

Economic Development of the North East Region: Some Reflections*

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It is a matter of great pleasure to be here with you to deliver the keynote address on this occasion of the 8th anniversary of the North Eastern Development Finance Corporation (NEDFi). As a financial institution NEDFi is unique, given the challenging domain of the North Eastern Region (NER) that it endeavours to promote. Like many of you, I have often wondered why the growth and development performance of this richly endowed Region has been well below its potential; indeed disappointing in many ways. While the reasons could be many - some of which we are going to discuss today, I am a firm believer in what Robert Frost once said, "The only way around is through!" I am truly delighted, therefore, to have this opportunity of joining you in collective introspection and to do some loud thinking on the future course of action.

I. **The Role of North Eastern Development Finance Corporation Ltd.(NEDFi) in the Economic Development of the North Eastern Region**

The setting up of the NEDFi is an important element in the development strategy for the NER. In the early 1990s, it became evident that traditional development banking was falling short of meeting the requirements of the NER. The all-India financial institutions

(AIFIs) were too large and diversified to focus upon the specific needs of the Region, which, in any case, is a long way from Mumbai. On the other hand, fragmentation of the NER into many States had rendered the State-level financial institutions too small to meet adequately the requirements of the NER. A secular decline in the financial assistance to the NER by all types of financial institutions and widespread failure of industrial projects in the NER were also becoming more evident. It was obvious that a new approach was needed to promote economic activity in the region.

Many of you would recall that the then Finance Minister, Dr. Manmohan Singh, took the initiative of setting up "The Group on Industrial Development of the North Eastern Region" chaired by Dr. I.K. Barathakur, a figure who has served the NER with distinction and dedication all through her life. I had the privilege of working in that Group as Economic Adviser to the Ministry of Industry. Among the important recommendation of the Group was to set up an "Industrial and Infrastructure Bank for the North Eastern Region (IIBNER)". Thus, NEDFi came into being.

The Group observed that conditions in the North East are substantially different from the rest of the country. It was, therefore,

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necessary to create a special institution to serve the needs of the region. The Group had said that this institution must be professionally managed and should be structured in such a way that it is free from the political and bureaucratic influences that had so bedeviled many other state level financial institutions. It was proposed that such an institution, once it is set up, must employ professional staff of the highest calibre, who are particularly qualified in appraisal techniques so that many viable projects could be funded.

It was also suggested that the new bank would be instrumental in conducting technical and economic studies in the region in order to advise on the industries that are particularly suited to the region. Such studies would provide guidance to the bank to fund the development of facilities such as industrial parks, ancillary facilities for industries such as food processing, horticulture, floriculture, silviculture, aquaculture, sericulture and the like. Such a strategy would enable the bank to promote region specific industries that are likely to be profitable.

The Report of this Group was presented in February 1995 and the Finance Minister implemented it immediately in the 1995-96 budget; and your institution was born within that year. The consequent setting up of the NEDFi in 1995 thus, reflected the adoption of a completely new institutional framework dedicated for the Region for the techno-economic appraisal, identification and financing of projects.

I am, therefore, delighted to note that within the short span of time since its initiation, and despite daunting constraints, the NEDFi

has emerged as the premier financial institution of the NER. It is on the way to fulfilling the vision of its progenitors. Moreover, the Corporation has been able to meet the target of a minimum disbursement of Rs 50 crore per annum in 2000-01 and 2001-02 as was visualised in the Prime Minister's announcement of a Special Package for the NER in 2000. There are several other activities and achievements of the NEDFi that I would like to highlight.

First, as a leader and think tank in innovative financing, NEDFi has already made its mark by way of a slew of proactive initiatives. Its mandate *i.e.*, the Articles of Association was amended to include agriculture and allied services keeping in view the profile of the NER. A micro credit scheme as also an equity fund scheme for small local entrepreneurs has been successfully launched. Further, NEDFi's innovative initiatives such as Cane and Bamboo Technology Centre with UNDP sponsorship, and Design Centre for Handloom and Handicrafts, are expected to help the rural artisans by way of exports. The R&D Centre for Patchouli at Guwahati is extending marketing, technical and financial support for production of medicinal and aromatic oil.

Second, with respect to the 'new economy' initiatives, NEDFi's IT Park at Guwahati has motivated other States for setting up of similar ventures, although I understand that it has encountered various problems particularly related to adequate connectivity. I understand that the Corporation has devised an appropriate scheme for

financing of IT industries in the NER. It has also made some successful headway in the area of bio-technology financing.

Third, in view of the great potential for tourism, the Corporation has initiated a multi-pronged strategy – preparing a master plan and embarking on a big private sector project mainly for adventure tourism followed by several others. In addition, the Corporation has sponsored a number of techno-economic feasibility studies under the Techno Economic Development Fund for national and international funding.

A great need in this region is the promotion of entrepreneurship. With the lack of adequate development in the past, most promoters in the NER are first generation entrepreneurs. I am glad to note that close to 90 per cent of cumulative disbursement by NEDFi has been allocated to new ventures. Food products, services, infrastructure, cement, basic metals and chemicals have turned out to be the major destination for the deployment of funds. The State-wise profile of NEDFi's cumulative disbursement indicates the dominance of Assam (63 per cent) followed by Meghalaya (16 per cent) with Mizoram at the bottom (2 per cent).

However, I find that there are some disquieting features in the financial performance of the Corporation. These include its growing Non-Performing Assets(NPA): NEDFi's gross NPA as per cent of loan assets are placed at 27 per cent. The earning per share (EPS) for NEDFi has remained below Rs.2 since its inception as against that of Rs.6.5 for IDBI in 2001-02, the

lowest since 1997-98. Moreover, operating expenses as per cent of total expenses (excluding interest expenses) were placed at 67 per cent for NEDFi as against 55 per cent for the representative institution in 2001-02.

For the institution to be successful in promoting healthy development of the region, it is essential that its own health be preserved. We must strive for excellence in all our endeavours: that is what NEDFi should stand for and that is the message it must propagate.

II. Government Policy Initiatives in the NER: An Overview

Development of the NER has remained high on the agenda of both the Central and the respective State Governments. The North Eastern Council (NEC) which was set up in 1972 has been playing a major role. As a regional planning body it has taken up a series of projects for the balanced development of the Region. To provide further focus to development initiatives in the North East, the Government has also set up the Department of North Eastern Region (DONER) in 2001.

In line with the priority given to this region, per capita levels of Central assistance to State Plans in the NER are among the highest in the country; the average per capita Central assistance for State Plans in the NER was placed at Rs.1,546 in 2001-02 as compared with Rs.356 at the all-India level. The Government of India has also been providing special Central assistance in respect of some of the States in the NER for special area programmes such as the Hill Area Development Programme (HADP) and the

Border Area Development Programme (BADP). The main objectives of eco-preservation and eco-restoration are the focus of HADP with an emphasis on sustainable use of bio-diversity while keeping in view local needs and aspirations. The BADP is designed to take care of special needs of people living in remote and inaccessible areas situated near international borders.

The other recent policy initiatives have included announcement of a new industrial policy for the NER (December 1997) which encompassed a comprehensive incentive package to stimulate industrial development; creation of a non-lapsable Central Resources pool (1998-99) to ensure speedy development of infrastructure in the NER; the Prime Minister's Special Package of over Rs.10,000 crore for the socio-economic development of the North-East (January 2000). Thus the Region has not been lacking in policy attention and programmes.

I understand that reasonable progress is taking place under these initiatives. The total amount released from the non-lapsable Central pool as on April 1, 2003 amounted to Rs.1,869 crore as against the approved projects cost of Rs.3,104 crore. The PM's Special package covers 28 programmes/schemes relating mainly to the development of the power sector, border trade, horticulture, rural infrastructure, road and air-links, medical education and industrial training institutes. As on January 1, 2003, 7 schemes have been completed and 17 are under implementation. A sum of Rs.3,864 crore has been released out of the

sanctioned amount of around Rs 10,000 crore under this Special package.

The total annual outflow of funds from the Centre to this region is estimated to be about Rs.12,000 crore, about US\$ 2.7 billion. This is higher than the disbursements received by India as a whole from multilateral institutions like the World Bank and Asian Development Bank. It is also higher than the total aid received by Bangladesh. Thus, to my understanding, the flow of funds to this region is not the problem. They need to be used in such a way that the seeds of sustainable development are sown so that the growth of the Region becomes self propagating.

III. A Profile of the North-Eastern Region (NER)

Let us review the existing strengths and weaknesses of the Region in order to identify the challenges and opportunities that exist.

There are at least five striking areas of strength. These include:

- Relatively high literacy rates and human development levels as compared to the rest of the country;
- High skill levels in certain areas;
- An abundant natural resource endowment;
- Potential for the development of the tourism industry; and
- Potential for exports and scope for regional cooperation.

Let's take a closer look.

Literacy rates for 2001 were quite high in the NER ranging from 64.3 per cent

(Assam) to 88.5 per cent (Mizoram) as compared with the country's average of 65.4 per cent. Only Arunachal Pradesh at 54.7 per cent falls well short of the national average though it is fast catching up too. Most importantly, female literacy in all the NER States, except Arunachal Pradesh (44.2 per cent), is substantially higher than the national average (54.2 per cent). According to the Planning Commission's National Human Development Report 2001, the Human Development Index (HDI) – which captures economic, educational and health attainments – in respect of Manipur and Mizoram in particular, as also for Nagaland and Tripura, was placed higher than the national average in 1991. The Gender Disparity Index, which captures the proportion of female attainments to that of males for a common set of variables, was also placed higher than the national average in respect of these four States. Studies have shown that while the NER as a whole, ranks low in respect of economic development, and to some extent, in the case of health attainment, the rankings in terms of educational development are quite high. Most interestingly, the rankings in terms of rural infrastructure are also high, contrary to the general impression.

The NER is also endowed with rich natural resources such as oil and natural gas and agro and forest-based products. The Region is a major producer of tea, and possesses one-third of the country's hydro-power potential. The scenic surroundings also provide an ideal setting for the promotion of the tourism industry.

The Region has great potential for exports and there is also considerable scope for regional co-operation. In this context, a major issue confronting the NER is the prevalence of 'informal' border trade. This assumes special significance because of the length of its international borders with Myanmar, China, Bhutan and Bangladesh. India's official foreign trade with neighbouring countries in the North-East (barring Bhutan) hovers around only 4 per cent of India's total foreign trade. On the other hand, available estimates show that the volume of informal trade is quite substantial. Several factors have been identified which compel traders to use the informal channel. These include: lack of infrastructure and banking facilities for official trade at borders, shortages of essential commodities at borders, inclusion of limited items in the bilateral/Free Trade Agreements between bordering countries, quantitative restrictions, higher tariffs and higher transaction costs (e.g. delay in realisation of payments, procedural delays, etc.) and exchange rate or price differentials. Strict *Rules of Origin* requirements also restrict formal trade flows and encourage informal trade. Each of these issues need to be addressed and solved. Harnessing of such exports lost through the informal channel provides an important opportunity to step-up the development of the Region. At the same time, building bridges with neighbouring countries under the aegis of regional cooperative frameworks can also provide a further boost to the exports from the Region. I have had the privilege, over the last twelve months, of being associated with new initiatives to promote trade between our

country and other countries in the region such as Singapore and Sri Lanka. I am hopeful that similar initiatives with Bangladesh and other countries bordering the North East Region will also begin to bear fruit shortly. South East Asia is among the most dynamic regions in the world in terms of economic growth and development. Progress is being made in furthering trade agreements with Thailand and with ASEAN as a whole. Progress towards opening the trade borders of the region would, therefore, act as an important catalysts for the development of the North Eastern Region.

As against these strengths and opportunities, there are weaknesses and threats to be sure, emanating to a large extent from the difficult terrain of the Region — 70 per cent of the NER is hilly, with forests covering between 42 and 76 per cent of the area of each of the States. This poses one of the greatest constraints to rapid economic development. Let me now review some of the other problems that beset the Region.

Economic Growth

The average real rate of growth of NDP of the NER is estimated at 6.0 per cent during 1996-97 to 2000-01. Although this is slightly higher than that of 5.7 per cent for the country as a whole, it masks marked fluctuations in the growth rates over time in different States as well as the sharp disparities in growth rates across the States. Moreover, except in the case of Nagaland, the average per capita incomes of other States in the NER were below the all-India average (Rs.9,643) over the period 1995-96 to 2000-01.

Employment

The growth rate of employment for all the States in the NER (except Assam) declined over the period 1993-94 to 1999-2000 as compared with the period 1983-84 to 1993-94. The incidence of unemployment was also higher than the all-India average of 2.3 per cent during 1999-2000 in respect of Assam (4.6 per cent), Manipur (3.5 per cent) and Nagaland (3.5 per cent).

Poverty

Even though the incidence of poverty in the NER has exhibited a downward trend over the years, the poverty ratio was placed lower than the all-India average (26.1 per cent) only in respect of one State *i.e.*, Mizoram (19.5 per cent) in 1999-2000. This is an issue of concern, since in 1983 the poverty ratio was placed lower than that of the all-India position (44.5 per cent) in respect of all the States in the NER, indicating that there has been a sharper decline in the incidence of poverty over the years outside the Region.

Agriculture

Agricultural performance of the Region remains sluggish on account of a number of factors. For one, the ratio of irrigated area to total area under all crops in the NER has generally remained much lower than the all-India figure of 39 per cent (in 1998-99). Moreover, the total area in the NER covered under HYV seeds formed only around 0.25 per cent of the all-India total in 1996-97. Availability of fertilisers is another acute problem; cultivators have to bear large costs for obtaining fertilisers Nationalised banks

seem to have shown a lukewarm response towards financing crop loans particularly in view of the paucity of updated land records. The State level Cooperative Bank which provides credit to Primary Agricultural Credit Societies is also experiencing resource constraints.

Industry

The industrial scenario is also not very encouraging as the number of factories as well as the shares of fixed capital, invested capital, net value-added and the number of workers in the industrial sector of the NER *vis-à-vis* the all-India position, have declined over the period 1995-96 to 1999-2000. The power situation in the NER which had improved to a surplus during 1999-2000 and 2000-01, has deteriorated subsequently to a deficit of 2.4 per cent during 2002-03. The Plant Load Factor (PLF) in Assam is the lowest in the country.

Financial Sector

The financial sector scenario of the NER indicates that much more remains to be done. Outstanding deposits of SCBs in the NER as at end-March 2003 formed only 1.5 per cent of the all-India level. The share of bank credit to industry showed a modest rise in some states but there were noticeable declines in Mizoram and Meghalaya. The share of bank credit to small scale industries also declined gradually in most states in the NER. The share of bank credit to agriculture declined in all states except Manipur. Strikingly, the C-D ratios of SCBs (excluding Regional Rural Banks) in the NER varied between 14 per cent (Arunachal Pradesh) and 29 per cent

(Meghalaya), much lower than the all-India level of around 60 per cent as at end-March 2003. The assistance provided by AFIs to the NER has been an exceedingly small proportion of total assistance to all States. The system of co-operative credit dispensation remains limited in the NE with only 27 offices of urban co-operative banks and 18 branches of district central co-operative banks as at end-March 2001. However, NER has the largest network (215 branches) of State co-operative banks next only to the Northern Region. On the whole, deposits mobilised by all co-operative banks in the Region accounted for less than 1 per cent of the all-India level mobilised by co-operative banks. The number of NBFCs accepting public deposits has also dwindled steadily in recent years in the Region. While the NBFC sector has undergone a shake-up in the recent past at the all India level, no public deposit-taking NBFCs were in operation in the Region as at end-March 2001.

Fiscal Scenario

The fiscal position of the States in the NER has been under strain in recent years. The Gross Fiscal Deficit of the NER increased to Rs.4,897 crore in 2002-03 and is budgeted to rise further to Rs.5,026 crore in 2003-04, mainly reflecting the sharp increase in expenditures (particularly non-developmental expenditures such as salaries, pensions, interest payments, etc). Low and declining buoyancies of both tax and non-tax revenues and losses of State PSUs have added to the financial strain. Notably, the revenue account of many of these States which were in surplus

in 1997-98 turned into a deficit in 2001-02. I am, however, happy to note that several States in NER have initiated measures towards revenue augmentation, expenditure containment, restructuring of PSUs and investment in growth enhancing sectors. Some of the States have already prepared a Mid-Term Fiscal Reform Programme in consultation with the Government of India while others are in the process of preparing/ finalising the same. Some States have also emphasised the need for institutional reform. For example, Assam has constituted a Committee on Fiscal Reforms (COFR) and has engaged the NIPFP to undertake a study on the prevailing fiscal scenario. Meghalaya has proposed to strengthen power transmission and rural electrification. Arunachal Pradesh and Manipur have emphasised/initiated economy measures. Such measures need to be strengthened in order to make a credible difference to the fiscal situation.

Whereas the list of infirmities and difficulties affecting this region is long, what we need to do is to look for solutions to problems, and not (hunt) for problems that deter solutions.

IV. The Way Ahead: Some Elements of a New Approach

As we have seen, many efforts have been made in the past to give special attention to the region for promoting its development. Very clearly, a new approach is needed so that the national resources available in the region are utilised to their fullest along with other resources that come

into the region from outside. I cannot pretend to have any special expertise on the Region. I can, therefore, only provide some stray thoughts that may generate further discussion and debate. But, I do feel that after more than 50 years of independence, the time has come for this Region to take advantage of its own strengths and to turn some perceived weaknesses into assets. The history of economic development across the world suggests that there are no constraints to growth: the limitations are only those of vision and action.

The former minister for the North Eastern Region, Dr. Arun Shourie, had begun the process of giving a new direction to the development of North East. Among other initiatives, he had also convened a meeting in Mumbai to court investors directly. I understand that he received a very warm response in the two-day long meeting that was conducted. I believe that such a process of outreach must be continued so that new investments are made in the region. It must be made sure, however, that such investments are made in a viable fashion.

Prospecting for investment is not productive if done on a general basis. Such prospecting must be purposive after the identification of specific viable projects. It is here that NEDFi can make an important contribution to the development of the Region through its on-going techno-economic studies followed by financing of viable projects. It can also act as a catalyst to bring other financing sources to the Region through credit enhancement activities that provide greater

confidence to outside financiers and investors. One of the problems in the approaches made in the past has been that investment has invariably been sought for large projects. I would propose that attempts to promote investment in the region would be much more successful if it is sought for viable much smaller projects that are suitable to the region and are based on the resources available in terms of both physical and human resources.

Much has been made of the many infrastructure disabilities that exist in the region. It is found, however, that in many areas the infrastructure endowment of the region is actually better than that in the rest of the country. For example:

- The density of national highways in the region is higher than the national average in terms of route kilometres per unit area;
- Most villages in the region are now connected with link roads despite the hilly terrain;
- Almost all villages in the region now have access to portable drinking water.

Thus, the lack of basic infrastructure is not as bad as is generally felt. In order to utilise the available infrastructure to its utmost potential, there must be an explicit policy to locate new investments in close proximity to already available infrastructure such as airports, road heads, railway stations, power lines, water sources and the like.

Guwahati airport has now received international status. This must be fully utilised,

for example, by locating light industries such as food processing, floriculture, sericulture and the like in its proximity, or striking distance. The existence of an airport has been used in many places to generate economic activity. Schiphol Airport at Amsterdam is a case in point. If flowers can be supplied to Europe from Latin America through the flower markets of the Netherlands, there is no reason why the flower potential of this region cannot be utilised for the development of exports to South-East Asia. In fact, the whole region to the East of India remains the fastest growing region in the world. The North East region is the one closest to this prosperous neighborhood in Asia. As the on-going effort of conducting trade pacts with neighbouring countries proceeds, this potential would have much greater probability of being realised. Discussions are already underway for the enhancement of regional cooperation in the BIMST-EC (Bangladesh, India, Myanmar, Sri Lanka, Thailand - Economic Cooperation framework). In fact, the six sectors of cooperation identified in the arrangement are: trade and investment, energy, fisheries, tourism, technology and communication & transport. Of these, the first four sectors are among those where the region can have a good competitive advantage.

NEDFi has already initiated an IT park at Guwahati. It can explore the possibilities of setting up other industrial parks, within 3-4 hours driving distance of Guwahati Airport, as incubators for industries that produce products that are marketable internationally. Indeed, the existence of airports in other parts of the Region can be used to similar advantage: they

can then serve as feeder points for international cargo that can be lifted out of Guwahati.

The agro climate of the region is characterised by unique diversities. With such an agro climate, there is great potential for propagating horticulture crops including vegetables and fruits, along with flowers. However, these products need processing to avoid decay. I am given to believe that a variety of fruits such as pineapples, mandarins, papaya, litchi, lemons, mangoes, guavas, jackfruits and the like all thrive in the kind of agro climate that exists in this region. The region is also hospitable to the growth of spices like ginger, turmeric, black pepper, large cardamoms, cinnamon and the like. To obtain benefit from all of these activities, there is clearly great need for food processing industries in each case. Apart from direct usage in food preparation, spices like ginger can be used to produce ginger oil, which can then be used in the production of soft drinks whose consumption is now growing fast in the country. Similarly, turmeric is also widely used in cosmetic industries. I mention these products only to illustrate that there is indeed great potential for the development of the food processing industry in the region. But, success in promoting these industries will not happen unless purposive action is taken to locate food processing units, near infrastructure heads so that they can be easily exported out of the region to the rest of India or to other destinations in the rest of Asia. Corresponding initiatives will have to be taken to ensure marketing and access to the relevant markets. Once again, it is here that NEDFi can make

a contribution through its technical work and funding activities.

Another great asset of the region is its tradition in handloom weaving. In my capacity as the Director General of the National Council of Applied Economic Research (NCAER) I was associated with the census of handloom weavers in the mid to late 1990s. I recall, amazingly, that in our census we found almost 30 per cent of the total population in the North East Region practice some form of handloom weaving. Most of this production of course is for domestic consumption at the household level. It is surprising to me that this vast skill base has not been put to better use for commercial production. Any visitor to any part of this region is greatly attracted by the impressive design capacity that exists among common people of the region. Once again, purposive efforts can be made to utilise this latent capacity for textile designing and weaving for commercial production which would then enhance the earning capacity of people on a widespread basis. In fact, there can be an innovative marriage of new information technology and traditional designing to standardise products and to provide effective quality control.

NEDFi has already initiated the setting up of a Design Centre for Handlooms and Handicrafts. Much more remains to be done. We can note the expiration of the Multi Fibre Agreement (MFA) in 2005, when textile and garment quotas will be abolished. This provides new opportunities for India as a whole and the North East Region should also

take advantage of it. The vast skills available in textiles in the North East Region must be put to good use. A good deal of garment exports are done by air. Once again, the existence of Guwahati International Airport must be put to good use.

A good model for the technological upgradation of such a widespread household activity is the approach adopted in the milk sector by Dr. Kurien in the National Dairy Development Board. Technical work of the highest level is done in a centralised fashion and passed on to households through effective extension. Through this process, the quality of milch cows was improved tremendously over time, resulting in higher yields and income of the dairy households. Animal food was improved through research and extension activities; veterinary services were provided; and assured offtake of the milk produced. The centralised agency took up marketing activities, built the Amul brand and others in different states, and developed more markets. By analogy, design work, handloom upgradation, sourcing of materials, marketing and development of markets can be done in a centralised fashion. With the availability of information technology and new connectivity, these new activities can become competitive in a way that was not feasible earlier. Designs can be standardised; communication can be done directly with foreign and domestic buyers; and materials can be sourced in the most cost efficient manner. Moreover, communication can also be done with the many spread out household producers within the region. All this was not possible earlier.

The region is blessed with a full variety of silk worms, mulberry, muga, tussar and eri. The silk fabrics of the region are already well-known and fetch relatively high prices. Here also, much better marketing can be done so that these products are available at a much more widespread basis both in India and abroad. Much more can also be done to design and manufacture not only traditional items for use in India but for garments and fashion items that could be marketed abroad. Branding here is a key issue.

Among the disabilities of the region that are often cited are its hilly terrain and its forest cover. The forest area of the region comprises 57 per cent of its area as compared with only 23 per cent for the rest of the country. This is often seen as a handicap in the productivity of the region. Except for saw mills and plywood manufacturing, there are no other forest-based industries in the region. This is despite the fact that medicinal and aromatic plants are available in plenty in the region. These plants can be used for the production of herbal medicines, perfumeries and other cosmetics. There are at least 120 known medicinal plants that are known to grow wild in the region. Well planned exploitation of these resources, although on a strictly environmentally sustainable basis, can be used as a tremendous prospect for the promotion and growth of medicinal plant based drugs and pharmaceutical industries in the North East Region. With the increasing popularity of herbal medicines that is now a world wide phenomenon, this is truly an opportunity for this region as a whole. We can

also note that such items are light in nature and are, therefore, not handicapped by some of the transportation infrastructure costs that make other items uncompetitive.

The forests of the North East Region are also rich in oil based plants. There are prospects for essentially oil based industries such as agarwood oil, turpentine oil, cinnamon leaf oil, citronil oil, lemon grass oil and the like. These oils are used in items such as perfumes, other cosmetics, varnishes, soaps and detergents, paints, rubber, pharmaceuticals and confectionaries.

It is often said that the region has great potential for tourism. This is intuitively obvious for any visitor to the region. In the past, the region has probably suffered from various controls that have existed on visitors not only for foreigners but also for Indian residents. Now that these controls have largely been lifted, there is no reason why tourism cannot develop in a healthy manner throughout the region. However, once again, tourism also cannot develop on a general basis and through general exhortation. It must be understood that tourism development is extremely hard work and it requires a great deal of anticipation, imagination, planning and investment. The approach must be to develop a few destinations on a formal and incremental basis. This involves the development of a large range of facilities in terms of hotels, restaurants, transportation modes, entertainment and recreational facilities in each of these destinations. This requires a great deal of coordinated public and private interaction for joint investment.

Public facilities must be provided by the public sector. Private investment as a whole follows only if it has relative confidence in the viability of the new facilities to be developed. It is for this reason that it is important that specific destinations be developed in a purposive manner. It is also not just the development of physical facilities that brings tourism. A great deal of other work has to be done to persuade tourists to consider these destinations through directed marketing activities. Tourist groups need to be formed, charter flights need to be developed and a rich and pleasant tourist experience assured. The emergence of Kerala and Goa as popular tourist destinations for both domestic and international provides useful pointers. What is in favour of such activity now taking off in the region is a rapidly expanding middle class in our country that is actively looking for recreation opportunities. That this class can now afford the exploration of foreign tourism and relatively expensive adventure tourism gives us an idea of the kind of demand that now exists for interesting recreational activities that this region can potentially provide in abundance. But the tourists, domestic or foreign, demand comfort along with adventure and novelty. This must be ensured.

I have attempted to list out selectively some aspects of the development potential that exists in the region based on its own skills and its own resources that need to be brought together in a purposeful fashion. The elements that are common to the areas that I have mentioned are:

- Relatively low investment requirements;

- Availability of natural resources abundant in the region;
- Use of local skills that already exist;
- Use of new technology in upgrading traditional activities in an innovative manner;
- A focussed selective approach to the development of facilities in a manner that makes maximum use of available infrastructure;
- An outward orientation

In a visit that I made to this region as Adviser in the Planning Commission fifteen years ago, I noted a great tradition that exists here for cooperation at the community level for developmental activities. My impression is that this tradition has not been well recognised and, therefore, not utilised in taking forward that kind of productive developmental activities that are needed in the region. Many of the activities that I have mentioned will now require a great deal of community level participation and cooperation. I am sure that this will be forthcoming once the people recognise the economic potential of these

activities. It will also need greater coordinated action between the Government and its agencies, industry associations and financing agencies. The institutional development that has already taken place in the region must now ensure such coordinated action.

Looking at the distribution of education, the literacy levels in the region, the existence of about ten universities, an Indian Institute of Technology, half-a-dozen engineering colleges, another half-a-dozen medical/dental/nursing colleges, I am convinced that this region is abundant in productive and innovative human resources.

Thus, neither lack of human power nor infrastructure facilities can be taken as a major cause of the industrial ill health of the region. The abundance of natural resources in the North East makes it an extremely profitable business and investment destination. There is no shortage of opportunities: but vision and imagination are needed to turn these opportunities into reality. I would hope that NEDFi can play an effective role in bringing about such a transformation in the North Eastern Region.