

India's ITA commitments. Concessional duties on these products, brought in the February 1999 budget, were highly beneficial to Canadian and foreign firms bidding on telecom infrastructure projects in the promising Indian market. Removal of this concession has put Canadian suppliers at a disadvantage.

India participated in the GATS basic telecommunications negotiations, essentially binding its existing regime, which provides for the government operator plus one other company in basic telecommunications; and for each region, it provides for the government operator plus two private-sector firms in cellular telecommunications. Private operators may have up to 49 percent foreign equity.

The Indian Parliament passed the Telecom Bill, 1999 on October 20, 1999. The introduction of the Telecommunications Regulatory Authority of India (TRAI) in 1997 and the appointment of a task force to develop a new telecommunications policy in India in late 1998 are positive steps in liberalizing India's telecommunications sector. Canada, through the telecom framework project funded by the Canadian International Development Agency (CIDA), with Industry Canada as the executing agency, has assisted India in establishing the TRAI and will support related work by the Department of Telecommunications in connection with spectrum management, the establishment of standards and the resolution of future directions, including the commercialization of R&D in communications technology. Canada will continue to monitor developments in India that affect Canadian companies, particularly the transparency of the licensing regime for new carriers and the tariff rates on imports of telecommunications products.

### Power

India's power sector promises to be one of the fastest-growing in the world, experiencing annual growth rates in the range of 9 percent to 10 percent. India's Ministry of Power estimates that India would need an additional 90,000 MW of installed capacity in the next ten years, requiring an investment of Rs. 4 trillion (approximately \$135 billion), in order to meet the rising demand.

Despite strong domestic demand for additional power development, and many government proclamations of fast-track projects and one-stop

application processing, few private projects have been implemented in the power sector. Further delaying much-needed projects are the current regulatory regime, complicated state-level approvals (in addition to those required by the central government) and a lack of transparency in the approvals process. In 1998, the Indian government introduced a number of new policies to help move new projects forward. These included the development of central and state regulatory commissions, a new hydro policy, a policy for mega-projects and a policy on privatization of transmission and distribution, among others. Some of these reforms are already under way, and a number of states have already set up state-level regulatory commissions to complement the central regulatory commission. The Indian government decided in September 1999 that all interstate thermal power projects of over 1,000 MW and hydro-electric projects of over 500 MW would qualify for various concessions and incentives, including tax holiday and the waiver of customs duties.

State electricity boards are largely in poor financial condition and will need greater support, major reforms and/or privatization to help reduce India's significant power-supply shortage. A number of state electricity boards, with funding from the World Bank and the Asian Development Bank (ADB), have embarked on the path of restructuring their operations. These include the states of Orissa, Andhra Pradesh, Hariyana, Uttar Pradesh, Rajasthan, Tamil Nadu and Kerala. The CIDA-funded energy infrastructure services project in Kerala is aimed at enhancing the capabilities of personnel and restructuring the state electricity board to make it better able to plan for the development of the power sector. Restrictions in the Indian financial services sector also limit the number of projects that can gain adequate financing. Canada will continue to use every opportunity to advocate further reforms in this sector. The Export Development Corporation (EDC) is quite active in India, having allocated a significant portion of its estimated \$2-billion commitments in India to the power sector.