(B) A new Industrial Policy, tabled on May 31, 1990, aimed at carrying forward the liberalization process. It's highlight is the debureaucratization inherent in (a) the automatic approval of joint venture with foreign investment up to 40% equity; (b) the complete delicensing for 100% Export Oriented Units (EOUS) and Export Processing Zones (EPZS) up to an investment of Cdn $ 53 m; (c) the complete delicensing of new industrial operations for projects with less than Cdn $ 53 m in fixed assets in backwards areas and elsewhere, with less than Cdn $18 m in fixed assets; (d) the elimination of government approval requirements for technology transfer collaborations where royalties are up to 5% on domestic sales and 8% on exports, (although lumpsum payments are still subject to government approval); (e) the automatic entitlement to import plant machinery and equipment up to 30% of the total investment in plant and machinery required by a new industrial unit (30% limit must however include custom duties that average 80 to 100%); (f) the automatic import entitlement for new materials and components up to 30% ex-factory value of annual production (the new provisions described in e and f are in addition to existing provisions for goods under the Open General Licence); (g) special treatment to agro based industries involving the facilitation of credit allocations and of the creation of processing units, and a commitment that government decision on the approval of large projects would be delivered within 30 days.

(C) Announced on June 12, 1990 the creation of a Select Committee on Trade and Investment. The Committee, which is made up of the Prime Minister and the Ministers of Industry, Commerce and Finance, was created to speed up the investment process and remove bottlenecks.

The Eighth Five Year Plan which is operational from June 1990, will have as its priority the creation of employment, poverty alleviation, expansion and output of consumer essentials, and combating inflation. This shift in emphasis is expected to alleviate pressure on foreign exchange resources by encouraging exports more vigorously, and curbing non-essential imports, and promoting less capital and import intensive industries. Increase in expenditure for agricultural and rural development envisaged in the new five year plan, and in the current budgetary allocation, would entail the development and upgrading of infrastructure, requiring among others, increased imports of construction machinery, power generation plants, and transportation and communication equipment, all of which should be of interest to the Canadian exporters.

India's foreign debt is estimated over US$55 billion with a debt service ratio of 20.8%. India's export in 1988/89 amounted to US$16,738 million, and imports to US$21,877 million, resulting in a deficit of US$4,836 million, compared to US$5,459 recorded in 1987/88. Major exports include gems and jewellery, garments, engineering goods, cotton yarn and fabric, and tea. Imports include petroleum and lubricants, non-electrical machinery, apparatus and appliances, iron and steel, pearls and precious stones, chemicals, and fertilizers. Major exports markets were U.S.A., USSR, Japan, U.K., and W.Germany, and major source of imports were Japan, U.S.A., U.K., W.Germany, and USSR in that order.

FOREIGN RELATIONS

India has taken great pride in its role as a founding member of the Non-Aligned Movement(NAM), and has based its foreign policy on the principle of non-alignment. India has always argued that its special relationship with the USSR did not preclude warm ties to the West. In addition to the NAM, India is active in the UN, GATT, Commonwealth and supported the creation of the South Asian Association for Regional Co-operation in 1985. Strained relation between India and Pakistan showed some improvement after the election of Prime Minister Benazir Bhutto, but the resurgence of separatist violence in Kashmir has increased tension in the border areas. On the other hand, the new government has initiated action to address outstanding bilateral problems and improve its relations with Sri Lanka, Nepal, and Bangladesh.

BILATERAL RELATIONS

Canada's ongoing relationship with India is multi-dimensional. It encompasses our interest in India's geopolitical role both regionally and internationally. Substantial trade with India in traditional commodities, ongoing and newly emerging commercial and economic interests and investments are important, as well as the immigration/cultural dimension. Historically, Canada has been a leading aid donor to India.