

INDIA

*A Guide
for Canadian Exporters*

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1989
STORAGE

(Publié également en français)

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STORAGE

A Guide for Canadian Exporters

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I. THE COUNTRY

India covers an area of 3 287 782 km². It is the seventh largest country in the world and the second most populous with some 795 million people.

Located almost entirely within a peninsula in South Asia, India forms a natural subcontinent, flanked by the Himalayas in the north and the Indian Ocean in the south. Its neighbours are China and Nepal in the north, Pakistan in the northwest, and Burma, Bhutan and Bangladesh in the northeast. The mainland peninsula comprising the Ganga and Indus plains is irrigated by a vast system of rivers flowing from the Himalayan mountains and the Deccan Plateau.

The capital city of India is New Delhi, situated in the northwest. Other major cities are Bombay, on the western coast and India's largest commercial and financial centre; Calcutta, in the east and the country's most populous city; and Madras, on the southeastern coast.

History and Government

Indian civilization is one of the oldest in the world. It dates back to the Indus Valley civilization around 3000 B.C. Aryan migrations to the subcontinent took place from about 1500 B.C., and the resulting marriage of Aryan and indigenous cultures laid the foundations of Hindu tradition and society.

The first Indian empire across the entire north rose under Chandragupta Maurya. The Maurya empire reached its height under Chandragupta's grandson Ashoka, who ruled from 273 to 232 B.C., and by the first century B.C., the Mauryas had lost their power. Other empires rose and fell. During the Gupta empire which was in power in the fourth and fifth centuries A.D., the arts and sciences flourished, and the period became known as the Golden Age of India.

Developments in southern India were markedly different from those in the north. The mighty empires of the north rarely ventured into the south. The south had its own dynasties and its own maritime trade relations with countries as far east as Indonesia and the Philippines.

A second long period of fragmentation of political entities existed until Muslim invasions of the subcontinent in the seventh century. The Muslim period lasted for some

800 years, during which the invading Turks established a Muslim empire in the eleventh century. They were replaced by the Moghuls at the beginning of the sixteenth century. The most famous Moghul ruler was Akbar (1560-1605) whose grandson, Shah Jahan, built the Taj Mahal. Moghul rule lasted 300 years (1470-1770) but did not extend over the whole of India, especially over the extreme south.

There was a return to fragmentation between the decline of the Moghuls and the rise of European interests. The British entered the struggle for a commercial foothold in India through the British East India Company, founded in 1600. By 1833, Britain had established its legislative authority over India and by the middle of the nineteenth century, Britain assumed direct control over three-fifths of India. The remaining areas were held by more than 500 princely states subject to British control and intervention.

The Sepoy Mutiny, generally considered India's first struggle for independence, took place in 1857. It was followed by an awakening of Indian nationalism and the creation of the Indian National Congress. Between the First and Second World Wars there were nationwide movements of resistance to British rule, led by Mahatma Gandhi. On August 15, 1947, British rule ended and British India was divided into India and Pakistan.

The Congress party has dominated Indian politics since Independence. It has ruled continuously since 1947, except for a three-year period beginning in 1977, when a loose opposition coalition took over after a state of emergency invoked by Prime Minister Indira Gandhi, daughter of Jawaharlal Nehru (India's first Prime Minister). Mrs. Gandhi, who recaptured power in 1980, was assassinated in 1984 and her son, Rajiv Gandhi, succeeded her as Prime Minister.

India is a democratic republic with a parliamentary system of government. The country is organized into 22 states and 9 centrally administered territories. The central legislature or Parliament consists of the President and two houses known as the *Rajya Sabha* (Council of States) and the *Lok Sabha* (House of People). The *Lok Sabha* consists of members elected directly on the basis of adult suffrage; its duration may extend to five years. Elections in the *Rajya Sabha* are indirect. All legislation requires the consent of both houses of Parliament.

The central executive consists of the President, Vice-President, and Council of Ministers. The President appoints the Prime Minister, who is the leader of the majority party

or coalition of parties with a majority in Parliament. Real executive power rests with the Council of Ministers, with the Prime Minister at its head.

Climate

The yearly Indian seasons are winter (December-February); summer (March-May); monsoon, the rainy season (June-September); and post-monsoon (October-November). Temperatures vary considerably across the country. In Delhi, for example, it can reach 45°C in the summer and 5°C at night in the winter. The climate in the south is tropical throughout the year. Rainfall is erratic and unevenly distributed, but is concentrated during the monsoon period.

When to Visit

October to March is the preferred period as the extreme heat of the summer and the humidity of the monsoon season make travel uncomfortable. Because winter is the peak tourist season, however, hotel and air bookings should be made well in advance. Even flights on major routes within India are often fully booked days in advance, because of a shortage of aircraft.

Holidays

Statutory holidays vary from state to state and year to year. Holidays observed throughout India and most states are:

Republic Day — *January 26*

Holi — *March 22*

Good Friday — *March 24**

Id-UI-Fitr — *May 8*

Id-UI-Zuha — *July 14**

Independence Day — *August 15*

Muharram — *September***

Gandhi's Birthday — *October 2*

Dussehra — *October 8*

Diwali — *October 28*

Guru Nanak's Birthday — *November 3*

Christmas Day — *December 25*

** These dates apply to 1989 only. Dates vary from year to year.*

*** Depends on sighting of moon.*

Electricity

Electric voltage is 220 AC, 50 cycles. Canadian appliances will function only with a transformer, which the visitor should bring. Power failures can occur fairly frequently.

Measures

India uses the metric system in weights and measures.

Time

India is 9 hours ahead of Newfoundland time, 9¹/₂ hours ahead of Atlantic time, 10¹/₂ hours ahead of Eastern time, 11¹/₂ hours ahead of Central time, 12¹/₂ hours head of Mountain time and 13¹/₂ hours ahead of Pacific time. During Daylight Saving, add one hour. There is one time zone throughout India.

Business Hours

Canadian High Commission, New Delhi

08:30 to 17:30

Monday to Thursday

08:30 to 13:00

Friday

Canadian Consulate, Bombay

09:00 to 17:30

Monday to Friday

Government Offices

09:00 to 18:00

Monday to Friday

(Senior decision-makers are often unavailable before 10:00)

Business Hours

09:00 to 17:00

Monday to Friday

Banks

10:00 to 14:00

Monday to Friday

10:00 to 12:00

Saturday

Shops

09:30 to 19:30

Dress

A lightweight suit, shirt and tie can be worn for most day-time business appointments in the winter, while trousers and shirt (without tie) can be worn during the hot and rainy seasons. In Bombay, business custom demands that a tie be worn all year at meetings. When calling on senior government officials, a suit is preferable. A lightweight suit or dress is suitable attire for women in all seasons. Natural fibres are preferred in the summer months.

II. ECONOMIC INFORMATION

India's Seventh Five Year Plan (1985-90) has target annual growth rates of 4 per cent for agriculture and 8 per cent for industry. Of particular interest to Canadian business are large investments in hydro-electric and thermal power generation (above 20 000 MW), oil and gas, electronics, petrochemicals and plastics, refineries, bio-technology, environmental pollution control, medical equipment, telecommunications and ports. The following table indicates anticipated public sector investments during the Seventh Plan.

Public Sector Outlays

Sector	Value (rupees millions)	Total %
Agriculture	104 740	5.8
Rural Development	89 440	5.0
Special Area Development	29 450	1.6
Irrigation and Food Control	169 790	9.4
Energy	550 210	30.6
Industry and Mining	239 410	13.3
Transport	229 710	12.8
Communications	63 720	3.5
Science and Technology	23 060	1.3
Social Services	283 600	15.8
Others	16 870	0.9

India has become a major source of supply for Canada's tea, coffee, textile and spice requirements. Similarly, Canada has developed into a major supplier of newsprint, woodpulp, asbestos, sulphur, potash and edible oil for India. There are also opportunities to develop trade in specialty chemicals, plastic raw materials and resins, bulk drugs/formulations, ferrous and non-ferrous scrap metal, seamless steel tubes and plates and waste paper.

Aside from basic commodities, Indian economic policy does not encourage imports. The country is committed to a policy of industrial development through import substitution and has a complex system of import controls and foreign

exchange regulations. Most products are not imported if a reasonable substitute is manufactured in India, or if they are considered to be luxury or consumer items.

There are three major exceptions. The first is a technology transfer agreement between an Indian and Canadian company. This agreement is approved by the Government of India. Under this, the Indian company receives a special import permit as part of a government-approved technology transfer agreement with the foreign company. With this permit, the Indian company can import equipment from the foreign partner in semi-knocked down or completely knocked down kits in the early years of the agreement. This must be combined with the transfer of engineering drawings and technical know-how and the commitment to reduce the imported content by the end of the agreement. Capital goods required for the projects may also be permitted as imports subject to indigenous availability of comparable equipment under a separate Capital Goods Licence.

The second important exception to the general limitation on imports concerns capital projects for government agencies. For these, specialized capital equipment and engineering services can be imported, especially when financing is available from export credit agencies such as the Export Development Corporation (EDC) or international financial institutions such as the World Bank. Currently, investment fields of particular interest to Canadian firms include electric power, mining, oil and gas and aircraft. Well over \$1 billion in Canadian capital equipment is currently on offer.

The third exception is the allowable importation of samples, plant equipment and components which enjoy duty exemption if the Indian company is a substantial exporter of the resulting finished products.

III. BUSINESS INFORMATION

Market Advisory Services

As a service to Canadian business, the federal government maintains trade commissioners and commercial officers in 67 countries around the world. These representatives provide assistance to Canadian exporters and aid foreign buyers in locating Canadian sources of supply. In addition to providing the link between buyer and seller, these officers advise Canadian exporters on all phases of marketing, including identification of export opportunities, assessment of market competition, introduction to foreign business people and government officials, screening and recommending of agents, guidance on terms of payment and assistance with tariff or access problems. They also play an active role in looking for market opportunities and encouraging promotion efforts.

An additional source of information is the group of geographic trade divisions at External Affairs and International Trade Canada in Ottawa. Each of these offices concentrates on markets in specific geographical regions. They are the central government link in Canada for the trade officers abroad. In the case of India, the trade officers in New Delhi and Bombay are in constant contact with their counterparts in the Asia Pacific South Trade Development Division, External Affairs and International Trade Canada, 125 Sussex Drive, Ottawa, Ontario K1A 0G2. This office can provide the following type of general information:

- market information, including economic outlooks for individual countries and information on the market for particular products;
- market access information on tariff rates, regulations, licensing, non-tariff barriers, product standards, required documents, etc.; and
- publications, including editions of this publication, *Guides for Canadian Exporters*, and country briefs on smaller markets.

The geographic trade divisions are also responsible for assisting and advising exporters on marketing of their

products and services and on informing business people about export services provided by the Canadian government and export opportunities as they arise.

International Trade Centres

As well, International Trade Centres are located across Canada to provide a full range of trade services for Canadian exporters. They are staffed by experienced trade commissioners and a senior trade commissioner from External Affairs and International Trade Canada. Services, such as export counselling and the provision of market opportunity information, are combined with the ability to assist in the development of individual marketing plans. The centres also act as focal points for export awareness programs such as seminars and workshops. In addition, each centre will be linked with the WIN Exports (World Information Network for Exports) system operated by External Affairs and International Trade Canada.

The centres are co-located with the regional offices of Industry, Science and Technology Canada (except for the Northwest Territories and the Yukon) and are often the first point of contact for potential exporters. Future centres are to be located in Calgary, Regina, London and Quebec City.

Sources of Financing

To further Canadian export development objectives, trade promotional programs are available under the Program for Export Market Development. This support can be divided into two categories:

- funds designated for government-initiated events for the implementation of promotional projects abroad; and
- the Program for Export Market Development (PEMD) through which the repayable loans are made to individual companies to cover costs in developing export business which might otherwise not be undertaken.

In the first instance, Canadian trade fairs abroad, trade missions, and trade visits are initiated, organized, and implemented by External Affairs and International Trade Canada. The range of these activities includes participation in international trade fairs, solo shows, and in-store promotions; the organizing of technical seminars and trade missions abroad; and the sponsoring of foreign visits to Canada to stimulate the sale of Canadian products in various export markets.

Proposals under PEMD are made by Canadian industry rather than government. PEMD is made up of several sections, each of which is designed to support a particular phase of market development including project proposal preparation, market identification, participation in trade fairs and sponsoring of incoming buyers, formation of export consortia and the establishment of permanent overseas sales offices. In all sections of the program, companies are encouraged to develop self-sustaining export markets for their products. For details see the PEMD brochure available from your nearest regional office or the PEMD Office at External Affairs and International Trade Canada.

The Canadian International Development Agency (CIDA), under its Industrial Co-operation Program, provides direct support for Canadian companies to investigate industrial collaboration opportunities in developing countries. The program funds proposals by Canadian companies for projects such as joint ventures, licensing agreements, management contracts, or other commercial undertakings. For more information contact the Industrial Co-operation Division at CIDA, or overseas Posts.

While the majority of trade between Canada and India is financed by letters of credit, the Export Development Corporation (EDC) plays an important role in developing Canadian export trade by providing credit insurance, guarantees, loans, and other financial assistance to enable exporters to meet international competition.

In 1984, EDC and CIDA were successful in providing financing in the range of \$620 million for highly competitive terms for Canadian development of the Chamera Hydroelectric Power Project in India. A current initiative involves a line of credit for the sale of Canadian capital goods and services for the oil and gas sector totalling \$198 million. For further information, contact the EDC in Ottawa.

Foreign aid can create trade opportunities in India for Canadian businesses through projects financed by multilateral lending institutions such as the World Bank and, to a limited extent, the Asian Development Bank. Development projects provide for the supply of goods and services through both competitive bidding and subcontracting to prime contractors. Procurement systems for projects financed by international lending agencies follow "international competitive bidding" procedures. Information on the status of projects is published by the information offices of the World Bank and the Asian Development Bank. Project

information can also be obtained from the Asia Pacific South Trade Development Division at External Affairs and International Trade Canada or the Canadian High Commission in New Delhi.

Marketing Information

Representation. A reputable and aggressive Indian agent is essential to doing business in India. Already more than 250 Canadian firms have agents in the Indian market, and the Commercial Division of the Canadian High Commission or the consulate in Bombay (which is responsible for the western Indian states of Maharashtra, Gujarat and Goa) can suggest names of agency houses. Local agents can be useful in establishing contacts with government officials and decision-making technical personnel in public and private industries. Agents are useful in obtaining tenders, quoting and submitting bids on behalf of their clients, answering buyers' questions, handling details related to completing transactions, and keeping their principals informed of potential business opportunities. The local agent can advise the principal in the pre-tender period, evaluate final pricing, negotiate, and keep in contact with the bureaucratic process. The agent will have information on what purchases are planned by various government or private-sector bodies, and what price, delivery terms and "dressing up" of bids can win a contract.

Indian agents rarely work on a retainer basis except in cases involving promotion over long periods; usually, they receive their commissions from buyers (if they are government agencies or government corporations) once the goods have been delivered. In dealing with such buyers, therefore, it is necessary to indicate the quantum of commissions on the pro forma invoices or sales contracts. The requirement of paying commissions in rupees to agents was introduced to conserve foreign exchange.

Import Regulations. India's import and export policies are announced once in three years. These policies are constantly revised, as they are contingent on the availability of foreign exchange and the requirements of industries and consumers, as well as the availability of acceptable indigenous equivalent products.

For complete and up to date information, consult the Indian governments' import/export policy manuals. For information relating to specific products, contact a local agent. If there is no agent for the product, contact External Affairs and

International Trade Canada (PST), Ottawa, the Canadian High Commission in New Delhi, or the Canadian Consulate in Bombay.

Imports are divided into three categories — Open General Licence (OGL), restricted or banned.

Usually an import is allowed to an actual user only when the item is specifically notified or canalized through a state agency. Goods on the OGL list are allowed to be freely imported by actual users. Products that may be imported under OGL include various types of machine tools and components, medical equipment, raw materials, various iron and steel products, pharmaceuticals and chemicals and electronics components.

All restricted imports require import licences and special procedures. The restricted list contains by far the most products, including various chemicals, engineering items, textiles, and components for machinery or steel projects.

The list of banned imports contains those products which normally cannot be imported into India under any circumstances. It includes such items as gold, silver, many types of raw materials and capital and consumer goods. However, industrial units which either export all their products (the 100 per cent export-oriented units) or are located in the Free Trade Zones are allowed to import everything they require for production including imports which are otherwise "restricted" or banned.

Indo-Soviet Rupee clearing accounts facilitate balanced trade and enhanced penetration of markets in the U.S.S.R. as well as in some other Eastern European countries as long as there is a minimum value addition in India either in an Export Processing Zone (EPZ) or at export-oriented units.

Documentation. Import and export licences are obtained from the Chief Controller of Imports and Exports. Licences are usually issued for a 12-month period, but may be valid for as long as 18 months, depending on the commodities involved. For certain classes of capital goods, licences may be valid for up to two years.

Samples. India is a signatory to the International Convention to Facilitate the Importation of Commercial Samples and Advertising Materials. India does not recognize the International Carnet System. The following may be imported without restriction:

- free gifts of trade catalogues and circulars up to a value of Rs. 200;
- blueprints and drawings, including microfilms and research data, if supplied free of charge and having no commercial value;
- technical samples supplied free of charge and not exceeding Rs. 20 000 c.i.f.; and
- advertising material supplied free of charge and not exceeding Rs. 2 000.

Labelling. Under the Merchandise Marks Act of 1962, most goods require markings indicating the country of origin, the name and address of the manufacturer, and the net and gross weight. These markings must be in English, written in indelible ink or oil paint.

Exchange Controls. Foreign exchange for the payment of imported goods is released by the Reserve Bank in accordance with the official import policy. Upon presentation of the exchange control copy of a valid import licence to an authorized bank, foreign exchange will be released. Licence holders may make payments by opening letters of credit or by remitting against sight drafts.

Shipping Services. India has the largest merchant shipping fleet among the developing countries and ranks fifteenth in the world in shipping tonnage. Two government shipping companies, the Shipping Corporation of India and the Moghul Line Limited are involved in overseas trade. The major private-sector shipping companies are Scindia Steam Navigation Company and Great Eastern Shipping Company. The Shipping Corporation of India and Scindia Steam Navigation have agents in Canada who deal with sea transport between Canada and India; they are March Shipping and Montreal Shipping Company, both operating out of most Canadian ports.

Indian Transportation, Communication and Infrastructure

India's road network is one of the largest in the world, consisting of national highways, state highways and other roads; however, roads tend to be congested and in poor condition.

The Indian railway system is the largest in Asia and is the most common mode of transport in the country. With the

increase of passenger traffic and anticipated growth in various commodity sectors, major improvements in the railway's utilization of assets, especially in handling rolling stock, is planned for the 1990-94 period.

India has several major ports on both the east and west coasts. A number of them are equipped with container handling equipment. Improvements in containerized facilities and expansion of busy ports are part of an attempt under the Seventh Plan to alleviate severe congestion at some ports. Most of the modern handling facilities at some Indian ports were designed using Canadian technology and engineering expertise. Bombay is the largest and busiest port, followed by Madras, Calcutta and Kandla (north of Bombay). The new Nava Sheva container and bulk-handling port opened in May 1989. Howe International of Ottawa and its Indian subsidiary provided the design and detailed engineering for the port.

There are four international airports and 85 other aerodromes in India. International airports are located in Bombay, Calcutta, Delhi and Madras. Air services are operated by three airlines, Air India, Indian Airlines and Vayudoot. Air India provides international air service, Indian Airlines provides domestic air service linking most industrial and tourist centres and Vayudoot provides domestic service to smaller centres.

The Indian telephone system is plagued with a shortage of telephone circuits and an unsatisfied demand for telephones. However, major improvements in the country's telecommunications system are planned during the 1985-90 period. Direct dialing is available between most Indian cities and switched international telephone service is available to all countries. The entire country is covered by an efficient postal and telegraph service.

Tendering. Indian customers belong to three main categories:

- the private sector;
- actual users (direct end-users) who are allowed just enough imports to meet their proven minimum needs and are mostly government industrial and infrastructure enterprises; and
- "canalizing" agencies which account for 70 per cent of all imports and buy bulk raw materials for re-sale to end-users. This system of state-trading agencies was established in part to achieve economies of scale and thereby

conserve foreign exchange. The canalized agencies usually buy through competitive tenders.

The central purchasing authority for the Government of India is the Directorate General of Supplies and Disposals (DGS & D). The DGS & D buys all types of products, from brooms to heavy machinery, on behalf of most central government ministries and agencies as well as state, local, quasi-public, statutory and public sector bodies. It maintains a "List of Registered Suppliers" which is reviewed periodically to eliminate firms whose performance has been unsatisfactory. To sell to the DGS & D, firms must register with them. However, some ministries such as Railways, the Department of Space, the Department of Telecommunications, and the Department of Electronics, usually buy independently through competitive global tenders.

Other main procurement bodies in India include public sector corporations such as the State Trading Corporation (STC), which handles purchases of industrial raw materials, chemicals and pharmaceuticals; the Minerals and Metals Trading Corporation (MMTC); the Railway Board; the Steel Authority of India (SAIL); the Computer Maintenance Corporation (CMC); the Oil and Natural Gas Commission (ONGC); and Oil India Limited (OIL).

Canadian firms wishing to quote for government contracts must submit their tenders through an agent in India. The agent's name must appear in a bid to a procurement body so that the agent can follow it up properly. Only in very exceptional circumstances are tenders submitted directly by foreign firms considered.

Labour. India's work force accounts for about 40 per cent of the total population. It consists mainly of farmers and agricultural labourers, but the growing industrial and service sectors are increasingly absorbing the labour force. The country is rich in managerial talent of a high quality, possibly the best among the developing countries. Indeed, it has the world's third-largest pool of scientific and technical personnel (after the U.S. and U.S.S.R.). Skilled and unskilled labour is therefore abundant and wages tend to be low (about one-tenth of Canadian salaries).

Advertising. A good agent is able to advise on effective advertising techniques as well as the capabilities of local advertising agencies. There are over 100 well-established advertising agencies operating in India, nearly all located in

Bombay and New Delhi. They handle virtually all commercial advertising in India. It is reasonable to expect that the manufacturer, not the agent, will bear the cost of any appreciable local advertising.

Methods of Payment. Recommended method of payment is through an irrevocable and confirmed letter of credit (L/C), which is an assurance that the buyer has the authority to import. Caution is therefore necessary when other terms are offered. As a rule, L/Cs provide for payment against delivery of shipping documents. Indian regulations specify that L/Cs must provide for payment against delivery of shipment documents. Also, regulations generally prohibit the opening of cash letters of credit which would allow advance remittance against goods not yet shipped. In any event, remittances before the receipt of shipping documents must be authorized by the Reserve Bank of India.

Debt collection is impossible if goods are shipped to a customer who does not have the authority to import. Organizations do exist in India for the recovery of debts, but legal proceedings are protracted, expensive, time-consuming and frequently inconclusive. Business persons should be aware that the operation of the Indian Statute of Limitations Act bars most commercial debts after three years. Canadian businesses should ensure that all contracts have provision for recourse to arbitration procedure to resolve commercial disputes.

Banking. The commercial banking system in India consists of nearly 200 scheduled (or chartered) banks, of which 21 are nationalized. These banks operate over 36 000 branches throughout the country. The State Bank of India is the largest Indian bank and has offices in Toronto and Vancouver. The entire Indian banking system is currently being computerized to increase efficiency.

Nineteen foreign banks operate in India. The Bank of Nova Scotia is the only Canadian bank in India. It has a branch operation in Bombay.

Intellectual Property Protection.

Patents: India is not a member of the International Union for the Protection of Intellectual Property. Protection of patents in India is governed by the Patents Act of 1970. All inventions and innovations are protected by this Act. Patents are normally granted for a period of 14 years.

Trademarks: The Trade and Merchandise Marks Act of 1958 applies in this case. Only the first users may register

the trademark. Protection is given for seven years, renewable indefinitely for periods of seven years.

Investment

Foreign Investment Policy. All foreign investment in India must be approved by the government. In accordance with the guidelines of the 1980 Industrial Policy, the major criteria by which foreign investment requests are considered include:

- the capacity of the investment to earn foreign exchange through exports;
- its capability of saving foreign exchange through import substitutions; and
- the extent to which the investment transfers needed technology to India. In this case, special consideration is given in the fields of electronics, telecommunications, power and oil and gas.

Foreign investment is governed by the Foreign Exchange Regulation Act (FERA), which was passed in 1973 primarily to exercise control over the movement of foreign exchange in and out of India as well as to regulate the quantity of foreign investment already in India. Such investment was made at different times in various circumstances, and the government wanted to bring it all within a single, uniform framework. Under the law, foreign investment falls into different categories, but with the exception of banks, airlines and shipping companies which are permitted full foreign ownership on a reciprocal basis for Indian companies operating overseas, most others have to dilute their foreign equity holdings to 40 per cent. It is still possible to keep overall control by having the shares widely distributed to the public. Local capital markets normally respond well to well-promoted and sound projects. Manufacturing and industrial undertakings are permitted a higher foreign equity ownership on the following conditions:

- A company which exports its entire production (100 per cent export-oriented units) or is in a Free Trade Zone can retain up to 100 per cent ownership.
- A company whose operations in priority industries (high technology, energy, exports) cover 75 per cent of its turnover, can retain up to 74 per cent ownership of equity.

All proposals for foreign investment, whether technical or financial, must be submitted on prescribed application

forms to the Secretariat for Industrial Approvals. Applications take about 3 months to process.

Industrial Collaboration. The Indian government currently allows foreign corporations to collaborate with Indian firms in some basic ways:

- straight sales agency agreement;
- licensing of technology with no equity participation by the foreign firm for local manufacture;
- joint-ventures with foreign equity participation (usually no more than 40 per cent foreign ownership) combined with technology transfer; and
- technical collaboration in the form of designs and drawings.

Royalties are normally permitted for a period of seven years (to begin no later than three years after approval of collaboration). Technical know-how fees are permitted as a price of technology transfer. Total remittances cannot exceed six to eight per cent of cumulative net sales over the period of the agreement. "Sales" for this purpose are defined in a particular way. Contact PST for more details.

Repatriation of Capital and Remittance of Funds. Any foreign capital invested in India for industrial projects with the approval of the Indian government can be repatriated from India. Similarly, profits and dividends can be remitted without restrictions, but the transfer of profits is subject to Reserve Bank authorization. The Reserve Bank has been known to allow profits to be transferred even when the amount of tax due was in dispute. If profits are retained for longer than a year, they are looked upon as having been reinvested; transfer would then require special Reserve Bank approval.

Business Organization. In India, a business enterprise may be organized in the form of a sole proprietorship, a partnership, a corporation or a branch office (of a foreign company). A limited company is the most common form of business entity adopted by foreign investors. The Indian government does not favour the establishment of branches of foreign companies. All businesses must be registered with the Registrar of Companies. A company's application must be accompanied by the Memorandum and Articles of Association and a list of directors.

Taxation. Corporate tax rates as of 1986 are given in the table below. It should be noted that, in addition to these rates, a surcharge of 5 per cent is levied (except on items 3A-b and 3B).

Corporate Tax Rates

Class of Company and Nature of Income	Income Tax Rate
1. • Widely held Domestic Companies*	52.5% of total income
• Closely held Domestic Companies	57.75% of total income
2. Domestic Companies:	
A. Industrial Companies	55% of total income (where last 51% is derived from industrial activity, i.e. electricity, manufacturing, mining, etc.)
B. Companies other than Industrial Companies	60% of total income
3. Foreign Companies:	
A. Income received from an Indian concern on account of royalties and technical service fees:	
a) under agreements made before 01-04-1976	50%
b) under agreements made before 31-03-1976	
i) lump sum payments for information, data, drawings, etc.	20%
ii) on the balance, if any, of such income	40%
B. Dividend income	25%
C. Any other income	65%

* A widely held company is a public company whose equity shares are listed in a recognized stock exchange in India or in which there is substantial public sector participation.

With respect to both personal income tax and corporate tax, a double taxation agreement came into force between Canada and India on January 1, 1987. In the agreement,

the rate of withholding tax on dividends is reduced from 25 per cent to 15 per cent if the recipient is a company that owns at least 10 per cent of the shares of the company paying the dividends; however, this reduced rate applies only to dividends paid out of profits from investments made after October 31, 1985. With respect to royalties and fees for technical services, a rate of 30 per cent applies but only for technology transferred under arrangements made after October 31, 1985. A general rate of withholding tax of 15 per cent applies to interest. The agreement also provides for a limited number of exceptions in the case of interest.

It must be stressed that a host of concessions and incentives exist in India which, if used correctly, can reduce a company's tax burden considerably. These incentives include tax holidays for new industrial undertakings or for firms located in India's six Export Processing Zones (EPZ), substantial investment and depreciation allowances, tax concessions for locating in designated backward areas, deductions for scientific research, and concessions for export-oriented companies.

IV. YOUR BUSINESS VISIT TO INDIA

Service of the Canadian High Commission

The Commercial Division of the Canadian High Commission in New Delhi and the Canadian Consulate in Bombay offer a wide range of services to Canadian firms. Trade commissioners seek business opportunities for interested Canadian firms and provide recommendations and advice on matters relating to the selection of agents, local partners, marketing, advertising, and trade and legal problems.

The trade commissioner at the Canadian High Commission in New Delhi or the Canadian Consulate in Bombay, should be advised of your visit to India well in advance of your arrival. The extent to which the firm can be assisted by the trade representatives in India will depend on the information provided concerning the company itself, the purpose of the visit and the contacts previously established in India. Canadian firms should maintain on-going contact with the trade representatives in India concerning future plans.

Business Calls. Although business methods and customs are generally similar to those in Canada, doing business in India is a time-consuming process, which requires staying power and on-going commitment. Flexibility and patience are essential with regard to meeting deadlines and obtaining government licences and permits.

Local business and government representatives prefer to meet and deal with their prospective clients personally. Nonetheless, a local agent is essential to arrange appropriate contacts, ensure compliance with local business practices and facilitate continuing contact in the absence of the Canadian business person.

Follow-up. Follow-up is crucial to successfully doing business in India. Regular correspondence with contacts established while visiting India, as well as with the Canadian High Commission and/or Consulate, is recommended. Moreover, follow-up visits should be planned if there is business potential.

Business Supplies. Recommended business supplies include sales literature, company stationery, samples (where applicable), business cards, and extra passport photos (for visas).

Travelling to India

Visas. All Canadian nationals require a visa to enter India. Entry visas for business persons visiting India are issued for one to three entries and are valid for up to 90 days. To obtain a visa, business persons require a letter from their employer regarding the purpose and duration of their visit to India. Contact the High Commission of India in Ottawa or the Indian Consulates in Toronto and Vancouver for guidance.

Currency. The Indian rupee (Rs.) is divided into 100 paise (p.). In calculations and statements of large sums of money, the following Indian denominations are used:

1 Lakh = 100 000 rupees (written in India as 1,00,000)
1 crore = 10 million rupees (written in India as
1,00,00,000)

On arrival in India, those carrying currency, including traveller's cheques, exceeding US\$1 000 in value must declare the total amount to the customs authorities. There is no limit to the amount one can bring in, but the declaration will help exchange of currency and also reconversion of unspent rupees when leaving India. You are advised to keep all receipts of currency exchange transactions. This proof is needed to exchange leftover rupees when leaving. Foreigners are required to pay hotel bills in foreign exchange. Visitors are not allowed to bring in or take out any Indian currency.

Hotels. Almost all major Indian cities have good hotels. Some Indian hotels are listed among the top 100 hotels in the world. The following is a list of luxury hotels in the country's major business centres:

- New Delhi: Hyatt Regency, Maurya Sheraton, Meridien, Oberoi, Taj Mahal, Taj Palace Intercontinental, Holiday Inn, Ashok Hotel
- Bombay: The Oberoi, The Oberoi Towers, Taj Mahal Intercontinental, The President, Sea Rock Sheraton, Holiday Inn
- Madras: Chola Sheraton, Taj Coromandel, Park Sheraton
- Calcutta: Oberoi Grand, Airport Ashok, Hindustan International, Park Hotel
- Bangalore: Taj Residency, Windsor Manor, Sheraton, Ashok Hotel

Transportation. Air Canada operates four weekly flights linking Toronto and Montreal with Bombay via London. Indian Airlines, the domestic Indian carrier, operates flights to all major cities, including a Bombay/Delhi route, and tourist centres within India as well as some international flights to neighbouring countries. Vayudoot also offers regional domestic flights.

Indian railways operate the largest railway system in Asia. There are four classes of passenger travel, but air-conditioned first-class or non-air-conditioned first-class are recommended for business travellers.

Distances between the main centres are too great for road travel to be convenient, but comfortable chauffeur-driven cars can be hired for business trips and sightseeing around large cities and centres of tourist interest. There is no self-drive service. Traffic drives on the left.

Public transport in towns is usually unsuitable for use by business visitors, but local taxis are available at reasonable rates.

Food. Visitors should be careful about what and where they eat and drink. Avoid unboiled drinking water, ice, salads, or any other uncooked or under-cooked food. Although India offers a variety of exotic fruits and vegetables, it is advisable to eat only those which can be peeled. Food from street vendors should not be eaten; restaurants are the safest eating places.

V. USEFUL ADDRESSES IN CANADA

Asia Pacific South Trade
Development Division
External Affairs and
International Trade
Canada

125 Sussex Drive
Ottawa, Ontario K1A 0G2
Tel: (613) 995-7689

Canadian International
Development Agency
200 Promenade du Portage
Hull, Quebec K1A 0G4
Tel: (613) 997-7901

High Commission of India
10 Springfield Road
Ottawa, Ontario K1M 1C9
Tel: (613) 744-3735

Consulate General of India
2 Bloor Street West
Suite 500
Toronto, Ontario M4W 3E2
Tel: (416) 960-0751/52 or
960-2377

Consulate General of India
325 Howe Street
Vancouver, B.C. V6C 1Z7
Tel: (604) 662-8811

International Trade Centres

If you have never marketed abroad, please contact External Affairs and International Trade Canada's International Trade Centre (ITC) in your province. ITCs are co-located with the offices of Industry, Science and Technology Canada, except for the Northwest Territories and the Yukon.

Alberta

International Trade Centre
Room 540
Canada Place
9702 Jasper Avenue
Edmonton, Alberta
T5J 4C3
Tel: (403) 495-2944
Telex: 037-2762
Fax: (403) 495-4507

International Trade Centre
Suite 1100
510-5th Avenue Southwest
Calgary, Alberta
T2P 3J2
Tel: (403) 292-4575

British Columbia

International Trade Centre
P.O. Box 11610, Suite 900
650 West Georgia Street
Vancouver,
British Columbia
V6B 5H8
Tel: (604) 666-1444
Telex: 045-1191
Fax: (604) 666-8330

Manitoba

International Trade Centre
330 Portage Avenue
Room 608
P.O. Box 981
Winnipeg, Manitoba
R3C 2V2
Tel: (204) 983-8036
Telex: 075-7624
Fax: (204) 983-2187

New Brunswick

International Trade Centre
Assumption Place
770 Main Street
P.O. Box 1210
Moncton, New Brunswick
E1C 8P9
Tel: (506) 857-6452
Telex: 014-2200
Fax: (506) 857-6429
Toll Free: 1-800-332-3801

Newfoundland and Labrador

International Trade Centre
90 O'Leary Avenue
P.O. Box 8950
St. John's, Newfoundland
A1B 3R9
Tel: (709) 772-5511
Telex: 016-4749
Fax: (709) 772-5093

Nova Scotia

International Trade Centre
1496 Lower Water Street
P.O. Box 940, Station M
Halifax, Nova Scotia
B3J 2V9
Tel: (902) 426-7540
Telex: 019-22525
Fax: (902) 426-2624

Ontario

International Trade Centre
Dominion Public Building
4th Floor
1 Front Street West
Toronto, Ontario
M5J 1A4
Tel: (416) 973-5203
Telex: 065-24378
Fax: (416) 973-8714

Prince Edward Island

International Trade Centre
Confederation Court Mall
134 Kent Street, Suite 400
P.O. Box 1115
Charlottetown,
Prince Edward Island
C1A 7M8
Tel: (902) 566-7400/7443
Telex: 014-44129
Fax: (902) 566-7450

Quebec

International Trade Centre
Stock Exchange Tower
Suite 3800
800 Place Victoria
P.O. Box 247
Montreal, Quebec
H4Z 1E8
Tel: (514) 283-8185
Telex: 055-60768
Fax: (514) 283-3302

Saskatchewan

International Trade Centre
6th Floor
105 - 21st Street East
Saskatoon, Saskatchewan
S7K 0B3
Tel: (306) 975-5315/5318
Telex: 074-2742
Fax: (306) 975-5334

Industry, Science and Technology Canada

As noted above, the offices of Industry, Science and Technology Canada are co-located with the International Trade Centres, and are also situated in the following locations.

Business Centre

Industry, Science and
Technology Canada
235 Queen Street
Ottawa, Ontario
K1A 0H5
Tel: (613) 995-5771

Northwest Territories

Industry, Science and
Technology Canada
10th Floor
Precambrian Building
P.O. Bag 6100
Yellowknife,
Northwest Territories
X1A 2R3
Tel: (403) 920-8568
Fax: (403) 873-6228
AES: (403) 920-2618

Yukon

Industry, Science and
Technology Canada
108 Lambert Street
Suite 301
Whitehorse, Yukon
Y1A 1Z2
Tel: (403) 668-4655
Fax: (403) 668-5003

Export Development Corporation

Head Office

151 O'Connor Street
Ottawa, Ontario
Mailing Address:
Export Development
Corporation
P.O. Box 655
Ottawa, Ontario K1P 5T9
Tel: (613) 598-2500
Cable: EXCREDCORP
Telex: 053-4136
Fax: (613) 237-2690

Ontario Region

Export Development
Corporation
Suite 810
National Bank Building
P.O. Box 810
150 York Street
Toronto, Ontario
M5H 3S5
Tel: (416) 364-0135
Fax: (416) 862-1267

Ottawa District Office

151 O'Connor Street
Ottawa, Ontario
Mailing Address:
Export Development
Corporation
P.O. Box 655
Ottawa, Ontario K1P 5T9
Tel: (613) 598-2992
Cable: EXCREDCORP
Telex: 053-4136
Fax: (613) 237-2690

London District Office

Export Development
Corporation
451 Talbot Street,
Suite 303
London, Ontario
N6A 5C9
Tel: (519) 645-5828
Fax: (519) 645-4483

British Columbia and Yukon Region

Export Development
Corporation
Suite 1030,
One Bentall Centre
505 Burrard Street
Vancouver, British Columbia
V7X 1M5
Tel: (604) 688-8658
Fax: (604) 688-3710

Prairie and Northern Region

Export Development
Corporation
Bow Valley Square III
Suite 2140
255 - 5th Avenue S.W.
Calgary, Alberta
T2P 3G6
Tel: (403) 294-0928
Fax: (403) 294-1133

Manitoba/Saskatchewan District Office

Export Development
Corporation
330 Portage Avenue,
Suite 707
Winnipeg, Manitoba
R3C 0C4
Tel: (204) 942-0226
Fax: (204) 983-2187
Toll Free: 1-800-665-7871

Quebec Region

Export Development
Corporation
Suite 2724,
800 Victoria Square
P.O. Box 124
Tour de la Bourse
Postal Station
Montreal, Quebec
H4Z 1C3
Tel: (514) 878-1881
Fax: (514) 878-9891

Business

Canada-India Business
Council
55 Metcalfe Street
Ottawa, Ontario K2P 2J7
Tel: (613) 238-4000

Canadian Chamber of
Commerce
55 Metcalfe Street
Ottawa, Ontario K2J 2J7
Tel: (613) 238-4000

Canadian Export Association
99 Bank Street, Suite 250
Ottawa, Ontario K1B 6B9
Tel: (613) 238-8888

Atlantic Region

Export Development
Corporation
Toronto-Dominion Bank
Building
Suite 1003
1791 Barrington Street
Halifax, Nova Scotia
B3J 3L1
Tel: (902) 429-0426
Fax: (902) 423-0881

Canadian Importers'
Association
60 Harbour Street
Toronto, Ontario M5J 1B7
Tel: (416) 862-0002

Canadian Manufacturers'
Association
1 Yonge Street
Toronto, Ontario M5E 1J9
Tel: (416) 363-7261

Indian Investment Centre
445 Park Avenue
New York, N.Y. 10022
U.S.A.
Tel: (212) 753-3600

VI. USEFUL ADDRESSES IN INDIA

Canadian High Commission
7/8 Shantipath,
Chanakyapuri
New Delhi 110021
Tel: 608161
Telex: 031-72363 (DMCN IN)
Fax: 60-8161 ext: 401

Canadian Consulate
Suite 2401
Hotel Oberoi Towers
Nariman Point
Bombay 400021
Tel: 202-4343
Fax: 204-3282

Ministry of Industry, Trade
and Technology
N-104, Panchshila Park
New Delhi 110017

Air Canada
Hotel Oberoi Towers
Nariman Point
Bombay 400021
Tel: 202-7632/7512

Government Offices

Chief Controller of Imports
and Exports
Ministry of Commerce
Udyog Bhavan
New Delhi 110011

Department of Company
Affairs
Ministry of Law, Justice and
Company Affairs
Shastri Bhavan, "A" Wing
5th Floor
Dr. Rajendra Prasad Road
New Delhi 110011

Development Commissioner
Kandla Free Trade Zone
Gandhidham (Kandla)
Gujarat 370230

Development Commissioner
for Small Scale Industries
5th Floor, Nirman Bhavan
New Delhi 110011

Department of Electronics
Lok Nayak Bhavan
Khan Market
New Delhi 110003

Ministry of Energy
Sharam Shakti Bhavan
New Delhi 110001

Ministry of External Affairs
South Block
New Delhi 110011

Ministry of Finance
North Block
New Delhi 110001

Ministry of Industry
Udyog Bhavan
New Delhi 110011

Indian Investment Centre
Jeevan Vihar Building
Sansad Marg, 4th Floor
New Delhi 11001
Tel: 352535

Directorate General of
Technical Development
Ministry of Industry
Udyog Bhavan
New Delhi 110011

Secretariat of Industrial
Approvals
Department of Industrial
Development
Ministry of Industry
Udyog Bhavan
New Delhi 110011

Trade Development
Authority
Bank of Baroda Building
16 Parliament Street
New Delhi 110001

Ministry of Agriculture and
Irrigation
Krishi Bhavan
Dr. Rajendra Prasad Road
New Delhi 110001

Ministry of Commerce
Udyog Bhavan
New Delhi 110011

Ministry of Communications
Sanchar Bhavan
Ashok Road
New Delhi 110001

Ministry of Law, Justice and
Company Affairs
Shastri Bhavan
New Delhi 110001

Ministry of Petroleum
and Natural Gas
Shastri Bhavan
Dr. Rajendra Prasad Road
New Delhi 110001

Planning Commission
Yojana Bhavan
Parliament Street
New Delhi 110001

Ministry of Surface
Transport
Transport Bhavan
Parliament Street
New Delhi 110001

Ministry of Steel and Mines
Udyog Bhavan
New Delhi 110011

Ministry of Tourism
Parrvakan Bhavan
Parliament Street
New Delhi 110001

Ministry of Civil Aviation
Sardan Patel Bhavan
Parliament Street
New Delhi, 110001

Financial

Bank of Nova Scotia
Ground Floor
Mittal Tower, "B" Wing
Nariman Point
Bombay, 400021

Export-Import Bank of India
Mittal Court
"B" Wing, 2nd Floor
224 Nariman Point
P.B. 19969
Bombay 400021

Industrial Credit and
Investment Corporation of
India Ltd.
63, Backbay Reclamation
Bombay 400020

Industrial Development
Bank of India
Jolly Maker Chambers No. 1
Plot No. 227, Nariman Point
P.B. No. 10020
Bombay 400021

Industrial Finance Corp.
of India
Bank of Baroda Building
16, Sansad Marg
P.B. No. 363
New Delhi 110001

Reserve Bank of India
Exchange Control
Department
Central Office
Foreign Accounts/
Companies Div.
Bombay 400001

State Bank of India
Main Branch
Bombay Samachal Marg
P.O. 1313
Bombay 400001

Business

Associated Chambers of
Commerce and Industry
Allahabad Bank Building
17 Parliament Street
New Delhi 110001

Bombay Chamber of
Commerce and Industry
Mackinnon Mackenzie
Building
Ballard Estate
Bombay 400001

Confederation of
Engineering Industry
23, 26 Institutional Area
Lodi Road
New Delhi 110003

Federation of Indian
Chambers of Commerce
and Industry
Federation House
Tansen Marg
New Delhi 110001

Indian Chamber of
Commerce
India Exchange
India Exchange Place
Calcutta 700001

India Merchants' Chamber
76 Veer Nariman Road
Churchgate
Bombay 400020

Madras Chamber of
Commerce and Industry
Hindustan Chamber Building
4 Kasturi Ranga Road
Madras 600018

Minerals and Metals Trading
Corporation of India Ltd.
Express Building
Bahadur Shah Zafar Marg
New Delhi 110002

Project and Equipment
Corporation of India Ltd.
Chandralok
36 Janpath
New Delhi 110001

State Trading Corporation of
India Ltd.
Chandralok
36 Janpath
New Delhi 110001

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