

Customs duties are governed by detailed and confusing regulations which are subject to frequent changes. Different duty rates can apply to the same piece of equipment depending on which state agency is the purchaser. For example, in offshore exploration contracts entered into with ONGC, all duties can be waived provided the appropriate certificate is obtained from ONGC. Equipment for onshore exploration and exploitation activities may be exempt from duty provided that a certificate of essentiality is issued by the secretary of the empowered committee on indigenisation and services in the Ministry of Petroleum. The same exploration equipment sold to a private company planning to offer services to the oil industry would attract higher levels of duty. A special regulation exists for the HBJ pipeline with all material purchased by GAIL entering India at the 25% level.

While duty rates can reach levels as high as 200%, the rates applicable to the oil and gas industry tend to be in the 0-40% range. Certain agencies appear to consistently attract larger duty concessions than others. A Canadian firm's local representative can assist in determining the details of applicable duties. Expert advice from specialised firms is also available.

Entering the Indian Oil and Gas Market—Practical Advice

The Indian market is complex and difficult to enter. Despite the magnitude of India's foreign-sourced equipment and services, international firms generally require considerable effort & resources in order to become firmly established. Entry could be a time consuming process, often taking about three years.

The major purchasers in the Indian Oil and gas industry are government—owned agencies which are subject to scrutiny by the Indian Parliament. All major purchases of products not available in India are made through international competitive tenders according to highly regulated procedures. Contracts are normally awarded to the lowest-priced bidder who meets tender specifications. No margin is allowed for features such as improved quality, safety standards or environmental controls. The tendering process is bureaucratic and decision-making tends to be slow. Decision-makers are averse to risk and resist accepting new and unfamiliar companies and technologies.

However, the list of foreign firms successfully doing business in India's oil and gas market is impressive (see Annex I & II for a representative listing). Generally, successful approaches by foreign companies can be characterised by the following features:

- (a) Accurate identification and selection of the most appropriate type of local representation.
- (b) A marketing strategy emphasizing flexibility and perseverance.
- (c) A marketing plan which focuses on the medium to long term as opposed to short term returns.
- (d) Highly competitive pricing of both end products, services, and technology transfers.

Avenues For Entry—Local Representation in India

The single most important element in developing a successful approach to the Indian market, is the proper selection of local representation. Depending on the product, service or project, there are a number of suitable options. The choice may include a local agent working on a commission basis, a local representative as an employee of the foreign company, an Indian company as a licensing recipient, an Indian company as a joint venture partner with or without Canadian equity participation, etc. A combination, or series of these options over a period of time, is often the best way to maximise the contribution of local representation towards meeting a foreign firm's marketing goals.

There are a number of reasons for according a pivotal role to local Indian representation. These may range from basic nuts and bolts issues such as poor communications infrastructure to obtaining tenders on time, or to assistance with the development of an intricate, highly sophisticated marketing plan.

Not unlike other Asian countries, India's business environment requires a great deal of direct personal