

2.0 India's Economic and Environment Profile

2.1 Economic Reforms

India is becoming a better place to do business. Business people consider it to be one of the world's last major untapped markets. For decades, the government fostered industrial development through policies of import substitution to protect domestic industry. This occurred against a background of strong central planning and state ownership of major industries.

In the mid-1980s India's policy-makers realized that these strategies were no longer practical in an era of increasing economic globalization, rapid technological change and intense international competition. In 1991, the new government, led by Prime Minister Narasimha Rao, introduced fiscal and economic reforms that have spurred on rapid development. The Indian government has implemented broad-based reforms to encourage domestic competition and liberalize foreign trade. New investment policies and ownership regulations have been introduced in order to: attract more foreign capital; free up the use of brand names and trademarks; increase convertibility of the rupee; reduce import tariffs; and, facilitate the removal of most industrial licensing.

India now provides automatic approval for 51 percent foreign equity ownership in over 35 sectors, including the environmental sector. Maximum corporate income tax has been reduced to 40 percent and capital gains tax dropped to 30 percent. Protectionist trade policies have been liberalized with the maximum basic duty at 65 percent.

A number of additional features make the Indian market attractive. For example: the business use of English; an extensive private sector; a reputable and trusted legal system; and a growing consumer market.

All in all, India represents a solid combination for Canadian environmental companies seeking new global markets.

2.2 Environmental Challenges

Since independence in 1947, India has tried to modernize its economy through successive five year plans. The plans have stressed industrial growth and agricultural modernization, both of which have been quite successful, but have had considerable environmental impact.

India's growing industrial base and its rapid population growth have created new environmental problems:

- The pollution of almost all natural waterways from the discharge of domestic and industrial waste;