

Tax Reform - The final objective is a tax system that is simple, broad-based, well-administered, and set at a moderate rate. To date, corporate and personal tax rates have been drastically reduced. For example, the capital-gains tax has been cut from 40 percent to 20 percent and corporate taxes from 50 percent to 40 percent.

World Trade Organization (WTO) - In 1994, India ratified the final Uruguay Round of global trade talks embodied in the new World Trade Organization. As a result, far greater protection exists for intellectual property. For example, the Indian Patents Act has been amended to recognize 20-year product patents and include food, pharmaceutical and chemical sectors. India has agreed to bind over 60 percent of its industrial tariff schedules and to reduce these tariffs from about 65 percent to 32 percent. Export performance obligations for foreign investors have been abolished. The services sector has also been liberalized as they were included for the first time in a multilateral agreement. The opening of the service sector and improved protection of intellectual property rights will provide Canadians better access to the Indian market and should produce greater confidence to enter the market.

Environmental Reform - India has also undertaken environmental policy reform since 1991. The government's new pollution control strategy includes: integration of environmental and economic aspects in development planning; emphasis on pollution prevention through application of the 'polluter pays principle'; and incentives for the use of clean technologies to foster technological innovation.

The government has substantially enhanced internal competition and foreign access to this market. However, it may take several more years before all reform measures are fully implemented. There is a change of mind set taking place in India though it will not happen overnight. The fundamental forward momentum of the economic liberalization program witnessed to date is unlikely to change. This will continue to create exciting commercial opportunities for Canada.

V. The Canada-India Trade Relationship

Canada and India are not major trading partners. Our respective exports only account for about one percent of each country's total exports. In the 1970s, Canada was India's third largest trading partner with wheat leading Canadian export sales. Newsprint, potash and sulphur were other major commodity exports. However, with India's Green Revolution and with a conscious effort by India to seek other, lower-cost sources of commodity supply Canada's exports decreased dramatically. In 1991, at the height of India's import compression due to foreign exchange difficulties, our exports had fallen to \$290 million, nearly half of what they were in 1985.

Unlike Canada's bilateral trade with other emerging economies in Asia, our exports to India were characterized by a lack of value-added products, although CIDA and