

Total Canada-India merchandise trade for 2001 reached \$1.7 billion, with a balance of \$530 million in India's favour.

FDI is allowed in all areas, except a limited number of sensitive sectors (e.g. atomic energy, railways). FDI ceilings and approval process have been progressively relaxed, so that a large majority of sectors are now open to 100% foreign equity, via the automatic approval route. In a diminishing number of sectors, such as insurance (26%), defence (26%) and banking (49%), ceilings on FDI remain, and, in certain cases, approval has to be obtained from the Foreign Investment Promotion Board under the Ministry of Commerce and Industry. Canadian investment in India is relatively modest compared with that of other major industrialized countries, with approved direct investment of \$257 million in 1999, while Indian investments in Canada for the same period were a mere \$12 million. However, the recent opening of several Information Technology and Research and Development centres in Canada may attract additional Indian investment in Canada. The growing Canada-India bilateral trade and investment ties have been facilitated by a number of organized business associations, most notably the Confederation of Indian Industry (CII) and the Canada-India Business Council (C-IBC).

India constitutes a massive market for almost any goods, services and technologies. It offers significant opportunities for trade and investment, particularly in areas of traditional Canadian strengths. These include telecommunications, transportation, agriculture and agri-food, power equipment and engineering, infrastructure development, oil and gas, mining and environmental technology.

Market Access Results in 2001

■ Under an agreement announced in January 2000, quantitative restrictions (QRs) and import-licensing requirements have been lifted on 1429 agriculture, textile and consumer products. This was done in two steps, with quantitative restrictions on 714 tariff lines eliminated in April 2000, and the remainder phased out in April 2001. Although tariffs did increase as a result of the removal of the quantitative restrictions, India has agreed to a scheduled reduction of these tariffs. Exports of Canadian goods and services, will therefore, become more competitive in the Indian domestic market, as tariffs are reduced.

Canada's Market Access Priorities for 2002

- Press India to respect its WTO Information Technology Agreement commitments, particularly for telecommunications equipment.
- Ensure that restrictions on the import of bovine semen from Canada to India are eased.
- Continue to assist India in reforming its telecommunications policies and regulations.

Telecommunications

India's information technology and telecommunications (ICT) sector is wide open to change, with a healthy annual growth rate of 40% projected. India has taken a major step by announcing several policy initiatives to make it more ICT-enabled, including for example the opening of National Long Distance Operations (NLDO) in telecommunications. The Union government will reduce customs and excise duty on the import of every kind of IT hardware, and states will not levy taxes on e-commerce for a period of three to five years. Internet service providers have been allowed to uplink directly to foreign satellites on both K_u and C bands to connect their gateways to overseas backbones, and third-generation licences have been auctioned in order to increase FDI into the country.

The Indian IT sector alone is expected to generate US\$70 billion in revenue within the next 10 years.

A number of IT areas are ripe for exploration in India, including Internet applications and services, telecoms software, banking and insurance, multimedia and animation, distance education and tele-health, IT-enabled services, and wireless communications technologies. Canada, being one of the most "connected" countries in the world and a leader in the Internet economy, is well-positioned for the emergence of e-commerce in India, where a newly created Ministry of Information Technology has sole responsibility for e-commerce.

A delegation of 35 IT companies and government representatives from India attended *Softworld* in Halifax in October 2000, indicating an awareness of Canadian expertise in this sector.

Power

India's power sector promises to be one of the fastest-growing in the world, experiencing annual growth rates in the range of 9% to 10%. India's Ministry of