

Investment Climate in North East



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North – East: India's Frontiers

The North East Region (NER) refers collectively to the eight states located in the midst of the East Himalayan region in the north-eastern part of India, constituting Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura.

The NER shares 2,000 km of international borders with Nepal, Bhutan, China (Tibet), Myanmar and Bangladesh, and is connected to the rest of India by a 22-km wide stretch of land at Siliguri in West Bengal.

The NER covers an area of 262,000 sq km, accounting for 7.9 per cent of India's total geographical area. With a total population of 39 million (as per Census 2001), it accounts for 3.8 per cent of the country's total population.

The region is well endowed with natural resources and ideal climatic conditions for agriculture, tea and rubber plantations and sericulture. Substantial on-land oil and natural gas reserves and significant mineral resources are available in abundance in the region.

The North East is one of the most bio-diverse regions in the world, consisting of large portions of land under tropical forests, with various valuable resources like bamboo, cane, wood and precious medicinal plants. Forest-based industries such as plywood mills, paper mills, saw mills constitute an integral part of the economy.

Strategic incentive packages and supporting administrative structures have been developed to stimulate growth and success of industries in the region. Expert groups/ committees were constituted by the Ministry of Industry and the Planning Commission to formulate industrial policies at the NER level. The central government has been focusing on initiatives for development of the region since the 1970s. Various organisations constituted for the development of the region include:

- North East Council (NEC) incorporated in 1971, as the nodal agency for the economic and social development of the eight states;
- North Eastern Development Finance Corporation Ltd (NEDFi) incorporated in 1995, which acts as the development bank for the region; and
- Ministry of Development of Northeastern Region (DONER) incorporated in 2001, which is the nodal agency covering the entire gamut of development issues faced by the region.

Recently, significant efforts have been undertaken for structural improvements in the region's infrastructure to support rapid economic development. A total outlay of \$1.3 billion was approved by the DONER in 2006 for strengthening infrastructure.

Both the urban and industrial infrastructure sectors are undergoing rapid transformation in the region with substantive investments from both the government and International Funding Institutions (IFIs) for development of roads, railways, airports, power stations and other essential urban infrastructure. This, coupled with the proposed development of Software Technology Parks (STPs), Export Promotion Industrial Parks (EPIPs), Industrial Infrastructure Development Centres (IIDCs), Export Processing Zones (EPZs) and dedicated industrial growth centres, promises enhancement of the business environment in the region.

Initiatives have also been undertaken recently to build on the availability of skilled and literate manpower in the states by providing professional training.

Advantage North – East

- A congenial investment climate – comprehensive central investment policy for NER and liberalised state industrial policies, both providing attractive incentives/ subsidies.
- Special tax incentives for Export Oriented Units (EOUs) and investment in key infrastructure areas.
- Vast natural resources such as oil, natural gas and minerals, diverse agro-climatic zones, forest resources and medicinal plants.
- Locational advantage for foreign trade with neighbouring countries.
- Favoured choice for tourists with its pleasant climate and scenic landscape.
- Availability of skilled and cheap manpower.
- Strong language and communication skills, since English is a widely spoken language in the region.

North – East Region: A Snapshot

	Arunachal Pradesh	Assam	Manipur	Meghalaya	Mizoram	Nagaland	Sikkim	Tripura
Capital	Itanagar	Guwahati	Imphal	Shillong	Aizawl	Kohima	Gangtok	Agartala
Area (sq km)	83,743	78,438	22,327	22,429	22,081	16,579	7,096	10,486
Population (2001 Census, million)	1.1	26.7	2.2	2.3	0.9	2.0	0.5	3.2
Sex Ratio (2001 Census, per 1000 males)	901	932	978	975	938	909	875	950
Literacy Rate (2001 Census, %)	54	64	69	63	88	67	70	74
GSDP (US\$ billion) at current prices - 2004[1]	0.7	13.0	1.2	1.6	0.7	1.4	0.5	2.1
Annual per Capita Income (US\$) - 2001[3]	428	260	314	345	NA	NA	384	NA
Natural Resources[2]	Crude Oil, Natural Gas, Coal, Marble, Forest resources, other minerals							
Key Industries	Tea, Agro & Forest based, Rubber, Natural Gas, Petroleum, Silk, Handloom and Handicrafts, Breweries, Distilleries, Tanning							

Source: [1] Official website of Ministry of External Affairs, GOI, www.indiabusiness.nic.in downloaded on July 2007

[2] Individual state official websites, downloaded on July 2007

[3] Annual Report 2006-07, Ministry of Development of North East Region, GOI

Economic Profile

The economy of NER states is highly dependent on agriculture. However, the government has recently undertaken initiatives to introduce, promote and develop the secondary and tertiary sectors to ensure balanced economic development.

The Compound Annual Growth Rate (CAGR) in Net State Domestic Product (NSDP) reveals that the NSDP of Manipur and Meghalaya have grown at a faster pace as compared to the national growth rate in GDP. The trends in NSDP are shown in the following table.

Net State Domestic Product at Current Prices (93-94 Base Year) (In US\$ Million)				
States	2001-02	2002-03	2003-04	2004-05
Arunachal Pradesh	430	470	540	560
Assam	7,620	8,330	8,870	9,600
Manipur	730	760	830	910
Meghalaya	920	990	1,080	1,180
Mizoram	440	500	NA	NA
Nagaland	960	1,110	NA	NA
Sikkim	240	280	310	340
Tripura	1,380	1,500	1,670	NA
NER	12,730	13,930	NA	NA

Source: Individual state official websites, July 2007

Primary sector has a significant share in NSDP

The sectoral contribution to the NSDP reveals that in almost all the NER states, more than 30 per cent of the contribution is

from agriculture and allied activities. This is much higher than the sector's contribution to India's GDP. The high contribution of agriculture to the NER economy is due to continued exploitation of abundant forest resources and the wide range of agricultural produce in the states.

The region offers abundant scope for cultivation of a wide variety of agricultural crops primarily due to the presence of diverse agro-climatic zones in the region.

The primary economic activities of the region include cultivation of cash crops, food grains, tea, fruits, flowers and spices.

While Assam is the largest producer of tea, Tripura is the second largest producer of rubber in India. While fisheries are an important economic sector for Arunachal Pradesh, Assam, Manipur and Tripura, sericulture is an important sector in Assam, Manipur and Meghalaya.

The NER is rich in forest resources with 46 per cent of the land (122,000 sq km in 2001) under forest cover. Arunachal Pradesh and Mizoram have the maximum percentage of land under forest cover. At present, a nominal percentage of the forest resources are exploited for commercial purposes. Such untapped resources hold tremendous potential for the economic development of the NER states.

Secondary sector driven by natural resources

Presently, the secondary sector is constituted mainly by construction activities in the NER states and additionally mining activities in the case of Assam and Meghalaya.

All the NER states have high availability of natural resources and

possess immense potential in mining of coal and other minerals as well as in extraction of natural gas and crude oil. The industrial sector in the NER mainly constitutes of crude petroleum, natural gas, mining, saw mills and steel fabrication units. The handicrafts and handloom sector is also developing steadily in Assam, Manipur, Nagaland and Tripura.

Tertiary sector driven by tourism activities

The tertiary sector mainly constitutes tourism-related activities, research and development, real estate businesses and public administration services.

Initiatives and incentives have been rolled out to promote and develop tertiary sector activities. There are also state-wise schemes for introduction of IT in the NER, with additional programmes for development of required supporting infrastructure.

Brief introductions to the states and their significant economic characteristics have been provided below.

Arunachal Pradesh

Arunachal Pradesh is one of the largest states in the NER, sharing international borders, with Bhutan to the west, China to the north and north-east, and Myanmar to the east.

- Major agricultural produce includes food grain, oil seeds and pulses; food grains production at 0.2 million Metric Tonnes (MT) in 2005-06, constituted bulk of the state's agricultural produce.
- Fisheries is also a flourishing sector with a production of 273,000 MT in 2005-06.
- Animal husbandry, sericulture and cultivation of horticulture crops such as fruits and spices are also some of the key economic activities of the state.
- The handicrafts and handloom industry provides employment to a large section of the state's population and consists primarily of activities such as weaving, carpet-making, painting, pottery, basketry and woodcarving.

Assam

In comparison with the other NER states, Assam is the most developed in the region and also supports the largest percentage of the population.

- Assam is the largest producer of tea in India with a produc-

tion of 443,000 MT in 2004-05. Other agricultural produce includes rice, wheat, flour, maize, cotton, and jute.

- Fisheries sector in the state had an annual production of 0.18 million MT in 2004-05, constituting an important part of the state's economy.
- Animal husbandry and cultivation of horticulture crops such as fruits and spices are also key agricultural activities.
- Sericulture is also practiced on a wide-scale. A particular variety of silk called the "Muga", known for its natural shimmering gold colour, is extracted from a species of insect found only in the NER.
- Secondary sector in the state includes coal mining, textile, crude petroleum, cement and fertiliser units.
- The state accounts for about 15 per cent of India's crude oil output from the wells at Digboi, Duliajan, and Sivasagar. It also produces natural gas accounting for about 50 per cent of India's total onshore production.

Manipur

The state shares a 398-km international border with Myanmar and lies adjacent to the proposed South East Asia super-highway. It is rich in its ecological resources and is home to many rare flora and fauna varieties.

- The state produces significant quantities of paddy, wheat, maize, pulses and oilseeds and rubber.
- Animal husbandry and sericulture are also important economic activities in the state.
- The handloom sector provides employment to a large section of the population, second only to the agriculture sector. The important handloom products of Manipur are sarees, bed sheets, curtains, towels, table-cloth, fashion garments with intricate designs, scarves, pillow covers and woolen shawls.
- Handicrafts of Manipur have a unique positioning amongst the various crafts of the country and include cane and bamboo crafts. Bamboo production in Manipur is above 1 million MT per annum.

Meghalaya

Known for its biodiversity, one third of the state of Meghalaya is covered with forests.

- Agriculture plays an important role in the state's economy and employs more than 50 per cent of the total workforce. Major crops and plantations include rice, maize, jute, rape seed, mustard, rubber and coffee. Horticulture is also practiced widely in the state.
- Important crafts of Meghalaya are cane and bamboo based; they include carpets, musical instruments, jewellery, fibrecraft and textiles.

Mizoram

Mizoram is the least populated state in the NER and has the second highest literacy rate in the country at 88 per cent as per Census 2001.

- The economy is highly dependent on agriculture and allied activities, which contribute to 29 per cent of the NSDP.
- Bamboo forests cover 12,544 sq km of the state contributing to 14 per cent of India's bamboo production; the state's total annual production was 3.24 million MT in 2004-05. Bamboo is extensively used in agriculture and allied services, construction industry, micro enterprises such as handmade paper, handlooms, curtains, blinds, toothpicks, chopsticks, incense sticks and various other products.
- Mizoram accounts for 12 per cent of the total cultivation of fruits in the NER.

Nagaland

Nagaland shares its boundaries with Assam in the north, Myanmar in the west, Arunachal Pradesh in the east and Manipur in the south. Nagaland is one of the few states that have achieved 100 per cent village electrification, reaching even the remotest villages of the state.

- Nagaland has an agrarian economy, with over 70 per cent of the population dependent on the agriculture sector. The main crops are rice, millet, maize and pulses; cash crops include sugarcane and potato, while coffee, cardamom and tea are important plantation crops grown in the state.

- The major crafts of Nagaland are artistic textiles, cane and bamboo craft, wood ware, metal ware, gems and jewellery.
- Horticulture, animal husbandry, pisciculture and sericulture are also important economic activities.

Sikkim

Sikkim is the smallest state in the NER and has an impressive GSDP growth rate of 8.3 per cent, which is the second highest in the country after Delhi.

- The primary agricultural activities include cultivation of rice, wheat, maize, large cardamom, ginger, fruits, tea, medicinal herbs and flowers.
- Sikkim has the largest area under cultivation of large brown cardamom and also accounts for its highest production in India.
- Tea grown in Sikkim is famous by its brand name 'Temi'. Its production is about 100 MT annually with total revenues of \$541,615.
- Sikkim produces 80 per cent of India's cardamom (large) and also exports to Pakistan, Singapore and the Middle East.
- The food processing industry in the state specialises in products based on mandarin oranges, ginger, tea, honey and cardamom.
- The liquor industry is a major source of excise revenue for the state.
- Tourism is considered to be the backbone of Sikkim's economy.

Tripura

Tripura is bounded on the north, west, south and south-east by Bangladesh, whereas in the east it has a common boundary with Assam and Mizoram.

- Tripura is the second largest producer of rubber in India after Kerala; it is one of the key economic activities in the state. At present about 265 sq km of land is under rubber cultivation with an annual production of about 10,000 MT.
- The state also has the distinction of being the largest producer of 'true potato seeds' in the country, which have

higher yield and are less prone to diseases than the regular potato tubers.

- Horticulture crops make a substantial contribution to the economy and include varieties of pineapples, oranges, litchis and cashew.
- Natural gas is being utilised mainly for power projects of the state government and the North Eastern Electric Power Corporation (NEEPCO). The present utilisation of natural gas is about 1.2 Million Standard Cubic Metres per Day (MMSCMD). The balance 2.80 MMSCMD gas is available for setting up industrial projects, using natural gas as feedstock.
- Tripura is also categorised as a traditional tea growing state with around 60 tea estates and 3,000 small tea growers, producing about 7.5 million kg of tea every year. This makes Tripura the fifth largest, among the 14 tea producing states in India.

Socio – Economic Profile

Social characteristics of population

The NER has a high literacy rate of 68 per cent, which is higher than the national average of 65.4 per cent as per the Census 2001. Mizoram has the second highest literacy rate in the country at 88 per cent.

The education infrastructure has improved considerably over the past decade and so have the associated metrics of teacher-student ratio, enrollment rates and the number of schools and colleges.

Literacy Rates	(%)
Arunachal Pradesh	54.74
Assam	64.28
Manipur	68.87
Meghalaya	63.31
Mizoram	88.49
Nagaland	67.11
Sikkim	69.68
Tripura	73.66
NER	68.00

Source: Census of India, 2001

Employment distribution

The sector-wise employment distribution in the NER shows that more than 50 per cent of population is employed in the primary sector. In the secondary sector, handloom provides employment to a large section of the population as it is a labour intensive industry.

High levels of primary sector employment largely explain the considerably low per capita income in the NER at \$321 as compared to the national average of \$443 at current prices of 2001-02.

Infrastructure

Roads and Railways

The NER has a total road network of 89,000 km, including 4,935 km of national highways. The region has a total railway network of 2,450 km, with 1,068 km of broad gauge and 1,384 km of metre gauge. Bulk of this railway network runs through Assam.

It is estimated that for every 100 sq km area, the region has 45.7 km of road length as against the national average of 62.8 km.

Roads and Railways (Km.)	
Total Road Network	89,000
National Highways	4,935
Rail Network	2,450
Broad Gauge	1,068
Meter Gauge	1,384
Road length/100 sq. km.	45.7
Surfaced Roads (as % of total road)	27.1%

Source: www.indiastat.com

Due to its difficult terrain and topography, the region faces challenges in connectivity through road and rail. However, the central government has assured disbursement of \$12.42 billion over the next five years for infrastructure improvement and interlinking of the region through road and rail network.

- Important rail-heads in the NER are mainly in Assam – Guwahati, New Bongaigaon, Jorhat, Tezpur, Dibrugarh, Lumding and Silchar.
- From the NER, there are trains connecting the states to New Jalpaiguri, Kolkata, New Delhi, Mumbai, Chennai and Trivandrum. Recently, Rajdhani Express services have been introduced between Guwahati and New Delhi.
- Creation of a 7,616 km network of inter-state and intra-state

Road Infrastructure (Km)					
States	Road Length per 100 sq.km.	National Highways	State Highways	Major District	Village Roads
Arunachal Pradesh	21.93	392	NA	12,169	4,657
Assam	114.09	2,836	1,811	26,146	44,135
Manipur	51.21	954	1,118	6,638	2,172
Mizoram	24.07	927	354	3,518	NA
Meghalaya	42.65	717	991	5,416	604
Nagaland	126.79	369	398	13,754	5,137
Sikkim	28.45	62	186	1,502	NA
Tripura	155.41	400	136	5,569	7,912

Source: Indiastat.com

road network has been initiated under the special accelerated road development program.

Airways

Air connectivity in the NER

Presently all major airlines, promoted by the government or by the private sector, provide connectivity within the NER and also with the rest of India.

Air Connectivity in the NER			
	2006	2007	Increase
Flight/ Day	32	38	18.70%
City pairs/Day	80	93	16.20%
Seats deployed/ Day	9,493	11,288	18.90%

City Pairs/day – NE cities connected with other frequented neighbouring cities in India in a single connecting flight

Waterways

The NER has a strong waterways system, and the Saidiya – Dhubri stretch of the Brahmaputra river system (891 km) has been declared National Waterway (NW) number two. Presently, some movement of passengers and cargo takes place on this inland waterway.

Waterways of 3,000 km have a high potential for movement of cargo and passengers but require infrastructure improvement; \$51.09 million had been allocated for this in 10th plan under the NE pool.

The NW-2 via Bangladesh provides a shorter route than road and railway connectivity. This has the advantage of being a low-cost option for connectivity and is well suited for bulk commodities. Infrastructure investment in this sector is proposed through the Public–Private–Partnership (PPP) route.

Cargo handled by Various Modes	
Mode of Transportation	Amount Handled (MT)
Air (Guwahati)	85.1
Waterways (Assam)	10,000
Road	NA

Source: www.indiastat.com

Power

The present installed capacities are the highest in Assam and the lowest in Mizoram. The major source of power supply is thermal; however the NER has high potential for hydro power generation as well. For instance, Arunachal Pradesh is expected to generate an additional 22,584 MW hydel power by 2020 in 166 hydel projects.

The NER has abundant resources of coal, oil and natural gas for thermal power generation. It has the potential to take the lead in

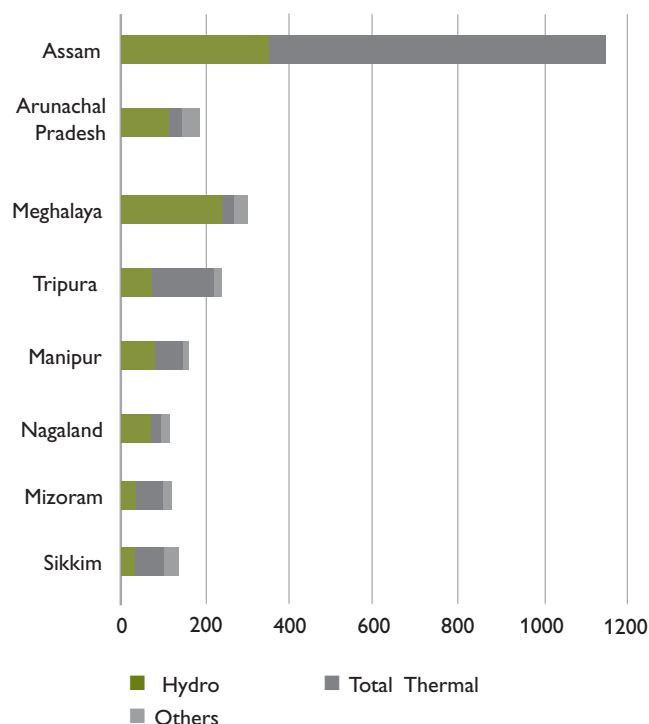
State	Potential Assessed (MW)	Potential Developed (MW)
Arunachal Pradesh	50,328	281
Assam	674	250
Manipur	1,784	105
Meghalaya	2,394	185
Mizoram	2,196	0
Nagaland	1,574	91
Tripura	21	15
Sikkim	4,286	84
Total	63,257	1,011

Source: www.indiastat.com

power generation in India by utilising its surplus power potential especially in the hydel power segment.

- **Hydro Electric Power:** The NER has the potential of generating 58,971 MW of power - almost 40 per cent of the country's total hydro potential. However, more than 90 per cent of this potential is yet to be harnessed.
- **Natural Gas:** The NER has natural gas reserves of 151.68 billion cubic metres, which is capable of generating 7,500 MW of power.
- **Coal:** The NER has availability of 864.78 million MT of coal, against 186 billion MT reserves in the country. With these reserves in place, about 240 MW of power can be generated per day.

Installed Capacities of Power Utilities including Allocated Shares in Joint and Central Sector Utilities (2005) (MW)



Source: www.indiastats.com
(Annual Report 2004-05, Ministry of Power, GoI)

Telecommunications

As for telecommunication facilities in the NER, the number of exchanges is limited. However, the penetration of mobile phone services since 2005 has attempted to bridge the gap. There are

Number of Telephone Connections and Teledensity Potential Assessed		
States	Telephone, 2006	Teledensity
Arunachal Pradesh	126,373	11.58
Assam	1,075,537	4.04
Manipur	110,341	4.62
Meghalaya	122,569	5.32
Mizoram	99,229	11.14
Nagaland	148,003	7.44
Sikkim	103,014	19.06
Tripura	145,737	4.57
NE Region	1,930,803	4.95
India	60,177,380	6.04

Source: www.indiastat.com

four cellular services operators in the states with Reliance and Airtel having started their services in 2005.

The tele-density in NER is 4.95 with maximum density in Sikkim at 19.06 and the least in Assam at 4.04. NER also has a high growth rate of internet connections at 121 per cent, from 5,632 connections in 2004 to 12,479 connections in 2006.

Number of Cellular Phone Subscribers – June 2007

Operators	Subscribers
Reliance Telecom	612,283
Bharti Airtel	1,005,496
BSNL	1,058,307
Dishnet Wireless	1,263,603
NER	135,995,192

Source: www.indiastat.com, 2006

Number of Internet Connections

Circle	2003-04	2004-05	2005-06
Assam	3,202	3,636	3,143
North East – 1	1,285	1,751	4,590
North East – 2	1,345	5,060	4,746
NER	5,632	10,447	12,479
India	500,290	785,358	802,701

Source: www.indiastat.com, Rajya Sabha Unstarred Question No. 3499, dated 18.05.2006

Social Infrastructure

Education

The NER has a high average literacy rate of 68 per cent, with Mizoram having the second highest literacy rate in the country at 88 per cent, as per Census 2001.

There are 626 colleges in the region including 48 professional colleges and 12 universities. However, the majority of the higher education institutions are located in Assam. The total number of graduates passing out of professional colleges every year is around 46,000 (2001).

Important institutes in the NER include:

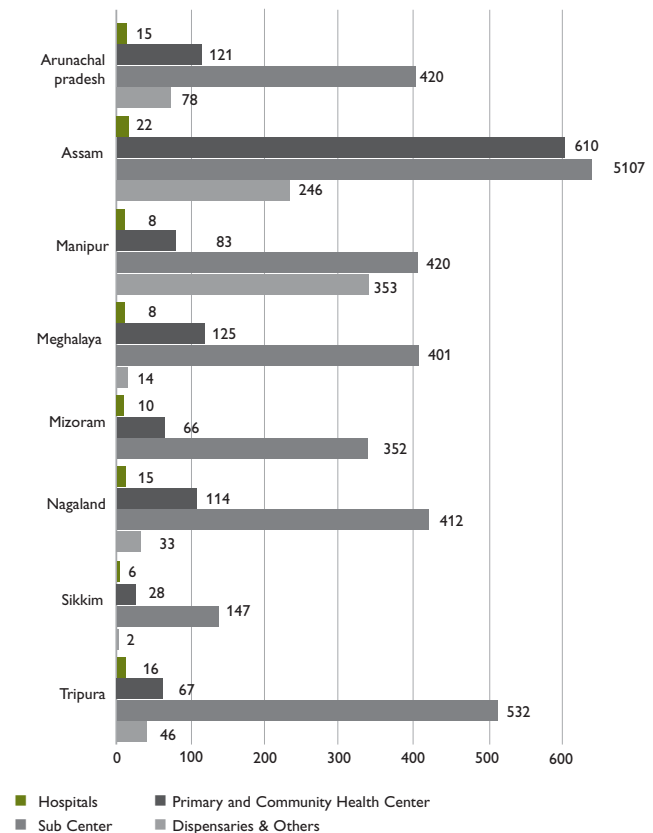
- Indian Institute of Technology (IIT), Guwahati;
- North Eastern Regional Institute of Science & Technology (NERIST), Itanagar;
- National Institute of Technology (NIT), Silchar;
- Regional Centres of Indira Gandhi National Open University (IGNOU);
- Universities of Assam, Tezpur, Mizoram, Nagaland and
- North Eastern Hill University (NEHU).

The central government released \$97 million in 2005 to further enhance the infrastructure in the region. The economic development of the states would further enable setting up of educational institutions related to management, information technology and agricultural research.

Healthcare

There are over 100 hospitals in the NER and the primary and secondary healthcare facilities are being developed in a phased

Number of Health Centres in NER States, 2001



manner. For 2007-08, \$251.68 million has been earmarked for the NER states under various schemes for investment in the health sector.

Declining infant mortality rates in the NER compare favourably with national averages. Since 1981, Manipur has had the lowest infant mortality rate in the country.

There has been a steady increase in child immunisation and life expectancy in almost all NER states. Apart from Assam and Tripura, there is a surplus of primary and community health centres in the rural areas of NER states.

Industrial Infrastructure

The NER has 80 industrial estates and areas, with majority of them in Assam and Arunachal Pradesh. However, the infrastructure services availability in these estates varies markedly.

State-wise Industrial Infrastructure

State	L&M Scale Industries	Small Scale Industries	Industrial Estates/ Area
Arunachal Pradesh	17	2,526	16
Assam	115	45,193	21
Manipur	12	5,779	6
Meghalaya	38	4,564	7
Mizoram	NA	4,600	2
Nagaland	NA	347	4
Sikkim	NA	730	NA
Tripura	NA	2,066	12
NER	182	58,337	80

Source: Respective SIDC

The state-wise industrial infrastructure has been elaborated below.

Arunachal Pradesh

Of the 16 industrial estates in the state, 11 have sufficient water supply, power supply and connectivity by road. Construction of a bamboo technology park commenced in January 2007 to boost the bamboo business and to increase commercial exploitation of the abundant bamboo resources. The other major large and medium scale industries include cement, fruit processing, tea and plywood.

Assam

Assam has adequate industrial infrastructure including a STP in Guwahati, an EPIP set up by the Assam Industrial Development Corporation (AIDC) at Amingaon near Guwahati, and a Food Processing Park (FPP) at Chaigaon, construction of which has already started.

Industrial growth centres with high quality infrastructure are being set up at Balipara in Sonitpur district and Matia in Goalpara district with a total area of 1.6 sq km and 2.8 sq km respectively. Both would have excellent approach and internal roads, dedicated power lines, adequate water supply, communication facilities and central effluent treatment plants. In addition, it would also provide for the social infrastructure including facilities such as banks, post offices, fire stations and police stations.

Another growth centre at Chaigaon is currently under development. The central government has approved setting up of four IIDCs in Nagaon, Darrang and Sivasagar Cachar.

Manipur

There are six industrial areas in the state. In addition, an IIDC, EPZ, food processing industrial park and growth centre have been proposed.

Meghalaya

The seven industrial estates and areas provide well laid out land plots of different sizes with basic infrastructure like factory sheds, roads, sewerage, drainage, electricity supply, water supply and telecommunications network. Additionally, the industrial areas provide residential buildings on lease/ rent for employees of industrial units. An EPIP is being set up at Byrnihat, and will include factory sheds, roads, power supply, water supply and common facilities such as, administrative offices, utility stores, parking facilities, canteen, health centre, post office, banks, training centres and conference rooms.

Mizoram and Sikkim

Mizoram has two industrial estates, whereas Sikkim has 17 estates in operation. Apart from the industrial estates there are no other dedicated economic zones.

Nagaland

Nagaland is also aggressively developing its industrial infrastructure with an industrial growth centre being set up at Ganesh-

nagar near Dimapur. It would provide dedicated power supply, sufficient water supply and communication facilities besides banks, post offices, fire station and police station.

An export promotion industrial park is being set up near Dimapur spread with infrastructure services and facilities. The park adjacent to the industrial growth centre would provide industrial plots as well as built-up space with standard design of factories, state of the art convention centre with hi-tech communication facilities and other services. A proposal for infrastructure augmentation of the existing industrial estates is also under consideration.

Tripura

Tripura has 12 industrial estates and areas, for which the government has planned infrastructure improvements. There is an industrial growth centre at Bodhjungnagar with internal roads, industrial sheds for Small Scale Industries (SSI) units, power facility with separate sub-station, water supply, natural gas supply, telecommunications network, effluent treatment plant, fire fighting system and solid waste disposal facilities. It also has adequate social infrastructure facilities.

Industrial Estates/Areas within NER states

State	Name and Location of Industrial Estate	Facilities Offered
Arunachal Pradesh	Changlang, Changlang District	Water Supply Available, Power Available, Road Connectivity Available
	Miao, Changlang District	Water Supply Available, Power Available, Road Connectivity Available
	Roing, Lower Subansiri District	Water Supply Available, Power Available, Road Connectivity Available
	Pasighat, East Siang District	Water Supply Available, Power Available, Road Connectivity Available
	Namsai, Lohit District	Water Supply Available, Power Available, Road Connectivity Available
	Naharlagun, Papumpare District	Water Supply Available, Power Available, Road Connectivity Available
	Itanagar, Papumpare District	Water Supply Available, Power Available, Road Connectivity Available
	Tawang, District Tawang	Water Supply Available, Power Available, Road Connectivity Available
	Deomali, Tirap District	Water Supply Available, Power Available, Road Connectivity Available
	Khonsa, Tirap District	Water Supply Available, Power Available, Road Connectivity Available
Tippi, West Kameng District	Water Supply Available, Power Available, Road Connectivity Available	
Manipur	Industrial Estates, Takyelpat	Water Supply Available, Power Available, Road Connectivity Available
Nagaland	Dimapur	Water Supply Available, Power Available, Road Connectivity Available
	Dimapur	Water Supply Available, Power Available, Road Connectivity Available
	Kohima	Water Supply Available, Power Available, Road Connectivity Available
	Tuensang	Water Supply Available, Power Available, Road Connectivity Available

Legend: Water Supply Available Power Available Road Connectivity Available

Urban Infrastructure

The average population density of the major cities in the NER states is about 3,000 persons per sq km, which is relatively much lower than the national average of 13,000 persons per sq km.

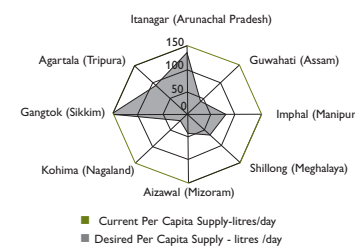
The NER states are focusing on urban infrastructure improve-

ment in the key economic zones of the region. For this purpose, funds and investments are flowing in from both the central government as well as the IFIs. The investments made into this sector and the government focus on infrastructure improvement also holds promise of abundant opportunities in urban sector projects executed under the PPP model.

Water supply

The average per capita supply of water in the NER capital cities is 78 litres per capita per day (lpcd), which is lower than the desired supply of 150 lpcd. Itanagar, Gangtok and Agartala have adequate supply of water as shown in the graph below.

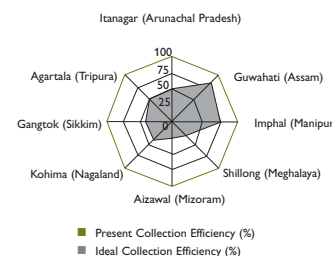
Per Capita Supply of water in Various Cities (lpcd)



In terms of average percentage coverage of the water supply system, the cities have achieved about 30-40 per cent coverage. The operations and maintenance costs recovered from water tariffs is negligible in all the states.

Sewerage and solid waste management system

Collection Efficiency of Solid Waste (%)

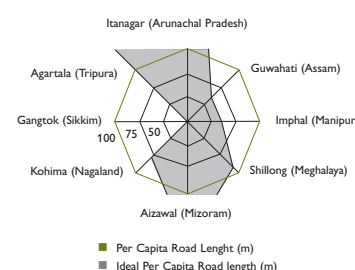


One of the key areas to be addressed in infrastructure improvement measures is ensuring availability of proper drainage and sewerage system.

The solid waste collection efficiency is 50 per cent on an average for all the cities, with Guwahati having the maximum efficiency at 84 per cent and the minimum at 25 per cent for Aizawl.

Roads and storm water drainage

Road Length per Capita (meters)



The per capita urban road length is lower in all the cities except Itanagar and Aizawl. The storm water drains are yet to be developed in most of the cities.

Financial health of the Urban Local Bodies (ULB)

The ULB revenue incomes and expenditures were analysed for all the NER capital cities and it was found that even though the operating ratios are desirable (i.e. less than one), the per capita revenue income is low as compared to ULBs of other cities in India.

The average per capita revenue income in NER varies from \$2.5 – \$10 per year, while other ULBs in India earn above \$25 per year, thereby leading to high dependency of the NER states on grants.

Emphasis on development of urban infrastructure

The opportunities for investment in the urban sector are vast due to the recent reforms undertaken to overcome the lack of adequate urban infrastructure services. Additionally, increasing fund allocations are flowing into the sector from various donor agencies active in the NER including the Asian Development Bank and World Bank. The funding outlays for infrastructure development in NER are substantial.

More than \$700 million has been committed by ADB as the projected investment outlay for developing core infrastructure sectors. Bulk of these investments is in sectors like power and roads, which are also attracting private capital.

The recent five-year plan strongly emphasised the need for a commercial approach to the provision of infrastructure and highlighted the importance of boosting private sector participation. The ability of the private sector to provide efficiency in operations, management and profitability, is essential for financial and economic success of projects.

The central government has initiated India Infrastructure Finance Company (IIFC) to support PPPs in infrastructure. The government also initiated the Viability Gap Funding Scheme to partly fund the projects in order to enhance their viability.

Policies and Incentives in NER

NER level policy

There has been a need for planned incentive packages to stimulate development of industries since the past few decades. Expert groups and committees were constituted by the Ministry of Industry and the Planning Commission to formulate industrial policies at the NER level. There have been initiatives to boost growth in the region with the rollout of dedicated industrial policies, which was first initiated in 1997.

Industrial Policy of the North East Region, 1997

In December 1997, the Government of India announced a separate industrial policy for the NER. The major features included providing incentives for the development of growth centres and IIDCs. It also included transport subsidies, attractive fiscal incentives for the establishment of new industrial units and substantial expansion of the existing units. This policy was replaced by the North East Industrial and Investment Promotion Policy, 2007.

North East Industrial and Investment Promotion Policy (NEIIPP), 2007

This policy has been formulated by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, covering all the eight states of the NER. The incentives under this policy are valid for 10 years from the date of commencement of commercial production by the industrial units. They include various subsidies with respect to transportation of goods, capital investment, interest rates, income tax, power, excise duty and insurance schemes.

Apart from the above policy, all the north-east states, except Sikkim, have developed and follow their respective state industrial policies.

State Policies

Arunachal Pradesh

Industrial Policy, 2001

The state government, keen on attracting new investments, has provided several incentives for investors such as price preference schemes. Price preference is given to products manufactured by registered SSI units for the purchases made by government departments and government control bodies, under the scheme.

Tourism Policy

The policy aims to develop the tourism industry as an engine of growth in Arunachal Pradesh and plans to harness its potential for economic benefit and prosperity.

Agricultural Policy, 2001

Under the agricultural policy, top priority has been accorded to increase farmers' income and stress on development of marketing infrastructure and agro-processing units.

Assam

Industrial Policy, 2003

The Industrial Policy of Assam aims at increasing the share of the industrial sector in the State Domestic Product (SDP) from the present level of 13 per cent to at least 18 per cent at the end of the terminal year of the policy in 2008. The main objectives of the industrial policy are:

- Attract further investments into the state;
- Encourage private investment in industrial infrastructure projects;
- Ensure industrial development in backward regions and ensure growth and development of SSI units;
- Promote IT, biotech industries and export oriented industrial units and ensure revival of sick industrial units;
- Provide single window clearance system for fast track clearance of industrial proposals;
- Foreign Direct Investment (FDI) will be eligible for priority clearance of various permissions, allotment of land parcels and power sanction through the single window clearance committee deployed at the state government level.

IT Policy, 2000

This policy aims to facilitate and promote the increased use of information technology for government administration and for the industries in the state. For the IT industries, many special incentives have been proposed by the state government and the policy encourages private sector participation in the setting up of IT units.

Manipur

Industrial Policy, 2002

The industrial policy focuses on rapid and substantial industrial development in the state by promoting an investor-friendly environment, by provision of infrastructure and institutional support and by provision of attractive incentive packages. The main features include:

- Encourage and attract further investments into the state;
- Setting up of IT centres and an IIDC at Moreh in Chandel District, EPIP at Kakching in Thoubal District, EPZ at Khongjom and an industrial growth centre at Napet Palli, Imphal East District;
- Four additional industrial locations have been identified at Jiribam (Imphal East), Litan, (Ukhrul), Noney (Tamenglong) and Nambol (Bishnupur);
- Promotion of tourism-related industries;
- Initiating a single window mechanism for setting up of industries;
- Attractive incentives for FDIs;
- Promotion of Indo-Myanmar border trade.

IT policy, 2003

This policy has been formulated to facilitate increased use of IT in government administration as well as to encourage setting up of IT units. The Department of Science & Technology and Information Technology will act as a single window agency for successful implementation of the state IT policy. All IT industries employing a minimum of 25 persons would be entitled to 50 per cent concession on floor space rentals for a maximum of five years and all IT industries set up by local entrepreneurs would be given 50 per cent concession on floor space rentals for a period of two years.

Meghalaya

Industrial Policy, 1997

- The state government encourages both the public and private sectors to invest in various industries including infrastructure development, with emphasis on roads, airports, ropeways,

communications and power supply and development of EPIP and growth centres with all essential facilities.

- The state government has set up a single window agency to provide time bound clearances in respect of investment proposals. It is also proposed to extend the network of the single window agency in the form of nodal agencies at the district level.
- The policy provides for growth centres, which aim to promote industrialisation of backward areas with the concomitant infrastructure facilities like power, water, communication, banking and other related services.

Tourism Policy, 2001

The Meghalaya tourism policy has been formulated to attract more Indian as well as foreign tourists while allowing the benefits to reach the grassroots of the populace. Significant incentives have been put forward as a part of the policy to attract investments into this sector.

IT Policy, 2004

- Significant incentives have been provided to facilitate increased use of IT in government administration and encourage setting up of IT units;
- Setting up of Indian Institute of Information Technology and other similar organisations;
- Building IT Infrastructure including an IT park in Shillong along with the requisite communication network and bandwidth facilities;
- Drive further private sector investments into the IT sector by providing adequate incentives for such companies.

Mizoram

Industrial Policy, 2002

- The policy focuses on an integrated approach towards improvement of general infrastructure in the state like road, power, communication and water supply. The policy also encourages establishment of industrial infrastructure in the form of growth centres, industrial estates, export promotion industrial parks, information technology parks, integrated infrastructure development centre, Special Economic Zone (SEZ) and industrial areas.

- Special promotional packages have been designed for rural and traditional industries.
- Additionally, the state is considering proposals for re-structuring of state public sector undertakings and lucrative rehabilitation packages for sick industries.
- The state is focusing on training facilities by organising a chain of Electronic Data Processing (EDP) units in collaboration with IDBI, SIDBI, NEDFi, state public sector units and other agencies. Additionally the industrial policy provides for focus on developing research and development facilities in the state.
- As administrative support, single window clearance will be provided to industrial units setting up operations in the state.

IT Policy, 2001

The state has formulated various strategies for different sectors, which have a high requirement for application of IT solutions. The sectors could include e-governance, education, health, rural development, agriculture and tourism.

Apart from this, the government encourages private sector investments in establishment of STPs in Mizoram. The government has rolled out attractive incentive packages for private sector investments in setting up of such units and also provides for quick clearances and approvals required, by means of the single window clearance mechanism.

Nagaland

Industrial Policy, 2000

The state government has approved 14 industrial areas across the state, with essential industrial facilities such as adequate power, water supply and electricity.

IT Policy, 2004

The policy aims at providing tax and other incentives in conformity with the state industrial policy and quality infrastructure to position it as an attractive location for development and growth of IT industry. It also considers creation of a statewide network with a central control centre to spread the reach of IT in all sectors.

Sikkim

Industrial Policy

The industrial policy of Sikkim has been discontinued since the announcement of NEIIPP 2007 and the state presently follows the guidelines of the NEIIPP for industrial promotion.

IT Policy, 2006

The state IT policy is envisaged to lead to employment generation, IT-enabling in government administration, resource mapping and also has provisions for capacity building and upgrading of technical infrastructure.

Tripura

Industrial Policy

- Tripura Industrial Development Agency (TIDA) acts as a single window for facilitating necessary clearances and providing assistance to entrepreneurs.
- Simple, transparent and need-based package of incentives.
- Prompt and regular clearance of incentives and subsidy claims, both state and central, up-to-date payment/ reimbursement of incentives and subsidies.
- State level committees for identification and facilitation of food processing, natural gas, information technology and export oriented projects.
- Support for development of common standardisation and testing facilities.

Eco-tourism Policy, 2004

This policy has been formulated to take advantage of the natural beauty of the state, promote sustainable tourism as a source of revenue and also to create local employment in the state.

IT Policy, 2000

This policy has clearly defined objectives for electronic governance and setting up of IT industries. Simple procedures have been laid down for approvals and clearances for IT industries, with ample incentive schemes.

Bamboo Policy

Apart from the above policies, the states of Arunachal Pradesh, Assam, Mizoram, Sikkim and Tripura have policies specific to bamboo production and related activities. The governments formulated the policy for utilising bamboo, which is a multipurpose, eco-friendly crop abundantly available, yet an underutilised natural resource, and needs to be managed and economically exploited for sustainable use.

Category	Central Government	Arunachal Pradesh	Assam	Manipur	Meghalaya
Insurance Scheme	Reimbursement of 100% insurance premium; Risk coverage includes fire, lightning, landslides, cyclones, riots, strikes, malicious/terrorist damages				
Income Tax Exemption	100% for 10 years				
Power Subsidy	50% on cost of laying power lines	@50% for power lines subject to a ceiling of USD 1,242; subsidy on power supply for 3 Years	30-50% of power tariff for 5 years; 20% for drawing power lines	100% to SSI for 5 years; 50% of the cost incurred on linking of power lines	@30-50% on total expenditure on power consumption for 5 yrs, up to USD 497 – 17,391
Excise Duty Exemption	100% for 10 years			100% for 10 years	
Sales Tax			100% for 7 years	4% exemption on value of raw materials for 10 years	100% exemption for 7 years
Price Preference		@7.5-17% and exemption of EMD		@ 20% for SSI Units	
Others Concessions	Certain tax exemptions for IT units, Bio-technology & Power Generating industries, Export Oriented Units	Quality Control, Cost of Feasibility and Project Reports, Manpower Development, Technical Know-How	Incentives for Feasibility Study Cost, Quality Certification, Marketing Assurances, for specific industries, and FDIs	Cost of Feasibility and Project Reports, Training of Tribals, Technical Know-How, Stamp Duty, Quality Up gradation	Cost of Feasibility and Project Reports, Training of Tribals, Technical Know-How, Stamp Duty, Development

Category	Mizoram	Nagaland	Tripura
Insurance Scheme			
Income Tax Exemption			
Power Subsidy	@30-60% on total expenditure on power consumption	@ 25 – 30% for 5 years subject to a ceiling of USD 4,969 annually	Additional 30% of outside peak hours
Excise Duty Exemption		100 % for 10 years	
Sales Tax	100% exemption for 7-10 years	100% exemption for 7 years	100% reimbursement for first 5 years
Price Preference	@ 100% subject to a ceiling of USD 497	@15% and exemption of EMD	@ 10% on purchases by the Govt.
Others Concessions	Cost of Feasibility and Project Reports, Training of Local people, Factory Rent, Export Oriented Units, Stamp Duty	Cost of Feasibility and Project Reports, Training of Local people, Export Oriented Units, Quality Control, Stamp Duty	Reimbursement of Standard Certification Charge; Concession for industries using natural gas as feedstock; grant and loan

Business Opportunities

Key thrust areas of the NER states

The NER region has tremendous potential for generating revenue from the primary, secondary, as well as the tertiary sectors. The opportunities in the primary sector exist in cultivation of plantation crops and commercial exploitation of forest resources. The secondary sector has immense opportunities in the form of rich mineral and crude petroleum reserves and also from the tourism sector. Most of the states have structured IT policies with attractive incentive packages, which may translate into major revenue generating avenues.

The factors driving lucrative business opportunities in the NER are:

- Exclusive incentives for NER states – Both the central and state governments have set out enormous subsidies to support power, transportation, land and infrastructure development for setting up business in NER.
- Enormous reserves of natural resources – The NER is endowed with considerable natural resources and hosts about 37 per cent of the country's river waters, 20 per cent of the total hydrocarbon potential, large quantities of low ash coal resources, limestone and dolomite deposits as well as a few other unexplored minerals.
- Favourable climate for lucrative plantation crops – The NER states have ideal climatic conditions for growing tea and rubber. There is immense potential for further commercial exploitation of resources, with increasing support from the central and state governments.
- Potential for forest-based industries – The NER has 46 per cent of its land under forest cover and thus vast amount of forest resources are available including bamboo, medicinal herbs and wood, which may be utilised for setting up of forest-based industries.
- Rich scenic beauty to boost tourism – The NER states are rich in natural beauty with snow-peaked mountains and white water rivers. This coupled with lucrative incentives provided by the Ministry of Development of NER, indicate positive prospects for the development of a vibrant tourism industry.
- High percentage of literate population – The NER states have a large pool of literate population, a significant proportion of which is professionally and technically well-trained.

Key Thrust Sectors

Attractive Sectors

Tea production

While tea was mostly grown in Assam and Tripura, in recent years all other NER states have ventured into production of tea. Assam's is predominantly a tea economy with production of about 435 million kg in 2004-05, accounting for more than half of India's tea production. Sikkim grows an exotic variety of tea called Temi. Further plans are being considered for increasing the acreage of tea plantations in all NER states.

Major players in tea production and processing in this region include Tata Tea, Brooke Bond Lipton, Williamson Tea and Mcleod Russel India.

Assam produces 51 per cent of tea in India

The tea industry has contributed substantially to the economy of Assam, with 17 per cent of the workers employed in the industry. Tea from Assam has great demand in western countries. In Assam, tea is grown both in the Brahmaputra and Barak plains.

The state is home to one of the world's oldest and largest Tea Research Centres, started in 1911 at Toklai in Jorhat.

It also has the world's second largest Tea Auction Centre, established in 1970 at Guwahati, for better marketing of the tea produced in the NER states.

Distinct flavour of Mizoram tea

The tea produced in Mizoram has a distinct quality and flavour similar to tea grown in high altitudes like the Nilgiris and Darjeeling. There is a proposal for setting up of a tea processing plant at Biate in collaboration with the local cooperatives.

Sikkim known for Temi tea

Tea grown in Sikkim is famous by its brand name as 'Temi.' Temi Tea estate is located in south Sikkim and is one of the best tea producing estates in the country. It was established in 1969 over an area of 1.8 sq km. It produces about 100 MT of tea annually. In 2005-06, the state earned revenues of \$0.54 million from the Temi Tea estate.

Tripura – Traditional tea-growing state

The state has suitable agro-climatic zone and soil conditions for development of tea plantations. It is also categorised as a traditional tea-growing state with 60 large tea estates and 3,000 small tea growers, producing around 7.5 million kg of tea every year. This makes Tripura the fifth largest, among the 14 tea-producing states, after Assam, West Bengal, Tamil Nadu and Kerala. The tea industry in Tripura is known for its good blending qualities. Some plantations in the state are focusing on production of organic tea.

Tourism

The North-Eastern part of India is a region endowed with natural beauty and bewildering diversity. It is a virtual paradise for travellers, where interests of various kinds could be accommodated including wildlife, adventure, pilgrimage, culture, nature and heritage.

The region is well known for its Kaziranga National Park, which is the only place in India that houses the one-horned Rhinoceros. Cherapunji, which records the highest rainfall in the country, is also located in the NER. Tropical forests, lush tea gardens and the tribal customs, traditions and festivals add to the charm and beauty of the region.

In most states, tourism policies have been developed with a substantial package of incentives, encouraging investment from private players for both infrastructure and services.

The NER with its distinct culture and remote geographical coordinates still remains in many respects an 'Undiscovered Tourists Paradise'. There is great scope for development of "Eco-Tourism" in the NER because of its scenic beauty.

Eco and adventure tourism in Arunachal Pradesh

Arunachal Pradesh has tremendous scope for promotion of eco-tourism, wildlife, adventure, cultural, historical and nature-based tourism.

Tawang and former Kameng district have Buddhist sites. The picturesque Tsango – Brahmaputra river system may be developed for adventure tourism, which is also proximate to bird and wild life sanctuaries.

The Department of Tourism proposes development schemes for providing infrastructural facilities such as construction of tourist

lodges, tourist huts, wayside amenities, development of lakes and different types of adventure sports at various places of tourist interests in the near future.

Assam providing a wide range of tourism options

Assam has lush green forests, wild life sanctuaries, pilgrimage spots and tea gardens, offering a wide choice to cater to the tastes of a variety of tourists from the casual sight-seeing visitor to the adventure tourist. With the withdrawal of the Restricted Area Permit (RAP) system, the tourism sector is poised to experience a major boom. Assam has wildlife sanctuaries (Kaziranga, Manas), scenic beauty spots (Chandubi, Daranga), pilgrimage destinations (Hajjo, Majuli) and golf courses (Narengi, Borsola).

Manipur, the "Switzerland of the East"

Manipur is known as the "Switzerland of the East" owing to its serene natural beauty and exotic flora and fauna. It is also home to rare species of flora and fauna with exotic scenery of fertile plains surrounded by green hills. The virgin forests, cascading rivers, breathtaking hill landscapes, green-clad vales and meandering streams provide ample scope for development of the tourism sector. Manipur also has a rich tradition of art and culture and is also emerging as a sports tourism centre.

Meghalaya for natural, adventure, cultural and health tourism

The state has ample scope for nature tourism based on the presence of abundant wildlife. Adventure tourism could also be developed, including trekking, caving, water sports, bungee-jumping, mountain trekking and climbing activities.

The state is also developing its value proposition in the health tourism sector as it is acquiring a reputation for application of alternative medicine systems.

Mizoram as a destination for adventure and nature tourism

The state has thick bamboo forests, virgin rivers and mountains having the potential for adventure tourism. Mizoram also boasts of a variety of wild life in the Dampa Sanctuary, established in 1976 at the north-western tip of Mizo hills, encouraging nature tourism.

Eco, adventure and cultural tourism in Nagaland

The rich art and culture of the NER is a major tourist attraction. Each of the 16 major tribes has its own distinctive colourful costumes, festivals, dances and music. Nagaland is aptly called the “land of festivals”.

The Government of India’s decision to release the RAP will open new opportunities for development of tourism industry. Opportunities exist in eco-tourism, adventure tourism, anthropological tourism and ethnic culture tourism, setting up of tourist resorts, private air taxi services, tour operation and augmentation of present facilities.

Eco, adventure and cultural tourism in Sikkim

Tourism is considered to be the backbone of Sikkim’s economy and has brought economic prosperity to the state. With its salubrious climate, natural beauty and the fine cultural heritage, there is immense potential for growth in the tourism sector.

There are a large number of destinations that could attract tourists including the snow-clad mountains, the lakes, rivers and unspoiled forests and flower valleys. The state has rich ecological resources and, according to Department of Information and Public Relations, houses more than a third of the 5,000 flowering plants found in the country. Similarly, almost 50 per cent of 1,400 butterflies species recorded in Indian subcontinent, have been identified in the state.

The mountains provide scope for trekking and climbing and hill-top Buddhist monasteries attract pilgrims.

Cultural tourism in Tripura

Tripura has a rich cultural heritage, with a number of historical Hindu and Buddhist sites. The state has rich flora and fauna, which hold significant potential in the nature tourism segment.

Opportunities for hospitality industry

There is a great potential for development of tourist circuits, involving all NER states and its neighbouring international locations as well. NER states offer attractive opportunities for the hospitality industry. The states have rolled out incentives for setting up of hotels.

Agriculture and agro – based industries

The NER states mainly have an agrarian economy and there are immense opportunities for setting up of agro – based industries such as food processing units, which also will be supported by the EPZs coming up in the region.

Assam

Assam is an agrarian economy with about 75 per cent of workforce engaged in agriculture and allied activities and with 40 per cent of the area under cultivation. Agriculture contributes to 40 per cent of the state GDP. Assam is ideally suited for growth of a variety of food crops like paddy and corn, and also plantation (cash) crops like tea and rubber.

Industries like silk-reeling and jute-based products are waiting to be tapped to cater to the burgeoning demand in the domestic and overseas markets.

The waste from wide array of agro-based industries in the state can be channeled towards manufacturing of Medium Density Fiber (MDF) boards that qualifies as a substitute for plywood and timber.

Manipur

The agriculture sector engages 76 per cent of the workforce in the state. The size of the cultivated area is, however, only 9.41 per cent of the total geographical area. Of the total cultivated area, 52 per cent is confined to the valleys.

With varied agro-climatic zones, soil and topography, the state produces sizeable quantity of paddy, wheat, maize, pulses, oil-seeds, fruits and vegetables. The existing area under cultivation of fruits and vegetable crops is 1.08 per cent of the total geographical area, but the state still has further scope of development and latent potential in the form of untapped resources. There are vast opportunities for setting up of food processing units and other agro based units in the state.

Manipur’s traditional liquor, “Yu” is agro based and is comparable with any other good quality liquor. With good branding and packaging, it has the potential to generate significant revenues in the domestic as well as niche international markets.

Meghalaya

Eighty per cent of the state’s population depends on agricul-

ture for its livelihood. The total acreage under cultivation has increased by 42 per cent during the last 25 years. Food grains production covers acreage of about 60 per cent of the total crop area.

The potential for agro – based industries in Meghalaya is high with production of substantial quantities of a wide variety of fruits and vegetables.

Nagaland

Over 70 per cent of the population is dependent on agriculture. The main crops are rice, millet, maize and pulses. Cash crops like sugarcane and potato are also gaining traction. Of the gross cropped area under food grains production, rice accounts for about 70 per cent.

The agriculture and allied sectors in Nagaland offer good inputs for development of a host of industries, which could include floriculture, horticulture, rubber plantation and allied industries, sericulture, tea cultivation and processing, bamboo shoot preservation, mushroom cultivation and processing.

Sikkim

Eighty per cent of the population lives in rural Sikkim and agriculture plays a dominant role in the state economy. The main crops produced are rice, wheat, maize, large cardamom and ginger with potential for the commercialisation of large cardamom, ginger, fruits, tea, medicinal herbs and exportable flowers. There are large areas of land available, which can be converted into productive farms for cash crops.

The main export markets for large cardamom are Pakistan, Singapore and the Middle East. The demand for large cardamom in the export market is increasing steadily and hence can be converted into value added products.

Bamboo-based industries

The NER has the maximum concentration of bamboo in India owing to its climatic conditions. At present bamboo is put only to traditional use – handicrafts and papermaking. Recently, the Government of India announced a bamboo mission for promoting bamboo-based industries in the NER.

It is estimated that the present requirement of round bamboo sticks is 2,000 MT per month.

Mizoram

Mizoram, with an area of 21,090 sq km, has an abundant reserve of bamboo forest covering 12,544 sq km, contributing 14 per cent of all India bamboo distribution. The total bamboo production is around 3,237,689 MT per year. A total of 20 species of bamboo have been recorded in the forests of Mizoram.

Bamboo pipes are used to irrigate vast tracts of agricultural land in different agro-ecological settings. Its mechanical properties make it an ideal material for earthquake resistant and emergency housing. Bamboo is used in making wagon floor, carts and their hoods, and suspension bridges.

The government of Mizoram encourages prospective private investors and FDI for setting up of industrial units for making bamboo chips, bamboo mat ply, toothpicks, bamboo blinds, chopsticks, incense stick (agarbatti) either in a joint venture with Mizoram Bamboo Development Agency or with other local entrepreneurs.

Tripura

Bamboo is one of the most important non-wood forest resources in Tripura. In fact, Tripura is one of the highest CVP (climate, vegetation, precipitation) index zones (a measure of potential productivity) for bamboo in the country. Tripura is endowed with rich and diverse bamboo resources.

The most common uses of bamboo in the state are for construction of houses and for consumption of paper mills in Assam. Only about two per cent of the extracted bamboo is utilised for value addition through handicrafts and other products. There is immense potential for commercial exploitation of the resource in the handicrafts industry.

For the development of bamboo resources and their optimum commercial utilisation, the state has formulated a Bamboo Policy and has also signed a Memorandum of Understanding with International Network for Bamboo and Rattan (INBAR) for effective implementation of the policy.

Mineral-based industries

The availability of superior quality natural gas at concessional price offers opportunity to prospective investors for setting up gas-based industrial units. Besides this, natural gas can also be utilised as a cheaper source of energy for various energy intensive industrial projects.

NER has been a pioneer in the country as far as exploration and production of petroleum is concerned. This sector has been one of the largest revenue contributors to the exchequers of the NER states in the form of sales tax, royalty and other taxes including electricity duties.

Forty-eight per cent of the on-land oil reserves and more than 50 per cent of the in-place gas reserves in India lie in the north-eastern states and Assam has one of the biggest pool of professional and skilled manpower engaged in the oil and petroleum industry.

Assam

The state is endowed with plenty of natural resources with the state accounting for about 15 per cent of India's crude output. The wells at Digboi, Duliajan and Sivasagar also produce natural gas (reserve of 156 billion cu m) accounting for about 50 per cent of India's total onshore production. This could be used as feedstock for production of fertiliser, electricity and petrochemicals industries and also as fuel in the tea sector.

Limestone with reserves of about 500 million tonnes is another important resource and is available in various grades. The China clay available in the Karbi-Anglong district is a vital input for the ceramics industry. Deposits of decorative stones like granite, estimated to be more than a billion cubic metres are available in various shades and colours, which have a huge market within and outside India.

Meghalaya

Meghalaya with its wealth of mineral deposits has tremendous industrial potential. There are extensive deposits of coal, limestone, granite, clay and other minerals.

The total estimated reserve of coal in the region is around 640 million MT. The coal that is found in the state can also be converted into coke to recover value added chemicals.

Limestone is another mineral that occurs in an extensive, 200-km-long belt along the southern border of Meghalaya. The total inferred reserve limestone within the state is around 5,000 million MT.

Granite of excellent quality is at present being mined in the state. Clay of various types such as Kaolin (China clay), white clay, and fire clay are found in various parts of the state. It has

been estimated that there are a few hundred million MT of clay reserves in the state that are still unexplored.

Mizoram

The present mineral exploration in Mizoram is hard rock of tertiary formation, which is mainly utilised as building material and for road construction work.

Nagaland

Mineral reserves in the state, which can be exploited for commercial purposes, are petroleum and natural gas, high grade limestone, marble and dimensional/decorative stones, coal and nickel – cobalt – chromium bearing ore.

The huge reserves of more than 1,000 million tonnes of high chemical grade limestone is a major prospect for setting up of mineral resource based industries.

There is an urgent need for enhancing the pace of exploration especially for the untapped potential for hydrocarbon deposits and metallic deposits by infusing latest technology and required funds from domestic and foreign investors.

Nagaland offers investment potential in terms of exploration as well as exploitation in development of mineral-based industries, which have high export potential.

Tripura

Immense reserves of natural gas are present in non-associate form in Tripura. The gas is of high quality, with high methane content of up to 97 per cent.

Presently, natural gas is being utilised mainly for power projects. About 2.8 metric million standard cubic metres per day (MMSCMD) gas is presently available for setting up industrial projects, using natural gas as feedstock.

Rubber Plantation

The Rubber Board adopted an integrated approach for rubber development in the NER during the 10th plan period.

Tripura

About 1,000 sq km of area in the state can be brought under rubber plantation. Tripura is estimated to have around 26,500

hectares under rubber cultivation at present, which is the second largest after Kerala. The Rubber Board now considers Tripura the second rubber capital of India.

At present, only 10 per cent of locally produced rubber is used by industrial units and the remaining is sold outside the state. Availability of high quality rubber offers sufficient scope for setting up of rubber based industries in the state. In order to provide necessary infrastructure for rubber based projects, the state government is in the process of setting up a rubber park.

Medicinal and Aromatic Plants Industries

North East India is one of the richest repositories of medicinal and aromatic plants (MAP) in the world. The list of commercially important medicinal plants has already crossed 150 species. NER possesses tremendous scope to be a good business centre for MAP products in the near future.

Scientific approach for their exploration, conservation and value addition may be the key points for entrepreneurship development by exploiting the indigenous technology knowledge. Post harvest processing of MAP crops is another important new area for NE India in entrepreneurship development for the sector.

Assam

Around 300 types of medicinal herbs and plants are known to exist in abundance in Assam. The Brahmaputra valley itself has 150 varieties of herbs and plants of commercial value. It is estimated that only around five to 10 per cent of the plants and herbs are currently utilised.

Nagaland

With favourable agro climatic conditions, medicinal herbs and plants are abundantly available in the hilly regions of Nagaland. Scientific harnessing of this potential in the private sector can yield good results. One of the most valuable medicinal plants commonly known as Ginseng, which has tremendous export potential, is also found here.

Sericulture industry

Sericulture in the NER comprises the culture of four varieties of silk worms: Eri, Muga, Oak Tassar and Mulberry. This sector has a lot of potential and if developed appropriately, it could be one of the highly profitable ones for NER states.

Assam

The environment and climatic conditions in Assam is well suited to sericulture. Traditional varieties of silk cultured in the state include Eri, Muga and Mulberry.

Being a traditional activity, the local populace has significant knowledge about the intricacies of this fine art, particularly with respect to Eri and Muga silk. With further infusion of capital and modern methods, the state offers tremendous potential for the development of large scale industries based on silk. The state government, in its effort to encourage the industry, has established a number of silk processing and spinning units, besides providing a host of other infrastructure services necessary for sericulture industry.

Manipur

Sericulture is a traditional industry of Manipur, a state that produces 230 MT per annum of silk of different varieties including Oak, Tasar, Eri, Muga and Mulberry. Eri silk has become the monopoly of Assam and Manipur. Muga silkworm rearing occurs in around 250 ha of land.

The State Sericulture Department has started implementing the Manipur Sericulture Project with loan assistance from Japan Bank of International Cooperation (JBIC).

Nagaland

The agro-climatic condition in Nagaland is favourable for the development of sericulture. There are 34 sericulture farms, which provide technical and other support services. The government has identified Eri culture as the thrust area for development of sericulture in the state, and eight sq km has been brought under Eri culture.

Forest-based industries

Various valuable trees like Bamboo, Cane, Sal, Teak, Bansom, Simul, Sishu, Gamari, Sarol and Halokh are available in the forests of NER. The forests of this region, on an average, provide 7.05 million tonnes of bamboo (one of the largest contributors in India), 0.8 million cubic metres of ordinary timber, soft wood for the production of 0.16 million cubic metre plywood and other products such as hard wood and pulp wood. Forest-based industries such as ply wood mills and paper mills operate in large numbers in the NER.

Handicrafts and handloom

The NER has a rich heritage of artistic craftsmanship, with unique crafts and abundant availability of skilled labour. The crafts of this region are almost entirely oriented to locally available raw materials. The principal handicrafts of this region include basketwork, cane furniture, mats, woodcarvings, terra cotta, artistic textiles, bell metal artwork, brass metal craft, dolls and toys. With various incentives on export oriented units, lucrative business may be set up for export of the NER handicrafts.

Handlooms are a hereditary occupation in the region. Some of the handloom products, known for their excellent craftsmanship, are carpets of Arunachal Pradesh, muga silk products of Assam, lashingphee of Manipur and shawls of Nagaland and Mizoram. With locally available raw materials, large resource of skilled labour and incentives for export oriented units, units may be set up for export of NER handloom products.

Manipur

The handloom sector provides a large number of jobs in Manipur, second only to agriculture. The main handloom products are sarees, bed-sheets, curtains, towels, tablecloth and fashion garments with intricate designs.

Handicrafts of Manipur have a unique place among the various crafts of the country and have won aesthetic and artistic acclaim internationally. Kouna (water reed) craft also has huge potential for large-scale plantation, production and marketing. Kouna products also have high demand in both the domestic as well as the export markets.

Mizoram

The handicrafts industry in Mizoram is built on cane, bamboo and textile craft. Its popularity is due to special features such as pliability and linear strength, which have been used to advantage by craftsmen in many creative ways. Some popular products of Mizoram are shawls, bags, ties, stoles and placemats.

Nagaland

The natural skills of the people lie in basketry, pottery, cultivation, spinning and weaving, carving and dyeing metal work.

Traditional techniques for weaving or use of primitive tools are labour intensive and time consuming. With the easy availability and applicability of modern techniques and tools, there is substantial scope for growth in this sector.

Tripura

Tripura handloom represents a unique harmonious blend of three traditions – Tribal, Bengali and Manipuri weaving. This has resulted in a wide variety of common use products like silk and cotton saris, shirts, jute carpets, bedspreads and colorful furnishing fabrics. The tribal fabrics of Tripura are well known for their elegant design, bold color combination and lasting texture.

IT industries

With IT policies for governance and units in the various states, NER is an unexplored area with newly developed STPs and high portion of literate population.

Manipur

Recognising the vast potential for IT industry, the government has accorded high priority to the electronics and IT sector as a major thrust area for development.

Manipur has availability of manpower potentially suited for electronics and IT based industries. In view of the unpolluted and eco-friendly environment, the state is an ideal location for IT units.

Meghalaya

Efforts have been made by the state government to set up a unit of the STP at Shillong which is expected to cater to the local software exports, IT enabled services, call centres and other IT related activities.

Tripura

The IT sector (including IT-enabled services) has been identified as one of potential growth sectors by the state government. Tripura has been considered the second best IT destination in the North East, after Assam, in an independent study conducted by NEDFi. Encouraged by this, it is setting up an IT Park in Tripura. The state government has also accorded special status to this industry and special incentives have been announced in the new incentive package.

Professional Education Infrastructure

There is vast potential for the success of private professional education institutes in the NER, especially in the areas of IT, management, bio-technology, mining/ minerals and agro-sciences.

Although literacy levels have been high in some parts of the North East, this has not translated into a high level of scientific and professional skills. There is a relative shortage of colleges for professional education and students often travel to other states in pursuit of higher education.

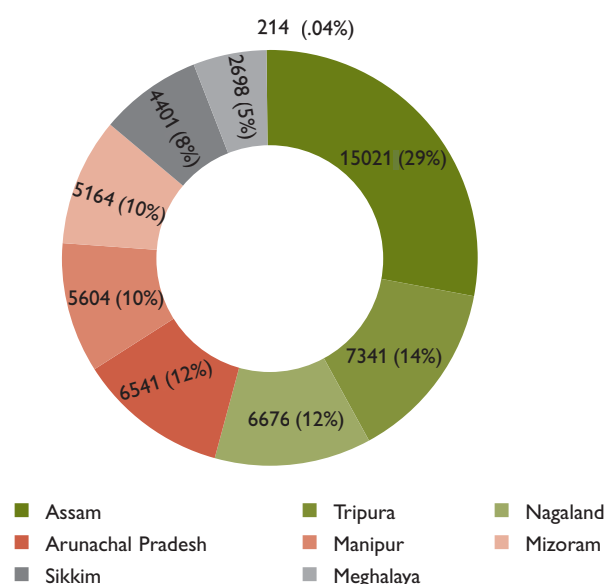
There is significant scope for investments in the education sector, particularly in the sciences and professional courses.

The Minister of Human Resource Development (MoHRD) has undertaken several initiatives for development of the region including the set up of a new Indian Institute of Management in the NER, setting up of a Faculty of Engineering and Management in select institutions in each state.

Investments in the NER

A total investment of \$1.33 billion was approved by the Ministry of Development of North Eastern Region for the NER. Of this, the maximum was approved for Assam, Tripura and Nagaland.

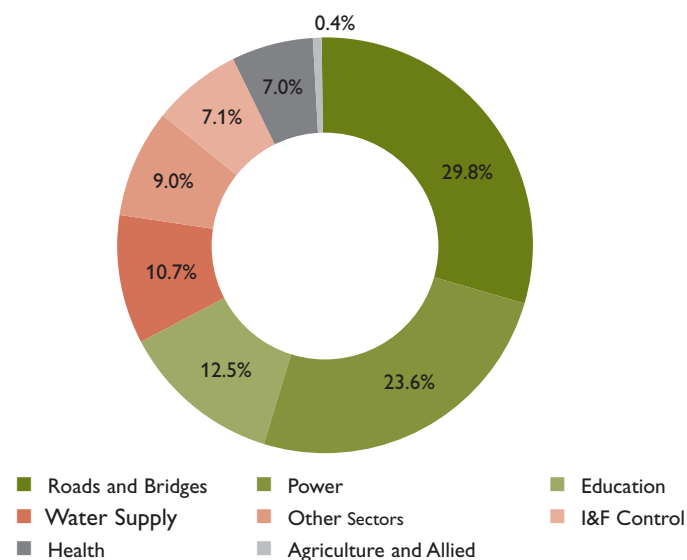
State-wise Assistance Approved by Ministry of DoNER in 2006 (Rs. in million)



Source: Ministry of Development of North East Region

The sector wise break up shows that the maximum investment has been witnessed in the roads, power and education sector.

Sector-wise Assistance Approved by Ministry of DoNER in 2006 (In %)



Source: Ministry of Development of North East Region

Key Investments

The NER is expecting increasing investment and trade from Thailand and will be exploring the potential of the region in sectors like rubber, tea and bamboo plantation. The government also has other initiatives, which are still in the nascent stage, to attract FDI from other neighbouring countries.

Apart from the investments coming in from the central government (\$1.06 billion in 2007 – 08) for development of infrastructure in the NER, IFIs are also investing significant amount for development of infrastructure in the region.

The investments from the Asian Development Bank include:

- o NER state roads project – \$428 million
- o North eastern urban development project
- o Phase I – \$350 million (for Agartala/ Kohima/ Aizawl/ Shillong/ Gangtok)
- o Phase II will cover Guwahati, Dibrugarh, Imphal and Itanagar
- o North-eastern states trade and investment creation initiative
- o Capacity building of road agencies (PWDs)

The World Bank is also investing in the following sectors:

- o Natural resources, water and environment for development and growth in the North-East
- o NER livelihoods project

Profiles of Key Players

The key players in the NER are mainly government agencies, public sector units and other private players, including those in the tea and forest-based industries.

Public Sector Companies

North Eastern Regional Agricultural Marketing Corporation Limited (NERAMAC)

The NERAMAC is a central public sector undertaking under the administrative control of the Ministry of Development of North Eastern Region, incorporated in 1982. It has been promoted by the North Eastern Council. NERAMAC meets different social objectives by helping farmers of the NER in procurement of agro – horticultural commodities. Apart from its regular commercial activities of food processing, NERAMAC has also organised a series of fruit preservation training programmes in different states of the North East.

North Eastern Handicrafts and Handlooms Development Corporation Ltd (NEHHDC)

The NEHHDC is a central public sector undertaking under the administrative control of Ministry of Development of North Eastern Region set up in March 1977 with headquarters at Shillong. It has offices in Guwahati and New Delhi while its Purbashree Emporia are at New Delhi, Guwahati, Shillong, Kolkata, Bangalore and Chennai. NEHHDC is responsible for promotion, development and marketing of handicrafts and handloom products of the NER.

Oil and Gas Corporation Ltd (ONGC)

The ONGC, set up in 1955, and one of the leading oil and gas companies in India, is one of the major players in extracting oil and natural gas in the region. ONGC has also been actively engaged in exploration activities for oil and natural gas in the NER states.

Large Corporate Groups

Oil India Ltd (OIL)

Oil India Ltd (OIL) is a premier national oil company under the administrative control of the Ministry of Petroleum and Natural Gas, Government of India. The pioneer in the field of crude oil transportation in South – East Asia, it owns and operates a pipeline having a capacity to transport over 8.0 MTPA of crude

oil feeding four public sector refineries in North East India. Today OIL owns 10 crude oil pumping stations and 17 repeater stations, spread across Assam, West Bengal and Bihar.

Large Corporate Groups

Reliance Group

The Reliance Group is India's largest private sector enterprise, with businesses in the energy and material value chain. The group's annual revenues are in excess of \$22 billion. The flagship, Reliance Industries Ltd, is a Fortune global 500 company.

Acer

Acer India, manufacturer of desktops and notebooks, plans to set up six Acer malls and four Acer points in the NER. Besides focusing on the retail business, the company plans to increase its presence with business partners who will be targeting government as well as corporate clients in the NER.

Greenply Industries Ltd.

Greenply Industries Ltd (GIL), is a \$117 million interior infrastructure company, and a leader in the plywood and laminate industry in India. Greenply accounts for 25 per cent of the organised plywood market and 15 per cent of the organised laminate market in India.

Tata Tea

Set up in 1964 as a joint venture with UK-based James Finlay and Company to produce tea, the Tata Tea group of companies, which includes Tata Tea and the UK-based Tetley group, today represents the world's second largest global branded tea operations with product and brand presence in 40 countries. Tata Tea's plantations are also located in the northern part of West Bengal and in Assam.

Sarda Plywood Industries Ltd (SPIL)

SPIL is the flagship company of the Chitlangia Group, having significant presence in paper and tea sectors besides plywood and allied products. The manufacturing facility was established in Jeypore, Assam.

Apeejay Tea Ltd

Apeejay Tea Ltd, founded by A R Gordon Shaw in 1889 in London, is one of the oldest tea companies in the world. Each of the

group's gardens is ISO 9002 compliant and adheres to stringent quality standards. One of its largest factories is in Assam at the Hokunguri Tea Estate producing around 3 million kg of tea per year.

Williamson Tea Assam Ltd.

The company was founded in 1869 by James Williamson and Richard Magor. Today the firm is still family owned and run by Philip Magor, a fourth generation descendant. It has 17 tea estates in Assam producing 21 million kg of tea for domestic and export consumption under its trading name of "Williamson Tea Assam". The Indian company is linked to its UK parent company Williamson Tea Holdings Plc and its Kenyan sister company Williamson Tea Kenya Ltd.

McLeod Russell India Ltd

The company is one of the early producers of Assam tea. Its principal activity is to cultivate, manufacture and market tea. The group owns tea estates in Assam and Dooars. McLeod Russell India had an operating profit of \$11.8 million in 2006 – 07, an increase of over 107 per cent over the previous year's figures.

Brooke Bond Lipton India

Brooke Bond and Lipton Tea are the products of Hindustan Unilever Ltd (HUL), which is India's largest fast moving consumer goods company, and has over 20 distinct categories in home and personal care products and foods and beverages.

Local and Regional Groups

Shivdham Industries Pvt Ltd

The 35-year-old company started by trading in cloth in Assam. Today, it is a large family managed business with a presence in Assam, Maharashtra and West Bengal. In Assam, the group is involved in tea plantation and plywood industries.

Sikkim Mining Corporation

SMC was constituted in 1960 for developing deposits of copper, lead, zinc and other minerals in Bhotang and other places in Sikkim. It is based at Rangpo, East Sikkim.

Manipur Spinning Mills Corporation Ltd

The company was established in 1972 for production of gray cotton yarn in hank form to cater to the needs of weavers.

Manipur Cements Ltd

The company was incorporated in 1988 to run and manage the 50 TPD Hundung Cement Factories and also to run other mineral based industries.

DHTC (India) Ltd

DHTC (India) Ltd, incorporated in 1987, has been engaged in the business of transportation and handling of goods by road. It is one of the leading transporters for the North-East and has services across India.

Other Players

Major players in the tea sector include, Bishnauth Tea Co, Assam Company, Warren Tea, AFT Industries, Assam Brooke, B & A Plantation & Industries, Bengal Tea & Fabrics, Tezapore Tea & Company, Goodricke Tea and Jayshree Tea & Industries. Pharmaceutical companies in the NER include Cipla, Zydus Cadila and Ranbaxy.

Key Approvals Required

List of Approvals and Clearances Required	Respective Departments of States
Incorporation of Company	Registrar of Companies
Registration, IEM, Industrial licenses	Department of Industries, Respective State Governments
Permission for land Use	
Allotment of Land	State Industrial Development Corporation Ltd
Site Environmental Approval	State Pollution Control Board
No Objection Certificate and consent under Water and Pollution Control Act	
Registration under States Sales Tax Act and Central and State Excise Act	Excise Department
Commercial Taxes	
Sanction of Power	Power Department/ State Electricity Board
Power Feasibility	
Power Connection	
Approval for Construction Activity and Building Plan	Public Works Department
Water and Sewerage Clearance	
Water Connection	

*Single Window System is proposed in all states in there respective state industrial policies but still not in practice. It will be implemented and will start functioning in near future.

Business Climate

Abundance of natural resources

The NER is blessed with enormous natural resources including oil, natural gas, abundant reserves of minerals, forest resources such as bamboo and other medicinal plants. The region has favourable climatic conditions for tea and rubber plantations and holds immense potential for business opportunities involving usage of natural resources.

Favourable policies and incentives

The central and state governments have provided for attractive incentives and subsidies on power, transportation, land and capital investment for organisations setting up business in the NER. Incentives are proposed for thrust sectors and export oriented industries such as food processing.

Availability of skilled labour

All the NER states have high literacy rates, with an average literacy rate of 68 per cent, which is higher than the national average. English, the most accepted language of business, is widely spoken in the NER.

Infrastructure improvements

Transport linkages are undergoing a facelift in the region with substantial investments coming in from government and IFIs for the development of roads, railways, airways and waterways. This, coupled with the proposed EPZs coming up in some states, would enhance the logistics infrastructure available in the region.

Significant infrastructure is being developed in Assam, Manipur, Meghalaya, Nagaland and Tripura, including STPs, EPIPs, IIDCs, EPZs and dedicated industrial growth centers and a food processing park in Assam.

Opportunities for investment in the industrial and urban sector, particularly under the PPP model, are vast due to recent reforms. Significant infrastructure improvements would catalyse the growth of industries and provide an ideal business climate for upcoming industries.

International trade opportunities

The geographic location of the NER provides immense opportunities for international trade with the neighbouring countries of

Bangladesh, Myanmar, Bhutan, China and Nepal. Specific initiatives are being undertaken by the government for promotion of cross – border trade with these countries.

Average Cost of Doing Business in the Region

Parameter	Cost
Manufacturing	
Land Price (US\$/sq.km)	NA
Labour (US\$/man year)	497 – 994
Lease Rent (US\$/sq.km./month)	2.48 – 7.45
Electricity (US cents/unit)	
Commercial	9.94 – 11.18
Industrial	6.21 – 9.94
Office space rent (US\$/sq ft/month)	0.75 – 2.48
Residential rent (US cents/sq ft/month)	24.84 – 49.69
5-star hotel room (US\$ per night)	37.3 – 74.5

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