

- **Cultural differences:** While India has a strong entrepreneurial class, there are business methods unique to the country. India provokes one's senses, and first impressions may create internal conflicts that can influence business decisions. While the private sector functions like a free-market economy, in many instances, bureaucratic mindset remains inward-looking and resistant to change. Time and patience on the part of the Indian business and its foreign partners is the order of the day.
- **Appearances:** India is a market where appearances and first impressions can be very deceiving. Business is part of a complex socio-economic environment; it is important to develop a relationship of trust and shared expectations with partners and clients, and to verify the accuracy of information.
- **Infrastructure:** India's communications, power and transportation systems have not reached world-class standards and can be frustrating at times when quick decisions have to be made.
- **Transparency:** Tendering procedures are often shadowed in obscurity and can become the subject of high-level representations and litigation.

## POLITICAL OVERVIEW

With over 950 million people and 3.3 million square kilometres, India is the world's second-most populous and seventh-largest nation. Although the country is overwhelmingly rural, more than 50 million Indians live in the eight-largest cities. India is geographically and culturally diverse. It officially recognizes 18 languages, and is home to six major religions.

An ancient land, India is also the world's largest democracy, with a stable government, a functioning legal system, and a well-educated, English-speaking elite with a well-established entrepreneurial tradition. These factors enhance India's attractiveness as a place in which to do business. Although poverty and overpopulation remain enduring problems, it is the "other India," comprising a rapidly growing and dynamic middle

class estimated at 250 million people, which represents India's best hope for the future.

India is a federal republic with a bicameral parliamentary system, under a titular President. Despite greater political unpredictability caused by India's current era of coalition governments, the direction of economic reform has remained unchanged over the past 7 years.

**Risk:** India's strong democratic traditions and institutions enable it to adjust peacefully to political change. Political risk to investors is generally low to moderate, depending on the local situation.

## TRADE POLICY AND ACCESS

Over the past few years, the Government of India has made considerable progress in trade liberalization. It has continued to increase the number of items on the "freely permissible" list of consumer-goods imports, and also those on the list of items that may be freely traded on special import licences. The restricted list has dropped from more than 4000 items several years ago to less than 3000 after the February 1997 Budget. The following are some of the key issues of concern:

1. Transparency remains an important issue. The circumstances under which government contracts are awarded can be obscure, governed by factors outside the actual bidding system. This problem is tied to endemic corruption in the political system and bureaucracy, whether at the national or the state level. Canadian companies have direct experience with the transparency problem. Consistency, persuasiveness and forcefulness are essential elements of representation to be made to the Government of India.
2. There is a need to reform the "negative list of imports" to remove artificial barriers to trade, and also to bring down the persistently high tariff rates on items that may be imported.
3. The protection granted intellectual property rights (IPR) under Indian law is still deficient, and India counts on the 10-year grace period under the Final Act of the Uruguay Round Agreement to bring its domestic legislation

