



### **Market-opening Results in 1998**

- Within the framework of the WTO, and under agreements reached with Canada and several other countries (the European Union, Japan, Switzerland, Australia and New Zealand), India will phase out import restrictions on a wide range of products of interest to Canadian exporters. These import restrictions generally take the form of quantitative restrictions and outright bans on the import of goods covered by about 2700 different tariff items. The restrictions will be removed in three stages, covering the period from April 1997 to March 2003. The first "batch" of items was liberalized in the annual Export-Import Policy in April 1998. India has also committed to phasing out all restrictions on the import of goods covered by the ITA during the first stage.

### **Canada's Market Access Priorities for 1999**

Despite India's trade and investment potential, several problems remain in gaining access to Indian procurement markets. In general, there is a lack of transparency in decision-making and bid selection, and a decreasing, but continuing, use of wide-ranging import restrictions.

A number of significant Canadian projects depend on economic reforms in the sectors outlined below.

#### **Telecommunications**

Canadian firms continue to have difficulties in penetrating the Indian market for telecommunications goods and services. In the basic and cellular services sector, non-transparent bid methods and additional fees added after the bidding process have frustrated access to the market. However, some of the new fees for basic and cellular services have been reduced or eliminated.

India participated in the GATS basic telecommunications negotiation, essentially binding its existing regime, which provides for the government operator plus one other company in basic telecommunications, and for each region, the government operator plus two private sector firms in cellular telecommunications.

High tariffs (in the 40 percent to 50 percent range) also impeded the ability of Canadian firms' ability to sell in the Indian telecommunications market. Canada

is encouraged that India has joined the ITA with a commitment to eliminate its tariffs on a wide range of information technology products by the year 2005 at the latest.

The introduction of the Telecommunications Regulatory Authority of India (TRAI) in 1997, and the appointment of a task force to develop a new telecommunications policy in India in late 1998 are positive steps in liberalizing Indian's telecommunications sector. Canada, through the CIDA funded telecom framework project (Industry Canada is the executing agency) has assisted India in establishing the TRAI and will support related work by the Department of Telecommunications in connection with spectrum management, the establishment of standards and the resolution of future directions including the commercialization of research and development in communications technology. Canada will continue to monitor developments in India that affect Canadian companies, particularly the transparency of the licensing regime for new carriers and the tariff rates on imports of telecommunications products. The private operator may have foreign equity of up to 49 percent.

#### **Power**

India power production has been increasing by over 6 percent annually in recent years. Despite strong domestic demand for additional power development, and many government proclamations of fast-track projects and one-stop application processing, few private projects have been implemented in the power sector. Further delaying much-needed projects are the current regulatory regime, complicated state-level approvals in addition to that required by the central government, and a lack of transparency in the approvals process. In 1998, the Indian government introduced a number of new policies which, it is hoped, will help move forward new projects. These include the development of Central and State Regulatory Commissions, a new Hydro Policy, a policy for Mega Projects and a Policy on Privatization of Transmission and Distribution, among others. The details of these policies are still in the development phase, and their impact on the power sector is still unknown.

State electricity boards are largely in poor financial condition and will need greater support, major