exchange regulations. Most products are not imported if a reasonable substitute is manufactured in India, or if they are considered to be luxury or consumer items.

There are three major exceptions. The first is a technology transfer agreement between an Indian and Canadian company. This agreement is approved by the Government of India. Under this, the Indian company receives a special import permit as part of a government-approved technology transfer agreement with the foreign company. With this permit, the Indian company can import equipment from the foreign partner in semi-knocked down or completely knocked down kits in the early years of the agreement. This must be combined with the transfer of engineering drawings and technical know-how and the commitment to reduce the imported content by the end of the agreement. Capital goods required for the projects may also be permitted as imports subject to indigenous availability of comparable equipment under a separate Capital Goods Licence.

The second important exception to the general limitation on imports concerns capital projects for government agencies. For these, specialized capital equipment and engineering services can be imported, especially when financing is available from export credit agencies such as the Export Development Corporation (EDC) or international financial institutions such as the World Bank. Currently, investment fields of particular interest to Canadian firms include electric power, mining, oil and gas and aircraft. Well over $1 billion in Canadian capital equipment is currently on offer.

The third exception is the allowable importation of samples, plant equipment and components which enjoy duty exemption if the Indian company is a substantial exporter of the resulting finished products.