V. Market Accessibility

Export to India is much easier today than it was before economic reform began in 1991. Peak tariffs were 350 percent. Most imports required licences. Importers could only import for resale against existing orders for merchandise. And, imports of spare parts were extremely difficult.

Today, government approvals for most investments are automatic. Peak tariffs have been reduced to 50 percent and Indian companies can buy foreign exchange for imports at market rates without central bank permission. Foreign exchange reserves have grown from less than US$1 billion in 1990 to more than US$20 billion as of the end of December 1994.

Despite economic reform a number of tariff and non-tariff barriers remain which hinder access to the Indian market. Lack of intellectual property protection, relatively high tariff rates, and local licensing requirements can impede market access. These and other concerns affect exporters' and investors' efforts to gain increased access to the Indian market.

1. Import Policies

Import Licensing - India's complex import licensing rules have eased significantly. While most products can be imported without licenses, import licensing has not been completely eliminated. Restrictions remain on the importation of many consumer goods and agricultural products, (e.g. breeding stock and processed food products). Although the Indian government has announced its intentions to eliminate all import licensing, this has not yet occurred.

Quantitative Restrictions - Despite continuing reform, imports of most consumer goods are still not permitted, except for a few products such as food grains imported by government agencies. Other sectors face quotas. The liberation of quantitative restrictions has usually been based on an absence of domestic production.

Antidumping - In response to complaints from domestic producers that import reform has led to foreign dumping, India has strengthened its antidumping policy. In the 1993/94 Budget, the Government promised domestic manufacturers "strict implementation" of antidumping laws.

2. Government Procurement

Domestic Preference - Indian government procurement practices are not standardized or transparent and often favour local suppliers. Price is the most important factor even though better quality could lower overall costs over time. When foreign financing is involved, government procurement agencies tend to follow multilateral development bank requirements for international tenders.