

1. Introduction

With a rapidly expanding middle-class estimated between 200 and 250 million people, India has the largest consumer market in the world. Significant economic reforms liberalizing trade and investment, growing consumer demand, as well as the use of English for business purposes may attract Canadian businesses to the Indian market.

Despite strong Commonwealth ties, Canada's importance as a trading partner with India has fallen from third place to 30th in the past 20 years. Canadian under-representation in India is especially acute in the area of pharmaceuticals. Trade between the two countries for finished and bulk drugs is negligible, although one Canadian company (Connaught Labs) is known to have met with some success exporting vaccines to India. Overall, Canada accounts for less than 1% of Indian imports in this sector.

There are two factors that suggest Canadian pharmaceutical companies should seriously consider entering into the Indian market. First, due largely to market reforms and decentralization since 1991, India has embarked on a path of rapid economic growth and modernization. Real GDP growth is forecast at 6% to 8% per annum through the year 2000¹. As the country's wealth increases, demand for better health care and pharmaceuticals will follow.

Second, government policies which have previously hampered foreign investment growth for decades will likely soon change. Specifically, in the pharmaceutical industry, lack of patent protection, restrictive foreign investment rules and burdensome bureaucracy are set for modernization. In the case of patent laws, India is a signatory of both the Trade Related Intellectual Property Rights (TRIPS) and the General Agreement on Tariffs and Trade (GATT). Though new patent law is currently stalled amid domestic opposition and national elections, international pressure is expected to result in its eventual passage. India has until 2005 to fully comply with these international agreements however they are currently in violation of a section requiring them to accept patent applications as of January, 1995. This has prompted threats of trade action by the U.S.

¹ Indian Commerce Ministry forecast.