

- Air pollution, from the rapid growth in road traffic and increased industrial emissions;
- Toxic and solid waste management problems.

The industrial sector is comprised of thousands of small factories in addition to the many large factories found throughout the country. These small firms often use obsolete and inefficient production processes. Typically, they do not have capital to invest in expensive pollution control equipment or clean production technologies, yet they contribute a disproportionate amount of pollution and represent huge employment and foreign exchange earnings. They have had little incentive to modernize because they have traditionally enjoyed considerable subsidies and protection.

A lack of access to affordable financing limits the adoption of world-class environmental technologies, particularly for smaller firms. The real cost of capital is very high, with interest rates ranging from 18-30 percent compared with an inflation rate of 8-10 percent.

In order to overcome environmental challenges, India needs a number of key additional inputs:

- A basic regulatory framework that is simple, harmonized between central and state governments, and that includes a manageable and reliable compliance structure;
- Foreign companies with modern, cost-efficient environmental technologies that boost productivity;
- Equity, in both rupee and hard currency, to facilitate joint ventures between off-shore and Indian companies; and, debt financing to finance projects and inventories;
- Export markets for environmental technologies to fuel domestic GDP growth and make the sector even more attractive to the Indian government;
- Development of professional Indian environmental managers within both industry and government to lead the reform of environmental industry;
- Enlightened consumers with greater environmental awareness and education who will demand higher environmental standards.

As one of the world's most rapidly industrializing countries, India faces serious environmental and energy challenges that are creating new markets for Canadian environmental goods, services and technologies.