

(excise duties). However, measures are being implemented to increase revenues from other sources, including minimum corporate taxes and personal income tax.

With extremely heavy capital requirements on the infrastructure side, there is a serious concern about the ability of the country to finance the ambitious projects being discussed in the power and transportation sectors. Private-sector participation in the power sector is now open, but concerns remain as to whether these projects can be financed without some form of central-government financial guarantees, given that the state electricity boards that distribute the power are all virtually bankrupt. The eventual (but as yet uncertain and politically sensitive) opening up of the insurance sector to private-sector participation should mobilize savings for infrastructure investment.

In summary, the economic liberalization process has significantly eased the financial business environment for international companies operating in India.

## BUSINESS OVERVIEW

### India — A New Era!

India is one of the largest economies in the world. It offers a large and rapidly growing consumer market. Up to 300 million people constitute a fast expanding market for consumer goods. Demand for consumer products is growing at over 12 percent per year. One of the largest industrialized countries in the world, India is very active in almost all areas of manufacturing. Here are some of India's strong points:

- highly trained and adaptable labour force available at very competitive rates by world standards;
- a large pool of scientists, engineers, technicians and managers;
- a broad base of mineral and agricultural resources;
- a long history of market economy;

- a vibrant capital market with over 6500 listed companies on stock exchanges;
- well-developed research and development infrastructures, and technical and marketing services;
- improving policy environment that provides freedom of entry, investment, location, choice of technology, production, import and export;
- a long history of stable parliamentary democracy; and
- common law judicial systems.

## Complexity of the Indian Business Environment

While it is considerably easier to do business in India today, the complexity of the Indian business environment still presents challenges for foreign business. Among these are found:

- **Bureaucratic bottlenecks:** While investment approvals have been greatly facilitated and the restrictive "Import Licence Raj" has nearly been abolished, bureaucratic bottlenecks still exist in implementing projects or in clearing shipment through customs. Reforms have not trickled down to the lower echelons of the bureaucracy, especially at the state level.
- **Privatization policy guidelines:** The Indian government has privatized services in many sectors such as power, roads, telecommunications, ports and mining — all of which offer excellent opportunities for Canadian companies. However, there are still conflicting policies and often vague guidelines regarding government guarantees, rates of return, and the bidding process.
- **Connections:** India remains a country where connections play a pivotal role in success. It is not so much the information you possess, but how you can use it and how you influence decision makers. This applies to the public sector and, to a lesser degree, to the private sector. Thus, having the right local representative or joint-venture partner is critical to success.

