



Market-opening Results in 1997

Within the framework of the WTO, and under agreements reached with Canada and several other countries (the EU, Japan, Switzerland, Australia and New Zealand), India will phase out import restrictions on a very wide range of products that are of interest to Canadian exporters. These import restrictions generally take the form of quantitative restrictions and outright bans on the import of goods covered by about 2700 different tariff items. The restrictions will be removed over three stages — covering the period April 1997 to March 2003 — with the first “batch” of items scheduled to be liberalized at the end of March 1998. India has also committed to phasing out all restrictions on the import of goods covered by the ITA during the first stage, i.e. by March 2000.

Canada's Market Access Priorities for 1998

Despite the trade and investment potential, several problems remain in gaining access to Indian markets. In general, there is a lack of transparency in decision making and bid selection, and a decreasing, but continuing, use of wide-ranging import restrictions.

A number of significant Canadian projects depend on economic reforms in the sectors outlined below. These issues will be discussed at the Indo-Canadian Joint Ministerial Committee scheduled for 1998. In 1998, Canada also intends to explore the creation of an enhanced bilateral framework for dialogue at the senior officials level on issues related to trade, investment and trade policy.

Telecommunications

Canadian firms continue to have difficulties in penetrating the Indian market for telecommunications goods and services. In the basic and cellular services sector, non-transparent bid methods and additional fees added after the bidding process have frustrated access to the market. However, some of the new fees for basic and cellular services have been reduced or eliminated.

India participated in the GATS basic telecommunications negotiations, essentially binding its existing regime, which provides for the government operator plus one other company. The private operator may have foreign equity of up to 25%.

High tariffs (in the 40% to 50% range) also impede Canadian firms' ability to sell in the Indian telecommunications market. However, Canada is encouraged that India has joined the ITA, with a commitment to eliminate its tariffs on a wide range of information technology products by the year 2005 at the latest.

With the recent implementation of the new Telecoms Regulatory Authority of India (TRAI), Canada will regulatory monitor processes in India, as they affect Canadian companies, particularly the transparency of the licensing regime for new carriers.

Power

Although power production has been increasing by over 6% a year, and 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 so far been implemented in the power sector. A lack of transparency, the present regulatory organization and the complications of state-level approval beyond that provided by the central government are further delaying much-needed projects. State electricity boards are largely in poor financial condition and will need greater support, major reforms and/or privatization, before progress can be made to reduce India's significant power-supply shortage. 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.

Financial Services/Insurance

India was a participant in the WTO financial services negotiations, which concluded in December 1997. During the negotiations, India made some modest improvements to its financial services offer, including the binding of an increased number of bank licences. However, India did not make any significant commitments in the insurance sector, as the Indian government was unable to enact regulatory reform in this area. The Indian insurance sector is completely in the hands of two government-owned monopoly providers of life and general insurance. As Canadian financial institutions consider India's insurance sector, particularly its life insurance sector, a high priority market, the Canadian government will continue to press for reforms in this sector.