

EXECUTIVE SUMMARY

Focus India is the launching point of a Canadian economic and trade development strategy for India. Based on extensive consultation among the federal government, the provinces and the private sector, this paper identifies the key challenges and opportunities for Canadian business in India. In particular, it emphasizes the need for a co-ordinated approach to business development in India so that Canadian companies can successfully penetrate and take full advantage of the opportunities that this emerging market presents.

More specifically, Focus India provides an analysis of the Canada-India business environment influencing Canada's business development strategy. It assesses market potential with emphasis on those sectors where Canadian capabilities and opportunities in the Indian market complement each other. Focus India also evaluates economic and trade issues affecting Canadian business development in India and those tools, mechanisms and initiatives that can help Canadian business achieve a leading edge.

The analysis of the Canada-India environment reveals that India will become an increasingly important market for Canadian business. There are no untapped markets to rival India's size; and, since 1991, India has undertaken significant economic reforms to liberalize both trade and investment. These economic reforms and the privatization of state entities have created opportunities in areas of Canadian sectoral expertise. Other factors facilitate doing business in India and make it an attractive market. English is the language of business. India is a democracy with well-established judicial, banking and distribution systems. And, India has a highly skilled workforce. Although there are some indications that Canadian business—including small and medium-sized enterprises (SMEs)—is taking a fresh look at the Indian market, Canada and India have not realized the full potential of their commercial relationship.

A number of issues are having an impact on Canadian economic and trade development in India. There is a lack of awareness both in Canada and India of one another. In Canada, India's business potential is not fully appreciated. While there are some distinct market characteristics that may seem overwhelmingly difficult at first, Canadian business must look beyond its first impressions. Equally, if not more important, there is also a lack of awareness in India of Canadian competitive strengths. Canada is not recognized as a major economic partner or a supplier of quality goods, services and technology. As a result, there is a risk that many of Canada's competitors which have placed a higher priority on India both politically and commercially will have greater success in this market.

The complexity of the Indian business environment also affects potential Canadian success in India. Bureaucratic bottlenecks, conflicting or vague policies and guidelines, infrastructure problems, the importance of connections and cultural differences make India a difficult market to penetrate. While economic reforms have reduced tariffs and made investment approval easier, a number of barriers still exist which hinder access to this market. Import policies remain complex, government