgency related incident is direct engagement with the separatist groups who have participated in the negotiation process either voluntarily or under fear of Counter Insurgency Operations by the SFs (Security Forces). Different governments have concluded negotiation agreements leading to surrendering of arms by few insurgency groups such as the: "Bodo Liberation Tigers (BLT), United People's Democratic Solidarity (UPDS), Dima Halam Daogah (DHD), The National Liberation Front of Tripura-Nyanbashi Faction (NLLFT-NB) etc."⁶⁶ The irony about these peace settlements is most groups who have surrendered still engage in extortions from the general public but the aggrieved party never agrees to bear a witness. The money from such extortions is used to finance their movements. Shri. Amit Shah the Union Home Minister has claimed that the government will settle all peace talks with the remaining groups by 2024. However, the Nationalist Socialist Council of Nagaland-Isak Muivah (NSCN-IM) announced publicly that they would not sign any agreement that fails to fall short on the clauses agreed upon. The NSCN-IM

⁶⁴ The South Asia Terrorism Portal, <<https://www.satp.org/>> accessed 15 July, 2021;

⁶⁵ The South Asia Terrorism Portal <<https://www.satp.org/terrorism-assessment/india>> accessed 12 July, 2021;

⁶⁶ North East Insurgency, <<https://www.drishtias.com/to-the-points/paper3/north-east-insurgency>> accessed on July 15, 2021;

wishes the Indian Union to acknowledge a separate flag and their Constitution based on the unique culture of Naga History. The Insurgency situation in the Northeast has seen a decline with the relentless operations conducted by the SFs and the NDA government has laid down fair policies at the root level for both Bangladesh and Myanmar. The operation Sunrise between Myanmar and India was one such cooperation which left a lot of militants under turmoil.

Current issues prevalent in the region are:

- Arunachal Pradesh- The current demands by the six communities (Ahom, Kacharis, Morans, Adivasis etc) for the Permanent Resident Certificate living in border districts of Assam-Arunachal. However, the opposition against the demands of Hajong and Chakma refugees by the Arunachalis has led to ethnic conflicts between the tribes.
- Assam- The ethnic conflict between the Bodos and Assamese has declined over the years. Bengalis were subject to brutal murders during the ethnic clash in 1983. Currently, the major claimants of Scheduled Tribe status versus the tribes already in this category are rising. E.g. Koch Rajbongshi & Bodos. As per the Annual Report of 2018, Assam has the highest percentage of criminal incidents compared to all states of India. This could be accredited to poor reformation institutions and accommodation of surrendered insurgents. The state government was closely asked to monitor the surrendered insurgents.⁶⁷
- Manipur- The ethnic clashes in this region is brutal. Currently, the dominant Naga tribe and the Kuki Hill Tribes are head on against each other. Various places have witnessed burning down of villages in the border regions of Manipur and Burma.
- Meghalaya- The state is still demanding the Inner Line Permit to regulate permit and stay of non-locals.

⁶⁷ PRS Legislative Research, 'Security Situation in the North Eastern States of India' (19 July, 2018) <<https://prsindia.org/policy/report-summaries/security-situation-north-eastern-states-india>> accessed 15 July, 2021;

- Mizoram- The rising tension between tribes and non-locals with regard to employment/education opportunities. On February 2021, interstate border disputes between Mizoram and Assam has been reported from Hailakandi District of Assam where six from both sides in the clash.⁶⁸
- Nagaland- The tension amidst the locals for the implementation of the Register of Indigenous Citizens.
- Tripura- The issue of settlement of displaced Bru an ethnic tribe from Mizoram. The repatriation program of the Brus included financial assistance and rehabilitation packages to ensure their peaceful settlement. The recommendations included by the Ministry were to intensify security measures in relief camps and in the areas where Brus are accommodated for rehabilitation in order to subdue any potential conflicts. This has been an ongoing issue since 2017 till date 2021.⁶⁹

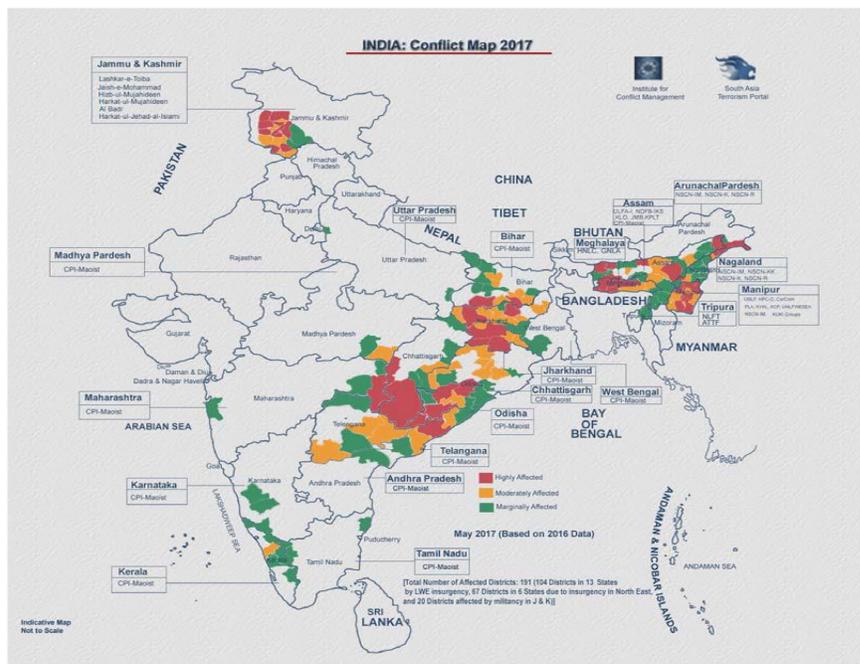
There have been ongoing violent demonstrations against PM Modi by the Islamic believers of Bangladesh who believe that the NDA government of India works to diminish the Islamic System. The Islamic State Terrorist Organization has a wide occupancy in Bangladesh, which is rumored to act in partnership with the Directorate General of Forces Intelligence. Even certain organization of the country has connections with the terrorist organizations. The ISIs has now accepted a master plan to gather all insurgency groups of the northeast region under a 'single umbrella' instead of supporting them individually. There is unquestionably a pressure from the Islamic Terrorist Organizations on both Jihadi and insurgent organizations for an 'all-encompassing action' in the Northeastern parts of the country. The occurrence in Bangladesh suggests that the discord between India and Pakistan is expanding. The current military control in Myanmar and protests by civil societies for the restoration of people's democracy in the State of Myanmar is likely to create political instability. This could call in various groups

⁶⁸ Lt. Gen Shokin Chauhan, 'Assam-Mizoram border dispute: Baggage of the Past' FINANCIAL EXPRESS (13 July, 2021) <<https://www.financialexpress.com/defence/assam-mizoram-border-dispute-baggage-of-the-past/2289316/>> accessed on 14 July 2021;

⁶⁹ PRS Legislative Research, 'Security Situation in the North Eastern States of India' (19 July, 2018) <<https://prsindia.org/policy/report-summaries/security-situation-north-eastern-states-india>> accessed 15 July, 2021;

to rejoin and create a bigger syndicate. The securitization of the northeast area has negatively disrupted the ordinary life of the citizens. The large group of sixty thousand Assam police personnel's are tied up with the personal security arrangements of the political leaders and even at the bureaucracy level including the law enforcement agencies itself. The commando forces are recruited and edified to fight against insurgency groups, have been diverted to serve the politicians often called as 'VIP security'. Thus, the politicians and bureaucrats' protect themselves leaving the common citizens exposed to extortion, abductions and casualties. In this context, it would be correct to assume that though the ratio of police personnel per thousand people is high in the Northeastern states compared to other states of India, the region definitely lacks in tight police administration. In the Northeast region, the economic development of the region has declined extensively. This is due to a large amount of national spending for internal security of the region.⁷⁰

Figure 2: Regions currently impacted by Insurgency Conflicts.



Source - <http://www.satp.org/conflict-maps/india>.

⁷⁰Anita Yadav , <<https://shodhganga.inflibnet.ac.in/handle/10603/330666>> accessed on 14 July, 2021;

CHAPTER 4

IMPACT ON INVESTMENTS

4.1 Impact of Political Instability & National Insecurity on Investments

*“The menace of rampant extortion, under the guise of illegal taxation by the insurgent groups has not yet been fully curbed despite the best efforts by the security forces and the law enforcement agencies. It has created a sense of fear among the businesses and entrepreneurs which severely undermines the economy and growth of the state”.*⁷¹

(Shri. R. N. Ravi, 2021)

Economic development is considered a building block towards the formation of society. Development is an all-embracing term which encompasses economic upturn through increase in the per capita income, overall growth of agro-based industries, industrialization, globalization and national-integration. Political stability and economic development hold a symbiotic relationship. Khan (2013) studied on the impact of political risk on the inflow of FDI (Foreign Direct Investment) among 94 countries over a period of 24 years from 1986 to 2009. The study found that majority of the political risk factors accounted in the negative relationship with the inflow of Investments.⁷²

Any political disorder disrupts the economy of the region as a whole since that also increases the threats of the national security. Any variable hampers the economic development is considered a menace to the security of a region. The Kenyan economy witnessed the aftereffects of the decrease in FDI inflow during the 2007 to 2008 post electoral conflicts.⁷³ Foreign investor considers all the risks factors before their investment. The Foreign Investors only invests if their capital is secure along with high

⁷¹ Governor of Nagaland R. N. Ravi, Republic Day Speech (Jan. 26, 2021)

⁷² Mashrur Khan Mustaque and Mashfiqelbne Akbar, ‘The Impact of Political Risk on Foreign Direct Investment’ (2013) <https://mpr.ub.uni-muenchen.de/47283/1/MPRA_paper_47283.pdf>

⁷³ Mara J. Roberts, ‘Conflict Analysis of the 2007 Post-election Violence in Kenya’ (2009) 2;

capital returns. Therefore, countries with the ongoing issues of terrorism and national insurgency rarely attract overseas investors due to the issue of National insecurity⁷⁴

Political Instability can be defined as, “the potential for sudden and significant change in the leadership of a country.”⁷⁵ The far-reaching phenomenon of political volatility in various countries over a period of time along with its negative impacts on their economy has intrigued the interest of several economic researchers. Political instability is the propensity of a government fall down. This may either be due to the internal conflicts or wide ranging antagonism between various political parties.⁷⁶ The index of Political Stability and absence of Violence/Terrorism: The percentile rank in India was calculated at 21.43 percent in 2019.⁷⁷ The “political stability index calculates the perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism.”⁷⁸ Undoubtedly, this negatively affects the inflow of investments in the region/state. Generally, political instability increases the investment risk factors which results in the decrease of Investment inflows (both foreign and domestic). Many developing countries in the world are considered politically volatile since it suffers from poor quality of governance. A region’s political risks are a crucial factor which determines the likelihood of investments. Current contemporary political risks are not the typical risks associated with communist acquisition or post-colonial resolve. They are more subtle, definitive, contemporary, issues arising from legal and regulatory alterations, government changeover, environmental and humanitarian concerns.

⁷⁴ Mumtaz Hussain, ‘Terrorism and Foreign Direct Investment: An Empirical Analysis of SAARC Countries’ (2015) University of Peshawar 3;

⁷⁵ Wilfred Mutubwa et al, ‘Determining the Impact of Political Instability and National Security on Foreign Direct Investment in Kenya’ (2020) 5 J. CMSD 60-77;

⁷⁶ Nazeer Mansur, ‘Impact of Political Instability on Foreign Direct Investment and Economic Growth: Evidence from Malaysia’ (2017) INCEIF, 2;

⁷⁷ Trading Economics, <<https://tradingeconomics.com/india/political-stability-and-absence-of-violence-terrorism-percentile-rank-wb-data.html#:~:text=Political%20Stability%20and%20Absence%20of%20Violence%2FTerrorism%3A%20Percentile%20Rank%20in,compiled%20from%20officially%20recognized%20sources.>> accessed 15 July, 2021;

⁷⁸ Wilfred, *supra note* 77.

Political risks that impact the flow of Investments:

Political risk is also known as geo-political risk. Political risks are the risks for potential losses that may occur to investments due to government collapse or legislative alterations. These risks are extremely tough to calculate. The factors that need to be taken into consideration are the location's geo-politics, national security, governance and military control. Instances of political risk actions may include:

- Confiscation- This refers to a situation which a government confiscates a foreign capital without paying any consideration.
- Expropriation- The situation where the government takes over the foreign business without paying sufficient consideration.
- Nationalization- It involves a transfer of ownership to the government with or without paying any compensation.
- Extortion or damage to property, Disruption of Manufacturing units or production, Complex Tax Rules, Frequent alteration in Legislative policies and Political Instability such as terrorism, riots, coups, civil war or insurgency.
- Trade Barriers- Increase in tariffs can make it impossible for foreign markets to compete. This could occur due to dirty politics or implied economic wars between countries.
- Domestication- Restrictions on foreign ownership or restricts the freedom of operations of a foreign business firms.
- Blocking of remittances: Blockings of funds were faced by Indians during Idi's rule in Uganda.⁷⁹

⁷⁹ Wilfred Mutubwa et al, 'Determining the Impact of Political Instability and National Security on Foreign Direct Investment in Kenya' (2020) 5 J. CMSD 60-77;

4.2 Impact in the NER:

As per the report of South Asian Terrorism Portal, “*The Northeast region of India is facing difficult crisis in its consolidation of peace. With the rise in ethnic tensions and increased polarizations within states due to a divisive political discourse. The real apprehension is that few active insurgency groups may try to take advantage of the situation and create new crisis in the long troubled region.*”⁸⁰

Security issues arisen by separatism and anti-nationalist movements have affected the development ⁸¹ process in the Northeast region. This could hamper all the meaningful engagements between the Centre, States, Civil Societies and the diverse ethnic tribes. For the growth of the economy it is an urgent imperative for constructive and continued engagement of agreements to subdue the threat of rising violence. National Insecurity may also direct its economic budget from high profit sectors to low productive sectors thereby thrusting out investments. This not only decreases the Gross Domestic Product of the region and fuels inflation but also reduces the inflow of investments both foreign and domestic.⁸²

The “Siliguri corridor also known as the Chicken Neck”⁸³ is the only gateway to the Northeastern region. Since the northeast shares only 1 percent of its territory with the central India while 99 percent of its land is shared with neighboring countries like Bhutan, Nepal, Bangladesh, China and Myanmar. Hence, all the trade flows into the region has to pass through this ‘Chicken Neck’ into the Assam valley. Therefore, any conflict in Assam Valley brings the economic manoeuvre to a halt. Likewise, the

⁸⁰ The South Asia Terrorism Portal, <<https://satp.org/terrorism-assessment/india-insurgencynortheast>> accessed 14 July, 2021;

⁸¹ Moosa I A, *Foreign Direct Investment: Theory, Evidence and Practice* (Palgrave McMillan Britain 2002);

⁸² Adesegun Oniru, ‘Insecurity and Foreign Direct Investment in Nigeria’ (2015) *Int’l JSustainable Dev. & World Policy*, 63 <https://www.researchgate.net/publication/299478180_Insecurity_and_Foreign_Direct_Investment_in_Nigeria> accessed 14 July, 2021;

⁸³ FICCI, ‘Gateway to the ASEAN: India’s North East Frontier’ (17 November 2014) <<https://www.ficci.in/state-study-page.asp?spid=20772&stateid=1011>> accessed 19 July 2021;

negative effect of insurgency conflicts in one region brings disruption the whole of Northeastern states. The growth of any economy lies on the infrastructural aspects both tangible and digital such as transportation, connectivity, communication, network and peaceful social environment. As far as the development of the economy is concerned, the Centre has always brought in standardized policies without keeping in mind the variables, dynamic in nature such as diverse ethnic culture and overarching security. Hence, the argument that the market requirements in the cultural society would have an irreversible damage to the local culture along with increase in the influx of migrants from the heartland India stands valid.⁸⁴

The NER has seen varied initiatives to reorient the region to the mainstream objectives of the Country. As per the data of NITI Aayog, 95 percent of the Indian products being traded with South East Asian countries are manufactured from states other than NER.⁸⁵ In the Northeast region, the national economic development has declined significantly. During the last six decades, the centre has been disbursing huge sum of financial budget towards the national security of the region to subdue and eradicate the internal conflicts. The expense of money towards soldiery and defense could instead be invested towards development of rural infrastructures of the state. The high security budget of India restricts the economic growth since it imposes financial burden on to the taxpayers. The allocated funds to the military do not fall under the ambit of the Right to Information, 2005. Thus, lack of transparency and accountability encourage corruption by its officials. As per the Committee Report on “Integrated Rural Development Programme (IRDP) in the Northeastern states, a rise in insurgency in Assam is responsible for non-development, particularly in rural areas, which has resulted in a shift of capital from the rural areas to urban areas as the rural area is less secured than urban”.⁸⁶

⁸⁴ Heinrich Boll Stiftung, <<https://in.boell.org/en/2009/02/28/conflict-northeast-india-issues-causes-and-concern>> accessed 12 July, 2021;

⁸⁵ NITI Aayog, *Three Year Action Agenda 2017-18 to 2019-20* (New Delhi: Government of India, 2017);

⁸⁶ Ministry of Rural Development, Government of India, *Report of the Committee on Credit related Issues under IRDP in Northeastern States* (2000);

An insurgency attack economically affects a region in a negative manner. Even in the Kenyan situation, the country has been exposed to a lot of terrorist attacks. These attacks mainly target foreign businesses that eventually induce more harm to their country's economy. Any form of armed conflicts or terrorist attacks increases the political risk factor, which directly or indirectly impacts the flow of Direct Investment into the region.⁸⁷ Any political instability in the region triggers reluctances in the mind of the potential business investors since it does not guarantee smooth operational functions. Therefore, we can see that there is a direct relationship between Political instability and inflow of investments. This proves that if a region has high levels of national security, there will be an increase in the flow of Investment. The higher the level of national insecurity (terrorism/ insurgency attacks), it would lead to pullback of direct Investments in a region.

The political risk factors are subtle in nature and hard to predict as they often occur at a time when the government declares the region "open for business".⁸⁸ One such instance was the border standoff between India and China. India impliedly declared trade war against China by scrutinizing Chinese investments (financial/operational ownership), banning imports or raising trade tariffs (meeting the public demands) is considered a geo-political risk factor. This geo-political ill-management reduces regions credibility in terms of the flow of investments. Another example: Pakistan's political instability has seen how internal and external threats can affect the GDP growth of the country. The last 45 years Pakistan's GDP has had an average economic growth of 5.5 percent. Pakistan has faced a lot internal problems related to financial markets along with problems of exchange rate and imbalance between imports and exports. The military control over the political governance has created a ruckus in the governance. The local internal politics and terrorist nexus have contributed to a lot of instability. The political risks involved in attracting good investments are due to lack of stable government, financial problems, failure to build up a political power house and absence of developmental vision. The

⁸⁷ Wilfred Mutubwa et al, 'Determining the Impact of Political Instability and National Security on Foreign Direct Investment in Kenya' (2020) 5 J. CMSD 60-77;

⁸⁸ Alba Kruja & Blerta Dragusha, 'The Impact of Political Risk on Foreign Direct Investment'(2014) ILIRIA 78;

internal conflicts, military control over legislature and border clashes with India are other main factors for political instability in Pakistan.⁸⁹ Pakistan majorly depends on “foreign direct investment from China as significant source of funding to meet tasks of resources gap. In developing countries, foreign direct investment (FDI) is found to raise the productivity level and build a competition among producers which results in a production of quality products.” (Yousaf et al. 2008)⁹⁰.

In a politically unstable region the propensity in unforeseen changes in government policies are highly unpredictable. Political risks include any new imposition on trade laws completely disregarding the prior laws. These sudden changes create unfavorable situations for any business investor. Changes in tax and trade laws at times bind the overseas investors, and sometimes in an adverse manner with increased tax burdens. These sudden shifts eventually forces foreign investors out of a region to a more appropriate region. The northeast internal conflicts and insurgency conflicts has often caused the rise of riots, vandalism, damage to property leading to closure of businesses.⁹¹ The rise in investments is still a vision for the militarized zone of Northeast. Assam being the epicenter of trade connectivity between South Asian countries is still under the AFSPA along with the issues of CAA conflicts. This brings in major concern for the incoming investments. The Act East policy has been pushed aggressively by the Centre despite Indo-China border standoffs. The Economic revival in the states of Northeast and other nations will be a critical move by the government in the Post-Covid situation.

Thus in conclusion, Political instability and economic growth of a region are strongly interconnected to each other. Political Instability brings forth uncertainty to a regions national security and as a result investment decreases. A decrease in investment also leads to the decline in production and level of output. The Northeast has seen a slow GDP

⁸⁹ Kulsoom Rani & Zakia Batool, ‘Impact of political Instability and Foreign Direct Investment on Economic Development in Pakistan’ (2016) 6 ASIAN ECO. F. REV. 83-89;

⁹⁰ Yousaf et al, ‘Economic evaluation of foreign direct investment in Pakistan’(2008) 46(1) PAKISTAN ECO. S. REV, 37-56;

⁹¹ PRS Legislative Research, ‘Security Situation in the North Eastern States of India’ (19 July, 2018) <<https://prsindia.org/policy/report-summaries/security-situation-north-eastern-states-india>> accessed 15 July, 2021;

growth since independence and most of the state's finances after the Covid 19 pandemic are in deficit. Hence, the government of the northeastern region before making any sudden changes to the policies needs to ascertain the local needs. The conflict between the local demands and the policies brought forth by the centre has always been a trigger towards the internal conflicts. Nonetheless, northeast has immense potential for attracting overseas investments. The only need of the hour is to eradicate any form of conflicts in the NER.

4.3 Investment Policies in North-East India

“North-East has the potential to become India's growth engine.”

(Narendra Modi July 23, 2020).⁹²

The India's Look East Policy, 1991 was introduced to develop foreign trade policies directed specifically towards the South East Asia region. The Look East Policy has been replaced by the Act East Policy, 2014. Ministry of Development of the North Eastern Region (DoNER) has been introduced by the Central Government to integrate alienated Northeast with Central India. The Northeast which is located right at the heart of India and other South East Asian Countries was supposed to be a major beneficiary from this policy.⁹³ The presence of resources such as natural (mineral, energy, hydroelectric power) & human (cost effective, skilled) invites potential trade ties at sub-national level. Currently the Centre has realized the potential of the northeast region but it will take some time before it develops an investor friendly image for overseas investors. The imbalance can be seen in the regions contribution towards the total GDP which is just 2.8 Percent while it contributes to almost 3.8 percent of India's population.⁹⁴ The Centre's top down focus to development towards public sectors while relaxing transparency and

⁹² PM MODI address while laying foundation in the Manipur Water Supply Project (2020).

⁹³ Rohan Saha & Soumya Bhowmick, 'Enhancing Trade and Development in India's northeast' 147 OBSERVER RESEARCH FOUNDATION (1 June, 2021) <https://www.orfonline.org/research/enhancing-trade-and-development-in-indias-northeast/?amp#_edn6> accessed 15 July, 2021;

⁹⁴ India Inc. Staff, 'Act East: Investing in the Northeast of India' INDIA GLOBAL BUSINESS (18 April, 2018, 5:30AM) <<https://www.indiaglobalbusiness.com/igb-archive/act-east-investing-in-the-northeast-of-india-india-global-business>> accessed 15 July, 2021;

accountability has increased the level of corruption leading to weakening of stable governance. The populace of the northeast is of the view that resuming old trade ties and connections with the neighboring countries can help NER achieve economic prosperity. Prior to the Independence, India's northeastern region had been "the south-western track of the ancient Silk Route through which trade was conducted between India, south-west China, Tibet, Bhutan, and Burma (present-day Myanmar)".⁹⁵

With the Vision of 2030, Northeast has been placed a major tract for trade growth and collaboration with the neighboring nations. This integration is of extreme importance for India not just from a national security point of perspective but also from the perspective of economic growth. A study by few economists suggested that the Bay of Bengal Integration can lead to a better possibility of a trade union like the European Union. This trade union creates the possibility of access for the land-locked region of Bhutan, Nepal and Northeast to the seas of Bengal. Thus with centre focusing towards the development of the Northeast has brought forth various policies and incentives towards attracting foreign investments. Those include:

- **Indian Chamber of Commerce (ICC):** ICC is one such chamber which is extremely proactive in developing trade ties between India and South East Asian Countries. ICC has set up its regional office in Guwahati (Assam) which also provides customized investment services to the corporate sectors. These services include investment matchmaking by conducting exchanges between businesses, companies through partnerships with the rest of Asia and the World. This chamber of commerce believes in enhancing trade ties between ASEAN and BIMSTEC countries. ICC has been developing Investment prospects for both the West Bengal and the NER. They also cater to various resolution forums worldwide and regional in order to solve issues surrounding multilateral trade agreements. ICC Council of ADR (Alternative Dispute Resolution) offers

⁹⁵ Parth Satam, 'Without RCEP, India's Indo-Pacific and North-East Vision unattainable' (6 July, 2021), <<https://www.moneycontrol.com/news/opinion/without-rcep-indias-indo-pacific-and-north-east-vision-unattainable-7132911.html>> accessed 15 July 2021;

arbitration and conciliation services according to their institutional rules. This dispute settlement mechanism has an international reach with European countries and the USA. This brand enhancement of the Northeast by initiating liberal FDI regime will help achieve a growth in terms of employment generation and poverty eradication.⁹⁶

- **North East Industrial Development Scheme (NEIDS):** The centre announced the new North East Industrial Development Scheme (NEIDS) 2017 for the eight states to replace the North East Industrial Investment Policy 2007. The NEIDS has retrospective effect from April 1, 2016 which brings forth Standard Operating Procedure (SOP) in various aspects of investments. This will remain in force until March 31st, 2021. This scheme of Industrial development covers both production and services sector.⁹⁷ The schemes provide for benefit of borrowings, insurance offers, GST reimbursement, taxes reimbursement (Income tax) and other incentives. Few incentive clauses include:⁹⁸
 - “Exemptions and subsidies for companies investing or any other investors to the maximum limit of Rs.200 crore (\$30million) per new industrial unit for a period of five years, reimbursement of 58 percent CGST and IGST.”
 - “Provision for transport subsidy, central capital investment incentive for access to credit, central comprehensive insurance incentives and employment incentive.”
 - “With a corpus of Rs. 3000 Crore (\$460 million) this scheme is the most comprehensive on to spur growth and investment in the region.”

⁹⁶ Indian Chamber of Commerce, <<https://www.indianchamber.org/the-chamber/>> accessed 13 July 2021;

⁹⁷ Ministry of Commerce & Industry (Government of India), <<https://ncog.gov.in/neind/login.php>> accessed 15 July 2021;

⁹⁸ India Inc. Staff, ‘Act East: Investing in the Northeast of India’ INDIA GLOBAL BUSINESS (18 April, 2018, 5:30AM) <<https://www.indiaglobalbusiness.com/igb-archive/act-east-investing-in-the-northeast-of-india-india-global-business>> accessed 15 July, 2021;

- **Act East Policy, 2014:** This policy is an upgrade of the Look East Policy, 1991. This initiative was brought in as a diplomatic move to build its security and economic relations with a prime focus towards expanding trade ties with the neighboring countries of the East. The highlights of this policy is the four C's:
 - Culture
 - Commerce
 - Capacity Building
 - Connectivity

Capacity Building: India wishes to rise against the rival China both strategically and economically. In the context of the rise of China's claims over the South China Sea, India with the cooperation of countries wishes to secure its navigation domination in the Indian Ocean. Along with the act east policy, India is engaging its talks with the informal group of QUAD.

Connectivity: "The total road coverage in the Northeast region is 33.7 percent, less than half the national average of 69 percent India's road coverage".⁹⁹ In the Vision for 2030, the Northeast Council stated that the Northeast region should be viewed as the India's arrowhead to Southeast Asian Countries. The council contemplated that those projects such as transportation and connectivity infrastructures require huge capital investments by several institutions both public and private. It has brought in the idea of integrating PPPs. However, Naoyuki Yoshino (Dean of the ADB Tokyo) stated the uncertainty of PPPs long-term effectiveness. With the records of the past implementation, many countries have failed in bringing in enough returns from such infrastructure investments. The fact that such profits only arrive from user fees such as highway tolls which are usually government regulated, do not give good enough returns. The reason as to how PPP was a failure in Asia. The Japanese economist's idea to

⁹⁹ ADB INSTITUTE, 'Northeast India can get private companies to invest in roads with the promise of spillover effects' (2017) <<https://www.adb.org/adbi/search/year/2017?keywords=spillover>> accessed 16 July 2021;

increase the rate of return is by utilizing spillover tax revenues along highways, transportation and road infrastructure. A spillover, aforementioned refers to the incomes from other activities developed by new infrastructures. A new roadway with efficient infrastructure can attract investors towards different businesses creating new jobs along with the increase in taxes (Property, Corporate, Income and Sales). So, in order to attract private companies with higher returns, governments need to share those future tax revenues with investors.¹⁰⁰ India and Bangladesh are both willing to use such method for developing roadways. These routes will give access to ports in the Bay of Bengal, which would in return increase revenue and imports. Northeastern India is very much isolated from other parts of India and the road has to go through Bangladesh.. If the connectivity task can be completed via Bangladesh, then Northeast India, Nepal, Bhutan (landlocked regions) will be able to access seas and ports of Bay of Bengal.

- **QUAD versus Act East Policy:** The initiative of the United States also known as the Quadrilateral Security Dialogue (QUAD) of the US, Japan, India and Australia, is being prepared to balance against the rise of military resistance to China's territorial assertiveness in the South Sea and the Indo-Pacific Region. However, the informal grouping of QUAD is going against the vision of India's Act East Initiative. In India's context, the Regional Comprehensive Economic Partnership (RCEP) was announced by PM Modi is the classic case of clash of policies that the Centre now faces. The Regional Comprehensive Economic Partnership (RCEP) negotiations were initiated by India to be the world's largest Free Trade Agreement (FTA). The RCEP was "agreed and signed between the 10 member countries of the Association of South East Asian Nations (ASEAN) and China, South Korea, Japan, New Zealand and Australia"¹⁰¹. The trading negotiation encompasses 30 percent (2.3 billion) of the world's total population

¹⁰⁰ ADB INSTITUTE, 'Northeast India can get private companies to invest in roads with the promise of spillover effects' (2017) <<https://www.adb.org/adbi/search/year/2017?keywords=spillover>> accessed 16 July 2021;

¹⁰¹ Parth Satam, 'Without RCEP, India's Indo-Pacific and North-East Vision unattainable' (6 July, 2021), <<https://www.moneycontrol.com/news/opinion/without-rcep-indias-indo-pacific-and-north-east-vision-unattainable-7132911.html>> accessed 15 July 2021;

and 30 percent of the world's GDP (26.3 trillion dollars) .The problem here is the trade deficit of 55 billion dollars with China. Non-Participation in the RCEP will be at odds with the Act East Policy since both the External Affairs Minister Jaishankar and PM Modi have reiterated the Vision for improvement in the regional connectivity and integration to boost South East Asia Trade ties. This will in turn impact the ties between NER and its neighboring countries if not implemented. The irony is that even the Countries like Japan and Australia who have joined forces with the US (QUAD initiative) are major players in the RCEP. "If QUAD is about the Indo-Pacific, then without India in the RCEP there is no Indo-Pacific, for the game in East Asia is about economics."¹⁰²

- **India-Japan Act East Forum (2017):** This initiative provides a forum for developing "India's 'Act East Policy' and Japan's 'Free and Open Indo-Pacific' Strategy".¹⁰³
- **Quick-Impact Projects:** These are low cost initiatives to provide development assistance to countries in Cambodia, Laos, Myanmar and Vietnam.¹⁰⁴ It is under the regulation of Mekong-Ganga Cooperation. The normal period of projects for this is period of one year which directly benefit the grass root level.

4.4 Investment Inflows (Domestic and FDI).

The centre's much highlighted Act East Policy is slowly pushing towards some effective development works in the region. The road and railway infrastructure is already visible at the ground level even among the hilly terrains of the region like Imphal, Aizawl and Meghalaya. The Bilateral Trade treaties between Bangladesh and NER India are seeing

¹⁰² Parth Satam, 'Without RCEP, India's Indo-Pacific and North-East Vision unattainable' (6 July, 2021), <<https://www.moneycontrol.com/news/opinion/without-rcep-indias-indo-pacific-and-north-east-vision-unattainable-7132911.html>> accessed 15 July 2021;

¹⁰³ Ministry of External Affairs, '5th Joint Meeting of the India-Japan Act east Forum' (28 January, 2021), <https://www.mea.gov.in/press-releases.htm?dtl/33422/5th_Joint_Meeting_of_the_IndiaJapan_Act_East_Forum> accessed 12 July 2021.

¹⁰⁴ Embassy of India Phnom Penh, Cambodia (20 July, 2021) <<https://embindpp.gov.in/gallery?id=e9Q3e>> accessed 14 July 2021;

major changes wherein a deal has been signed to develop a railway link between Tripura and the port city of Chittagong. India is considering a new approach to attract private companies to invest in road development in the Country's isolated northeast. The government's NITI forum plan for Northeast which was set up in 2018 provides for large investments in roads and railways infrastructure. In transport and connectivity sector, the Indian government seeks to establish connections not only within India but also widen its development for trade ties with neighboring countries. The 1947 partition between India and Bangladesh India's completely tore all trade ties between the countries. With it the NER lost all access to the ports of Chittagong. As of now the region's closest port is Kolkata which is in the far end of West Bengal. The Centre along with the Northeastern Council has determined 11 road transits between three states of India all the way to Bangladesh. These roadways will offer easier access to the port ways for the landlocked regions of NER, Bhutan and Nepal.

According to the IMF (International Monetary Fund), "*FDI is an investment made to acquire a lasting interest in an enterprise operating in an economy other than that of the investor.*"¹⁰⁵ Foreign Direct Investment (FDI) is generally referred to as an investment made by multinational companies, firms from one country into businesses located in other countries. It is understood as a type of long-duration international capital investment for the purpose of making profits by controlling ownership and management in a business. FDI involves a huge amount of capital transfer which is hard to reverse. FDI is considered greater than other types of capital borrowings or investment inflows since they are less volatile in nature as the investors have a long term intention of pursuing his business.

As per the data available, it shows that during the period from April 2000 to December 2017, the overall Foreign Direct Investment in India reached \$532,552 while the eight

¹⁰⁵ M.G. de Vries, 'Balance of Payments Adjustment 1945 to 1986 – The IMF Experience' (1987) INT'L MONETARY FUND 336;

states of northeast received just \$4856.67.¹⁰⁶ The total percentage of FDI inflow towards the region was just 0.91 percent than compared to the rest of India. The inflow of foreign investment in the eight states was just slightly better than Jammu and Kashmir. The reasons for the failure of attracting various foreign investors into the region were mainly due to political instability and the rising border disputes in the NER. Recently, the NDA government has sought to bring in 100 percent foreign investment policy in the Petroleum and Gas Sector Undertakings.¹⁰⁷ This idea in Assam was strongly opposed by the opposition stating it as an unwise move to privatize all nations' resources. Currently, only 49 percent of Foreign Direct Investment is allowed in the public sector undertakings with any dilution of domestic equity shares. The privatization of such undertaking would lead to more monopolistic economy which in the long run is unsustainable. The north east region is sensitive in nature with all the security concerns. Hence, only a handful of Countries were allowed to invest in the region. This shows the level of trust India has for Japan for allowing it to invest in major infrastructures of the region.¹⁰⁸

“Japan has provided an Official Development Assistance (ODA) loan of Japanese Yen of 14,926 million (\$137000 USD) for the North East Road Connectivity Improvement Project (Phase 4).”¹⁰⁹

Japan has been a major investor with its technological and infrastructure investments in the India's Act East Policy just like the rest of ASEAN neighbors. Tokyo has been extremely participative in various projects around the region. The foundation for India's longest bridge was laid down with the help of Japan International Cooperation Agency

¹⁰⁶ India Inc. Staff, 'Act East: Investing in the Northeast of India' INDIA GLOBAL BUSINESS (18 April, 2018, 5:30AM) <<https://www.indiaglobalbusiness.com/igb-archive/act-east-investing-in-the-northeast-of-india-india-global-business>> accessed 15 July, 2021;

¹⁰⁷ North East Now, <<https://nenow.in/north-east-news/assam/assam-congress-opposes-centres-100-foreign-investment-policy-in-petroleum-natural-gas-psus.html>> accessed 15 July, 2021;

¹⁰⁸ Rupakjyoti Borah, 'Japan shares good reasons to collaborate in Northeast's Development' (15 March, 2021) <<https://japan-forward.com/japan-shares-good-reasons-to-collaborate-in-northeast-indias-development/>> accessed 18 July 2021;

¹⁰⁹ *Id.*

(JICA).¹¹⁰ The Assam Government has proposed to setup along with JETRO (Japan External Trade Organization) a Japanese industrial township on a six hundred acre plot in the Kamrup District of Assam.¹¹¹

Earlier this year in February 2021, the Japanese ambassador visited Assam to take stock of the progress of the Assisted Water Supply Project in Guwahati. Japan International Cooperation Agency (JICA) – has been assisting in the completion of this project since 11 years now. One of the projects is funded by the Asian Development Bank and the other is funded by the Jawaharlal Nehru National Urban Renewable Mission. This was a necessity for the city’s water crisis since most private suppliers of drinking water charge exorbitant amount of money despite abundance of water in the river Brahmaputra.¹¹² The Japanese Ambassador wished for “free and open” trade between India-Japan with Indo-Pacific coverage. Both Japan and India have not participated in the China’s Belt and Road Initiative making it even more essential to join hands towards developing infrastructure.

India holds a second position as a source of Foreign Direct Investment in the United Kingdom after the USA. The irony is when the northeast has so much potential for such development. Indian Investors investing on a country which has looted its own soil for 200 years.

According to the Strategy Report by the World Bank, “*The NER has hydroelectric power potential of almost 50,000 MW, natural gas reserves of 190 billion cubic meters, coal reserves of over 900 million tones and oil reserves of over 500 million tones.*”¹¹³

¹¹⁰ Rupakjyoti Borah, ‘Japan shares good reasons to collaborate in Northeast’s Development’ (15 March, 2021) <<https://japan-forward.com/japan-shares-good-reasons-to-collaborate-in-northeast-indias-development/>> accessed 18 July 2021;

¹¹¹ Sentinel Digital Desk, ‘Japan’s Investment in Assam’ (16 February, 2021 04:45PM) <<https://www.sentinelassam.com/editorial/japans-investment-in-assam-524835>> accessed 17 July 2021;

¹¹² *Id.*

¹¹³ Karin Kemper et al, *Development and Growth in Northeast India: The Natural Resources, Water and Environment Nexus- Strategy Report*, (World Bank, 2007);

The investment in the UK by the Indian Companies has created almost 5000 jobs.¹¹⁴ Unemployment has been the reason of why youngsters these days are being compelled to take up arms in the region. Despite the lacuna, India's Act East policy has brought effective implementation towards pushing for its Indo-Pacific coverage thus connecting with more of the ASEAN countries. Currently, the connectivity works like the Trilateral Highway Project between India-Myanmar-Thailand is underway. The Kaladan multimodal project via Myanmar for trans-border trade ties is almost due for completion. The aviation sector is also working in the growth of its infrastructures with Myanmar and the NER. The Multilateral treaties between India-ASEAN and countries like Japan around the Northeast are extremely critical for the investments to flow in the region. The reason why Japan is investing in the connectivity projects of the NER is the Japan's Vision for a "free and open Indo-Pacific Converge". Hence, northeast becomes a key area for the connectivity projects since it is located geographically in the center of the other ASEAN countries.

The "BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation) and ASEAN (Association of Southeast Asian Nations) are two co-operations that involve India's Multimodal projects".¹¹⁵ The inland waterways along with railways & roadways will develop Northeast's maritime trade and its connectivity with the Central India, South East Asia and the wider Indo-Pacific region. The 'Special Accelerated Road Development Programme in NER' is expected to be completed by 2023. The need to balance China's advances towards the continental and maritime space of Eurasia and the Pacific is the vision of both India and China. Therefore, as India endeavors to use the Bay as medium into the Indo-Pacific region, the Northeast Region can act as a bridge to contract trade ties with well established infrastructures and connectivity.

¹¹⁴ MINT, 'India holds on to the position as second-largest source of FDI for UK' (22 June, 2021) <<https://www.livemint.com/news/india/india-holds-on-to-position-as-second-largest-source-of-fdi-for-uk-11624379766749.html>> accessed 14 July 2021;

¹¹⁵ Sohini Bose & Pratinashree Basu, 'In Search of the Sea: Opening India's Northeast to the Bay of Bengal' ORF Special Report No. 148 (June 2021) <<https://www.orfonline.org/research/in-search-of-the-sea-opening-indias-northeast-to-the-bay-of-bengal/?amp>> accessed 15 July 2021;

CHAPTER 5

CONCLUSION

5.1 Summary

The above study can conclude that despite the potential of Northeast India, the economic growth has been slow-moving. This is due to the regions perceived political and security related risks. The region has been viewed only from a strategic perspective of maintaining border security. Commonly associated with the frequent insurgency conflicts the region has seen an inadequate infrastructural progress. Despite the splurge of considerable budget by the Central Government, the economic development has been a slump due to the law and order situation. Though India has committed around 700-800 million US Dollars for the advancement of trade and development sector in the northeast region. The execution of such projects like the India-Bangladesh Protocol routes, trilateral highway initiative, airway connectivity etc., has hardly impacted the growth of GDP in the region.

Political instability in the region witnessed its rise due to terrorism, insurgency related conflicts, border disputes, ethnic conflicts, and drug trafficking, mass immigration related conflicts and other challenges. This has hampered the development while consequently, weakening any advances for multilateral and bilateral trade ties. The consistency in political instability threatens any trade initiatives, projects and also prejudicing investors against Foreign Direct Investments. Development in the region is only possible if the national security of the region improves. The Internal conflicts within the region need to be rectified expeditiously for India to harness Northeast Region's potential.

NER is tactically located for foreign and domestic investors to tap into the expansive markets of adjacent countries like Myanmar, China, Bhutan, Bangladesh and other South East Asian countries. The regions tourism attraction has been left untouched to this day with various developmental projects on hold and the pandemic has cost a lot to the tourism industry. Northeast region has immense potential natural resource and ethnic

diversity to expand its tourism industry. With the landscape of the Northeast Region which consists of hills (sixty percent), plateaus (twelve percent) and plains (twenty eight percent) the scenic beauty plays a vital role in enriching its potential. Proper marketing of the states ethnic and cultural aspect can bring in a histrionic change to the economic growth. All of these states have a unique physiographic feature to promote the tourism industry.

The Northeast Region has a higher literacy rate than the average of India's literacy percentage which is a little over 70 percent. There are a large number of people who are proficient in English which also calls for major multinational companies to invest in this region and expand the services sector with various outsourcing projects. The upcoming tripartite-multimodal trade agreement between India, Bangladesh and Myanmar is of high priority to achieve such objectives. Though India has begun to intensify development in the region of Northeast with its Act East policy, a great amount of work remains to be done. With the aforementioned study, the involvement of Japan in the NER's development is extremely crucial.

The Northeast region faces a myriad of issues with regard to geographical barriers, hilly terrains, local needs, socio-economic conditions, national security and political stability. Nonetheless, the renewal and expansion of developmental projects like the inland waterways, roadways, and railways. These developmental infrastructures will act as a bridge to connect across international borders using multimodal connectivity networks. The expansion of such trade ties promises GDP growth in the India's NER. The only need of the hour is to revive the NER's investor friendly image.

5.2 Recommendations

Considering all the factors in the above study, one can conclude that:

- The dispute management (Ethnic Conflicts/ Trade issues/ Inter-state border disputes/ environmental concerns) in the Northeastern States require an integrated approach for a longer term which is sustainable and flexible. The requirement of flexibility is to be able to hold out against the changes in the democratic structure.
- The budgets for rural infrastructure improvement need to see an increase for better integration of the region with the Central India in terms of economic growth.
- There is also a need for stringent mechanisms with fast criminal justice system for quick disposal of insurgents attack cases.
- The need is immense for greater coordination between central forces and state forces for better tactical response in order to eradicate security concerns.
- The administrators need to approach issues in the northeast in a more holistic manner. The need to decentralize initiatives with consideration to the local needs will improve administrative efficiency.
- The alienation with the rest of the country has failed the democratic sphere of transparency in terms of government efficiency. There is a lack of pro-people governance while integrating regional aspirations.
- To develop the politics of integration and inclusion rather than the politics of severance. Central resolution to the claims of ethnic autonomy to be implemented with due consideration to the tribal realities.

- The mechanism of coercive approach needs to be replaced with a more sustainable protective mechanism. The resolve against such coercion has not been fruitful in terms of political governance and as a result impact the economy of the states.
- To enhance the International Cooperation in order to eradicate insurgency groups from the Region. Thus, making it a safe haven for the inflow of FDIs.
- A mutually accepted plan of negotiation between India and Bangladesh to curb illegal migration. One among the prime cause for the protests and conflicts in the region. Thereby creating tensions and in turn impacting the good governance.
- The government needs to improve the budget in the rural sector infrastructures of the region while considering the after-effects of the development to the indigenous community. Strengthening the rural infrastructure may lead to improvement of demand and supply of agro products.
- Creation of more jobs in the region, development of the infrastructure and re-strategizing the economic policy of the region for more FDI inflows.
- Digital infrastructure is weak in the Northeast. The states need to enhance communication and digital connectivity.
- Health care and educational institutions in the states are not living up to the standards of the overall quality requirement.

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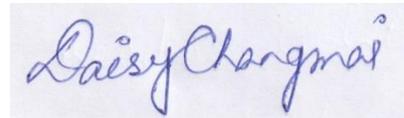
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CERTIFICATE

This is to certify that MS. PREETY BORAH MARAK has completed her dissertation titled “**IMPACT OF POLITICAL INSTABILITY AND NATIONAL INSECURITY ON INVESTMENTS IN NORTH-EAST INDIA**” under my supervision for the award of the degree of MASTER OF LAWS/ ONE YEAR LL.M DEGREE PROGRAMME of National Law University and Judicial Academy, Assam.



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DECLARATION

I, PREETY BORAH MARAK, do hereby declare that the dissertation titled “**IMPACT OF POLITICAL INSTABILITY AND NATIONAL INSECURITY ON INVESTMENTS IN NORTH-EAST INDIA**” submitted by me for the award of the degree of MASTER OF LAWS/ ONE YEAR LL.M. DEGREE PROGRAMME of National Law University and Judicial Academy, Assam is a bonafide work and has not been submitted, either in part or full anywhere else for any purpose, academic or otherwise.



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