

DOING BUSINESS IN INDIA

2. Market Challenges

Infrastructure

Problems with the country's roads, railroads, ports, airports, education, power grids, and telecommunications infrastructure are significant obstacles as the nation strives to achieve its full economic potential. India's ongoing urbanization, together with rising incomes, has resulted in a heightened need for improved infrastructure, both to deliver public services and to sustain economic growth. India has devoted significant portions of its recent annual budgets towards infrastructure development and plans to execute this infrastructure enhancement largely through its home-grown Public-Private Partnership (PPP) model. U.S. companies have been successful in certain areas of India's infrastructure development, but competition from other countries remains stiff. As a result, U.S. industry's market share in India in this sector has been declining.

Unfortunately, the current PPP model has had a mixed record, slowing the development of numerous metro transit, road/highways, airport, mining and energy projects. One of the main shortcomings of the PPP model is that it assigns too much risk to the private sector. As a result, a government-sponsored committee has made recommendations on ways to improve the model with a view to establishing a more equitable risk sharing arrangement. Some of the recommendations of the committee such as kick-starting delayed projects have been implemented. At the same time, the government has yet to act on other key recommendations, including: setting up a dedicated institute for PPPs, establishing proper risk-sharing measures, proposing independent regulations for key sectors, and enhancing private investment protection for infrastructure projects.

High Tariffs and Protectionist Policies

U.S. exporters and investors face non-transparent and often unpredictable regulatory and tariff regimes. Many U.S. services have limited access to the market. India has the highest average applied tariff of any G20 country and among the highest bound tariff rates in the World Trade Organization. The list of significant trade barriers includes: restrictions on the sale of medical devices, prohibitive tariffs on information technology products and motorcycles, onerous product testing regulations, and restrictions on many U.S. agricultural imports.

Local Content Requirements

The Indian government is pursuing local content requirements in specific areas including information and communications technologies (ICT), electronics, and solar energy to spur an increase in the manufacturing sector's contribution to India's Gross Domestic Product (GDP). These policies negatively affect U.S. exporters.

India drafted a policy expressing preference for domestically-manufactured telecommunications and ICT products in government procurement, citing security concerns. In addition, all telecom and ICT product purchases by the government that have security implications must be notified to the Department of Telecommunications.

All imported ICT equipment requires mandatory licensing and certification from accredited labs in India. This regulation has not been fully enforced due to the limited capacity of Indian testing labs.

Food Product Approval

Importers must seek formal product approval for any foods or food products that have not been standardized from the Product Approval Division of the Food Safety and Standards Authority of India (FSSAI). These products have been termed by FSSAI as ‘non-specified food and food ingredients.’ The various categories of food products covered under this category are:

- Novel foods or foods containing novel ingredients which do not have a history of human consumption in India;
- Food ingredients that have a history of human consumption in India, but are not specified under and preexisting regulations under the Food Safety Act, 2006.
 - New additives and processing aids; and
 - Foods manufactured or processed using novel technology.

All procedures and formats are available at the FSSAI web-site at <http://www.fssai.gov.in/>

Powers of States

U.S. companies face varying business and economic conditions across India’s 29 states and 7 union territories. As a federal system, much power and decision-making are decentralized in India, with differences at the state level in political leadership, quality of governance, regulations, taxation, labor relations, and education levels. U.S. firms should factor these state variations into their national business strategies.

The current government has promoted the idea of “cooperative, competitive federalism,” encouraging states to compete against each other to attract investment.

The Ministry of Commerce and Industry’s Department of Industrial Policy and Promotion (DIPP) maintains an “Ease of Doing Business” state-by-state ranking at <http://eodb.dipp.gov.in/>

If you fail to plan, you are planning to fail.

Setting up a business in India has been liberalised over the years, still it requires company formation, approvals if required, legal compliances and registration with various authorities. We provide our clients Business Setup Solution based on “turnkey” methodology which takes care of approvals, legal compliances, registrations with authorities etc. to provide a ready to operate business setup in shortest possible time frame. mail@farhataas.com for more information.

Start with good plans. Start with us.

THANK YOU

We hope to work with you in the future

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