INDIA

GENERAL INFORMATION

India has an area of 3,287,263 km sq, the equivalent of about 1/3 the size of Canada. The population of 835 million, is projected to reach 1,043 million by the year 2000. People of Indo-Nordic origin accounts for 72%, Dravidians 25%, with 3% being Mongoloids, Parsis, Jews, and Anglo-Indians. 83% of the population is Hindu, 11% is Muslim, 3% is Christian, and 2% is Sikh. Hindi is the most widely used of the 17 official languages. English, while not official, is commonly used in international business and government. Formerly a British colony, the rise of nationalism in India after World War I resulted in India gaining its independence in 1947.

POLITICAL AND ECONOMIC SITUATION

India is a federal republic, consisting of 25 states and 7 union territories. The President is Ramaswamy Iyer Venkataraman. Prime Minister V.P. Singh replaced Rajiv Gandhi, following the November 1989 general elections in which the Congress Party lost its parliamentary majority only for the second time since independence. The minority government of Mr. Singh enjoys the support of several opposition parties, mainly united in their resolve to unseat Rajiv Gandhi, and keep his party from power. The position of the new government has been strengthened to some extent by further losses suffered by the Congress Party in the state elections held in February 1990.

The per capita income is US$306. However, a steady growth of India's sheltered economy has created a fast growing middle class of which, according to a study by Baring Securities in Bombay, 120 million are enjoying a yearly disposable income of over US$2,500. India's development efforts, since independence, have been guided by a series of Five Year Plans. During the last ten years, when the sixth and seventh plans were in operation, India achieved an annual average GDP real growth rate of 5%. India was able to enhance her self-sufficiency in food production, increase industrial production and imports of machinery and raw materials, and diversify her exports.

The increasing economic liberalization resulting from the economic reforms introduced in 1984, by former Prime Minister Rajiv Gandhi, has helped to ease restrictions on imports of industrial machinery and raw materials, and foreign investments. The tax system has been simplified, and the likelihood of private sector investment in areas like power generation has increased.

The new government, true to its pledge that there would be no dramatic reversal of the liberalization policy, has introduced the following measures:

A) A new Import-Export Policy, announced on March 30, 1990 for the April 1, 1990 to March 31, 1993 period based on the pragmatic perception that the Indian economy is highly import-dependent. Rather than further limit imports, in an attempt to alleviate balance of payment difficulties, the Policy focuses on the stimulation of exports, principally by (a) offering more advantages ot successful exporters (in the form of increased import permits) and (b) simplifying procedures for the import of inputs needed by exporters. The Policy's principle objectives are:

(i) To encourage rapid and sustained export growth. Including export of services with special emphasis on exports which generate higher net foreign exchange earnings;

(ii) To facilitate availability of necessary imported inputs for sustaining industrial growth including essential imported goods for modernization and technological upgradation;

(iii) To simplify and streamline procedures for import licensing and export promotion;

(iv) To support recognized indigenous Research and Development Institutions for building up their scientific and technological capability for technology absorption and development; and

(v) To promote efficient import substitution and self-reliance.