### Investment

Extensive reforms were introduced in India in 1991 to liberalize foreign investment and simplify the approval process. Prior to that time, companies could enter India only if they brought technology with them. Although investors still face certain restrictions, the number of sectors that do not require approvals, or for which approval limits have been raised, has been regularly growing rapidly in recent years. Total FDI inflows into India have increased dramatically from less than $300 million in 1992-1993 to more than $4.2 billion in 1997-1998. Canadian direct investment in India is still modest, but increased to $226 million in 1998 from $119 million in 1997.

According to the current policy, foreign investment can be approved either through the automatic route or by the Government. Companies proposing FDI under the automatic route do not require any government approval. As of December 1999, there are three sectors eligible for automatic approval of up to 50 percent foreign equity participation, 21 sectors automatically allowing up to 51 percent foreign equity and nine sectors allowing up to 74 percent foreign equity. In addition, foreign equity of up to 100 percent is given automatic approval in the following sectors: electricity generation, transmission and distribution; and, construction and maintenance of roads, highways, vehicular bridges, toll roads, vehicular tunnels, ports and harbours. These rules are being constantly reviewed, and more changes, favouring higher levels of foreign investment in more and more sectors, are likely in the short to medium term. Foreign equity participation in the sectors not identified above, as well as for sectors eligible for automatic approval but where foreign equity caps are exceeded, will require the approval of the Foreign Investment Promotion Board. A number of other measures have been implemented to facilitate inward investment, including liberalized foreign exchange requirements and administrative procedures, simplified procedures for non-automatic FDI approvals and opening up of FDI in the non-banking financial services sector to include credit card business.

Non-resident Indians and overseas corporate bodies with majority non-resident Indian ownership may hold 100-percent ownership in all industries except those reserved for the public sectors (e.g. defence industries, atomic energy, railway transport, coal and lignite). The current investment policy requires no local content for new and existing investment. However, in some consumer goods industries (e.g. automobiles) the Indian government requires the signing of a MOU by the concerned foreign party to ensure net inflow of foreign exchange. Foreign equity must cover the foreign exchange requirement for imported capital equipment.

In November 1997, India announced specific rules applicable to all new foreign automobile investment in India. Under the policy, new and existing joint-venture companies seeking to import unassembled kits and automotive components must sign a standardized MOU with the Indian government with several requirements relating to minimum equity investment, local-content requirements, export obligations and foreign exchange balancing. Prior to this policy, investors in the auto sector were required to conclude MOUs on a case-by-case basis.

Negotiations between Canada and India on a FIPA are continuing.

## SOUTHEAST ASIA

The Asian financial crisis has had a significant impact on all ten economies of Southeast Asia, and will affect our trading relationship in the short to medium term. As a grouping, in 1999, Southeast Asia accounted for $1.91 billion of Canadian merchandise exports (a 4.6 percent decrease from 1998) and $6.96 billion of imports (a 6.4 percent increase). The Asian Free Trade Agreement (AFTA) is evolving slowly and will eventually offer new opportunities in the region. Our goal is to position Canadian business for the economic revival of a highly competitive Southeast Asia over the next two to four years. The ten countries of Southeast Asia are Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam, Brunei, Burma (Myanmar), Cambodia and Laos.