

Statement

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NOTES FOR AN ADDRESS BY
THE HONOURABLE ROY MACLAREN,
MINISTER FOR INTERNATIONAL TRADE,
ON THE OCCASION OF
THE LAUNCH OF *FOCUS INDIA*

TORONTO, Ontario
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It gives me great pleasure to be here this morning to launch *Focus India*, Canada's Trade and Economic Strategy for the vast Indian market. I thank the Canada-India Business Council, the Business Council on National Issues, the Canadian Exporters' Association and the Canadian Manufacturers' Association for hosting today's event.

India is more than just another rising Asian "tiger." By the turn of the century, India's population will approach one billion. Once an inward-looking, planned economy based on import substitution, India has moved to a more open, globally oriented economy ripe with opportunity. India now has a rapidly expanding middle class, numbering some 250 million, representing the largest emerging consumer market in the world.

Since 1991, India has undertaken significant economic reforms to liberalize both trade and investment. The reforms have begun to bear fruit. Since 1992, Indian exports have increased by 20 per cent annually; capital inflows were 30 times higher in 1994 than in 1991.

Economic liberalization and growing participation in the broader trading world have contributed to increased confidence in the Indian economy. Economic reforms have opened many sectors to foreign business and investors. Deregulation has allowed greater private sector involvement, while the reduction in tariffs and import duties has encouraged the entry of foreign companies. Equally important, India's historic signing of the Uruguay Round of the GATT [General Agreement on Tariffs and Trade] and now membership in the new World Trade Organization ensures greater protection of intellectual property rights and conformity with internationally agreed trade rules.

India is opening up. The time is ripe for Canadian business to position itself in that largely untapped market. Business opportunities and possibilities for forming partnerships in India are rapidly emerging. To be successful in that increasingly competitive market, we must harness our collective strengths and concentrate our limited resources in high potential areas. This is what *Focus India* is all about.

Focus India is a "Team Canada" initiative spearheaded by the Department of Foreign Affairs and International Trade and by the Canadian International Development Agency. It is the result of extensive consultations with the private sector and both provincial and federal government departments and agencies, including the Export Development Corporation and the Canadian Commercial Corporation.

Focus India emphasizes the need for a co-ordinated approach to business development in India so that Canadian companies can more effectively penetrate the emerging Indian market.

New exporters will find in *Focus India* details on market information sources and programs. Experienced exporters will find in *Focus India* a cohesive strategy to improve Canadian access to the Indian market and to expand Canadian trade and investment with India.

Focus India distinguishes the challenges and constraints Canadians face when accessing the Indian market. By identifying barriers that affect Canadian business – such as government procurement practices – we can work in concert to overcome them. By identifying other limitations – such as the lack of awareness both in Canada and in India of the potential to exploit jointly the new opportunities in our respective domestic markets as well as in third markets – we can focus our collective energies on surmounting them.

Focus India is by no means a static document; it will evolve with Canadian business development priorities and market conditions. Ultimately, we hope that *Focus India* will act as a catalyst for greater private sector involvement in India's economic development.

Focus India sets out Canadian priorities. By matching Indian needs with Canadian capabilities, it identifies those sectors – energy, telecommunications and environmental industries – that offer the greatest potential for Canadian business. The close fit between India's infrastructure needs and Canadian technological expertise makes India a highly lucrative market for Canadian business and investors.

Here are a few examples:

India's power requirements are immense. Not only is it faced with frequent power shortages but the growing middle class together with the rapid expansion of India's industrial base are pushing its energy requirements ever higher. The Government of India proposes to increase energy production by 35 per cent over the next three years. To that end, the Indian government has privatized the power sector and opened it up to foreign investment, while providing a series of incentives to attract foreign and domestic investment. The resulting inflow of domestic and offshore capital makes India's power sector one of the fastest growing in the world.

India's energy demand has also created a need for petroleum equipment and services. The oil and gas sector, once the exclusive domain of the Indian public sector, is now gradually being liberalized. This market, estimated to be about US\$4 billion and growing at about 15 per cent annually, offers a wealth of opportunity for Canada. And with this growth, Indian industry is hard-pressed to fill the demand. At present, more than half of the requirements are met through imports.

Similarly, Canada's expertise in telecommunications puts our companies in a good position to capitalize on the rapidly growing demand for equipment and services. This sector, again, once the exclusive domain of the Government of India, has been opened to the private sector, both domestic and offshore. And the recently announced decision to base the Indian telecommunications regulatory system upon Canada's CRTC [Canadian Radio-Television and

Telecommunications Commission] adds an element of familiarity and should give Canadian companies an added advantage.

The environmental problems generated by India's population growth and the rapidly diversifying industrial base have created a tremendous need for environmental goods, services and technologies. The market, currently estimated to be about US\$500 million, is expected to grow at an annual rate of 20 to 25 per cent. Historically, India's regulatory regime has caused problems for foreign firms attempting to access this market. This is steadily improving, though much work remains. India has adopted new environmental legislation, most import controls have been removed, and stricter enforcement is being introduced.

The Indian market presents a wealth of opportunities, particularly for those who, through joint ventures, can match Indian knowledge of the market with Western capabilities. By establishing joint ventures with Indian partners, Canadians can not only reap the short-term benefits of supplying the voracious Indian market, but they can also look forward to the long-term benefits of supplying other Southeast Asian markets.

India's attractiveness as an economic partner for Canada is enormously enhanced when we realize that India is the world's largest functioning democracy. It uses one of Canada's two official languages, English, as a major language of business. It has a fair and independent judiciary, able to adjudicate contentious business issues. It has well-established banking and distribution systems, a strong entrepreneurial tradition, and a highly skilled and well-educated workforce.

However, the limited awareness both in Canada and in India of one another remains an important constraint. In Canada, India's business potential is not fully appreciated. Although there are some distinct market characteristics that may seem overwhelmingly difficult at first, Canadian business must look beyond first impressions. Others, who may have had unfulfilling experiences in India in the past, need to re-examine what the new India has to offer. Equally, if not more important, there is a lack of awareness in India of Canadian competitive strengths.

To help alleviate this problem, we are, as part of our Focus India strategy, initiating more face-to-face contacts at the government, business and academic level. This includes a series of high-level visits between Canada and India. There have already been several, including my visit to New Delhi and Bombay with a large business delegation last October, and my colleague, Raymond Chan's visit in March. We anticipate additional high-level visits and trade missions to India over the next year.

Plans are also under way for several Indian ministers to lead trade missions to Canada this year.. The Minister of Petroleum and Natural

Gas will be here later this month. Later this year, we are anticipating visits by the Minister of Food Processing, the Minister of Telecommunications, and the Finance Minister, India's leading architect of economic reforms.

Several seminars and presentations, conducted in co-operation with Canadian associations, will take place across Canada. For instance, the Conference Board of Canada is organizing cross-Canada round tables on India's power sector, starting next week, and a seminar series on India will be hosted by the Asia Pacific Foundation of Canada this autumn.

We have also strengthened our presence in India by adding additional trade officers in both New Delhi and Bombay and by appointing additional honorary consuls in Madras and Bangalore, enabling us to increase the level of support to Canadian businesses active in India and to promote Canada as a reliable source of quality goods, services and technology.

Through these efforts and those of the several organizations hosting today's event, we hope to transform the mystique surrounding India into a more informed and even more exciting appreciation of the society and economy. *Focus India* is part of that learning process.

Canada no longer approaches India as a developed country proffering aid and concessional financing. We now go to India as a business partner, with an eye to mutual advantage: a "win-win" scenario. The Canada-India relationship has the potential to grow beyond the idealism of the '50s and '60s, which sometimes gave way to disillusionment. Canada and India have to face the 21st century in the light of our mutual interests.

The transition from a centrally planned economy to a market-driven economy has extensive implications for India as a nation and for the sustainability of India's economic development. While Canada recognizes that even positive change can be difficult and that the benefits are not always immediately evident throughout Indian society, Canada welcomes these developments and will continue to encourage India to stay the course and press for further economic reforms.

Canada, like the new India, has a commitment to open, rules-based trade. There are enormous opportunities ahead for Canada-India business co-operation; not just in joint ventures or technology transfer agreements, but in strategic partnerships which will spell growth both for our business communities and our national economies. *Focus India* is the catalyst that will help us all to capitalize on the unrivalled potential offered by the Indian market.

Thank you.