

Working Paper 174

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

Shalaka Thakur

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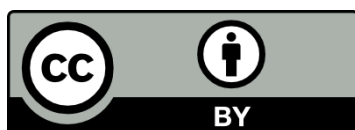
ICTD WORKING PAPER 174

First published by the Institute of Development Studies in NOVEMBER 2023

© Institute of Development Studies 2023

ISBN: 978-1-80470-160-7

DOI: [10.19088/ICTD.2023.057](https://doi.org/10.19088/ICTD.2023.057)



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

Shalaka Thakur

## **Summary**

What are the effects of rebel taxation? Along arterial roads in north-east India, various non-state armed groups collect 'tax' – of different types and amounts, with varied degrees of coercion and systematisation. Based on extensive fieldwork, including 100 interviews with non-state armed groups, businesspeople and state actors, this paper uses the lens of the transit economy in the Indian state of Manipur along the Indo-Myanmar border to identify the long-term effects of rebel taxes and the taxation ecosystem. It finds that taxation by armed groups shapes the business environment, has pervasive implications on the legitimacy of state governance, and creates a political order that lies between active conflict and peace. The paper further shows that these effects of rebel taxation can be best understood through an interplay of institutional factors, the number of groups present, and the relationship between the state and rebel groups.

**Keywords:** insurgency; rebel governance; political economy of conflict; statehood; political order; Manipur.

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# Acknowledgements

The author would like to thank Gabriel, Jasmine, Golan and Maitreyee for their help in conducting this research, and Max Gallien, Vanessa van den Boogaard and two anonymous reviewers for their constructive and helpful comments on (various) earlier drafts. Also thanks to Anushree Vaze and Mrunal Aras for making it look pretty, and Nicola Bastian for making it easier to read. The research that resulted in this paper was funded by the Institute of Development Studies (IDS)/International Centre for Tax and Development (ICTD). Approval for this research was granted by the ICTD/IDS based on their organisation's risk and ethics standards, which can be found on IDS's Research Ethics Policy and FCDO's Ethical Guideline for Research. The author reports there are no competing interests to declare.

## Acronyms

CorCom	Coordinating Committee
ICTD	International Centre for Tax and Development
IDS	Institute of Development Studies
KCP	Kangleipak Communist Party
KNF	Kuki National Front
KNO	Kuki National Organisation
KRA	Kuki Revolutionary Army
KYKL	Kanglei Yawol Kanna Lup
MPA	Manipur People's Army
NNC	Naga National Council
NNPGs	Naga National Political Groups
NSCN-IM	Nationalist Socialist Council of Nagaland – Isak-Muivah
NSCN-K	Nationalist Socialist Council of Nagaland - Khaplang
PLA	People's Liberation Army
PREPAK	People's Revolutionary Army of Kangleipak
SoO	Suspension of operations
UGs	Undergrounds
UKLF	United Kuki Liberation Front
UNLF	United National Liberation Front
ZUF	Zeliangrong United Front

# Introduction

Ram has been a truck driver along the highway that connects the two cities of Dimapur and Imphal in the north-east of India for over 15 years.<sup>1</sup> He carries fish, *paan* (betel leaves), fruit and vegetables in a four-wheeled pick-up truck. Every time he goes down this route he must pay ‘taxes’ to at least four non-state armed groups – with a possibility of encountering up to six more.<sup>2</sup> In addition, he comes across over three times as many state actors taking cuts and fees, almost all of which could be categorised as bribes. During his time as a driver along this route Ram has seen many changes – the roads are better, and the number of actors (both state and non-state) who stop him for a fee has increased, as has the amount of money he must pay while going down this route. To a large extent his safe passage depends on the transporter or businessperson for whom he is carrying products, and whether they have paid a different set of yearly taxes to the non-state armed groups, to be allowed to transport their goods down this road. If they have not paid, the vehicle can be shot at, the products damaged, and/or the driver risks being kidnapped, as Ram himself was in 2017.

While the kidnapping still makes him uneasy, the many times the various non-state armed groups stop him is business as usual. Most of the non-state armed groups he comes across have had a presence in the region since the 1980s, and many of them have not been in active conflict with the state for decades. Fighting has given way to prolonged ceasefires, suspension of operations, and framework peace agreements. Yet the long-term effects of rebel taxation persevere and evolve, shaping the business and political environment.

Elsewhere in Manipur and Nagaland, contractors, businesspeople – and even state agents – continue to depend on rebel governments for permission to work, and pay taxes or cuts to them. The continuation and evolution of taxation by armed groups can be seen as an effect of the wider conflict and wartime revenue strategies and peace efforts. In the absence of both active fighting and territorial control, rebel governments in north-east India have transformed the political order into something that lies between violent conflict and peace. Rather than moving towards lasting conflict resolution, or backsliding into fresh fighting with the Indian state, a new economic and political system has been created, with rebel taxation at its crux.

This paper explores the effects of rebel taxation on business, and the ensuing long-term impact on conflict dynamics. I argue that the political economy of conflict explanations, as well as rebel governance literature used to elucidate rebel behaviour, are not sufficient to understand the lasting effects of rebel taxation. Rather, drawing on elements of both, the outcome of rebel taxation can be understood through an interplay of three factors:

1. The institutional make-up of the non-state armed group – its longevity and its governance structure.
2. The relationship of the non-state armed groups with the state, both formal and informal.
3. The number of non-state armed groups present.

The paper shows that, through these different elements, rebel taxation over time creates alternate barriers to entry for businesspeople, increases the cost of doing business, undermines state governance and legitimacy, entrenches state corruption – even in the

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<sup>1</sup> Interview, Manipur, January 2021.

<sup>2</sup> In this paper, tax is used to describe the fees taken by non-state armed groups. Many of these fees are viewed as extortionate by those they are taken from. In other cases the same fees are seen as legitimate. I use the term tax because it was the term most commonly used to describe these fees and cuts taken by non-state armed groups during our interviews.

absence of fighting – and has mixed effects on the legitimacy of non-state armed groups. Furthermore, this commercial environment keeps any form of permanent political resolution elusive, but brings down the level of violence.

In this paper, I focus on the transit economy in the state of Manipur in north-east India, and the non-state armed groups found along its three major highways. Each highway sees distinct non-state armed groups, taxes and types of state-insurgent relationships, against a backdrop of similarities in geography, contexts and colonial legacy. This mix of variance and similarity allows a rare opportunity to explain puzzles of rebel taxation, business and legitimacy in relative isolation, and comparisons that would otherwise be difficult to make. Based on interviews and observations along three highways, the paper maps informal taxation economy along these highways, the amounts taken, the method of collection, and the degree of systematisation – much of which follows the pattern of rebel taxation established during fighting in the past. This mapping is then juxtaposed against the perceptions of those who are taxed and those who tax. This comparison allows us to identify how rebel taxation affects business, the economy and wider conflict dynamics.

The paper is divided into six sections. The first reviews existing literature on rebel taxation and the political economy of conflict. The second and third describe methods, and the context of the conflict, non-state armed groups and transit economy. The fourth section maps rebel taxation, its variations, and similarities over time and between groups. The fifth section explores the effects of rebel taxation on business, legitimacy and conflict, and analyses the factors that determine and shape this. The sixth section concludes.

In May 2023, less than a year after we completed data collection for this paper, communal violence broke out in Manipur along ethnic fault lines woven into the socio-political fabric of this region, exacerbated by the conflict in Myanmar and the wider political climate in India. Research assistants on this project had their homes burned down because of their identity and had to flee Manipur – as did businesspeople we interviewed, who had for decades persevered, even at the height of the insurgency. While this paper refers to a different conflict, between the Indian state and different armed groups, rather than the inter-ethnic communal conflict that is currently cutting fresh wounds, it is an important reminder that the seemingly routine systems of taxation described below are situated in a context of continued social and political fragility.

# 1 Rebel taxation and the political economy of (peaceful) conflict

Roads encapsulate the authority of the state, pushing the frontiers of its presence, both territorially and symbolically.<sup>3</sup> Whether as a way to generate revenue or to assert and exercise control, non-state armed group taxation makes these very roads the arenas where the authority of the state is constantly challenged.

There are two major strands of literature within which the relationship between rebel taxation on the business environment can be situated – rebel governance, and the political economy of conflict. Literature on rebel governance sees the relationship between rebels and civilians as a social contract (Arjona 2016; Mampilly 2011). Investigating the logic underpinning the actions of non-state armed groups, the literature broadly finds that moving from coercive

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<sup>3</sup> For example, see Scott (1998) and Wilson (2004).



power to legitimate domination is a central aim of non-state armed groups. In this way, non-state armed groups are seen, in their motivation and action, much like states – adopting the state tenets of security, administration, welfare and representation. This scholarship highlights the central importance of rebel-civilian interactions in understanding wartime order and conflict more widely, including the importance of the interactions and relationships forged through taxation.

Increasingly considering the role of rebel taxation in the context of the relationship between civilians and rebel groups (Revkin 2020; Sabates-Wheeler and Verwimp 2014; Mampilly 2021), this scholarship has furthered our understanding of the logic, structure and civilian perceptions of taxation. However, the long-term effects on both civilians and economic and political dynamics remain understudied. While rebels play an important role in shaping civilian lives through the development of structures and practice of rules (Stokke 2006), there are fewer studies that explore how these structures and practices persevere (Justino 2022).

The second way of looking at rebel taxation is through the scholarship on the political economy of conflict (Kaldor 1999; Keen 2012; Elwert 2018), where civil wars have been theorised as ‘not simply a breakdown of a particular system, but a way of creating an alternative system of profit, power and even protection’ (Keen 1998: 11). By focusing on the intricate web of motives and interactions of different actors, including rebel groups, this scholarship investigates the role of vested interests in prolonging conflict, creating new economic and political orders in the process (Berdal and Malone 2000; Duffield 2001).

This strand of literature gives important insights into the overarching economic logic and implications of rebel conflict, and provides a useful framework through which to understand the ensuing business environment. Findings in this paper challenge some dimensions, and contribute to this scholarship. For example, the half-way peace as a result of longstanding rebel taxation, explored in this case, provides a more profitable outcome for many of the actors involved (state, non-state and businesses) than continuation of active conflict. At the same time, many of the dynamics seen in rebel taxes in the transit economy in Manipur cannot be fully understood through these approaches. The basis of differences in taxes collected and the differing levels of coercion by different non-state armed groups, most not in active conflict, and why certain products taxes are subsidised, are some of the puzzling empirics that cannot be explained through political economy explanations.

Conflict economy explanations alone therefore do not sufficiently explain why and in what way rebel taxation continues to have a lasting effect on business. Neither do approaches looking at the relationship between individual rebel groups and their interactions with civilians. Rather, drawing on elements of both these literatures, by investigating the long-term effects of rebel taxation and the factors that underpin it, this paper contributes to literature on rebel governance, the political economy of conflict, and expands our understanding of unconventional peace and statehood.

## 2 Methods

This research project is based on 100 interviews with businesspeople, truck drivers, non-state armed groups, Indian security forces and police.<sup>4</sup> Most of these were conducted

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<sup>4</sup> This project was approved following ethics review by my institution. Participants were briefed in detail about the project and its purpose, and assured they could withdraw at any point. They were asked for consent regarding whether and the extent to which they want to be cited (name, position, location, etc). If they chose to withdraw during data collection, the

between 2020 and 2022 by me and my research assistants, Gabriel and Jasmine, drawing on earlier selected interviews conducted since 2016. The sampling method employed in this study involved selecting interviewees who were actively involved in the informal highway taxation ecosystem, both as collectors and payers, who possessed extensive knowledge of the subject. This deliberate selection aimed to gather diverse perspectives and enable triangulation of findings. Including various actors with different roles helped mitigate bias and obtain multiple data points, thereby helping make the study more comprehensive.

The starting point of this project was empirical – an exploration of the long-term effects of rebel taxation through the lens of the transit economy. We conducted semi-structured interviews with non-state armed groups, businesspeople, Indian security forces and the police on questions regarding the motivation, effect and logic of informal taxation along the highways. This allowed us to extract specific information (how much was charged, how this varied per good or group), while giving us a glimpse into the perspectives of the interviewees, leaving room for them to move the interview in the direction of elements that are important to them. Vocabulary chosen by participants spoke to how they perceived different informal taxes (e.g. using extortion instead of taxation), and further created a basis for understanding in which contexts these varied. In this way, the interviews were able to shine light on the 'conceptual access to the unwritten, unspoken, common sense, every-day, tacit knowledge' (Yanow 2009: 33).

Interviews with the truck drivers were more structured. Certain key information (who stopped them, where, how much they charged, what was the demeanour of the collectors, were they afraid) were the focus of the interviews. Despite the structured line of questioning, interviewees often spent time on what they found most important – talking about the issues that most affected them. In addition to the interviews themselves, we also documented when interviewees were hesitant, to gauge the degree of fear in discussing non-state taxation.

Our success (or lack of it) with different types of interviewees was closely intertwined with who we were. While I could access certain non-state armed groups, state actors and some businesspeople in my capacity as a researcher representing a foreign institute, an Indian and a woman, I had no access to the local police or more junior cadre within the armed groups. Jasmine, who had family and friends in the police, was able to get very candid accounts from police, and from lower-ranking cadres of non-state armed groups. Being a woman, however, she had less luck with drivers, who viewed her with suspicion. Gabriel, a man, who spoke the language but was from the neighbouring state, an ideal mix of insider/outsider, found it easier to strike up conversations with drivers, though not without its own challenges.

We conducted a thematic analysis to identify patterns within the collected data and collated and organised excerpts of data related to each theme, developing summaries on the basis of taxes, variations in taxes and perceptions that captured the essence of the data. By iteratively reviewing and refining these themes, we developed a framework to understand the long-term effects of highway taxation, highlighting the interplay of different factors in shaping this taxation ecosystem.

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data collected from them was deleted. Names and identifying details were anonymised unless requested otherwise. Any identifiable information in the written interview notes was destroyed after transcription. Strict confidentiality of interviewees and participants will be maintained, unless they specifically consent to be cited. During the interview process, care was taken to interview a large enough sample of truck drivers, businesspeople and state actors so it cannot be determined who expressed which views after publication, and in the unlikely scenario that interview data is read by the non-state armed groups before publication.

## 3 Context

Manipur is a small mountainous state in north-east India,<sup>5</sup> bordering Myanmar, with a population of 3 million. It is divided both geographically and politically – into the valley, home to the primarily Hindu Meiteis, and the hills, with different tribal, mostly Christian populations – creating the main cleavages along which non-state armed groups align themselves. Home to over 20 non-state armed groups, some in active confrontation with the Indian state and many others in some sort of ceasefire or suspension of operations, Manipur sees overlapping forms of control. Indian state elections continue to take place. Parallel governance structures, and co-option of Indian administrative structures by non-state armed groups, are seen in many parts of the state, especially with groups that are in ceasefires. The neighbouring state of Nagaland has its own set of non-state armed groups, all fighting for Naga autonomy or statehood – the majority of whom have joined a form of ceasefire. A system of predatory accumulation and corrupt elites from both state and non-state groups is a standard feature of both political systems. In the absence of a railway line, Manipur is connected to other states in India, and with Myanmar, through three major highways (Figure 1). Transportation of essential goods is carried out via these highways. Blockades on these roads have serious consequences for people within Manipur, choking access to essential commodities, groceries, petroleum, building materials and medicines, and driving prices up.<sup>6</sup>

**Figure 3.1 Highways in Manipur**



Source: © Google Maps 2023, adapted by Mrunal Aras and Anushree Vaze, CC-BY. Please ask for permission to re-use adapted material.

**Moreh-Imphal:** This road is a part of Asian Highway 1. It connects Moreh, a border town and important crossing between India and Myanmar on the Indian side, to Imphal, the capital of Manipur. The connection to the border makes this road uniquely important. Food items, electronics, cosmetics, timber, furniture and livestock are among many products that come from Myanmar through Moreh towards Imphal.

**Jiribam-Imphal:** This part of the NH-37 highway connects Imphal to a newly-created district, Jiribam. The district is in close proximity to neighbouring Assam, and has the first railway station in Manipur – part of a railway line that is under construction to better connect the

<sup>5</sup> The north-east has geographically and historically been tenuously connected to mainland India, and, with a different language, ethnicity and widespread neglect from the centre, has been a hotbed of armed violence since the 1950s.

<sup>6</sup> See *The Hindu* (2017) for an example of the longest blockade in recent times.

state. The condition of the highway is exceptionally poor, causing serious inconvenience – especially during the monsoon season. Cement, iron and steel, vegetables and fast-moving consumer goods are popular commodities that go along this route.

**Dimapur-Imphal:** this part of Asian Highway 1 is commercially important for the locals in Nagaland and Manipur. Dimapur has a railway station, and is the commercial capital of Nagaland. It is the main commercial hub through which goods like building materials, iron, cement, sand, bitumen, concrete blocks, and essential foods, like dhal, sugar, oil, fruit and vegetables, pass to be transported to Imphal.

### 3.1 Non-state armed groups

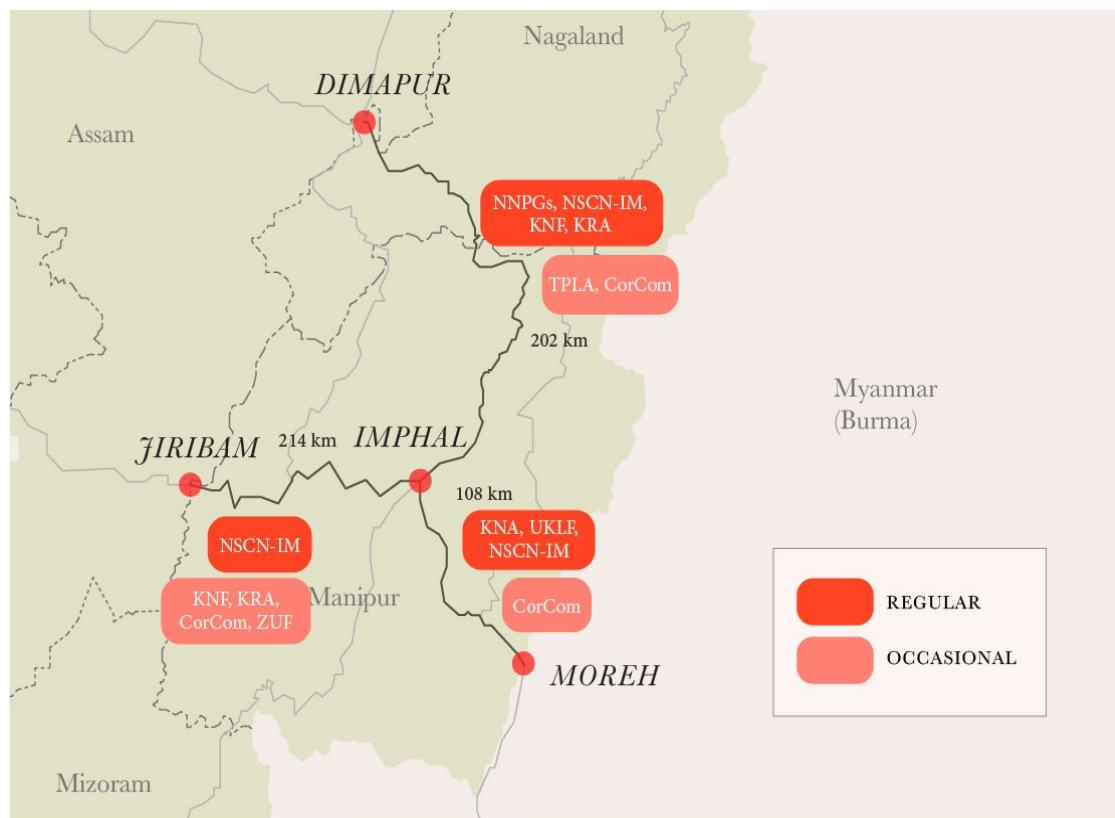
The non-state armed groups along the three roads can broadly be identified with Naga, Kuki and Meitei ethnic groups. Non-state armed groups mobilise along these ethnic cleavages. In Nagaland, contestation is between the different factions of Naga non-state armed groups.

**Table 3.1 Non-state armed groups along the three routes**

Group name	About	Ceasefire/suspension of operations (SoO)/active confrontation
<b>Naga groups</b>		
The Indo-Naga conflict is one of the longest-running ethnic secessionist movements in India. Naga movements have resisted incorporation into India from the time of decolonisation in 1947. By the mid-1950s, this campaign had become increasingly militarised. After multiple talks, agreements, breakdowns in both, and increasing factionalisation, the armed movement, and claim for Naga autonomy and sovereignty, continues today.		
Nationalist Socialist Council of Nagaland- Isak-Muivah (NSCN-IM)	Most prominent Naga non-state armed group in Manipur. In ceasefire since 1997	Ceasefire
Naga National Political Groups (NNPGs)	Umbrella organisation of several factions/ breakaway groups of the NSCN-IM, NSCN-K (Khaplant) and the Naga National Council (NNC). It is a loose platform for at least seven smaller groups, which allows them to come together to negotiate with the Government of India.	Ceasefire, but the groups that are part of the NNPGs are constantly changing
Zeliangrong United Front (ZUF)	Aims to create a 'Zeliangrong' state within the Indian Union for the Zeliangrong Naga tribes. Active primarily in Manipur	SoO
<b>Kuki groups</b>		
Most Kuki groups emerged in the early 1990s as a response to growing Naga and Meitei dominance, as a way to protect their land and identity - both of which they saw as being threatened. Divided into over a dozen groups, they are usually small in size and are heavily influenced by clan loyalties. Most Kuki groups entered a suspension of operations (SoO) agreement in 2008, and are engaged in a tripartite political dialogue with the Government of India and Government of Manipur.		
Kuki National Organisation (KNO)	Largest and most influential Kuki non-state armed group	SoO
Kuki National Front (KNF)	In 1996 it split into two factions; the KNF (Military Council) and the KNF (President)	Split
Kuki Revolutionary Army (KRA)	Rumoured to have links to NSCN-IM	SoO
United Kuki Liberation Front (UKLF)	Rumoured to have links to NSCN-IM	SoO
<b>Meitei groups</b>		
Meitei non-state armed groups are some of the most powerful in the valley regions of Manipur. The Meitei secessionist movements started in the 1960s, claiming that accession of the kingdom of Manipur into India was involuntary and demanding a separate state.		
The United National Liberation Front (UNLF)	A Coordinating Committee (CorCom) formed in 2013 is a collective of seven Meitei non-state armed organisations, including the UNLF, PLA, PREPAK, KYKL and the Kangleipak Communist Party	Active confrontation
People's Liberation Army (PLA)		

Kanglei Yawol Kanna Lup (KYKL)	(KCP). The Manipur People's Army (MPA) is the armed wing of CorCom.
People's Revolutionary Party of Kangleipak (PREPAK)	

**Figure 3.2 Areas of influence of armed groups along the three roads<sup>7</sup>**



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Non-state armed groups see varying degrees of control, both territorial and social. The NSCN-IM, for example, runs its parallel administration, and collects various types of taxes in many parts of Manipur. These include household tax, service tax by Indian government employees, and taxes on business contracts. In places like Ukhrul, where they have their stronghold, they also run a parallel justice system, have their own police and parallel security forces.<sup>8</sup> Other Naga groups have similar taxes, though less extensive, and other areas of influence, as do different Kuki groups. An area of influence does not mean absolute territorial control, as the Indian state is present in parallel in most places. It can mean anything from being the de facto or alternate authority for security and dispute resolution, being able to carry arms and being able to tax, to just being the strongest/only armed group in that area. Regular control along these roads refers to groups who collect tax (in line with their area of influence). Drivers encounter these every time they go down that road. Occasional control refers to groups who have no area of influence along the road, but would sporadically collect tax.

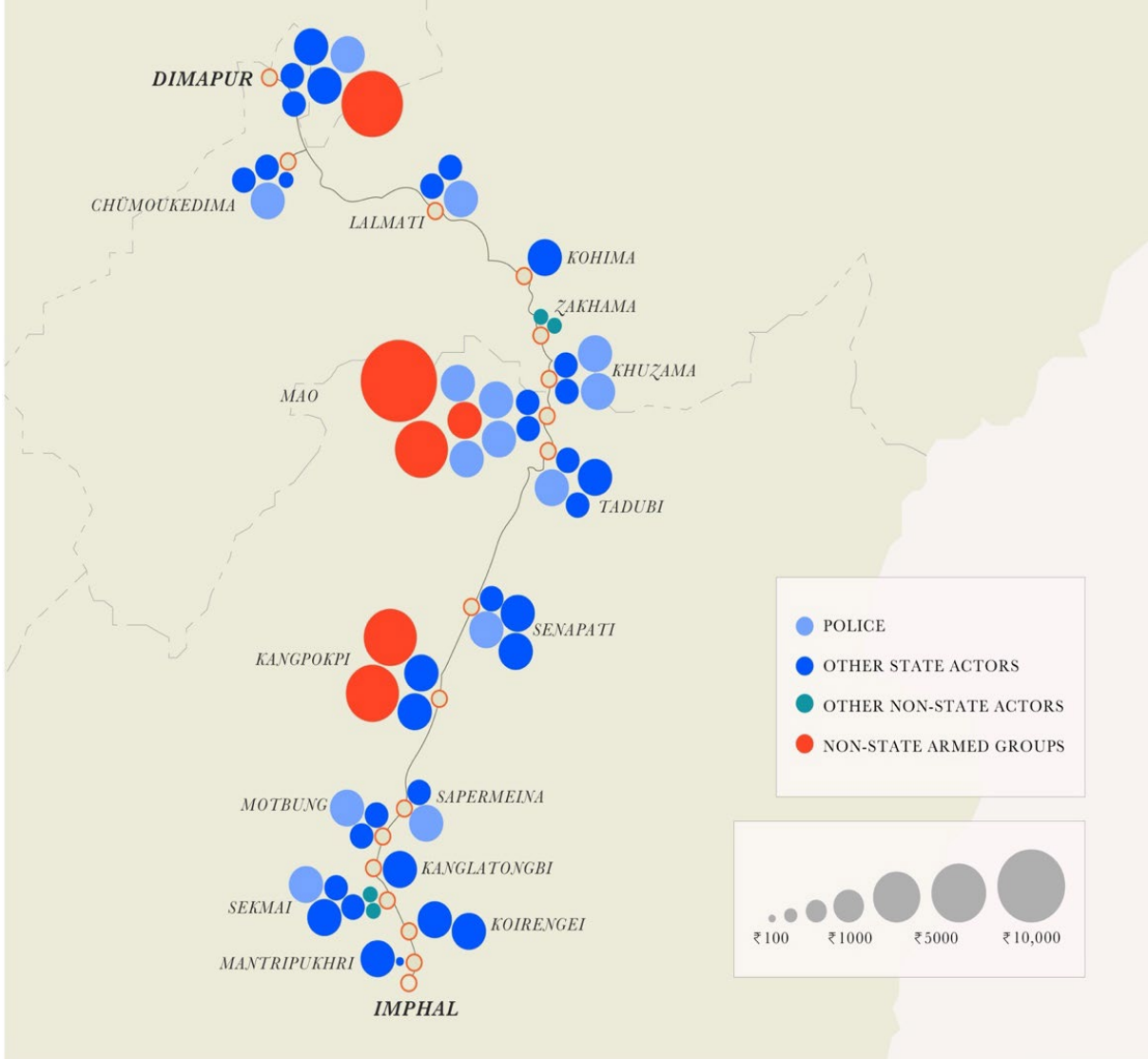
<sup>7</sup> As of May 2022.

<sup>8</sup> See Thakur and Venugopal (2018).

# 4 Mapping rebel taxation in the transit economy

Ram's journey, which this paper opened with, is just a small part of a complex system of coercive extraction, taxation and corruption along these roads. Along the three routes there are commonalities and variations in the amounts taken, actors present, as well as variations within and between these different actors. Far from arbitrary, these variations show the different logic that underpins non-state armed group taxation along these roads and its long-term effects. The burden of these taxes is considerable. Businesspeople estimate that around 20 per cent of the value of their shipment is spent on informal taxes, mostly to non-state armed groups, and a smaller amount taken by corrupt state actors. The journey of cement along the Dimapur-Imphal roads sees the following stops and amounts taken.

**Figure 4.1 Number of informal taxation checkpoints and amounts collected<sup>9</sup>**



Source: © Google Maps 2023, adapted by Mrunal Aras and Anushree Vaze, CC-BY. Please ask for permission to re-use adapted material.

<sup>9</sup> Based on accounts from two Dimapur-based transporters on where they are stopped while carrying cement down the route.

### 4.1 Types of highway tax

In addition to taxes taken along the road every trip (entry tax and goods tax), other yearly taxes are taken from businesspeople transporting these goods. A transporter in Dimapur said that they paid between up to Rs15 lakhs (around US\$18,000) in different fixed yearly taxes to non-state armed groups. For example, the main taxes the NSCN-IM charges a businessperson for a six-wheeled truck include annual vehicle tax, entry taxes per journey, and goods tax per journey per shipment.<sup>10</sup> These taxes have increased considerably after the ceasefire between the NSCN-IM and the Indian state in 1997, both in type of tax collected and the amount. The ceasefire and rebel governance structure have allowed the fees taken along these roads to increase more in the post-fighting period than during active conflict. For the NSCN-IM, the current system of taxation is rooted in governance structures that were central to the armed organisation from its inception.

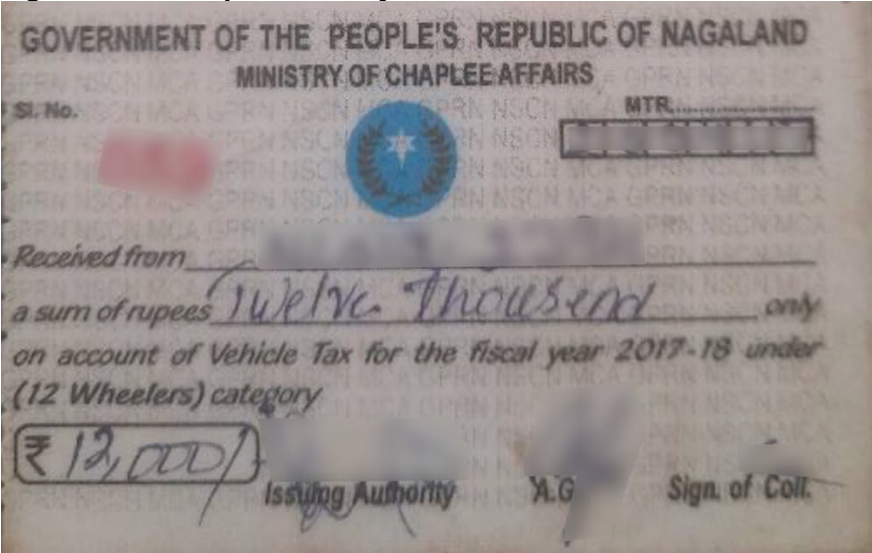
Many other groups in the region take similar taxes, though none are as bureaucratic as the NSCN-IM. Smaller groups, as well as groups that are still actively fighting the Indian state, have less ability to collect such a large number of taxes in a regularised manner.

### 4.2 Receipts

On all three routes either physical receipts are given, or receipt of payment is organised through text message or WhatsApp – the latter has become more popular recently. The pervasiveness of receipts shows how routine rebel taxation is. In addition, the ability of non-state armed groups to not only tax, but also to own their taxation through issuing receipts, undermines state legitimacy. Receipts for many of the groups look official and state-like, with stamps, logos and signing authorities.

The NSCN-IM’s tax receipt for the yearly vehicle tax (Figure 4) is specific to each vehicle. This receipt specifies that the vehicle comes under the 12-wheeler category.

Figure 4.2 Receipt issued by NSCN-IM



Source: Author's own

Drivers carry proof that the vehicle they are driving has a receipt, showing they have paid yearly vehicle tax to multiple groups, in addition to their per trip taxes. One driver we

<sup>10</sup> Interviews, Nagaland, February 2021 and March 2022.

interviewed had a dossier of receipts with him, neatly laminated and compiled in a book, so he could show the armed groups a proper record when necessary. Once a receipt like this has been issued, it can prove dangerous for a driver if they do not have it on them. For example, on the Dimapur-Imphal route truck owner John mentioned he had been fined Rs2,000 (US\$24) by a group for misplacing his receipt.<sup>11</sup> Along the same road truck driver Soham was fined Rs5,000 (US\$61) for not having tax receipts.<sup>12</sup> In other cases, a couple of drivers along the Jiribam-Imphal road reported fines between Rs2,000-Rs4,500 (US\$24-US\$55), water being poured on the cement they were carrying, and being beaten up if they were caught without a receipt.<sup>13</sup> The difference in the amounts charged and punitive action taken on drivers misplacing their receipts can be explained through variations in rebel taxation.

### **4.3 Variations**

The variation in taxes taken by non-state armed groups can be explained by the organisational level of the different non-state armed groups. This ties in with how the rebels govern and governed in the past, the number of actors present, and the relationship of non-state armed groups with the state. Beyond this, the economic logic for what is collected, based on size of the vehicle and goods carried, shows that taxation by non-state armed groups is far from arbitrary, and is often based on a set of rules decided by a central rebel governance structure. These rules, in turn, may be carried out more or less systematically, based on whether the group is in a ceasefire or not. The variations in armed group taxation can thus be seen as being:

#### **... based on the number of actors present**

The number of non-state armed groups along the routes strongly affects the amount of informal tax/fees taken. Charges are between five to seven times higher on the Dimapur-Imphal route, where there are many non-state armed groups, compared to the Jiribam-Imphal route, where there is one major non-state armed group.<sup>14</sup> Across these different routes, there are variations in the tax being taken.

#### **... based on the organisation of groups**

Taxes vary based on how organised an armed group is. Of the many groups along these roads, the NSCN-IM takes taxes in the most systematic way. Most drivers were more specific about what they paid the NSCN-IM than what they paid other groups,<sup>15</sup> indicating a level of systematisation. Along the Moreh-Imphal-Moreh route, amounts paid to the KNA and UKLF, who are large groups that collected with a degree of regularity, were recounted by some. Overall, the consensus amongst drivers, businesspeople and Indian security forces who were interviewed was that the NSCN-IM ran the most organised taxation system, with consistent rates across different routes, and systematic collection techniques and levels of coercion. While interviews consistently showed that they charged more than other groups found along these roads, the systematic nature of their taxation made them a predictable actor to deal with. It is important to note that the NSCN-IM's taxation structure has been in place from the beginning of the armed movement, but has expanded thanks to its relationship with the state.

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<sup>11</sup> Interview, Manipur, October 2021.

<sup>12</sup> Interview, Manipur, October 2021.

<sup>13</sup> Interviews, Manipur June 2021 and July 2021.

<sup>14</sup> The NSCN-IM is the major group on the Imphal-Jiribam routes, although various smaller groups may sporadically take a cut.

<sup>15</sup> Close to 70 per cent.



### ... based on the relationship with the state

Groups in some sort of an arrangement with the Indian state (ceasefire or suspension of operations) collect taxes with more regularity, and therefore collect more tax than groups who are not in these kinds of arrangement. The ceasefire has helped to expand and entrench the NSCN-IM's taxation system. As one senior official of the group put it, 'before we couldn't collect 100 per cent because of disturbances and hindrances are there, now we can collect as per our law'.<sup>16</sup> He was referring to how hiding and fighting didn't allow them to collect tax systematically when they were in open confrontation with the Indian state. Since the ceasefire, they have been able to increase both the type of taxes they take, and the frequency with which they can collect them.<sup>17</sup>

Following the same line of reasoning, some armed groups appear to join a ceasefire or talks with the Indian state in order to be able to take taxes. One transporter described how a faction of the NSCN-K, which entered a ceasefire a few days before our interview, called him and asked how many trucks they had. Saying that the NSCN-K had now entered a ceasefire, they said they would be expecting regular payments from the transporter in the future. The frustrated transporter explained that before the ceasefire they could not take anything, or would have to hide and take what little they could. Entering a ceasefire was seen as a licence to tax.

## 5 Effects of the informal highway taxation ecosystem

### 5.1 Cost of doing business and barriers to entry

Rebel 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.

Interviews with businesspeople showed an estimated 20 per cent of the value of their shipment was paid in informal taxes, mostly to armed groups. All interviewees who were taxed spoke about the armed groups as someone they had to pay, with many saying that that they provided them with no services, and because of them the cost of doing business went up exponentially. One transporter spoke of how he stopped doing business along certain routes because it was too difficult to deal with the armed groups along the way.<sup>18</sup> To him, as with many of the businesspeople we interviewed, taxation by armed groups is first and foremost a burden. They do not have much choice in the matter. 'The thing is, we have to pay',<sup>19</sup> – a businessman who works in Moreh at the India-Myanmar border echoed the sentiment. The costs are not just in terms of money, but also the associated risks. In just the first three months of 2021, businessman Kim dealt with over ten incidents of drivers being kidnapped, trucks hijacked and vehicles being shot at, along with a number of death

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<sup>16</sup> Interview, Nagaland, February 2019.

<sup>17</sup> For the Indian state, acting on this sort of taxation, which technically goes against the ground rules of the ceasefire, could lead to reverting to active fighting, a trade-off they pragmatically usually choose not to make.

<sup>18</sup> Interview, Manipur, April 2021.

<sup>19</sup> Interview, Manipur, January 2020.

threats.<sup>20</sup> He methodically documented these incidents in a notebook, along with small articles carried by the local newspapers. Claiming that he would readily pay if the armed groups were doing any sort of development work, he does not see the taxes being put to this kind of use. Further, he found the sheer number of groups that tax goods going through Dimapur off-putting. 'If it was one group, we would close our eyes and pay. But now it is eight groups.'<sup>21</sup>

While most businesspeople spoke about these costs as a problem, both in terms of money and associated danger, some candid interviewees also spoke of how these informal barriers to entry helped them. For example, a teak smuggler called the armed groups his 'business partners', who create barriers to entry that he can afford but others cannot.<sup>22</sup> Similarly, an Imphal-based businessman who ships products along both the Moreh-Imphal and Dimapur-Imphal roads agreed that, while moving products along these routes was not easy, it was still extremely profitable for him, as he was able to negotiate a complicated system that many others could not.<sup>23</sup>

Long-term rebel taxation along the roads has also led to the creation of unions and associations that collectively bargain with them. For example, in Moreh businesses have banded together and pay as a collective, through local chambers of commerce. For the individual businesses the chambers ensure a degree of safety and predictability. Similarly, various drivers' associations and truck associations have been created, and are charged annual association tax in return for more predictability along the routes.

Armed group taxation along these highways thus increases costs, creates barriers to entry that make entering the business environment daunting to many, incentivises some businesses, and creates associations and unions of businessmen that come together to negotiate with these alternate actors.

## **5.2 Effects on legitimacy of armed groups and state governance structures**

'In the name of the nation they have squeezed so much that I cannot breathe'.  
(Businessperson, Dimapur<sup>24</sup>)

For many businesspeople, increasing taxation in the absence of active fighting has led to an erosion of the legitimacy of non-state armed groups. Yet the continued presence of the groups through their taxation makes them continue to be an actor to be reckoned with. In certain places it is also seen as an authority that has more legitimacy than the state. Meanwhile, continued taxation by armed groups has a detrimental effect on state legitimacy. This is, first, because the state forces cannot, or do not for strategic reasons, stop taxation, especially by the groups they are in dialogue with; and, second, because of entrenched corruption.

James is a businessman from Dimapur and a Naga. Various groups would come to him for payment of taxes in the name of nationhood, citing patriotic duty as justification for the taxes and cuts they would take. Recalling his frustration with them he asked, 'I am trying to build our economy, you are killing our economy, who is the real patriot?'<sup>25</sup> Yet the taxes continued.

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<sup>20</sup> Kim was interviewed 2019, 2020, 2021 and 2022.

<sup>21</sup> Interview, Nagaland, February 2019.

<sup>22</sup> Interview, Manipur February 2021.

<sup>23</sup> Interview, Manipur, March 2022.

<sup>24</sup> Interview, Nagaland, 2019.

<sup>25</sup> Interview, Manipur, January 2020.

While Kim speaks of the lack of services provided by the armed groups, pointing out that they have not constructed any roads or improved business conditions, he concludes that 'The amount of money they are taking is not converting into the revenue of the government'.<sup>26</sup> The wording of this is particularly noteworthy, because here he is referring to both the Indian government and the Naga government, with neither doing anything with the taxes they take. As he puts it: 'They think they are running a parallel government (but) they know only how to take, not how to give'.<sup>27</sup>

Taxation was seen differently by many of the interviewees during times of active conflict. As a member of a civil society organisation said about the NSCN-IM:

[Before the ceasefire] It was a 'loyalty tax'. It was not an imposition. It is like, I am also willing to be a part of it [the movement], you are also. It was paying as a loyalty to your movement. They should give service tax in a way of donation. Now the question of voluntary does not arise.<sup>28</sup>

Despite the complaints about the armed groups not providing any kind of service, there remains a degree of loyalty that is separate to, if intertwined with, elements of fear and coercion. For example, an Assam Rifles officer told businesses that he would help their goods go through their checkpoints on condition that they provided information on militant activity. The businesspeople (one of whom I interviewed) discussed among themselves how they could never sell out 'their own' people by reporting on fees taken by them.

The routine nature of taxation speaks to a different kind of legitimacy. For example, the receipts associated with taxation also speak to a culture of documentation, and a form of legitimacy stemming from bureaucracy. While the importance of written records in maintaining political and social order is usually associated with state bureaucracies and legal systems to establish rules and control, in the context of Manipur the same applies to the non-state armed groups. It is as important for a transporter to register their vehicle with certain armed groups, as it is for them to register it with the state transport association. Receipts thus serve as a symbol of an armed group's bureaucratic organisation, and become tokens of continued compliance from those they tax. With state actors taking bribes without receipts, and non-state armed groups issuing extra-official-looking ones, the lines between formal and informal, legitimate and illegitimate, state and non-state, get even more blurred.

In a few cases, interviewees described the right of armed groups to tax as the legitimate authority in the land. For example, Ganga, a businessman dealing in everyday grocery products in a town along the Jiribam-Imphal road, pays around 5 to 10 per cent of the value of his items to non-state armed groups. He finds the taxes justified as he is doing business 'in other people's land',<sup>29</sup> implying that he feels that the NSCN-IM are the legitimate authority to collect on behalf of this land's people.

Two businessmen along the Imphal-Jiribam road, who dealt in vegetables and cement respectively, said they faced no problems at all from the armed group (NSCN-IM) they encountered along the way.<sup>30</sup> 'Reliability is there'<sup>31</sup> explained one businessman. If there was an accident, he said they could be counted on as first responders. If a vehicle broke down, they would help protect the shipment and with repairs. On the other hand, the two

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<sup>26</sup> Interview, Nagaland, February 2019.

<sup>27</sup> Interview, Nagaland, February 2019.

<sup>28</sup> Interview, Nagaland, February 2019.

<sup>29</sup> Interview, Manipur, March 2022.

<sup>30</sup> Interview, Manipur, March 2022.

<sup>31</sup> Interview, Manipur, March 2022.

businesspeople kept referring to how they could not depend on the police to protect their shipment if there was a breakdown, that the police could not be trusted, they behaved badly, and their actions could not be predicted.

The armed group was thus seen as preferable to the police. More often than not, state governance like the police is blamed for responding with their own fees, in the form of bribes. At the very least the police often turn a blind eye to informal taxation by armed groups, and in some cases, like in Dimapur, is reputed to cooperate with the non-state armed groups. 'In front of the police also they (the armed groups) collect. The police say give it to them',<sup>32</sup> a transporter from Dimapur complained.

A member of the police force candidly admitted that 'civilians love the UGs<sup>33</sup> more than the police'.<sup>34</sup> Speaking of his experience along the Jiribam-Imphal road, he said that the police are not given an opportunity to exercise their full authority, as the locals in some towns along this route support the NSCN-IM. At the same time he agreed that the public cannot be blamed, as the armed group's cadre posted there are often local, and there is a certain dependency on them for security and justice. Hence, in his opinion, they are often seen by the local population as deserving financial contribution and support, including along the highway.

The long-term effect of rebel taxation systems on the legitimacy of armed groups is mixed. For many people there has been an erosion in the legitimacy of non-state armed groups over time, with taxation contributing to this. In the absence of active fighting it is unclear what the non-state armed groups 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.

### 5.3 A profitable peace?

Perhaps least intuitively, one of the long-term effects of rebel taxation is a reduction in violence and increased predictability when doing business. Interviews with drivers and businesspeople showed that the cost of doing business increased over the years as taxation became more routine – but it also led to more predictability, and was preferred by businesspeople to the more volatile situation during active conflict. Violence was used in relative moderation. While intimidation, kidnapping of drivers, beatings and threats remain commonplace, deaths are rare. Groups that are in a ceasefire and profiting from the taxation system do not push the limits of what the Indian government can turn a blind eye to, and this keeps the level of violence considerably lower than during the time of active conflict. The ability to tax more during a ceasefire can also be an incentive for armed groups to join protracted ceasefires.

On the other hand, finding a long-term political resolution will reduce the income that armed groups are getting through routinised taxation. Hence, in the long run the taxation by armed groups has kept the conflict dynamics in a sort of limbo. Going back to active fighting with the Indian state will be less profitable for many of the groups involved, but so will definitive political resolution. Rebel taxation has thus enabled a space between conflict and peace, with less incentive for movement in either direction – contributing to the creation of a separate political order.

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<sup>32</sup> Interview, Nagaland, February 2019.

<sup>33</sup> 'UGs' or 'Undergrounds' is the colloquial term used for non-state armed groups in the region.

<sup>34</sup> Interview, Manipur, March 2022.

## **5.4 An interplay of factors**

The implications of armed group taxation – increased cost of doing business, reduced legitimacy of state and non-state governance structures, and continuation of a limbo conflict with reduced violence and active fighting but slower political resolution – come from an interplay of three factors. These are the institutional make-up of the non-state armed groups, the number of groups present, and the relationship of a non-state armed group with other groups and the state. These factors interact with each other to shape the business environment and wider conflict dynamics.

### **5.4.1 Institutional make-up**

Far from the image of someone with a gun setting up a roadblock and shaking down truck drivers for whatever they can get, taxation along the transit economy is a set of regulated and often sophisticated systems of taxation that represent wider institutions. Different groups show different levels of systematisation, charge different amounts, and deploy varying levels of coercion. How much is charged and the basis for this might vary (products carried, size of trucks and ideological leanings, what is not taxed), and shows that there is more going on than can be explained purely through the lens of extortion and revenue generation. Certain armed groups charge the same amount on roads that they control entirely as they do on roads where they compete with others, showing a degree of regularisation that is determined by more than maximising profits. 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, where they lack any sort of military or territorial control. Groups that are more organised (in terms of regularity of collection and punishment) provide more predictability to businesses, and are more likely to have a higher degree of legitimacy in spaces where they do not face much contestation from other non-state armed groups.

### **5.4.2 Number of groups present**

The level of systematisation, predictability and coercion are not the only factors that shape the degree of taxation by non-state armed groups. In addition, the number of groups who are taxing changes how highway taxation is experienced, and the system it creates. In places where there is only one major non-state armed group present, they are seen as an authority and even a service provider to certain businesspeople. In contrast, on roads where there are many armed groups, the same armed group is often seen as just one more extortive actor. Despite having the same institutional set-up and taking similar amounts in both spaces, the presence of other non-state armed groups sets the limits on how effective this can be. The fees taken along a road by a non-state armed group can change from being perceived as legitimate taxation, to being entirely predatory in nature, depending on the number of other actors present.

### **5.4.3 Relationship with the state**

Finally, the relationship between different non-state armed groups, and between groups and the state, has a lasting effect on the business environment and conflict dynamics. The mimetic elements that come across through similarity in receipts issued by different groups and type of taxes collected (vehicle, yearly, godown) show that they are eventually a part of the same political order, shaped through taxation.

Importantly, ceasefires and suspension of operations create a degree of impunity for groups, allowing them to tax more systematically with fewer consequences, and increase the

profitability of rebel taxation. This, in turn, helps bring down violence. Non-state armed taxation also creates an environment of informality in business that further entrenches state corruption. Relationships, in the form of agreements and ceasefires with the state, have reduced the legitimacy of many non-state armed groups entering into these – and of the state, which does not stop taxation by these groups to avoid jeopardising these ceasefires. The mix of reduced violence and profitability for both state actors and non-state armed groups keeps the conflict in a relatively ‘peaceful’ limbo, thereby precluding any long-term political resolution of the conflict.

## 6 Conclusion

This paper investigates the effects of armed group highway taxation. Through the comparative set-up of rebel taxation along Manipur’s roads, it identifies the long-term effects of these taxes and the taxation ecosystem. It finds that taxation by armed groups can shape the business environment, have pervasive implications on the legitimacy of state governance and armed groups, and change the nature of the conflict. The nature of the influence that this form of taxation leaves behind is shaped by an interplay of institutional factors, the number of groups present, and the relationship between the state and rebel groups.

While the comparative nature of the study leads to analytical insights on the effects of taxation and underlying drivers that shape it, more research is required in diverse contexts to check the validity of these factors in different geographies and settings. Both qualitative and quantitative research on the effects of taxation during wartime, and importantly comparing these to later long-term effects, can lead to important insights on the nature of this widespread rebel activity.

This study contributes to the field of rebel governance by providing a deeper understanding of how taxation has political and economic implications beyond wartime. It also adds to the literature on the political economy of conflict by examining how economic incentives and implications shape the business environment, while simultaneously reducing active conflict and violence. Finally, it has important implications for our understanding of the blurred line between peace and conflict, and how rebel taxation can be instrumental in shaping a limbo state between the two.



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