

E. ECONOMIC DEVELOPMENT AND TRADE ISSUES

I. Introduction

This section identifies and evaluates a number of issues which are impeding Canadian trade and investment development in India. Obstacles to Canadian companies achieving their full potential include a lack of market awareness, a failure to understand the complexity of the Indian business environment, current limits on market accessibility, restricted financing, and political and economic risks.

II. Developmental Setting

The economic development strategy for India must take into consideration the 300 million people living below the poverty line. The Government of India has provided significant resources for food, health and basic education to the most disadvantaged. Hence, the late 1980s and early 1990s have seen a proportional decrease in the level of poverty. Through the Canadian International Development Agency, Canada has supported government and non-government organizations in their efforts by funding projects in agriculture, rural development, social and human infrastructure and the provision of goods and services to the energy and transport sectors.

India's development strategy has shifted in the past ten years. Through a series of economic policy reforms, the Indian economy has become increasingly outward looking which has encouraged the private sector to play a greater role in development. While a large portion of the CIDA program is directed at poverty reduction, the importance of Indian private sector economic growth has also been acknowledged. Thus, the CIDA program has become more involved in encouraging Indo-Canadian joint ventures. It is also working with key institutions and policy-makers to improve the environment for private sector development in India. This is the CIDA component of the Focus India strategy.

III. Market Awareness

Canada's trade interests in India are being hindered primarily by a lack of market awareness on two fronts: in Canada, India's market potential is relatively unknown; and, in India, Canada is not seen as a major economic partner.

1. Awareness of India in Canada

To date, India has not had a high political or economic profile in Canada. Canadians have been slow to recognize that India now offers tremendous business opportunities. Canadian companies, particularly small and medium-sized