INDIA

By:

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1. What are the rough dimensions of the country in miles?
   The total area is 1,269,888 square miles, slightly more than 1/3 of the size of the U.S.

2. What is the population? What percentage live in the 3 largest cities?
   The total population is estimated 1,029,991,145 by June 2001. Mumbai, Calcutta, and Delhi are the three largest cities of India. They have over 10 million residents each. So the percentage of population in the 3 largest cities is more than 3%.

3. What is the predominant language? How widely used is English in business?
   English enjoys associate status but is the most important language for national, political, and commercial communication. Hindi is the national language and primary tongue of 30% of the people. The Indian constitution recognizes, for now, 18 official Indian languages.

4. In the last three years have there been any instances of political instability?
   No. Fundamental concerns in India include the ongoing dispute with Pakistan over Kashmir, massive overpopulation, environmental degradation, extensive poverty, and ethnic strife.

5. What is the currency? What is the exchange rate to US dollars? How has it changed in the past two years?
   Indian rupee (INR)
   $ 1 = INR 48.7 (Feb 27\textsuperscript{th}, 2002)
   Feb 27\textsuperscript{th}, 2001: $ 1 = INR 46.5
   May 30\textsuperscript{th}, 2000: $ 1 = INR 44.6

6. What time zones exist in this country? What time is it in the capital when it is noon in Cambridge, MA?
   New Delhi: GMT +5:30
   When it is noon (12pm) in Cambridge, MA,
   1) from April to October (daylight saving), it is 9:30pm in New Delhi.
   2) from November to March, it is 10:30pm in New Delhi.

7. What unique requirements exist for products sold in this country? (e.g. testing, packaging, language, safety, etc.)
   Import of goods into and export goods out of India is governed by the export-import policy (“EXIM policy”). EXIM policy is framed every five years. However, changes are made through annual revisions in the policy and notifications issued from time to time. India’s current five-year trade policy (EXIM policy—April 1st 1997-March 31st 2002) has greatly liberalized imports and exports.
   Over the past few years there has been a steady liberalization of import and export regulations in India. Many quantitative restrictions, licensing and discretionary controls over imports and exports have been replaced through deregulation, procedural simplification and protection through tariffs and exchange rates. The item wise export and import policy is contained in the ITC (HS) classifications of export and import item classifications published and notified by the Director General of Foreign Trade.
   In line with its WTO obligations, EXIM policy 1997-2002 has significantly reduced trade restrictions and liberalized imports. Accordingly, the importation of a large number of agricultural, textile and consumer products, liquor, cars and food products no longer requires a license. However, the non-tariff barriers on certain sensitive items have been imposed.

8. What regulations or limitations exist regarding freight transport?
   There is no quantitative restriction on imports after March 31\textsuperscript{st}, 2001, but there is a central value-added tax of 16% in addition to some custom duties such as 70% for agricultural commodities, 75% for crude edible oils, and so on.
There is also no restriction for all goods on exports except for 32 categories of items such as skins, minerals, and so on. For exports of the prohibited items, a trader needs to have a registration and membership certificate from the relevant export-promotion council.

9. Are there saltwater ports which can handle large ships? How far are the major population centers from those ports?

As shown below, India has 12 major ports, five on the east coast and seven on the west. Three largest of them (Bombay, Madras, and Calcutta) are located within the major population centers.

10. What business terms and financial instruments are typically used for import commercial transactions?

For import commercial transactions, tariffs are ad valorem with some exceptions. Total duties on imports consist of basic duty (0-35%) and additional or countervailing duties which link the import’s tax burden with India’s substantial internal excise duties. These rates are obtained from the Central Board of Excise and Customs (CBEC) within the Ministry of Finance’s Department of Revenue.

11. How large is a typical supermarket or retail food store (square feet or meters)?

Large supermarkets (by American standards) do not exist in India. Most food sales take place at open-air markets. Although there is an increasing interest from a number of large corporate houses — Tata’s, Raheja’s, Piramals’s, Goenka’s. The prohibitive cost of land is a major roadblock to large-scale retailing. The South Extension market in New Delhi commands a rental of Rs 150 per sq ft. A 10,000 sq ft store will therefore command a rental of Rs 1,50,000 a month.

12. Do any of the large US discount retailers (Wal-Mart, K-Mart, Toys ‘R Us) have stores in this country?

Few large discount retailers have penetrated the Indian marketplace. However, local companies like S Kumars Group are getting into retail business by replicating the Wal-Mart style. Large format family stores called S-Maart are scheduled to come up in 12 cities in the next 18 months. The first such hypermarket of over 50,000 sq feet area is coming up in Mumbai in Worli.
Toys-R-Us, the $11.9 bn international chain with over 1500 outlets around the world is set to launch its stores in India. Although the proposal is still with the Foreign Investment Public Bureau, and may come with a fully owned subsidiary. Al-Futtaim Sons & Co of Dubai, a leading business group has the master franchise rights from the American parent company.

Although retailers face hurdles like expensive real estate, there is some offsetting logistical costs—considering that some major U.S. retailers like the Gap and Wal-Mart source over 20% of their products from India. ***

13. Describe the highway and rail infrastructure. Are the: extensive, moderate, or primitive nationwide?

India’s railways are in many ways impressive, with the world’s most extensive rail network at 62,800 km and 1.6 m staff. However, passenger traffic is heavily subsidized by higher charges for moving freight, increasingly forcing freight onto the roads. Railway safety has also become an issue of concern after frequent deadly accidents. In a bid to raise revenue, private-sector participation in India’s railways is now being encouraged. Public-private projects to connect railways to local ports have also been introduced, as well as joint ventures between state and central governments.

India has a poor road network (3 m km of roadway) but most is badly maintained and highly congested. There are national initiatives to expand more than 13,000 km of highway to 4 to 6 lanes in two key areas: between India’s four metro centers and in the north-south and east-west corridors. The first phase is due to be completed by 2003 and the second by 2007.*

14. How bad is the traffic congestion in the major cities?

National highways cover only 57,700 km and carry around 45% of total road transport. (e.g. heavily congested.)*

15. Which countries are the primary trading partners? For each partner, in which direction is the balance of trade (import or export)?
16. Is security an issue in logistics? Why?

Indian security has become of greater importance since the attack on 9/11 and additionally the attacks on the Indian Parliament in subsequent months. The increasing tensions between India and Pakistan have led to a considerable tightening of the borders along those countries as well as increased scrutiny of potential terror weapons exported through those countries.
17. How reliable is the phone system? How long for a consumer to get a phone line installed? How extensive is the mobile phone network?

India has the sixth-largest fixed services telephone network in the world, with an estimated 35.3 Million fixed lines at end-2001. However, cellular subscriptions aggregated only 5.5 million at end-2001. Total telephone connections are expected to increase from 36.3 million at end-March 2001 to 46.1 million at end-March 2002. Fixed line installations increased at 22.6% during FY2001 to 32.7 Million at end-March 2001, and are expected to increase 22% during FY2002 to 39.9 million by end-March 2002. Cellular subscriptions increased 90% during FY2001 to 3.6 million at end-March 2001, and are expected to increase 75% during FY2002 to an estimated 6.2 million by end-March 2002. Additional cellular subscriptions are expected to account for 27% of additional telephone connections during FY2002, as compared with 22% during FY2001. Cellular subscriptions are expected to account for 13.5% of telephone connections at end-March 2002, as compared with 9.9% at end-March 2001. The provision of telecommunications services is limited to a small minority of the population. As of end-2001, telephone penetration in India was 3.9, as compared with 24 in China. As of end-2001, an estimated 30% of the 607,491 villages still did not have access to a Village Public Telephone (VPT). Telephone penetration is expected to increase to 4.4 by end-March 2002. Further, all villages are expected to have access to a VPT by end-March 2002.

The process of consolidation among the private operators of cellular services gathered momentum in 1999/2000 and has continued since. Hutchison, based in Hong Kong, in 2000 acquired controlling stakes in the companies operating the licenses in Mumbai (Max Hutchison), Delhi (Sterling Cellular), Kolkata, (Usha Martin) and Gujarat (Fascel). The Bharti Group acquired stakes in JT Mobiles, operator of cellular services in Andhra Pradesh and Karnatak in 2000. Bharti bought Spice Cell, which operates cellular services in Kolkata in July 2001. Birla, AT&T and Tata Communications merged their operations in 2000 into a single entity, renamed Batata. The BPL group then merged its cellular operations on June 28th 2001 in Mumbai, Tamil Nadu and Kerala with Batata to form India’s largest cellular company. Thus, the cellular telephone industry has consolidated from around 22 players to four large players—Hutchison, Bharti, Reliance and the BPL-Batata Company. The government completed the bidding process for a fourth set of cellular operators in 17 circles and four metro cities in July 2001. Five private cellular companies (Bharti Cellular, Reliable Internet, Escorts Telecoms, Birla AT&T, and Barakhamba Sales and Services) paid Rs3.27bn to the government, which is 20% of the total bid amount for the fourth cellular slot. The government will earn Rs16.33bn from this round. Licenses will be issued for 20 years, renewable for another ten.

18. How many people have Internet access?

According to a survey by the National Association of Software and Service Companies (NASSCOM), the total volume of e-commerce transactions in India rose from Rs4.5bn in 1999/2000 to an estimated Rs23bn–25bn in 2000/01 and is projected to rise to Rs400bn by 2003/04. The study estimated that during 2000/01 the electronic-retail segment earned only Rs500m–600m, whereas online share trading transactions were worth Rs12bn. A study by the Confederation of Indian Indus-try and the International Trade Centre released in May 2001 predicts that e-commerce activity in India will rise from Rs4.5bn in 2000 to Rs252bn in 2005, of which the business-to-business (B2B) segment will account for Rs232.8bn. Both studies expect that B2B transactions will dominate and be the primary growth engines over the next 3–5 years. The low personal computer (PC) and Internet base, telecoms infrastructure, lack of security and high access costs are the major hurdles for a thriving e-commerce sector. India had only five PCs per 1,000 persons at the start of 2001 and around 1.12m Internet subscribers in March 2001. NASS-COM projects these to grow to 10m subscribers—and 30m Internet users—by 2003.

19. What is the price of regular gasoline, $ per gallon?

$2.26 per gallon
20. What trade restrictions exist? What are the highest import duties – which products and countries of origin? What embargoes exist, if any?

India’s basic trade law, the Foreign Trade Development and Regulation Act of 1992, empowers the government to prohibit, restrict or otherwise regulate imports or exports. The trade policy formulated under this act is published in two parts—the policy itself and a handbook of procedures. Until March 31st 2001 India had five import lists:

• An open general list of freely importable items that do not require import licenses and may be freely imported by any individual or entity.
• A restricted list of 715 items on which quantitative restrictions (QRs) applied.
• A special import license (SIL) list of 241 items from the restricted list. Exporters were entitled to SILs against their exports and could use these to import goods or sell or trade these SILs.
• A canalized list of items that were reserved for import by state trading agencies.
• A prohibited list of items that may not be imported. This includes only three items—animal tallow, fat and/or oils; animal rennet; and wild animals, including their parts, products and ivory. However, the Ministry of Commerce eliminated the restricted list on March 31st 2001, moving all 715 items to the open general list, under India’s commitments to the World Trade Organization. These were the last items subject to QRs, since India had phased out all others in past years. The freed items included 342 textile products, 147 agricultural products including alcoholic beverages, and 226 other manufactured products. Nevertheless, the Commerce Ministry also announced some safeguards. A panel headed by the commerce secretary was set up to monitor imports of 300 sensitive items, including cars, utility vehicles, fruit, vegetables, coffee, tea and dairy products. India can still use duties to curb some imports; for example, the policy also imposed a duty of 180% on the import of second-hand cars and more than 150% on imported liquor. To protect consumers from sub-standard imports, the government has directed that 131 imported products must comply with the mandatory quality standards applicable to domestic products and register themselves with the Bureau of Indian Standards for this purpose. The list includes food preservatives and additives, milk powder, infant milk food, household and similar electrical appliances. The government also requires all imported packaged commodities to comply with the Standards of Weights and Measures (Packaged) Commodities Order as applicable to domestic products. With the lifting of quantitative restrictions, both special import licenses and the restricted list were abolished. At the same time, the canalized list was renamed the special list and only the import of rice, wheat, maize, petrol and urea has been put on it. These items may be imported only by specified public-sector agencies, such as petroleum products (to be imported only by Indian Oil Corp) and cereals (by Food Corp of India). Sugar was de-canalised in 1997, but the government can still regulate export quantities by invoking the provisions of the Essential Commodities Act. Foreign exchange for imports must be obtained from authorized foreign-exchange dealers at market rates. According to the Export Import Policy (1997–2002), importing second-hand goods is restricted and requires an import license. The Inter-Ministerial Licensing Committee grants licenses based on the following guidelines: (1) imports of capital goods not older than five years are normally allowed automatically; (2) imports of capital goods older than five years but younger than ten years will be allowed after considering the comparative advantage against new goods; and (3) imports of capital goods older than ten years will normally not be allowed except for infrastructure and core-sector industries.

India has removed prohibitions on trade with South Africa except for military equipment and petroleum products; trade with Serbia and Montenegro was resumed after the United Nations embargo was lifted. Trade is still prohibited with Fiji, however (because of that government’s discrimination against Fiji’s large ethnic-Indian population). India’s legislative and administrative procedures on customs valuation are consistent with the WTO customs-valuation code. Customs tariffs are levied on the value of imports. The importer must furnish an import declaration in the prescribed bill-of-entry format, disclosing full and accurate details of the value of imported goods. This must be accompanied by any import licenses and documentation such as sales invoices, freight and insurance certificates.

The Customs Act of 1975 gives the government authority to introduce or increase duties on exports. The only products now subject to an export tax (at the rate of 10%) are goat, sheep and bovine leathers. Products may also be subject to a minimum export price. The list of products subject to
minimum prices includes basmati and non-basmati rice, cot-ton, and hard and soft cotton waste. Most mini-mum export prices are specified in dollars on an fob basis.

The 2000 Export Import Policy announced the creation of special economic zones (SEZs) based on the Chinese model. These grant 100%-foreign-equity rights to investors that promote exports. Any state government or corporate entity can propose such zones; essentially duty-free enclaves treated as foreign territory for the purpose of trade operations. Existing export-processing zones (EPZs) in Mumbai, Cochin and Kandla and a private EPZ in Surat were converted into SEZs on November 1st 2000. By October 2001 the government had approved the establishment of ten new SEZs at Nan-guni in Tamil Nadu, Positra in Gujarat, Bhado-hi and Kanpur in Uttar Pradesh, Kulpi in West Bengal, Paradeep and Gopalpur in Orissa, Dronagiri in Maharashtra, Kakinada in Hyderbad and Indore in Madhya Pradesh. The units in these zones will have full flexibility of operations.

The present trade policy (effective April 1997–March 2002) allows for the free export of all goods except for 32 categories of items subject to export licenses (for example, hides and skins, minerals and vegetable oils), ten items banned for export (for example, wild flora and fauna, tropical wood and wood products, and beef) and several items exportable only by specific agencies (Indian Oil, for petroleum and petroleum products; Minerals and Metals Trading Corp, for mica, mica waste, iron ore, bauxite and manganese ore; National Dairy Development Board, for certain seeds; Indian Rare Earths, for thorium ore and rare earths; and the Agricultural Co-operative Marketing Federation of India, for onions).

21. What customs documents are required for an import shipment? For export?
   “The procedures and documentation required for both imports and exports is fairly complex, with many application forms to be completed and certificates to be furnished, depending on the scheme or product category. These are listed in a handbook of trade procedures published by the Ministry of Commerce. Trade policy is subjected to numerous abuses. Many of these involve over-invoicing exports or under-invoicing imports to evade import duties or obtain incentives.”

22. How common is “bribery” (US definition) in trade transactions? (normal, infrequent, very rare).
   What are the legal ramifications?
   Bribery is normal; much of it is overlooked. In a minority of cases a person will be prosecuted for bribery, in which case they can serve jail time if found guilty.

23. How strong are the unions? In what industries are they an important factor? Are they predominantly national or local? What impact do they have on logistics?
   Unions are strong, though they account for only 3% of the workforce. Unions are important in almost every single industry. There are unions for teachers, taxicab drivers, mill workers, etc.
   Unions operate on the local level, with affiliations with national organizations. Unions frequently call strikes on a local level, which has an immense impact on logistics.

**Web article: http://www.business-standard.com/
***Web article: http://www.ifc.org/funds/pdfs/
****The Economist Intelligence Unit, “Country Commerce India” released November 2001