reforms and/or privatization to help reduce India's significant power-supply shortage. The CIDA funded energy infrastructure services project is aimed at enhancing the capabilities of personnel and restructuring the state electricity board in Kerala State to make it better able to plan for the development of the power sector. 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.

The changes necessary to permit private (and foreign) investment in the Indian insurance sector are included in the Insurance Regulatory Authority Bill, which was presented to Parliament in late 1998, but was diverted to a Parliamentary Committee. The Bill is expected to be presented again in early 1999. As Canadian financial institutions consider India's insurance sector, particularly its life insurance sector, a high priority, the Canadian Government will continue to press for regulatory liberalization in this sector.

Agricultural and Manufactured Goods

India maintains a large number of restrictions related to balance-of-payments ("negative list"), affecting both agricultural and manufactured goods. The list includes banned items (for example, offal and animal tallow) and restricted items that require an import licence. A large number of items were removed from this list in the 1997 budget. In 1998, the first tranche of items from the bilateral agreements were removed from the import restrictions, and later in 1998 a number of other agricultural goods were freed, including many oil seeds. The entire 14.4 percent customs duty on import of peas/pulses was removed effective November 23, 1998. The special additional duty (SAD) of 4 percent on imports of edible oils has been withdrawn. An estimated 2,000 tariff items remain restricted. As mentioned above, India has agreed to gradually phase out these restrictions by 2003. Canada will monitor the process.

In 1998, Canadian Government officials held discussions with the Indian government on the issue of access for Canadian live cattle, live embryos and bovine semen, with a resolution of Canadian concerns possible before the end of 1999.

The non-transparent licensing system lends itself to inconsistent decisions and circumvention. The purported intent of this system is to protect Indian companies in sensitive sectors such as agriculture and food. The effect of these policies on the Indian economy is to permit both public- and private-sector domestic firms to operate inefficiently, with little or no competition, and to limit the quality and quantity of goods available to Indian consumers. Tariffs remain high on many food and consumer items.

INVESTMENT

Foreign direct investment (FDI) in India has grown considerably since reform began in 1991, from less than $300 million in 1992/93 to more than $3.2 billion in 1997/98. A number of changes have been made to the investment approval process over that period of time. Automatic approval is given by the Reserve Bank of India for FDI up to 74 percent of equity for 9 categories of industries, up to 51 percent for 48 categories, and up to 50 percent of equity for 3 categories. For those foreign investment proposals that require approval, they will be reviewed by the Foreign Investment Promotion Board, generally within 4 to 6 weeks.

Up to 100 percent foreign ownership is permitted for certain areas, including export-oriented firms, energy, high technology and infrastructure, but approval for such ownership is not guaranteed. The procedures for obtaining investment approvals are often non-transparent.

A foreign investor can own a property for use in carrying out business transactions only with the permission of the Reserve Bank of India or state industrial development corporations. Generally, foreign investors must bring foreign exchange into the country for purchase or rental of property. Neither rental income nor the proceeds from