

India is the world's tenth largest economy, with a Gross Domestic Product (GDP) of \$250 billion. Real annual growth has averaged about 5 percent since 1980. Annual GDP growth in India is expected to exceed 6 percent per annum until the turn of the century.

With qualified low cost labour, the second largest pool of technically-trained manpower in the world and a steadily-growing domestic market, India's potential for growth in the next few decades is almost unlimited.

### **1.3 India's Political Situation**

India has a long history of political stability. It is the world's largest democracy with over 500 million individuals on the voters list. The strength of India's democracy is best illustrated by the relatively smooth transitions that take place with the election of a new government.

Some Canadian companies may be concerned about the results of the recent Indian election. No party received a parliamentary majority, and the Congress Party, the governing party for much of the period since independence, was voted out of office. While this might suggest that the political situation may be unsettled, consider the following. First, the election was remarkably free of disturbances, and all parties have respected the outcome of voting. Second, due process is being followed in terms of forming a government with the party receiving the highest number of seats (i.e. the BJP) being given a chance to form a government, and, if they fail, other parties will be afforded a similar opportunity. Third, the institutions of government and economic management are largely independent of government (e.g. Reserve Bank of India, Securities Exchange Board of India) and for them it is business as usual. There may be an impact on new liberalization initiatives or delays with certain approvals, however, by and large, the path of India's economy is set and there should be no major negative impact due to the political situation.

### **1.4 An Approach to Environmental Markets in India**

There is a critical difference between environmental markets in India and industrialized countries. Regulatory market drivers are significantly less important in emerging economies such as India. Of far greater consequence are voluntary measures which increase profits through greater energy efficiency and reduce the amount of waste; in effect, the process and technologies of eco-efficiency. India views with a much keener eye, environmental goods and services which promote rather than impede economic growth.

When approaching Indian environmental markets, one should consider that small and medium-sized enterprises (SMEs), which constitute the vast majority of companies in India, simply do not have the luxury to opt for cleaner production systems. Many traditional western technologies fail because they are too expensive, consume too much electricity or require too much water or land to operate. Foreign entrepreneurs often do not take sufficient account of local characteristics and constraints.