

It is evident that China, India and Brazil present specific opportunities accompanied by individual risks, and that they require a careful assessment of different "tool kits" to assist Canadian business. However, they are not the only countries or regions that hold significant promise. Canada's emerging markets strategy must take into account the new realities of regional integration, the growth requirements of specific sectors where Canada excels as well as the role of global sourcing, finance and investment in setting the stage for strategic business partnerships.

### **China**

East Asia has been home to some of the world's fastest growing economies, and China, in particular, has been a driving force in the establishment of regional sourcing and manufacturing linkages. As the world's most populous country with the fastest growing economy (9.5% in 2004), China is an economic giant that surpassed Japan as Canada's second largest bilateral trading partner in 2003. In 2004, Canadian exports to China grew by more than 40%. China's growth is expected to continue: according to Goldman Sachs, China may become the world's second largest economy by 2016, up from sixth, and the world's largest by 2041.

Reinforced by demographic evolution and institutional adjustment, dynamic new patterns of consumption are emerging. The middle class in China is rapidly expanding, resulting in new sources of financial power, along with a realignment of global energy balances, a shift in the locus of infrastructure development, and an altered context of labour, skills and knowledge.

China attracts more foreign investment than most other nation and, recently, has adopted a new strategy of outward investment. China has a growing need for a reliable and diverse supply of natural resources, particularly energy, and it is an important link to regional supply chains in Asia.

China has emerged not only as a growing economy but also as a rising player in regional and global supply chains, resetting patterns of trade and investment internationally and framing the pursuit of competitiveness and prosperity at home in Canada.

In order to position firms to benefit from these changes, Canada is currently building on its relationship with China through negotiations for a foreign investment protection and promotion agreement (FIPA). There are many outstanding business opportunities in China—particularly in agricultural technology, agri-food, building products, financial services, information and communications technology, mining and minerals, and transportation. The question for government is where to focus our (limited) trade resources in order to ensure that Canadian industry is thriving in this market and region 10 and 20 years from now.

### **India**

As the world's second most populous country and with a rapidly expanding middle class, India is a potential consumer market for Canadian exports. As India develops, it will need to draw on foreign technology and investment. Indian investment abroad (particularly in high technology) is significant and growing. The Indian business services sector plays an important role in the country's global commercial growth.

Canada is currently negotiating a FIPA with India. The most promising opportunities in India include financial services, energy and transportation infrastructure, information and communications technologies, environmental industries, agri-food, education and cultural industries. Here again, however, we confront tough questions on where to focus resources in order to address Canada's long-term interests.

India is a significant player in the knowledge sector, and heightened Canada-India cooperation in science and technology could support the Canadian innovation agenda and serve as a launch pad for further mutually beneficial trade and investment links.

### **Brazil**

The Brazilian economy is large (15th in the world) and diversified, with strong agricultural, industrial, energy, raw materials and services sectors. Economic reforms are starting to pay dividends with 5.2% growth in the fourth quarter of 2004, compared with the same quarter one year earlier. Brazil's importance in the region is critical. It is the door to Mercosur (a common market/customs union between several South American countries) and, more broadly, the