The services sector also offers considerable opportunities, particularly in logging, cementing, management of rigs, pipeline inspection, horizontal drilling and production, and data acquisition.

Numerous Canadian companies are actively undertaking or pursuing business in this sector, including provision of consulting services. Canadian companies are also involved in production sharing of oilfields and transfer of technology for downstream projects to manufacture polyethylene and other related products. Canada has also successfully sold used refineries in dismantled condition to India.

Constraints

POWER

While domestic power-development expertise has been increasing in recent years, it is unlikely that the demands of the growing power sector can be met entirely by indigenous production. Industry sources indicate that private-sector utilities would have to import most of their critical equipment, particularly turbines and generators. Major constraints for private sector projects include a lack of funding owing to the poor financial condition of the state electricity boards; flux in the government's privatization policy, particularly for fuel linkages and transportation; the fact that public-sector projects feature protracted and contentious bidding procedures; and the reality that all projects can face opposition by environmental and other pressure groups.

Import of power products will continue, since the quality demand cannot yet be delivered by Indian industry. There are also doubts about the ability of Indian companies to adhere to strict delivery schedules. The stiffest competition that Canadian companies face in India is from U.S., German, French, Korean, British, Australian and Scandinavian companies, both in the areas of developing power projects and for supply of equipment and technology.

Several MNCs have a strong presence in the Indian market and are successfully pursuing projects and equipment sales, including Enrol, Cogentrix, ABB, Siemens, Cegelec, National Power, Skanska, Mission Energy, Bechtel, GEC-Alsthom, General Electric, Westinghouse, and many others. Canadian companies need to ensure that their products and services are internationally competitive and supported by a good financial package.

OIL AND GAS

Almost all the business in this sector is conducted through the competitive-bid process. The tendering process is often not very transparent and is also plagued by bureaucratic delays. Oil and gas equipment can be sold in India through a sales agent/distributor or directly to end-users. Most companies prefer operating through a local sales agent for market entry, sales promotion and for liaising with the government. Having a competent local agent is essential.

The provision of project financing is also critical to succeed in this highly competitive market. Besides the large number of Indian companies who are in a position to meet indigenously about 50 percent of the industry demand, Canada faces stiff international competition from the United States, Japan and the United Kingdom, which dominate the Indian market, followed by South Korea and Singapore. The United States has the lion's share of about 35 percent of the total imports.

As a result of the last budget in April 1997, the duty on equipment for the oil and gas sector has been significantly reduced. However, there are no preferential customs duties or waivers of customs duties for suppliers from any country.

Business Environment

POWER

It is imperative that the Canadian power developers and equipment suppliers enter into strategic alliances with reputed Indian companies to enhance their business prospects. For most of the larger projects there is also a requirement for financing. Canadian companies that are able to put together a comprehensive package will consequently be in a much better position to succeed. Canadian companies can approach these projects as consortium members or as subsuppliers. It may be noted that all imports relating to power projects are subject to a maximum customs duty of 20 percent *ad valorem*.