

Not-So-Freeway: Informal Highway Taxation and Armed Groups in North-East India

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Summary of ICTD Working Paper 174

Introduction

What are the implications of non-state armed group taxation on the business environment and conflict dynamics? Various non-state armed groups collect ‘tax’ along arterial roads in north-east India – of different types and amounts, with varying degrees of coercion and systematisation. Based on extensive fieldwork, including 100 interviews with non-state armed groups, businesspeople and state actors, we use the lens of the transit economy in the Indian state of Manipur along the Indo-Myanmar border to identify the long-term effects of non-state armed group taxation.

We find this taxation: (i) increases the cost of doing business and creates barriers to entry; (ii) is carried out by both state actors and non-state armed groups, and affects the legitimacy of both government institutions and armed groups; and (iii) has important implications for peace and stability in the region. This informal taxation is shaped by an interplay of factors: (i) the institutional make-up of an armed group; (ii) the number of actors present along a specific route; and (iii) the relationship between a non-state armed group and the state.

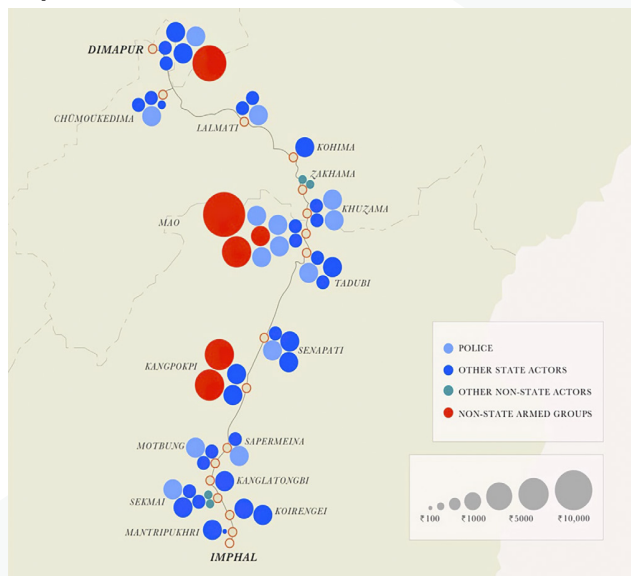
Context

Manipur, a small, mountainous north-east Indian state bordering Myanmar, is home to 3 million people. It is connected to other states in India and Myanmar through three major highways. It is geographically and politically divided into a Hindu-dominated valley and Christian-majority tribal hills. Over 20 ethnically aligned non-state armed groups live there – some are actively fighting the Indian government, and many others are in ceasefires. Various armed groups are also present in neighbouring Nagaland. These groups engage in parallel governance, including collecting informal taxes along the key highways that are vital for the region’s supply chain. Manipur and Nagaland also suffer from corruption and predatory practices by state actors and other elites.

In May 2023 fresh communal violence broke out in Manipur along the ethnic fault lines that are woven into the socio-political fabric of this region, exacerbated by the conflict in Myanmar and wider political climate in India. This changed the dynamics of highway taxation – an important reminder that seemingly routine systems of taxation are situated in a context of continued social and political fragility.

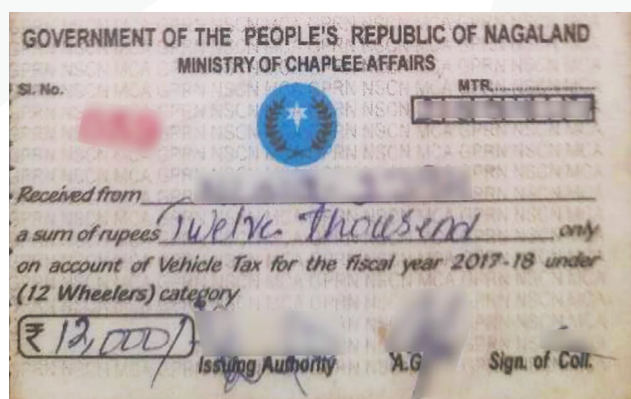
Different non-state armed groups take informal tax payments from vehicles transporting goods during each trip along the highways, and other yearly taxes. State actors along these routes also take informal fees, mostly in the form of bribes. On all three routes either physical receipts are given, or receipt of payment is organised through text message or WhatsApp.

Figure 1 Informal highway taxation along Dimapur-Imphal road



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Figure 2 Example of non-state armed group’s receipt



Source: Author’s own

Implications of informal highway taxation system

- **Increased cost of doing business and barriers to entry.** Non-state armed group taxation plays an important role in shaping the business environment. It increases the cost of doing business, and creates a business environment where one has to negotiate with and pay multiple different actors who have different agendas and pose various kinds of threats, including threat of physical harm, creating barriers to entry. Businesspeople estimated that around 20 per cent of the value of their shipment was paid in informal taxes.
- **Mixed effects on legitimacy of armed groups and state governance structures.** For many people there has been an erosion in the legitimacy of non-state armed groups over time, with taxation contributing to this. It is not clear what non-state armed groups in ceasefires are taking tax for, and it is viewed more through the lens of extortion. In other cases, they continue to be seen as legitimate authorities, especially when compared to parts of the Indian state, like the police, whose collections are seen as corrupt.
- **Taxation by armed groups keeps conflict dynamics and peace in a sort of limbo.** Going back to active fighting with the Indian state is less profitable for many of the groups involved, but so is a definitive political resolution. Non-state armed group taxation has thus enabled a space between conflict and peace, with less incentive for movement in either direction.

Factors shaping highway taxation:

- **Institutional make-up.** Different groups show different levels of systematisation, charge different amounts, and use varying levels of coercion. How much is charged and the basis for this varies (products carried, size of trucks, ideological leanings, what is not taxed). For non-

state armed groups, the trade-off between generating revenue and creating a presence that supports claims to statehood and legitimate authority appears to be important, even in the context of highway taxation. Groups that are more organised (in terms of regularity of collection and punishment) provide more predictability to businesses, and are likely to have more legitimacy in spaces where they do not face much contestation from other non-state armed groups.

- **Number of groups present.** The number of groups who are taxing changes how highway taxation is experienced, and the system it creates. Where there is only one major non-state armed group present it is seen as an authority, and even a service provider to certain businesspeople. In contrast, the same armed group is often seen as just one more extortive actor on roads where there are many armed groups.
- **Relationship with the state.** Ceasefires and suspension of operations create a degree of impunity for groups. They allow them to tax more systematically, with fewer consequences, and increase the profitability of non-state armed group taxation. This, in turn, helps bring down violence. Non-state armed group taxation also creates an environment of informality in business that further entrenches state corruption.

“Informal highway taxation increases the cost of doing business and creates barriers to entry. Carried out by both state actors and non-state armed groups, it affects the legitimacy of both government institutions and armed groups, and has important implications for peace and stability in the region.”

Further reading

Thakur, S. (2023) *Not-So-Freeway: Informal Highway Taxation and Armed Groups in North-East India*, ICTD Working Paper 174, Brighton: Institute of Development Studies, DOI: [10.19088/ICTD.2023.057](https://doi.org/10.19088/ICTD.2023.057)

Credits

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