

Export Working Capital - One of the primary requirements of small and medium-sized enterprise exporters is access to working capital to enable them to maximize their export potential in India.

Market Knowledge - The lack of knowledge about export and investment financing options is also a roadblock for Canadian business. Canadian firms are sometimes unaware that financing support or assistance is necessary for a government bid to be considered viable.

Credit Competition - Major Indian contracts are often won and lost on credit terms. Canadian firms do not have the access to concessional financing, unlike many of their competitors. Therefore, they are not on a level playing field with other nations.

Infrastructure Investment Requirements - India's infrastructure is in need of extensive modernizing. Many of these projects are self-financing and do not come with sovereign guarantees. Projects must therefore be assessed on their commercial viability. On their own, few Canadian firms can finance 20-year billion dollar infrastructure investments as required in many cases in India. The Canadian government is no longer in a position to assist in such mega-projects. The foreign competition, particularly from the EU, are utilizing consortia in India.

Perceived Investment Risk - Private sector involvement in Indian infrastructure projects has increased dramatically over the past few years, but many potential Canadian investors have concerns about political risk. They fear expropriation and adverse policy changes or are concerned about their long-term ability to repatriate profits. Public sector investment insurers worldwide have experienced a surge in applications from potential private investors in infrastructure projects eager to reduce some of the long-term political risks.

International Financial Institutions - Canada has a poor record in winning IFI projects in relation to our contributions to these organizations. Canadian industry is not properly equipped to successfully bid on many projects and is losing tenders despite technological superiority. Also, as IFI projects are usually awarded by the host country, irregularities in the Indian evaluation procedures are a concern. As India is still a major recipient of IFI funds, Canada could improve its access to the Indian market through IFI-sponsored projects.

VII. Political and Economic Risk

India is a country in political and economic transition from an inward-looking society and economy based on import substitution, to a modern more open society with a free-market orientation. This transition involves uncertainties and imponderables. This inevitably results in apprehension about the market, especially regarding a country as large and diverse as India.