2. Overview of India

a) Population

India is the second most populous country in the world with approximately 930 million people. Of this number, 250 million belong to the middle class and another 40 million are members of the affluent upper class. Together, they represent a potential market over nine times the size of Canada's entire population. While most of the population remains unable to afford market-priced pharmaceuticals, (some basic drugs are manufactured by subsidized, state-owned companies for the poorer classes) upper and middle class Indians represent a viable market. Despite this, they are often overlooked internationally.

Today, India spends only an estimated 0.5% of its Gross Domestic Product on health care, compared to 9% in Canada. If the economy continues its rapid growth, health care spending can be expected to increase in absolute terms and as a proportion of GDP. Indeed, pharmaceutical spending increased at an average annual pace of 20% from 1992 to 1995 while GDP averaged 4.9% real growth in the same period (inflation averaged 10%). As more and more Indians join the ranks of the middle class and are able to satisfy their immediate needs, health care will be among their first priorities. For more detailed sales information, see the section entitled Pharmaceutical Sales (page 9).

b) Economic Policy

In an effort to attract foreign investment and to stimulate domestic economic growth, India began to liberalize its economic policies in 1991. To encourage foreign firms to invest or increase their investments in India, the policy reforms have reduced government controls on production, trade, and investment. As a result, the Indian economy's real GDP has grown 4.3% in 1991-92 and 1992-93 and by 6.2% in 1994/95. The Indian Commerce Ministry forecasts growth rates of 6% to 8% for the rest of the decade.

Some features of the new policies concerning foreign investment are:

> Automatic approval for foreign equity participation up to 51% (from 40%) will be granted in several key areas, including the pharmaceutical sector. These automatic approvals are normally granted within two weeks by the Reserve Bank of India (RBI). Also, although foreign equity of more than 51% is usually approved within 45 days, approval is not automatic.
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> Indian companies have been permitted to raise funds from international capital markets.
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> The use of foreign brand names/trade marks for sale of goods in India is permitted.